

Mexican Strategic Landscape

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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



Overview

01 — *Diplomatic relations between Mexico and Peru in crisis.*

After a failed attempt to dissolve the Peruvian Congress, President Pedro Castillo was ousted and arrested as he tried to flee to the Mexican Embassy. After his dismissal, Vice President Dina Boluarte took over as Interim President until 2024. Despite the principle of non-intervention that Mexico has within its foreign policy, AMLO repeatedly spoke in favor of the former president and granted asylum to his family. The incident provoked the annoyance of the Peruvian authorities, who in retaliation declared the Mexican ambassador in Peru “persona non grata”, giving him 72 hours to leave the country. Diplomatic relations between the two countries are currently on hold as demonstrations against the interim president continue in Peru.

02 — *Chip production, opportunity for Mexico.*

In addition to nearshoring, the competition between the United States and China represents an opportunity for Mexico to develop chips or semiconductors. The chips manufacturing industry is considered a national security issue for the U.S due to the impact they have on the global production chain and defense systems of that country. Therefore, the U.S has decided to boost the research and production of chips among the countries of North America. For Mexico to take advantage of this opportunity, it would have to promote the use of renewable energies, improving energy transmission networks, and working together with the private sector and universities to train the human skills necessary to supply the new needs of the industry.

03 — *Health system and economy fell back after the pandemic.*

Life expectancy and economic growth presented a setback after the pandemic in Mexico. Data from the Organisation for Economic Cooperation and Development (OECD) reveal that life expectancy fell 4 years, going from 75 to 71 years in less than 2 years, making it one of the countries with the greatest decline in the world. In the case of the Mexican economy, data from Economic Commission for Latin America (ECLAC) reveals that Mexico, Cuba, Venezuela, and Ecuador are the only countries in the region that have not recovered their GDP prior to the pandemic. Among the reasons that have influenced the slow recovery of these indicators in the country are economic policy and changes in legislation that have scared away investors, the deterioration of public health services and the government's poor management of the pandemic.

Things to observe in January 2023:

- Reorganization of the “Cartel de Sinaloa” and the possible emergence of new internal groups.
- Agreements of the USMCA Summit held in Mexico.
- Pending extradition processes of high-profile criminals to the U.S: Caro Quintero, Ovidio Guzmán and José Rodolfo Villarreal “El Gato”.

Northwestern



Regional Overview

Seizures of cocaine and fentanyl grow in the region

In Sonora, the authorities seized more than 50,000 pills and 300 kilos of fentanyl by land in different operations in the municipalities of Opodepe and Pitiquito. In Sinaloa, 117 kilos of fentanyl were seized by land in the municipality of Ahome and an aircraft carrying half a ton of cocaine was detected and forced to land at the Mazatlán airport. The increase in seizures occurs as a response to U.S pressure to stop the entry of drugs, especially fentanyl, which has increased deaths by overdose in that country. In the case of Mexico, fentanyl has caused an increase in violence in the region as it is considered a strategic area for its traffic to the US.

Wind power plant begins operation in Baja California Sur

The U.S company Eurus Energy America Corporation started operations of the “El Coromuel” wind power plant located in Soth Baja. The project has an investment of more than 3 billion pesos and is the first investment made by the company in Mexico. The energy generated will be sold in the Mexican wholesale electricity market. Although this plant will help cover part of the energy supply deficit that has affected the region for decades, being able to transit to the use of renewable energy will require greater government support and a strong rule of law.

Things to observe:

- Increase in violence in Tijuana due to the internal struggles of the “Cartel de Sinaloa”.
- Installation of the first lithium battery manufacturing plant in the municipalities of Hermosillo or Agua Prieta in Sonora.
- Water scarcity in the Colorado River basin and its impact across the region.

Northeastern



Regional Overview

Tesla considers investing in Nuevo León

After Elon Musk's visit in October, rumors of the possible installation of a Tesla plant in Nuevo León have intensified. It has been mentioned that the plant could be installed in the municipality of Santa Catarina, which is part of the Monterrey Metropolitan Area, and that the investment could be up to 10 billion dollars in various phases, which would make it the largest investment recorded in Nuevo León. Despite the benefits offered by the state, Tesla is currently facing some challenges such as the personnel cut announced in 2022 and the investment of more than 700 million dollars to expand its plant in Austin, Texas that could wipe out the possibility of investment in the state.

San Luis Potosí disputed by criminal groups

During the last months of 2022, there have been various episodes of violence associated with organized crime in San Luis Potosí. Its proximity to the states of Zacatecas Tamaulipas and Veracruz make it a strategic point desired by some organized crime groups, such as :“Cartel del Golfo”, “Cartel del Noreste”, “Cartel de Sinaloa”, “Cartel Jalisco Nueva Generación”, Los Alemanes and a local group known as “Los Independientes” who work for different factions. Even though, during the first semester of 2022, the creation of the Civil Guard in the state was approved, the violence has not stopped, for which it will be important to analyze the performance that this new corporation has had and make changes to be able to face the organized crime.

Things to observe:

- Cancellation of investments in wind energy in Tamaulipas due to lack of transmission lines.
- Increase in victims of meningitis in Durango.
- Positioning of air pollution in the public agenda of Nuevo León.

Western-Bajío



Regional Overview

Mencho's brother of CJNG leader is captured

After the kidnapping of army colonel José Isidro Grimaldo in the municipality of Tapalpa in Jalisco by the CJNG, federal forces captured Antonio Oseguera Cervantes aka "Tony Montana" considered one of the main financial and logistics operators of the group. Although the authorities presumed the capture as a blow to the criminal organization, just a few days later a video circulated in which criminals delivered Christmas gifts in a neighborhood in Guadalajara a few meters from a police station, without any authority intervening. In addition to capturing high-profile members, it will be necessary for the authorities to rebuild social fabric and combat corruption to be more effective in their security strategy.

Proposal of Faceless Judges in Zacatecas due to violence

After the murder of Judge Roberto Elías Martínez by the organized crime in Zacatecas, some authorities have contemplated the possibility of creating the figure of faceless judges to protect those who administer justice. The high levels of violence, the long history of attacks on public officials, and the lack of protective measures have caused fear among judges. If this proposal is approved, it would help to strengthen the administration of justice by neutralizing possible external threats that judges receive.

Things to observe:

- Increase in cargo theft and assaults in the region.
- Possible investigation for corruption of the Next Energy company in charge of the construction of a solar park in Aguascalientes.
- Creation of the State Tax Administration Service (SAT) in Michoacan.

Central



Regional Overview

Farmers replace poppies for coca plant in Guerrero

Some media outlets have reported a change in the matrix of drug production in Guerrero. Although Guerrero led the production of opium gum for decades, in recent years the cultivation of coca plants has grown, particularly in the municipality of Atoyac de Álvarez. Among the factors that have contributed to this situation are the abandonment of the countryside by the Government and the fall in the price of opium gum and the rise of new drugs in the international market. The cultivation of coca plant is unusual in Mexico, revealing a possible change in criminal organizations, which previously trafficked cocaine from South America.

National Guard creates special unit to fight crime

On December 5, the creation of the Special Reaction and Intervention Force (FERI) of the National Guard was published in the Official Gazette of the Federation. The operational command will be exercised by the commander of the National Guard and among its activities stand out: participation in high-impact operations against organized crime, hostage rescue, location and neutralization of explosive devices and biological or radiological materials and provide security at high-level events. Despite the publication of the agreement, it was not mentioned when this new unit would start operations.

Things to observe:

- Protected Natural Areas in the region at risk of being controlled by organized crime.
- Social conflict over water between mining companies and inhabitants of the municipality of Dolores Hidalgo, Guanajuato.
- Increase in attacks against municipal authorities and police members in Guerrero.

Southern



Regional Overview

Navy seizes semi-submersible with cocaine in Chiapas

In the coast of Chiapas, elements of the Navy seized 873 kilograms of cocaine hydrochloride aboard a semi-submersible and 2 Go-Fast boats that were transporting fuel. During the operation, 7 people of different nationalities were arrested, including 2 Ecuadorians and 2 Nicaraguans. Chiapas has become an important entry point for cocaine from South America. In recent years drug seizures by sea and air have increased, as well as violence in the state due to the struggle between various criminal organizations for control of the territory.

Ammonia leak reactivates protests in Oaxaca

Corrosion in one of the PEMEX pipelines caused an ammonia leak in the community of Donají, municipality of Matías Romero in Oaxaca. Therefore, at least 200 people were transferred to shelters to avoid possible damage to their health. The incident caused some demonstrations by groups such as the Union of Indigenous Communities of the North Zone of the Isthmus (Ucizoni) who point out that in recent months there have been more than 11 leaks in PEMEX pipelines due to lack of maintenance that has caused serious damage to the environment. Ucizoni is an organization that has been defending indigenous communities for more than 35 years and has been reactivated in recent years against projects such as the interoceanic corridor and because of families affected by PEMEX leaks.

Things to observe:

- Intensification of the drought in the north of Veracruz and its effects on livestock and agricultural production.
- Construction of an electrical substation in the municipality of Manlio Fabio Altamirano that will supply energy to Constellation Brands.
- Truck drivers blockade due to a high rate of extortion and insecurity.

Yucatan Peninsula



Regional Overview

Armed Forces will control airports and extract limestone

The Armed Forces in Mexico continue to acquire new responsibilities. In recent months it was announced that the Army and Navy will take charge of the Campeche International Airport and the Ciudad del Carmen Airport respectively. Additionally, a report made by Proceso magazine revealed that the Army would also be extracting limestone in Campeche with the purpose of using it for the construction of the Mayan Train. Although it is unknown whether these new functions of the armed forces will be temporary or permanent, it will be important to analyze the impact that this will have on their capabilities and their reputation, particularly the extraction of limestone, which has already generated discomfort in some ecological organizations at national and international level.

Companies in Yucatan in the crosshairs for water contamination

The companies Bachoco and Yucateca Brewery are targeted by social organizations in defense of water for allegedly contaminating and using water indiscriminately in the municipality of Hunucmá in Yucatan. In the case of Yucateca Brewery, despite having one of the most modern plants in the country, in which more than 90% of waste is recycled, the inhabitants have the perception that they make an indiscriminate use of water. It is expected that social conflict continues and intensifies during 2023, for which it will be important for companies to develop comprehensive strategies that allow them to improve their processes and their relationship with the community where they operate.

Things to observe:

- Increase in social unrest against Kekén company for water and soil contamination in Yucatán.
- Rising crime rates in Campeche.
- Fishermen recruited by organized crime in the region.

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