



Mexican Strategic Landscape

Monthly Report - March 2024



The Institute
for Strategy &
Defense Research

What is The Mexican Strategic Landscape Report?

A monthly publication by the Institute for Strategy and Defense 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.



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Regions of Mexico



Trends to watch in Mexico

01 / Public safety proposals.

Nearing the end of AMLO's presidency, statistics reveal that from December 2018 to December 2023, 171,085 homicides have been recorded, a figure that exceeds the governments of Peña Nieto (157,158 homicides) and Calderón (121,613 homicides). Consequently, the public security proposals made by the two candidates who lead the polls become even more relevant during the elections. In the case of Xóchitl Gálvez, her plan includes increasing the number of elements of the National Guard, signing a North American Security Treaty, and removing military personnel from civilian tasks, although gradually. Claudia Sheinbaum seeks to address the causes of insecurity through social programs, strengthen the National Guard (focusing on securing the Country's highways) and continue with daily meetings with the security cabinet. Although the proposals are very broad, they provide insight into the candidates' priorities and security models. Whoever is elected will have the task of transforming those ideas into a plausible strategy with objectives and metrics that measure their success.

02 / Fake News and Elections in Mexico.

The upcoming elections on June 2nd are considered the largest in Mexican history due to the number of elected officials, including the next President. With a limited budget, the National Electoral Institute faces the challenge of organizing this election, in a polarized context accentuated by the proliferation of misinformation and disinformation on social networks. Due to this, the National Electoral Institute, the civil organization Movilizadorio, and Meta (Former Facebook) joined forces to create an educational program to encourage critical thinking and to identify fake news on social networks. Forum has classified misinformation and disinformation as the main risk in the next 2 years. In the Mexican case, these risks could be used by domestic or foreign groups to affect the outcome of the elections and their legitimacy.

03 / North American Leaders Summit at risk.

Although it is planned that the Presidents of Mexico, the United States and Canada will meet in Quebec City during April, President López Obrador threatened not to participate due to differences he has had with both countries in recent months. The statement comes after Canada's implementation of a visa for Mexicans to reduce refugee requests, and the investigation carried out by an American newspaper on the President's alleged criminal ties. With elections in the United States and Mexico approaching, it is unlikely to achieve some progress in the North American integration process during 2024.

Mexico and the Global Stage

U.S-MEX Border Migration could define electoral preferences in the United States.

Due to this Joe Biden and Donald Trump coincided on the same day visiting different border cities in Texas. During the fiscal year of 2023, 2,045 million people were arrested at the US-Mexico border, making it the second year with the highest arrests, only surpassed by 2022.

Northwestern

Regional Overview

01 — Baja California leads production nationwide of medical devices.

The production of medical devices has increased in recent years and has positioned itself as one of the main industries in the state. Baja California produces 50% of the equipment nationwide and it employs 59% of all the workers registered in this sector. The equipment produced in the state include prostheses, hearing aids, lenses, heart valves and wheelchairs, with the United States being the main export destination. Mexico is currently part of the top 5 countries exporting medical instruments worldwide reaching an export value of \$USD 14.1 billion in 2022.

02 — Historic narco-laboratory seized in Sonora.

Through an operation carried out by the Navy, the Attorney General's Office, and State authorities, a massive methamphetamine laboratory was seized in the municipality of Quiriego in Sonora. The laboratory was equipped with 72 reactors, making it the largest laboratory seized so far by the federal administration. In recent years, Mexico has become one of the main producers of methamphetamines in the world. The increase in production is linked to the high demand in the United States, considered the main export market for this drug.

Key Actors

Methamphetamine use in the US and Mexico.

Data from the National Survey on Drugs Use and Health reveals that in 2022, 2.7 million Americans over the age of 12 used methamphetamines in the past year. In Mexico, the consumption of amphetamine-type stimulants (ATS) resulted in the greatest demand for treatment during 2022, amounting to 46.2% of the registered cases in the Addiction Epidemiological Surveillance System (SISVEA).

Northeastern

Regional Overview

01 — New French investments in the region.

French companies have shown great interest in investing in the region. In Nuevo León, the company Shneider Electric announced that it will invest 29 million dollars to build a new plant specialized in the manufacturing of boards which plans to begin operations in June 2024. While, in Tamaulipas, the company Geostock signed an agreement with the Ministry of Energy Development to develop a system to store natural gas in “Brasil field” located between the municipalities of Reynosa and Matamoros. The investment boom that the region has had due to nearshoring could be used to the advantage of French companies to enter the Mexican market or expand their presence.

02 — Water crisis in Tamaulipas.

Data from the Drought Monitor reveal that 35.7% of the Tamaulipas territory has extreme drought and 23.5% has severe drought. This situation caused the National Water Commission to request that crop irrigation be reduced or canceled in five districts and human consumption be prioritized in those cities. This measure was supported by President López Obrador, who avoided mentioning any support plan for the state. This crisis puts the cultivation of thousands of hectares of sugarcane and corn at risk, opens the possibility for an extension of water restriction to other economic sectors, and makes the reactivation of political struggles over water more feasible with other states in the region.

Key Actors

Irrigation districts affected by water crisis in Tamaulipas.

The districts affected by the water crisis are 086, 025, 026, 050, and 029, which affect the municipalities of Soto la Marina, Matamoros, Valle Hermoso, Río Braco, Reynosa, Camargo, Díaz Ordaz, Miguel Alemán, Nuevo Laredo and Xicoténcatl.

Western-Bajío

Regional Overview

01 — The US intensifies agricultural and labor inspections in Michoacán.

In recent months, pressure by the US to Mexico to comply with environmental and labor legislation have intensified. In early February, US senators asked President Joe Biden to prevent avocados grown on deforested land in Mexico from being exported to the US. Weeks later, Ken Salazar, US ambassador to Mexico, mentioned during a visit to Michoacán that berries and avocados produced in illegal orchards or that do not comply with the labor formalization process cannot be exported to the US. These measures directly impact the economy of Michoacán, considered one of the main producing states of berries and avocados in the country.

02 — Use of improvised mines and explosives grows in the region.

During February, 2nd attacks with explosives against soldiers in the region were recorded. In the first incident, one soldier died, and 7 others were injured when passing by an improvised mine in the municipality of Santa María del Oro in Jalisco. The second incident was recorded in the municipality of Aguililla in Michoacán, where 4 soldiers died and 9 were injured by an explosive device. In addition to these attacks, military commanders declared that so far this year more than 30 explosive devices have been detected in the states of Jalisco, Michoacán and Zacatecas, revealing a growing use of this tactic by criminal groups in the region.

Key Actors

Agricultural production in Michoacán.

The 2023 Agri-Food Panorama reveals that berries and avocado are part of the top 5 agri-food products exported to international markets by Mexico. Michoacán leads the national production of avocado, blackberries, and strawberries, making the United States the main export destination.

Central

Regional Overview

01 ——— **Morelos security outlook: a crisis amidst elections.**

The escalating violence in Morelos, evidenced by a surge in homicides and a distressing rise in high-impact crimes committed by adolescents, underscores a pressing need for comprehensive security measures. With January 2024 marking a grim start, recording 115 intentional homicides, and an alarming 119 crimes linked to drug trafficking perpetrated by minors throughout 2023, the situation demands immediate attention. The reinforcement of military and National Guard presence with 200 additional personnel during the first week of february indicates a recognition of the severity of the security crisis. While local efforts can benefit from national support, Morelos' security will continue to be a challenge with detrimental impacts on economic and social activity. This will be one of the most pressing issues in the months leading up to the local elections, where 240 positions will be voted.

02 ——— **Clergy members negotiate cease fire with criminal groups in Guerrero and Toluca.**

The intersection of religion and crime takes center stage as clergy members in Guerrero and Toluca navigate delicate negotiations to pacify regions plagued by violence. Archbishop Maximino Martínez's revelation of dialogues with criminal elements in Toluca, seeking peace in areas under the sway of criminal groups, echoes similar efforts by bishops in Guerrero. The negotiations aim to broker temporary ceasefires and understand the socioeconomic dynamics engaging youth in related activities, highlighting the complex dynamics of pursuing peace in conflict-ridden regions. President Andrés Manuel López Obrador has expressed his support for such dialogues, acknowledging the historical role of religious leaders in fostering peace across the country. The archbishop revealed these efforts have been replicated by fellow clergy members throughout the country through open invitations. One of the State's main responsibilities is to guarantee the safety and security of its citizens, the recent efforts by the catholic church in a secular country evidence the power vacuum and the influence that criminal organizations have acquired in those areas.

Key Actors

Homicide rates in Morelos.

Homicide rates in Morelos are almost 4 times higher than national rates. In January 2021, Morelos reported 3.6 homicides for every 100 thousand citizens; by January of the present year, rates have spiked to 5.9 per 100k citizens.

Southern

Regional Overview

01 — Custom failure compromises foreign trade revenue in Veracruz.

The foreign trade sector faced significant losses due to failures in customs operations across the country during early february 8th, the inconveniences lasted 12 hours. Marco Antonio Sansores Ramirez, president of the Veracruz Association of Customs Agents (Aaaver), highlighted the detrimental impact of delays and system failures within customs facilities, noting that each day a single container remains uncleared translates into substantial financial losses, ranging from \$400 to \$600 USD, including operational expenses. With Veracruz processing up to three thousand containers daily, the cumulative losses amount to millions, exacerbating revenue shortfalls for the government due to missed tax collections on import and export operations. Despite the severity of the situation, neither local nor federal customs authorities provided concrete explanations for the systemic failures.

02 — Security crisis in Chiapas threaten the democratic process.

In Chiapas, escalating violence threatens both the physical infrastructure and the democratic process itself. On february 21, masked individuals attacked the Institute of Elections and Citizen Participation with molotov cocktails. Reports indicate significant obstacles in installing polling stations across various municipalities for the upcoming elections due to pervasive insecurity, with some regions experiencing a history of election-related violence leading to the nullification of past electoral processes. Amidst these challenges, calls for enhanced security measures from both electoral authorities and political representatives have intensified, emphasizing the critical need for a collaborative effort to ensure the integrity and safety of the electoral process.

Key Actors

High risk municipalities according to the National Electoral Institute in Chiapas.

The National Election Institute expressed concern over the challenge of installing 207 electoral sections. Some of the high-risk identified regions include Frontera Comalapa, Siltepec, La Concordia, Ángel Albino Corzo, Motozintla, Chicomuselo, Honduras de la Sierra, Pantelho, Chenalho, Aldama and Chalchihuitán in the Altos region, Oxchuc in the North, and Altamirano in the Lacandona Jungle.

Yucatán Peninsula

Regional Overview

01 — Yucatán's faulty infrastructure affects exports.

The recent malfunction of the recently added X-ray equipment at the Progreso Altura Port has caused significant disruptions in the export industry, leaving an average of 50 to 60 containers stranded daily, with delays stretching from two to three hours to a staggering 12 hours, according to Alejandro Guerrero Lozano, President of the Maquiladora and Export Manufacturing Industry Council (Index) in Yucatán. This setback, reminiscent of issues faced at the end of the previous year, underscores the critical need for reliable infrastructure to support trade operations. While port authorities have committed to resolving the situation, including repairing existing equipment and introducing additional machines, the incident highlights the vulnerability of current logistics systems and the imperative for long-term investment in port expansion and modernization.

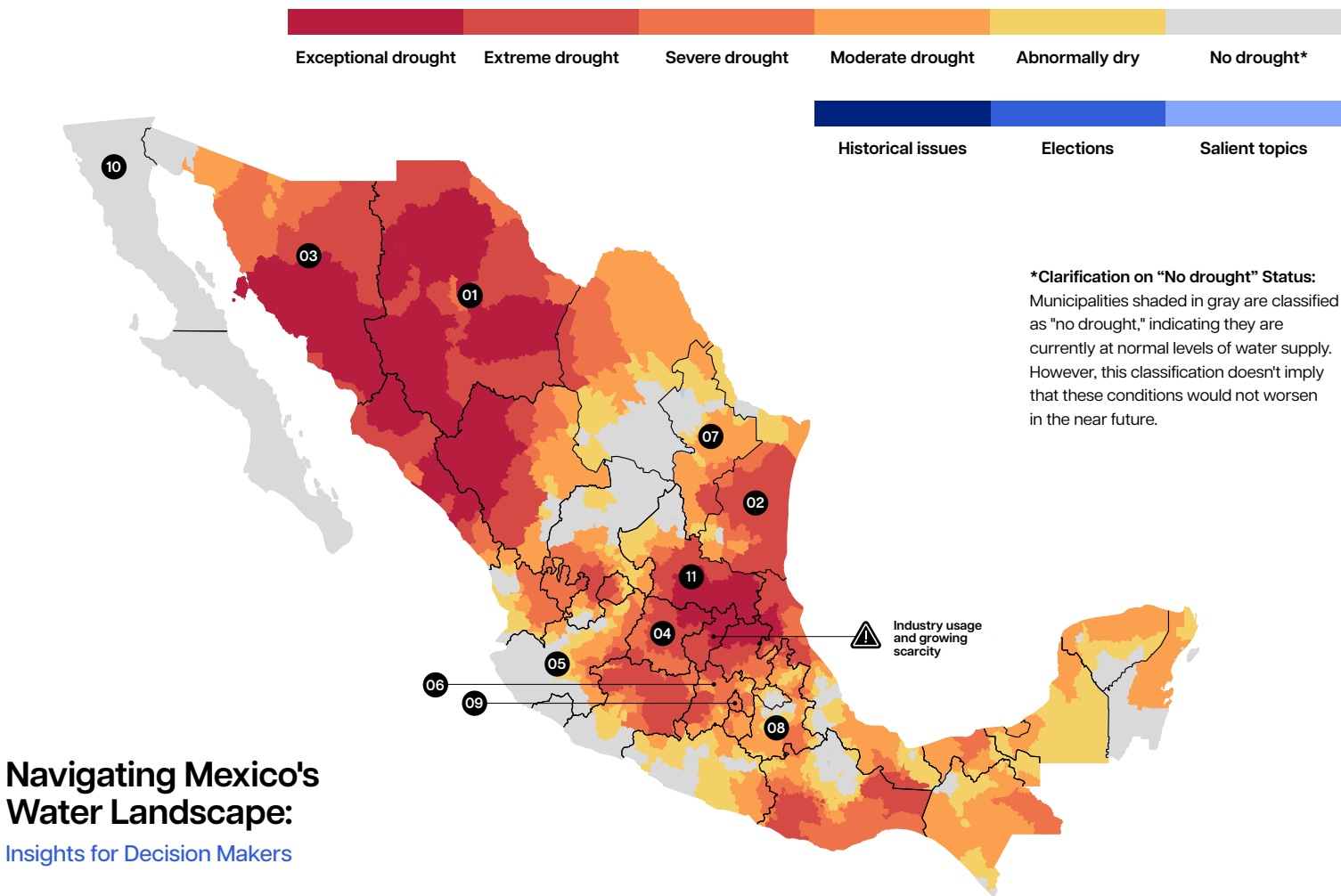
02 — Job surge in Quintana Roo.

Quintana Roo emerges as a national leader in employment growth, boasting an impressive 8.3% surge in January 2024, as reported by the Mexican Social Security Institute (IMSS). Quintana Roo secures fifth place nationally with the construction industry contributing significantly with over 80,518 active registrations. However, it's noteworthy that out of the half-million jobs recorded in January 2024, 169,841 are temporary, representing 32.6% of the total, with a considerable portion attributed to construction-related employment. This influx of temporary roles is largely driven by the region's involvement in significant federal infrastructure projects like the Tren Maya. Nevertheless, as these projects conclude, there may be a subsequent contraction in formal employment, underscoring the need for sustained economic diversification and long-term job creation strategies in Quintana Roo.

Key Actors

Quintana Roo's growing workforce.

The service industry spearheads with 261,426 active registrations, followed by construction with 80,518, the commercial sector with 80,412, and both transportation and communications that provide 40,141 positions.



Navigating Mexico's Water Landscape:

Insights for Decision Makers

<div>01</div> <div>Chihuahua</div>	<div>Social opposition</div> <div>Water treaties USA</div>	<div>33 local deputies</div> <div>67 mayors</div> <div>67 union representatives</div> <div>866 council members</div>			
<div>02</div> <div>Tamaulipas</div>	<div>Tamaulipas-Chihuahua</div> <div>Water transfer dispute</div>	<div>35 local deputies</div> <div>43 mayors</div> <div>57 union representatives</div> <div>405 council members</div>	<div>07</div> <div>Nuevo León</div>	<div>Water transfer</div> <div>Nuevo León-Tamaulipas</div> <div>Water crisis 2022-2023</div> <div>Consequences for companies</div>	<div>42 local deputies</div> <div>51 mayors</div> <div>77 union representatives</div> <div>471 council members</div> <div>Social discontent</div> <div>Social media accusations</div>
<div>03</div> <div>Sonora</div>	<div>Indigenous mobilization</div> <div>against Independencia</div> <div>Aqueduct construction.</div> <div>Water centralization</div>	<div>32 local deputies</div> <div>72 mayors</div> <div>72 union representatives</div> <div>490 council members</div>	<div>08</div> <div>Puebla</div>	<div>2021 - 2022 protests</div> <div>Led to closure of a company's plant.</div>	<div>01 governor</div> <div>41 local deputies</div> <div>217 mayors</div> <div>217 union representatives</div> <div>1,818 council members</div> <div>Well supply - industry usage</div> <div>Strong Narrative</div>
<div>04</div> <div>Guanajuato</div>	<div>Need for a greater investment in water supply infrastructure</div> <div>Industry's usage</div>	<div>01 governor</div> <div>36 local deputies</div> <div>46 mayors</div> <div>52 union representatives</div> <div>418 council members</div>	<div>09</div> <div>Mexico City</div>	<div>Cutzamala System 2023</div>	<div>01 government leadership</div> <div>66 local deputies</div> <div>16 mayors</div> <div>217 union representatives</div> <div>204 council members</div> <div>Population size</div> <div>Industry usage</div> <div>Social media accusations</div>
<div>05</div> <div>Jalisco</div>	<div>Guanajuato-Jalisco</div> <div>El Zapotillo dam</div>	<div>75 local deputies</div> <div>125 mayors</div> <div>136 union representatives</div> <div>966 council members</div>	<div>10</div> <div>Baja California</div>	<div>Mexicali:</div> <div>Historic public pressure against industries resulting from water scarcity</div>	<div>25 local deputies</div> <div>07 mayors</div> <div>07 union representatives</div> <div>83 council members</div> <div>Nearshoring</div> <div>Immigration</div>
<div>06</div> <div>Mexico State</div>	<div>Valle de Bravo:</div> <div>Citizen mobilization due to dam levels</div>	<div>75 local deputies</div> <div>125 mayors</div> <div>136 union representatives</div> <div>966 council members</div>	<div>11</div> <div>San Luis Potosí</div>	<div>June 2023</div> <div>Day Zero Emergency Water Plan</div>	<div>27 local deputies</div> <div>58 mayors</div> <div>64 union representatives</div> <div>387 council members</div> <div>Automotive industry</div>

Water crisis.

Mexico has been grappling with a pervasive drought issue over the past decade, with 2023 standing out as the harshest year on record, leading to widespread social mobilization. Despite the fact that spring has yet to begin, numerous municipalities are already facing extreme and exceptional drought conditions. It is assessed that municipalities meeting the following criteria – **1)** facing significant levels of drought, **2)** having a history of social mobilization related to water scarcity, and **3)** coinciding with electoral processes – are particularly susceptible to the politicization of water resources.

The urgency to address this matter now, prior to spring's onset, cannot be overstated, as it impacts both decision-makers, CEOs, and the general populace. Early signs of extreme drought in several municipalities demand immediate attention, as the implications extend far beyond local communities. For business leaders, the intersecting challenges of drought, social mobilization, and electoral processes pose significant risks to operations, supply chains, and investments. Simultaneously, the broader societal implications, including access to clean water, agriculture, and public health, underscore the critical need for swift action to safeguard the well-being of communities at large. The intensifying politicization of water resources further emphasizes the necessity for preventive measures and cross-sectoral collaboration.

Keys to understand the matter.

Visionary Vows: Candidates' Pledges for Water Solutions

The upcoming 2024 elections mark a significant event in our country's political landscape, with over 20,000 public positions being contested across all 30 states. The three presidential candidates have varying proposals to address the challenge with some overlap. Claudia Sheinbaum (Sigamos Haciendo Historia) proposed a National Hydric Plan, review current water concessions, improving existing infrastructure and building new one including a project for the Valle de México Metropolitan Area. Xótcil Gálvez (Fuerza y Corazón por México) declared she will build new dams, fix any leaks, and change the sanitation system to reduce water use. Both Sheinbaum and Gálvez proposed to increase wastewater treatment and modernize agricultural irrigation systems (to redirect used water to cities in Gálvez's case).

Jorge Álvarez Máñez (Movimiento Ciudadano) proposed a new “Water Law” to update concessions and regulate water usage, the creation of a water infrastructure fund, equitable distribution, create an emergency water crisis plan, and stricter regulations to protect water supply.

Similarly, gubernatorial candidates across various drought-risk states have declared measures to address the pressing water issues. In Guanajuato, Alma Alcaraz (Morena-PT-PV) proposed water extraction from the Solís dam to alleviate water scarcity, while Libia García (PAN-PRI-PRD) committed to resolving water problems without naming specific proposals. In Mexico City, Clara Brugada (Morena) emphasized the assurance of uninterrupted water supply, Santiago Taboada (PRI-PAN-PRD) advocated for stringent regulations on water usage to address scarcity concerns, and Salomón Chertorivski (Movimiento Ciudadano) presented his six-axis plan to stop the crisis which included infrastructure development, investment and reforestation. In Puebla, Ignacio Mier (Morena) declared he will make a viability study to see if he can take away Agua de Puebla’s concession. The politization of the water scarcity crisis can lead to higher degrees of public unrest and mobilizations as well as more demands that emulate the public narrative.

Navigating Blame: Identifying Risks for Companies Amid Water Scarcity

In states where water scarcity or distribution is an increasingly pressing issue like Querétaro, Guanajuato and Jalisco, companies operating in water-intensive industries may face heightened scrutiny and potential blame during periods of drought. Despite cyclical phenomena like La Niña and El Niño, companies could be perceived as exacerbating water scarcity, leading to reputational risks and regulatory challenges. Past occurrences demonstrate that public mobilization can lead to closures of plants as seen in Puebla and Baja California.

Rippling Tensions: Forecasting Water-Related Social Conflicts

Historical data indicates potential for social conflicts in states like Baja California, Sonora, and Nuevo León, where past mobilizations against imposed water related constraints highlight underlying tensions. Sonora has had important indigenous mobilizations against water infrastructure; in Mexicali, societal pressure led to the cancellation of a plant; and in Nuevo León varying social protests were carried out during the water cut measures in 2023. These conflicts show a precedent of organization that may be reignited as communities demand equitable access to water resources and challenge government policies perceived as exacerbating water scarcity.

Places that have benefited from nearshoring in recent years, specifically the northern states and Mexico City, should foresee the possibility of setbacks and a decrease in foreign investment if prominent water-related conflicts arise.

Digital Waves: Mobilization Dynamics in Water Crises


Social media platforms serve as powerful tools for mobilization, enabling rapid dissemination of information and organization of protests. Additionally, in-person demonstrations, such as roadblocks and marches, remain effective means for communities to voice grievances and demand action on water-related issues. Furthermore, social media is a double-edged sword that can also rapidly propagate misinformation and create echo chambers that lead to a unified narrative that lacks evidence. Digital mobilizations – regardless of their factual basis – may have tangible outcomes such as legislative changes, plant closures, affecting a company’s image and revenues, and shaping public opinion.


Flowing Forward: Trends and Challenges in Water Management

Water challenges across Mexico respond to two different issues that affect the population similarly. First, water scarcity and drought as covered throughout this analysis. The second problem, water distribution and infrastructure challenges, mostly affect central and southern states that have a considerable amount of available water and rainfall but lack the ability to access it or efficiently distribute it. Persistent challenges surrounding water management and distribution underscore the need for prevention, sustainable solutions and proactive responses. Issues that exacerbate the perception of scarcity such as water privatization, inadequate infrastructure, and inter-state water disputes remain unresolved, posing long-term risks to actual water security and regional as well as national socio-economic stability; widespread access to drinking water remains a right that needs to be met. Monitoring these trends and addressing underlying issues are paramount for mitigating future crises and fostering resilience.


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