



Mexican Strategic Landscape

Monthly Report - April 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 / Mexico's international prestige is in decline.

For decades, Mexican foreign policy enjoyed great prestige among its Latin American peers and played an active role in the construction of spaces for dialogue and agreements between various countries. However, this has changed in recent years, negatively affecting the country's image and its diplomatic relations. Among the latest conflicts that the country has experienced are breaking diplomatic ties with Ecuador and Peru and the disagreements with the President of Bolivia. Its participation in international forums such as the G20 meeting, Summit of the Americas, meeting of the Pacific Alliance countries and the North American Leaders Summit has also been relegated. Whoever takes office as the next President of Mexico will face an unfavorable international scenario. Resuming diplomatic relations and recovering the prestige and international leadership that Mexico enjoyed could take years or even decades.

02 / Migration agreement between Venezuela and Mexico.

During the VIII Summit of the Latin American and Caribbean States Community (CELAC) that took place in Saint Vincent and the Grenadines, the governments of Mexico and Venezuela signed a migration agreement known as "Plan Vuelta a la Patria". The plan was created in 2018 by Nicolas Maduro to facilitate the voluntary return of Venezuelan migrants. In return, Mexico's government has committed to give USD 110 dollars per month for 6 months to Venezuelans who are sent to their country and will try to link them with a company to obtain employment. Although the President of Mexico mentions that support could be extended to Colombian and Ecuadorian migrants, so far, no agreement has been signed. Although the Mexican initiative to contain immigration is different from traditional approaches, the criteria for selecting the benefiting nationalities are ambiguous. This highlights the absence of Central American countries and the lack of US involvement in the initiative, despite migration being a regional security challenge.

03 / Protests by Ayotzinapa rural teachers' college escalate.

The lack of progress in the case of the disappearance of 43 students that occurred in 2014 and the recent death of a student in March caused by a Guerrero state police officer, has caused an escalation in protests of relatives and students. They have primarily attacked government buildings, including the National Palace in Mexico City and the Government Palace of Guerrero. After 10 years and two different Presidents, the case remains unresolved, indicating that pressure tactics are likely to persist into the next federal administration.

Mexico and the Global Stage

Brazil as a Regional Power.

As Mexico faces a decline in its international standing, particularly within Latin America, it paves the way for Brazil to consolidate its regional leadership and influence enabling the country to push for a multipolar international system.

Northwestern

Regional Overview

01 — **Water disputed by companies and social activists in Baja California.**

The installation of the Niagara water bottling company in Mexicali, a subsidiary of the transnational Niagara Bottling, is at risk. Although the company has government permits and water rights, several social organizations demonstrated against its installation, causing a political conflict between the Mayor of Mexicali who supported the protesters and the Governor of Baja California who supported the installation. Social movements in defense of water in Baja California have previously managed to cancel the installation of another transnational brewing company in the state, which reveals their level of articulation and ability to influence the public agenda.

02 — **Forced displacement in Chihuahua.**

Factors such as the presence of criminal organizations, poverty and institutional fragility have caused the forced displacement of thousands of families in Chihuahua. Some of the most affected municipalities are Guadalupe y Calvo, Juárez, Chihuahua, and Uruachi. In the case of the municipality of Guadalupe y Calvo, the Executive Commission for Assistance to Victims of Chihuahua revealed that, during 2023, more than 350 people suffered forced displacement. Although there is a fund for care and reparation for the victims of this crime, there is fear among residents to report to the authorities, so the number of displaced people could be much higher than those officially reported.

Key Actors

Water defense groups in Baja California.

Among the main social groups that have mobilized for the defense of water, the following stand out: Resistencias Unidas de Baja California, Mexicali Resiste, Comité Ciudadano Defensor del Agua, Medio Ambiente, Justicia y Legalidad A.C, and Colectivo Estatal Plebiscito por el Agua de Baja California.

Northeastern

Regional Overview

01 — **Nuevo León-Texas border will be a customs-free zone.**

The Colombia border bridge between Nuevo León and Texas is acquiring great relevance. In addition to the expansion of crossing lanes and the construction of industrial warehouses, the Governor of Nuevo León recently announced that the area of Colombia which includes 14 kilometers in the municipality of Anahuac will become a customs-free zone. This measure seeks to encourage the arrival of companies to the area, which has great development potential due to its proximity to the city of Laredo, Texas. It is expected that with this new project and the modernization of customs, daily crossings will increase from 3,500 to 8,000 in the medium term.

02 — **San Luis Potosí seeks to attract investment from Japan.**

During March, the Governor of San Luis Potosí visited Japan to strengthen cooperation ties and attract new investments to the state. During his visit, he met with directors of the Daikin company, dedicated to the production of heating, ventilation, and air conditioning, which recently made an investment of USD \$300 million in the construction of two new plants in San Luis Potosí. The governor also had a meeting with officials from the Japanese International Cooperation Agency (JICA) to discuss strategic projects to promote the development of various cities with great industrial potential such as Ciudad Valles, Matehuala, and Rioverde.

Key Actors

Japan International Cooperation Agency (JICA).

This organization was established in 1974 by the Government of Japan and its purpose is to contribute to the socioeconomic development of developing countries and to promote international cooperation. It has collaborated with more than 150 countries and in Mexico's case, it has a long relationship with the Mexican Agency of International Cooperation for Development (AMEXCID).

Western-Bajío

Regional Overview

01 — Drought worsens in Querétaro.

The latest data from the Drought Monitor in Mexico reveal that 100% of the Querétaro territory suffers from drought. Of the 18 municipalities that make up the state, 10 suffer from extreme drought and 8 from exceptional drought. The situation has caused alarm among ranchers and agricultural producers, who held a demonstration at the Querétaro Regional Livestock Union due to the lack of support for the countryside. Figures from INEGI reveal that the state is among the six most affected nationwide in terms of losses in agricultural production. Since June 2023, the state has experienced widespread drought throughout its territory, and it is forecasted that conditions could worsen in the following months due to the lack of rain. It will be important for the state and federal governments to work on an emerging plan to avoid a water crisis that affects human consumption and industrial development in the state.

02 — Asian investment boom in Guanajuato.

Following the work tour carried out by the Governor of Guanajuato in Asia, important investments were announced for the state. The Japanese company Yusei Holdings announced the investment of USD \$83 million for the construction of a new plastics plant for the automotive industry. The Taiwanese company Nien Made Norman also announced the investment of USD 30 million for the installation of a curtain and blinds factory and the Japanese company NTT DATA revealed that it will expand its operations in the city of León. The presence of automotive industries, the qualified workforce, and the connectivity of the state position it as one of the most attractive to receive foreign investment.

Key Actors

Asian investment in Guanajuato.

During 2022, Guanajuato was positioned as the state with the highest foreign direct investment from Asia with approximately USD 832.8 million. This figure represents a 25% increase compared to 2021. The primary investor countries are Japan and China.

Central

Regional Overview

01 ——— **Hidalgo to host Mexico's First Lithium Lab with Nanomaterials Focus.**

Hidalgo is pioneering the establishment of a laboratory for lithium management in Mexico, focusing on nanomaterials. Spearheaded by Citnova, the State Center for Scientific and Technological Services is set to be inaugurated in September next year. Efforts are underway to prioritize hiring specialists from Hidalgo or those residing in the state for the robotics and lithium laboratories. This is complemented by initiatives for fostering specialized human capital through overseas scholarships, particularly focusing on doctoral studies this year to advance the state's scientific and technological capabilities.

02 ——— **Volkswagen workers demand unprecedented contractual increase in Puebla.**

In Puebla, the automotive sector faces renewed challenges as the Independent Union of Workers in the Automotive Industry, Similar and Related Industries of Volkswagen Mexico (SITIAVW) prepares for contract negotiations. Mirroring recent unrest at Audi Mexico, where employees staged an unprecedented strike over proposed wage increases, SITIAVW is set to demand a substantial 24% contractual increase this year. This demand, consisting of a 21% direct salary increase and a 3% boost in benefits, highlights deepening tensions within the region's automotive labor landscape. With negotiations looming and the threat of potential strikes on the horizon, the situation underscores broader concerns about economic stability and labor relations in Puebla's automotive industry.

Key Actors

Partnerships for new lithium laboratory.

Hidalgo's State Center for Scientific and Technological Services will collaborate with renowned institutions such as the University of Barcelona, the Technological Institute of Medellín, and the Research Center of the National Polytechnic Institute (IPN) in Saltillo, Coahuila to delve into the complex process of lithium extraction.

Southern

Regional Overview

01 ——— Infrastructure Constraints Limit Nearshoring Expansion in Veracruz.

The benefits of nearshoring in Veracruz face significant hurdles due to the state's deficient infrastructure, which restrains economic development and jeopardizes future investments. Approximately 30% of its federal highways suffer from poor conditions, highlighting the urgent need for remedial actions, especially concerning critical roads like the Tempoal-Pánuco and Tlapacoyan-Martínez de la Torre highways. Furthermore, the absence of industrial parks and limited access to water resources present additional challenges, impeding the realization of nearshoring benefits. These combined factors ultimately have a detrimental impact on local businesses and hinder broader economic growth, despite the state's advantageous location for exports.

02 ——— Oaxaca's economy shifts.

Industrial activity in Oaxaca experienced a notable decline of 6.4%, positioning it among the bottom three states in the country alongside Tabasco and the State of Mexico. This decrease, as detailed by the Monthly Indicator of Industrial Activity by Federal Entity (IMAIEF) up to November 2023, reflects a significant downturn in secondary activities compared to October of the same year. Despite some positive spikes in construction and energy sectors in Oaxaca, particularly an 18.8% increase in construction activities, the overall industrial performance remains subdued, with a negative 0.2% real percentage variation compared to November 2022. As decision makers consider regional economic trends, this decline underscores the importance of targeted interventions to revitalize industrial growth in Oaxaca and ensure broader economic stability.

Key Actors

Industrialization challenges in Oaxaca.

Oaxaca faces significant challenges in industrializing its economy, primarily due to its heavy reliance on primary activities and informal employment. Furthermore, the region's diverse indigenous communities often resist industrial projects due to concerns over environmental degradation, land rights, and cultural preservation as evidenced during the opposition against the industrial parks along the Istmo de Tehuantepec corridor.

Yucatán Peninsula

Regional Overview

01 ——— Environmental experts disapprove of Cancun's new landfill.

The emergent landfill on parcel 175 in Cancun has drawn sharp criticism from the Quintana Roo College of Biologists, highlighting significant environmental risks to the aquifer. Despite lacking environmental impact assessments and disregarding local ecological ordinances, the landfill's construction proceeded hastily, prompting concerns over potential contamination of water resources and wildlife habitats. The urgent need for a comprehensive waste management strategy, incorporating waste reduction, recycling, and sustainable disposal practices, is underscored by the college's call to cease landfill usage in favor of integrated waste treatment centers. The failure to adhere to regulatory requirements for environmental impact assessments and land use changes underscores systemic deficiencies in waste management planning and environmental governance, especially considering the challenges posed by tourism to effectively manage waste in Quintana Roo.

02 ——— Call for Governance Change in Campeche.

Senators Cecilia Sánchez and Claudia Balderas led PRI's call for the dissolution of powers in Campeche, this signals a severe governance crisis under Governor Layda Sansores San Román. This demand, unusual in Mexican politics, highlights the gravity of the situation. The senators' critique of Sansores' leadership, especially regarding the ongoing unrest triggered by police protests, resonates deeply. Recent demonstrations against Secretary Marcela Muñoz also underscore widespread dissatisfaction with the administration's handling of security matters. In 2022, the first full year of Sansores' government, crime rate in Campeche increased 355% for all types of crime and 48% for high-impact crimes. The crimes with the highest increase in cases were threats, domestic violence, injuries, property damage, and robbery. Despite these challenges, Sansores remains steadfast, deepening the divide between her administration and the public. Urgent action is needed to address this governance crisis in Campeche.


Key Actors


Police Protests in Campeche.

In March, a violent altercation during a prisoner transfer resulted in injuries to police officers and two female officers being sexually assaulted. Reports suggest that the officers were ill-equipped, lacked proper protection and were not informed of the situation, leaving them vulnerable to attack, which led to protests against Security Secretary Marcela Muñoz.


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