



Mexican Strategic Landscape

Monthly Report - June 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 / The water crisis as a National Security concern.

Although drought is a recurring phenomenon in Mexico, climate change, poor water management, and the lack of a government policy with a long-term vision have aggravated the problem, affecting the quality of life of millions of citizens and compromising economic development of various regions in the country. So far in 2024, some critical situations have already arisen due to the lack of water, such as: the paralysis of industries in the south of Tamaulipas, the lack of water supply for human consumption in Mexico City, the employment of police officers and military personnel to prevent water theft in Michoacán, and job losses in Sonora and Sinaloa due to the crisis affecting the agricultural sector. Due to the current effects and future implications, the water crisis must be understood as a matter of national security and as a priority for the next federal administration.

02 / New public security agenda.

There are high expectations regarding the public security strategy that the next federal government will implement and the changes that could reshape the country's security architecture. Although certain matters have sparked public debate, like the potential transfer of the National Guard to the Secretary of National Defense (highly likely), there remain other critical areas in need of clarification. These include defining adjustments in the Public Security Secretary's structure, outlining the roles of state and municipal police, and the primary objectives of the new administration. The decisions made by the new President in public security will not only affect the future of Mexico, but they will also have implications for the relationship with the United States and the levels of violence in Latin America, particularly in Central America -Mexico's geopolitical backyard.

03 / Blackouts all over Mexico.

The power outages recorded in May affected the water supply of 7 municipalities in Mexico City and the metropolitan area of Querétaro, as well as the operation of the Matamoros airport. In addition to these events, power outages have caused million-dollar losses for companies and have affected the country's competitiveness. The CFE (state-owned electric company) faces the dilemma of making large infrastructure investments or allowing private initiative participation to strengthen the national electricity system. The incoming federal administration has only one possible strategy: concentrate in investing in the Nation's transmission grid, while allowing the private sector to invest in energy generation projects (particularly solar and wind farms).

Mexico and the Global Stage

European Parliament elections.

The results of the parliamentary elections will have an impact on European foreign policy and the way the body will interact with the world and Mexico. With the advance of conservative and far-right parties in parliament, some topics in which possible changes are expected are protectionist economic measures, restrictive immigration policies and prioritization of the so-called European strategic autonomy.

Northwestern

Regional Overview

01 — Baja California is the favorite destination for medical tourism.

The Baja California tourism observatory revealed that in 2023, more than 3 million people visited the state to undergo a surgical procedure or seek medical attention. Visitors mainly come from the United States and Canada, and it is estimated that this industry generates a monthly profit income of approximately 12 million dollars. The most demanded services due to their quality and affordability are plastic surgeries, bariatric surgeries, and dental treatment. Despite the potential that this industry has in Mexico, factors such as insecurity and the lack of a promotion strategies have limited its growth compared to other medical destinations such as Thailand, Turkey or Colombia.

02 — Drug laboratories seizures and emerging drug in the region.

Although various operations against criminal organizations were registered in the region during May, there were also warnings about the circulation of a new drug in the market. In Sinaloa alone, the Navy seized 8 drug laboratories and more than 6 tons of methamphetamine. In Baja California, the President of the Binational Human Rights Commission warned the public about the circulation of the drug known as zombie or tranq dope which mixes xylazine and fentanyl. These events illustrate the dynamism of criminal organizations in the region and the need to prioritize the fight against fentanyl trafficking in the new national public security strategy.

Key Actors

Tranq drug in the U.S.

The United States Drug Enforcement Administration (DEA) revealed that in 2022 approximately 23% of fentanyl powder and 7% of fentanyl pills seized by the DEA contained xylazine, and that this mixture has been seized in 48 of the 50 states. The Sinaloa Cartel and the Jalisco Cartel are primarily responsible for this health crisis.

Northeastern

Regional Overview

01 ——— **Water crisis in Tamaulipas worsens.**

The municipalities of Tampico, Altamira, Ciudad Madero, and El Mante face a serious water crisis that has put the water supply for human consumption at risk and affected industrial and agricultural activities in the area. Among the measures implemented in the area, the temporary cancellation of permits for agricultural use of water and the paralysis of activities in more than 22 companies stand out. In the city of El Mante, sugarcane producers estimate losses of up to USD\$ 19 million due to the lack of water. Despite the seriousness of the situation and its effects on the quality of life and the economy, no concrete actions have been announced in Tamaulipas to face the drought with a medium and long-term vision.

02 ——— **Uncertainty over the arrival of Tesla in Nuevo León.**

Although Elon Musk announced the installation of a Tesla plant in Nuevo León in March 2023, no progress has been made currently there has been no progress in its construction and an atmosphere of uncertainty permeates. During May, the company eliminated the job vacancies they offered in Nuevo León and some supplier companies that were looking to set up shop in the state have halted their plans. These actions occur in a context in which Tesla faces global staff cuts and a decrease in the demand for its vehicles. Despite the uncertainty surrounding the project, the Ministry of Economy and the Government of Nuevo León remain steadfast that Tesla has not canceled the project.

Key Actors

Companies affected in Tamaulipas by water crisis.

The President of the Citizen Water Board in Tamaulipas revealed that the Industrial Association of Southern Tamaulipas is made up of 34 companies, of which 22 have completely stopped operations. Paralyzed companies are recording losses of up to \$1 million per day per plant and are at risk of losing jobs and production.

Western-Bajío

Regional Overview

01 ——— Explosive devices seized in Michoacán.

During the first half of May, the Ministry of Public Security of Michoacán seized 23 explosive devices, 10 weapons, and communication equipment in the “Tierra Caliente” region. This region consists of municipalities such as Apatzingán, Tepalcatepec, Zamora, and Aguililla which have been affected by high levels of violence due to the struggle between criminal groups including the Jalisco Cartel, Los Viagras, and self-defense groups. At a national level, Michoacán stands out as the state with the highest number of attacks with drones and explosives against members of the Army. This information reveals the evolution of the tactics and firepower of criminal organizations, as well as the increase in the use of explosive devices in Michoacán.

02 ——— Wildland arson in Jalisco and Querétaro.

Due to the forest fires that have been recorded in the first months of the year, the authorities of Jalisco and Querétaro have decided to adopt forceful measures against people who cause intentional fires. In the case of Jalisco, authorities revealed that so far in 2024 they have arrested 5 people for intentionally starting fires in forests in the Guadalajara Metropolitan Area. While in Querétaro, the Civil Protection Coordinator revealed that they have experienced an increase in the number of fires by 45% compared to the same period in 2023 and revealed that many fires are intentionally set at night. The drought conditions that affect a large part of the country, the loss of thousands of hectares of forests, and the increase in the number of fires demand a more active government strategy to stop this crime.

Key Actors

Use of explosive devices in Mexico.

Information from the Secretary of National Defense (SEDENA) reveals that the states where the most explosive devices have been deactivated in the country are Michoacán, Colima, Chihuahua, Jalisco and Chiapas.

Central

Regional Overview

01 ——— **New extortion practices flood the State of Mexico.**

In the State of Mexico, extortion is mainly attributed to the Cartel Jalisco Nueva Generación (CJNG) and Familia Michoacana, given their widespread presence in 60 and 75 municipalities, respectively. Familia Michoacana's extortions follow common practices by targeting local businesses, asking for a "renter's fee" and imposing a "narco tax." However, a new finding shows CJNG has innovated and outsourced their activities by charging a small fee to individuals and local criminal groups, allowing them to claim affiliation with the cartel for extortion purposes. This strategy enables CJNG to expand its presence and territory into new municipalities. As cartels evolve beyond their well-known practices by incorporating methods used in legitimate businesses, research and actions to tackle them must adapt accordingly.

02 ——— **Rising violence in Puebla.**

On May 20, an open-fire incident startled the residents of the 10 de Mayo neighborhood in Puebla. This display of power was underscored when human remains were left in coolers in front of homes linked to José Christian, alias 'El Grillo,' a former cartel leader in Puebla who died while incarcerated in Oaxaca in 2023. These actions are evidence of an ongoing turf war between rival factions vying for control of Puebla. The violent tactics employed by these groups not only serve as a warning to their enemies but also instill fear among locals. This highlights the urgent need to deescalate the mounting violence in the previously calm state through coordinated local and federal efforts.

Key Actors

Extortion Rates.

Extortion in the State of Mexico increased by 21.64% from 2022 to 2024, compared to the 17.14% national increase over the same period. So far in 2024, the State of Mexico has reported 8.5 extortions per 100,000 citizens, almost double the national average of 4.1.

Southern

Regional Overview

01 ——— Violence in Oaxaca costs 32% of its GDP.

The 2023 Mexico Peace Index revealed that violence cost Oaxaca 7.16 billion USD, equating to 1,693.5 USD per person annually. This represents about 32% of the state's GDP in 2023. The economic impact of violence includes direct costs like medical expenses, protection, preventive measures, damages, security expenses, and judicial system fees, as well as indirect costs such as lost future income and psychological trauma. Though there was a significant improvement from the previous year, with a decrease of \$2.2 USD per person, Oaxaca remains significantly impacted. These figures emphasize the urgent need for comprehensive strategies to reduce violence and its economic burden, in one of the country's most impoverished states.

02 ——— Power shortages in Tabasco ignite social mobilizations.

Frequent power outages in Tabasco have sparked social unrest, leading to various forms of protest and civil disobedience. These outages continue for days at a time, affecting the population's living conditions and compromising their health. Around 70% of the state's schools, approximately 750, are struggling with severe electricity issues, which have significantly disrupted students' education. This persistent power crisis has led residents to block key roads and highways in protest, demanding immediate restoration amidst the recent unprecedented heat waves. These actions reflect a broader nationwide issue, demonstrating the need for comprehensive solutions from both local and federal authorities that go beyond declaring the CFE in a state of emergency. Addressing the root causes of these outages should be a primary focal point for Sheinbaum during her term.

Key Actors

Power outages affect 87.5% of the states.

In May, during the emergency state of the CFE, 28 states reported power outages with durations ranging from hours to weeks. Citizens in other states have also mobilized to demand a solution and have even retaliated against CFE employees by detaining them until power was restored. The states that have not reported power issues are Baja California, Baja California Sur, Colima, and Michoacán.

Yucatán Peninsula

Regional Overview

01 ——— **Quintana Roo's businesses decline amidst hostile conditions.**

From 2022 to 2023, Quintana Roo experienced a decline of 4.8% in active businesses. The president of the Chinese Latin association attributed this to rising operational costs, including inflation, higher taxes, and the renter's fee imposed by cartels. Small and medium businesses in the service, construction, and technology sectors have been particularly affected, with many owners closing their businesses in Cancún and relocating to less threatening regions. While violence has been the norm in the state for years, its economic impact is now tangible. To counter this pattern, targeted security measures and economic support initiatives are crucial to stabilize the business environment and prevent further affectations.

02 ——— **Job surge in Yucatán.**

Yucatán has experienced a job surge sustained throughout 36 consecutive months since May 2021, with 67,976 new jobs created during the current administration that average 1,015 new jobs per month. As of April 2024, the state had 437,516 workers registered in IMSS, marking a 3.7% annual growth compared to April 2023 and surpassing the national average of 2.5%. This surge has been driven by investments in over 350 projects across various sectors including information technology, aerospace, real estate, agro-industrial, construction, and logistics. The impact of these investments is further amplified by Yucatán's status as the safest state in Mexico, creating a conducive environment for economic growth and stability.


Key Actors


Nationwide business closures.

Although Quintana Roo has been significantly affected, it ranks fifth in lost patrons after Guerrero, Oaxaca, Chiapas, and Tamaulipas, all states plagued by mounting violence.


Contact


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 Institute for Strategy and Defense Research - ISDR

 InstituteSDR

 isdr.mx

 info@isdr.mx

 +52 (81) 8363 0021

