

Mexican Strategic Landscape

Monthly Report - December 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 / Military capabilities continue to erode.

The new tasks assigned to the armed forces aimed at the administration of airports, customs and a new airline have caused traditional tasks such as Humanitarian Assistance-Disaster Relief (HADR) to be neglected. In Guerrero, a state affected by Hurricane Otis, the Air Force was unable to use its entire helicopter fleet due to lack of maintenance. For the upcoming inauguration of the new state-owned airline, operated and overseen by the Defense Secretariat, it was disclosed that three military aircraft will be used to provide commercial services -most probably B737s. The allocation of new functions and budget has not translated into a greater investment in military capabilities. This has hindered the preparedness of the armed forces, reducing its already-limited defense capabilities to almost zero.

02 / Asian investment boom in Mexico aimless.

The Mexican Association of Private Industrial Parks (AMPIP) revealed that 63% of the companies that arrived in Mexico during the year are of Asian origin, mainly from China, South Korea, and Taiwan. The investment boom that Mexico has received is due to the relocation of global supply chains. Despite Mexico being one of the most benefited countries, it has not been able to leverage on this situation. Some of the factors that have limited the country are the absence of a strategic vision, the lack of an industrial strategy that allows for the consolidation of the relocation process, as well as the limited infrastructure, particularly regarding energy generation. In addition to these factors, it will be vital that the Government, private companies, and universities work jointly to prepare new generations with the necessary skills to be employed by the industries that are coming to the country.

03 / The year of presidential decrees.

As the conclusion of Lopez Obrador's administration nears, there has been an escalation in the use of presidential decrees to safeguard specific strategic projects and address international litigation. So far this year, the President has published several decrees. In May he declared infrastructure projects such as the Mayan Train and the Interoceanic Corridor as a matter of national security. In November he published a decree to create seven new passenger train routes, deeming it a priority for national development. The President has also wielded this power to influence legal proceedings with private companies, as seen in the Vulcan Materials case. He warned that the land where the company is located could be designated a protected natural area if they refuse to accept the Government's purchase offer.

Mexico and the Global Stage

Lopez Obrador attends the APEC summit.

Although he initially declined to attend the APEC summit citing political differences with Peru, President Lopez Obrador ultimately reversed his decision and participated in the San Francisco summit held in November. At the event, he engaged in meetings with the Presidents of the United States and China, both of whom contend for influence in the Indo-Pacific region—a region deemed strategic due to its concentration of key global maritime trade corridors.

Northwestern

Regional Overview

01 — Construction of Nogales-Imuris train in complete opacity.

Although there is no public government information or an official map of the train route, the Federal Government has begun building a train that will connect the municipalities of Imuris and Nogales in Sonora, near the border with the United States. Some reports reveal that there is already progress in both its construction and dismantling of areas, even though the Government has not published the required Environmental Impact Manifesto. Communities directly affected by the project emphasize that it will damage the Cocospera River, which is part of a Protected Natural Area. The concern for the river and lack of transparency from the Government has resulted in demonstrations in the capital of Sonora. Although construction is expected to be completed by October 2024, community opposition and protests could derail the project.

02 — Fentanyl consumption and overdoses increase in the region.

Fentanyl consumption is emerging as a public health concern in the region. In recent months, Baja California and Sinaloa have taken steps to highlight the issue and raise awareness among the population. In Baja California, the forensic medical service has conducted 1,500 fentanyl tests since June 2022, with 23.33% of them being positive. During the present year, the Ministry of Health in the state of Sinaloa has recorded 92 cases of fentanyl overdose, with at least four of them being minors. Despite the efforts that local authorities are making to address this problem, the issue has been minimized at a federal level, and the focus has shifted to seizures rather than directly addressing consumption.

Key Actors

Cocospera Valley in Sonora.

Located near the municipality of Imuris in Sonora, this area is considered a firefly sanctuary and habitat for threatened species including jaguars, black bears, and ocelots. It is also an important source of water for local communities.

Northeastern

Regional Overview

01 — **Tamaulipas bets on Asian investment.**

In November, the Secretary of Economy of Tamaulipas attended the XVI China-Latin America and the Caribbean (LAC) Business Summit in Beijing, China. The meeting was inaugurated by the Vice President of China Han Zheng and attended by businessmen and government officials from 26 countries. The meeting aimed to attract investment to the state and strengthen its international presence. After this visit, the Chinese company Time Interconnect Technology announced the construction of a new plant to produce cables and accessories in the city of Reynosa, Tamaulipas with an investment of 40 million dollars. The geographical proximity to the United States, its manufacturing experience, and the location of the ports of Tampico and Altamira are some of the competitive advantages that Tamaulipas offers.

02 — **Children recruited by organized crime in the region.**

In recent years, there has been a growing trend of cases involving the recruitment of children into organized crime. In San Luis Potosí, the Secretary of Public Security revealed that children as young as 11 years old are recruited to sell drugs while older children are trained to be hitmen. At a regional level, it has also been identified that children are employed as informants that monitor and report the movements of the police and security forces to criminal groups. To reach new generations organized crime groups are increasingly using social media networks such as TikTok, Facebook, and Instagram to promote their lifestyle, control the narratives, and gain social support. Despite the evolution in the tactics implemented by these organizations, the government continues to combat them through traditional means, without the ability to counter their power and influence in the digital world.

Key Actors

China-Latin America and the Caribbean (LAC) Business Summit.

Established in November 2007 as an initiative of the Chinese Council for the Promotion of International Trade. The summit is held yearly with alternating its location between China and a country in Latin America and the Caribbean.

Western-Bajío

Regional Overview

01 — Foreigners targeted by criminal groups in Zacatecas.

In Migrants and foreigners have become the new target of criminal organizations in Zacatecas. The National Search Commission (CNB) revealed that there are 122 missing foreigners in the state, of which 91 remain missing. People from the United States, Guatemala and Honduras are at greatest risk, as they are the ones with a higher number of missing person reports. During November, a Colombian family was kidnapped in Zacatecas and later released in Durango after paying ransom. The Fundare-des foundation also warned that 22 Venezuelan migrants disappeared on the Zacatecas-Torreon route, with six of them being minors. So far, there is no information on their whereabouts.

02 — Canadian mining company accused of damaging houses.

In recent months, residents of the Pedro Ruiz Gonzalez, Diaz Ordaz, and Felipe Angeles neighborhoods located near the Capstone Copper Cozamin mine in Zacatecas have warned of vibrations that damaged their homes. Neighbors attribute the vibrations to the operation of the mine, which has caused great social unrest. The Mexican Network of People Affected by Mining (REMA) joined the neighbors' claim and has demanded the closure of the mine. In light of this situation, the Government of Zacatecas will conduct studies to determine the source of the vibrations. If the mining company is found responsible, the Government could modify their production. Regardless of the results of the studies, the trust and relationship between the community and the company has already been fractured. Therefore it will be crucial to work on a new social license to operate.

Key Actors

Capstone Copper Cozamin.

Cozamin is a copper-silver underground mine with a surface milling facility, located 3.6 km north-northwest of Zacatecas City in the mineral-rich state of Zacatecas, Mexico. It started operations in 2007. From 2023 to 2030, they have forecasted an average annual production of 20 thousand tonnes and 1.3 million ounces of silver.

Central

Regional Overview

01 — Mexico City attorney general's office accused of political espionage.

A report published by The New York Times revealed that the Mexico City Attorney General's office requested telephone records, text messages and location data from the company TELCEL targeting several officials and politicians. This list includes Santiago Taboada, the opposition candidate for the governorship of Mexico City, and Senator Lily Téllez, among others. Although the Attorney General's Office claimed that the documents were false, The New York Times reiterated that the information was supported by evidence and confirmed by different sources. On several occasions, the Mexico City Attorney Office has faced scrutiny for its alleged excesses and perceived politically motivated use of justice against political opponents as evidenced by this case and the arrest of Morelos's Attorney General.

02 — French company Engie will invest in Puebla.

After a meeting held in November between the Governor of Puebla, the French Ambassador in Mexico, and Engie's country manager, it was announced that the French company will invest USD 6.6 million to improve and increase the supply of natural gas in the city of Puebla and in 10 industrial parks located in the municipalities of Huejotzingo and San Martin Texmelucan. In addition, the French company also announced investment projects of around USD 10 million for the states of Tabasco, Campeche and Yucatan.

Key Actors

Engie investments in southeastern Mexico.

The French company ENGIE dedicated to the generation and distribution of electricity, natural gas, oil, and renewable energy announced a program to promote 190 projects to promote the development of local supply of small and medium-sized companies in the southeast of Mexico.

Southern

Regional Overview

01 — Iberdrola analyzes investing in Oaxaca.

After reaching an agreement with the Federal Government to sell 55% of its business in Mexico for \$6 billion dollars, the Spanish company is analyzing investing in new renewable energy projects. Among the projects that have been announced is the Santiago wind power plant in the state of Guanajuato, which already has permits from the Energy Regulatory Commission (CRE). Additionally, Iberdrola executives have shown interest in investing in Oaxaca, a state with significant potential in wind energy. Even though renewable energies received limited support during the term of President Lopez Obrador, the main presidential candidates Claudia Sheinbaum and Xochitl Galvez have shown greater interest in promoting them. Nevertheless, their visions differ on the role that the state and the private sector should have.

02 — Zapatista Army dissolved autonomous municipalities in Chiapas.

Commander Moises of the Zapatista National Liberation Army (EZLN) announced in a statement in November that the Good Government Boards and the Zapatista Rebel Autonomous Municipalities (MAREZ) will be dissolved. This measure implies that the authorities and contracts of these entities are no longer valid. However, previous agreements made with NGOs and social organizations will be upheld until their expiration. The violence crisis affecting the state of Chiapas could be a contributing factor for the group's restructuring. Within the framework of the 30th anniversary of its foundation, the EZLN also warned citizens who wish to attend the festivities to take extreme precautions due to the violence faced by the region, particularly the cities of San Cristobal de las Casas, Comitán, Las Margaritas, and Palenque.

Key Actors

Insurgent Commander Moises.

Of Tzeltal origin, he joined the organization in 1983. He trained under the command of Subcommander Pedro until he became his right arm. He is known for having participated in the surrender of General Absalon Castellanos (Former Chiapas Governor), who would become a war prisoner in 1994.

Yucatan Peninsula

Regional Overview

01 — New investments in Yucatan.

In November, the Governor of Yucatan announced two key investments. The first is from Warbird Marine Holdings, a company specialized in the production and marketing of fishing boats, which inaugurated its first plant in Mexico situated in the municipality of Kanasin in Yucatan. With an investment of \$50 million dollars, it is expected to generate 400 new jobs. The second investment is from the Chinese company Holley Global, which is planning to build an industrial park in the municipality of Uman in Yucatan. The endeavors undertaken during Governor Mauricio Vila's administration have positioned Yucatan as one of the most attractive states for investment in Mexico.

02 — Insecurity increases in Campeche.

During 2023, crimes such as femicides and intentional homicides have shown an increase compared to the previous year. So far this year, the crime of femicide has increased by 36.6%, while in November alone, the crime of homicide exceeded the number of cases registered in the entire year of 2022. When questioned about the uptick in crime in the state, the Governor mentioned during one of her conferences that the homicides have a political underpinning. However, the increase in criminality could be more closely related to the dispute between criminal organizations for the control of air routes of drug trafficking and extortion.

Key Actors

Investments in Yucatan.

Some of the investments that have been announced during Mauricio Vila's administration come from 1) Heineken, that will build a brewery plant in Kanasin, 2) Walmart that plans to open 28 new stores in the state in the coming years, and 3) the construction of a new Amazon logistics center in Uman.



This document is distributed free of charge on a not-for-profit basis.

Contact

This document has been prepared by the staff of the **Institute for Strategy and Development Research**.



InstituteSDR



isdr.mx



info@isdr.mx



+52 (81) 8363 0021



**Institute for Strategy and
Development Research - ISDR**