

Mexican Strategic Landscape

Monthly Report - November 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 / Mining companies in Mexico under siege.

In Mexico, the mining industry is confronted with a challenging outlook marked by a combination of factors. These challenges include thefts by criminal groups, community opposition, shifts in legislation, and pressures from governmental bodies or labor unions. In Guerrero, the 'Coordinadora Regional de Autoridades Comunitarias-Policia Comunitaria (CRAC-PC)' has demanded the revocation of 50 concessions granted to mining companies from Canada and England. Meanwhile, in Zacatecas, the 'La Colorada' mine experienced thefts of mineral-laden trucks. The Buenavista mine in Sonora is under pressure from mining union Section 65 and the 'Frente Unido Rio Sonora organization' due to environmental concerns stemming from 2014. Even international companies haven't been immune, with Ganfeng Lithium, a Chinese-based company, losing its concession for lithium exploitation in Sonora. In some cases, these various risks converge, impacting both the operational efficiency and reputation of these companies, resulting in significant financial losses in the millions and constraints on their growth initiatives.

02 / State of Guerrero adrift after hurricane Otis.

In the aftermath of Hurricane Otis, despite the United States National Hurricane Center (NHC) warning of the catastrophic potential of the storm, which reached category 5, the Mexican government's response was delayed, resulting in significant damage to the city of Acapulco (this city accounts for 66% of the state of Guerrero's GDP). Recent government reports have confirmed the tragic loss of at least 48 lives, and hundreds remain missing. Faced with the absence of municipal and state authorities, residents have taken it upon themselves to protect their homes and businesses, organizing impromptu watch groups armed with sticks and machetes. Rebuilding the state will necessitate a comprehensive, long-term strategy that involves collaboration among all levels of government, private enterprises, and civil society to lay the groundwork for a new model of development and governance. Since Acapulco has been a hot spot in terms of organized crime for decades, there is a credible risk that those organizations might try to fill the vacuum left by the Authorities and increase their footprint.

03 / Demonstrations increased in the last year of AMLO's government.

Despite the President maintaining high levels of popularity, several of his flagship projects have encountered resistance and dissatisfaction within various communities. In recent months, we have witnessed protests from disgruntled communal landholders in Quintana Roo against the construction of the Tulum Airport, grievances voiced by Piste landholders in Yucatan concerning the impacts of the Mayan Train's development, and civil organizations in Oaxaca opposing the construction of industrial parks as part of the Interoceanic Corridor. It is credible to assess that AMLO's grip on various disruptive social organizations has begun to fade.

Mexico and the Global Stage

Global alert for terrorist attacks.

Some Western countries are on alert for the possibility of terrorist attacks inspired by the terrorist group Hamas. In Belgium, the alert level was raised, due to the recent terrorist attack that left 2 Swedish citizens dead. In Spain, the terrorism alert level is currently at level 4 out of 5. While in the United States the director of the FBI warned about the increased risk level of a terrorist attack. Despite Mexico's closeness to the United States and the concern that some Western countries have expressed, no special measures have been announced to reinforce national security.

Northwestern

Regional Overview

01 ——— Lithium concession to the Ganfeng Lithium company is cancelled.

In August, the Federal Government notified the Chinese company Ganfeng Lithium of the cancellation of 9 concessions granted to the company, including the exploitation of the lithium deposit in Bacadehuachi, Sonora, because the company had allegedly failed to comply with the minimum investment obligations. The cancellation occurs after the approval of the Mining Law in which Mexico declared lithium as the nation's heritage and created the parastatal company “Litio para Mexico” for its exploration and exploitation. The Chinese company then obtained a judicial protection to try to reverse the decision adopted by the Federal Government. Though this sudden cancellation creates an environment of uncertainty for foreign companies that wish to invest in Mexico, the Governor of Sonora continues to promote the Sonora Sustainable Energy Plan in different parts of the world to attract investment to the state.

02 ——— Uncertain future for Buenavista mine in Sonora.

The Buenavista del Cobre mine belonging to Grupo Mexico faces an uncertain future. In recent months, pressure has been reactivated from social organizations such as the “Frente Unidos Rio Sonora” and section 65 of the mining union against Grupo Mexico company, due to the damage caused by the spill in the Sonora River that occurred in 2014. The conflict escalated during October, because the groups expressed their intention to block the mine facilities, which caused the company to reinforce its security measures. In addition to local conflicts, at the federal level there is a risk that the concession to Grupo Mexico company will be withdrawn for failing to remediate the damage made to the Sonora River, which is encouraged by a nationalist discourse by some sectors.

Key Actors

Lithium deposits in Bacadehuachi, Sonora and the Chinese connection.

Bacadehuachi is a town located in the Sonora mountains where one of the largest lithium deposits in the world is located. The National Geological Service estimates that there are reserves of 243 million tons of lithium in that area.

Northeastern

Regional Overview

01 ——— **Millionaire losses in the automotive sector due to border inspections.**

The exhaustive reviews implemented by the Governor of Texas on cargo trucks coming from Mexico at the border have caused million-dollar losses to the automotive sector. After these measures, border crossing times increased from 2 to 12 hours on average. One of the most affected states is San Luis Potosi, where automotive companies such as General Motors and BMW are located. The director of the automotive cluster in that state estimated accumulated economic losses of around 500 million dollars. This case shows how local decisions can affect North American supply chains and the economic integration process between Mexico, the United States and Canada.

02 ——— **Municipal police targeted by criminal groups in Nuevo Leon.**

Municipal police and public security secretaries have become a new target of criminal groups operating in Nuevo Leon. During October, various attacks against police officers were recorded in several municipalities, highlighting the murder of the security secretary of the municipality of Hidalgo just 2 days after taking office, the attack against the security secretary of the municipality of Abasolo and the attack against 3 municipal police officers in Anahuac. The attacks against police corporations, the cancellation of local festivities and the voluntary suspension of nighttime activities reveal a deterioration in security conditions in several rural municipalities that could extend to more areas, if the State does not intervene in a timely manner.

Key Actors

Civil Force assumes command of municipal corporations in Nuevo Leon.

During October, the state police “Fuerza Civil” had to assume the command of at least 3 municipalities: El Carmen, Cienega de Flores and Hidalgo. There is a credible risk that organized crime-related violence might “encircle” the Monterrey Metropolitan Area in the coming months.

Western-Bajío

Regional Overview

01 ——— **New security strategy in Zacatecas.**

In just 2 years of government, 2 security strategies have been announced to stop the high levels of violence in the state of Zacatecas. In November 2021, the National Defense Secretariat announced the plan called Zacatecas 2, which included the deployment of elements of the Mexican Army and National Guard to reinforce security in the state. It also included carrying out control and confidence exams on municipal police officers and the creation of an intelligence group. Despite the existence of this plan, in October 2023 the Governor announced a new security strategy that includes increasing the recruitment of police officers, the acquisition of new weapons and the construction of the C5 for intelligence tasks. Even though the implementation of these strategies, the state of Zacatecas continues to present high homicide rates and the cities of Fresnillo and Zacatecas continue to lead in perception of insecurity at the national level.

02 ——— **Drought in Zacatecas and Queretaro.**

The states of Zacatecas and Queretaro face a serious drought, so they have requested help from the Federal Government. In the case of Zacatecas, former governor Amalia Garcia and current representative asked the federal government to declare an emergency due to the extreme and atypical drought that affects around 40 municipalities in the state. The drought has also caused demonstrations by Zacatecas farmers in the country's capital. In the case of Queretaro, 74% of the territory suffers from extreme drought and 8.2% suffers from exceptional drought. Additionally, some dams maintain a low level of storage, a situation that sets off alarms in the state. The Governor requested \$17 million USD from the President to address the drought problem. This situation shows that the drought problem has spread to a large part of the country and has become a recurring issue, which is why a national strategy will be required to address this situation in coordination with the states.

Key Actors

Perception of insecurity in Zacatecas.

The National Urban Public Security Survey (ENSU) published in October 2023, revealed that the cities of Fresnillo and Zacatecas lead in perception of insecurity at the national level. In Fresnillo, 96% of the population considers their city unsafe, while in Zacatecas the percentage was 94.3%.

Central

Regional Overview

01 ——— **Combating Illegal logging a priority issue in Mexico City.**

Although it is a historical problem in the region, in recent months the issue has been placed on the public agenda and the authorities have recently adopted some measures to combat illegal logging. The measures include the dismantling of 7 sawmills on the borders of Mexico City and Morelos as well as the reform of the penal code that increases penalties of up to 20 years in prison for illegal logging. A demonstration was recorded in the downtown area of the city where around 100 people participated who were affected by the closure of the sawmills. The municipalities with the most complaints are: Talpan and Alvaro Obregon.

02 ——— **Violence crisis in Guerrero worsens and leaves power vacuums.**

The crisis of violence that Guerrero faces worsened during the last month, after the attacks registered against municipal authorities and social and ecclesiastical leaders by criminal groups. During October, high level murders were record against the public security secretary of Coyuca de Benitez, the state delegate of the Attorney General’s Office in Chilpancingo and one of the founders of the organization “Pueblos de Organizaciones del Estado de Guerrero (UPOEG)”. The violence has even caused the delegation of the State Attorney General's Office in Tierra Caliente region suspend activities and the new Prosecutor doesn’t want to appear because there are no security conditions to take office leaving new power vacuums in the state.

Key Actors

“Union de Pueblos y Organizaciones del Estado de Guerrero (UPOEG)”

The “Union de Pueblos y Organizaciones del Estado de Guerrero (UPOEG)” emerged in 2013 as a split from the group “Coordinadora Regional de Autoridades Comunitarias (CRAC)” to -allegedly- combat criminal groups and manage government support. One of its founders was Bruno Placido Valerio, who was murdered during October in Chilpancingo.

Southern

Regional Overview

01 — Violence in Chiapas triggers migration to Guatemala.

Although the border between Chiapas and Guatemala has a long migratory tradition due to labor issues and military dictatorships in Guatemala, in recent months this dynamic has changed because of the violence crisis that afflicts the state of Chiapas in Mexico. The municipalities surrounding the “Sierra Madre de Chiapas” such as: Bella Vista, Frontera Comalapa and Motozintla have been among the most affected and the inhabitants have had to choose to migrate to Guatemala to try to request asylum and seek better economic opportunities. The struggle between the two main cartels in Mexico for control of the trafficking routes on the border has caused a violence and ungovernability crisis in the region. The Government of Mexico and Guatemala need to work on a joint security strategy to combat transnational organized crime.

02 — Connectivity from the central region to Puerto Escondido in Oaxaca improved.

The federal and state governments are promoting the construction of 2 infrastructure works to improve the mobility and connectivity of the central region with the coast of Oaxaca. The first work is the modernization of the Puerto Escondido International Airport, which includes a new passenger terminal and installation of new airport equipment to improve security and make operations more efficient. The second is the Barranca Larga-Ventanilla highway, which will connect the state capital with Puerto Escondido by land and will reduce travel times. The work is expected to start at the end of November, after facing various delays. It is expected that with these projects, there will be a tourist boom in Puerto Escondido.

Key Actors

Puerto Escondido International Airport.

Government information reveals that the Puerto Escondido International Airport moved 730,000 passengers in 2022 while by 2023 it is expected to move 900,000 passengers, which represents a growth of 23.28%.

Yucatan Peninsula

Regional Overview

01 — Conflict between Vulcan Materials and the Federal Government intensifies.

The North American company Vulcan Materials suffered a new attack from the federal government, which is pressuring the company to sell the land of the Calica-Sac-Tun mine located on the coast of Quintana Roo. If the company does not accept the offer, the Federal Government will issue a decree to declare the area as a Protected Natural Area. The conflict has become a personal concern for the President, he even mentioned during one of his daily morning conferences that before the end of his government he will seek to resolve this conflict. Although the company seeks United States Government protection, it faces an uncertain outlook given the proximity of the presidential elections in both Mexico and the United States.

02 — Inauguration of the Tulum International Airport at risk due to protests.

During October, around 300 communal land holders from Chunyaxhe blocked access to the Tulum International Airport for 8 hours, to demand that President Lopez Obrador comply with agreed commitments. Although no agreement was reached, the peasants gave the federal government an extension to November 18 to fulfill its promises. These protests are registered 1 month before the tentative inauguration date of the work and in the final stretch of AMLO's government.

Key Actors

Unfulfilled promises to Chunyache peasants.

Jacinto Canul Pacheco, Chunyache land commissioner, detailed that there is annoyance on the community members because the federal authorities failed to comply with the promise to regularize 5,900 hectares of the Chanyaxche communal lands.

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