



Mexican Strategic Landscape

Monthly Report - July 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 / Sheinbaum's Shared Prosperity Program.

President-elect Claudia Sheinbaum presented the Shared Prosperity Program that is part of her national project. Among the topics included in the program, the comprehensive planning of investments through a national relocation strategy stands out. This national relocation strategy will take into account regional economic strengths and factors such as natural resources, energy, connectivity, and education. It also contemplates the creation of a national council for regional development and relocation, comprising representatives from the public and private sectors, universities, and civil society. Implementing these actions would allow the next government to leverage the investment boom that the country has experienced in recent years in a sustainable way, boosting Mexico's economic growth.

02 / Mexico's new foreign policy priorities.

In an interview with "El País," incoming Secretary of Foreign Affairs Juan Ramón de la Fuente outlined Mexico's foreign policy priorities for the coming years. Some actions remain part of Mexico's traditional agenda, such as defending the rights of Mexicans abroad, managing migration, and maintaining the relationship with the United States. However, other topics such as strengthening relations with Europe and China are interpreted as a commitment to diversify international relations. Regarding current global conflicts, Mexico is expected to continue to maintain its neutral stance. In its efforts to strengthen ties with China, the Mexican government must consider the strategic competition that this country maintains with the United States and its potential impact on the T-MEC review scheduled for 2026.

03 / The Maquiladora industry crisis.

During 2023, the maquiladora industry in Ciudad Juárez, Chihuahua lost over 33 thousand jobs, deeply affecting the city's economy. While some exacerbating factors, such as decreased consumption in the US and the presidential elections, are external, the crisis also highlights the lack of economic diversification in certain Mexican regions, that opted for a declining economic development model.

Mexico and the Global Stage

Alleged terrorists detained in the US.

During June, 8 citizens of Tajikistan, allegedly linked to the Islamic State in Khorasan Province (ISKP), were arrested in New York, Philadelphia and Los Angeles. The men would have entered the United States through the southern border in spring 2023. This incident reveals the possibility that terrorist groups could use the US-Mexico border to infiltrate the United States, an issue that has been continuously raised by several authorities and even in the presidential debates.

Northwestern

Regional Overview

01 — Guaymas Port, the first nearshoring hub in Mexico.

For many years, the Guaymas Port primarily handled bulk cargo exports of minerals. However, following modernization efforts and strategic alliances with the Port of Antwerp-Bruges in Belgium, it could become the first nearshoring hub from Mexico. This transformation implies that the port of Guaymas will be able to receive new cargoes, including vehicles, and export them to different markets. Given this scenario, the Ford factory located in Hermosillo carried out its first shipment of vehicles from the port of Guaymas to Chile in June, which reduced transportation costs by up to 30%. The consolidation of the Guaymas Port as a near-shoring hub will boost Sonora's economy and increase its participation in international maritime trade routes.

02 — Mexican cartel linked to chinese money launderers.

During June, United States authorities announced the Operation "Fortune Runner", which revealed links between the Sinaloa Cartel and Chinese citizens to launder drug trafficking money. The investigation lasted 4 years and revealed emerging cooperation between the governments of the United States, Mexico and China to combat illicit fentanyl supply chains and disrupt the money flows of transnational criminal organizations (TCO). During 2023, 107,543 drug overdose deaths were recorded in the United States. Addressing this crisis has become a top priority during the Biden-Harris administration, influencing the shared security agenda between the United States and Mexico.

Key Actors

Port of Guaymas net zero.

The Alliance between the Port of Guaymas and the Port of Antwerp in Belgium seeks to strengthen the global supply chain and raise the sustainability standards, minimizing the carbon footprint and maximizing the use of clean energy that could make it the first port with net zero operations in Mexico.

Northeastern

Regional Overview

01 — The New Fuerza Civil of Nuevo León.

The Governor of Nuevo León announced the elimination of the Public Security Secretary to be replaced by the new Fuerza Civil. This new entity will oversee the penitentiary system, the Control, Command, Communication, and Computing System (C5), and both the preventive and investigative police forces. While this shift is directly related to the state's new constitution approved in September 2022, it occurs within the context of Nuevo León ranking first in homicide rates nationally on several occasions. Some of the key challenges for the new organization include recruiting new police officers, increasing their presence in rural areas, and improving coordination with federal forces.

02 — New projects for the Tamaulipas-Texas border.

The United States Government approved a proposal to expedite border crossings between Tamaulipas and Texas. In Nuevo Laredo, the expansion of lanes on International Bridges III and IV was approved. In Matamoros, the construction of the "Flor de Mayo" bridge was also approved, which will have four lanes and connect the city with Brownsville, Texas. These projects are expected to increase the crossing of goods and vehicles by up to 30%, strengthening the supply chain between Mexico and the United States and promoting regional economic development.

Key Actors

Mexico's National Customs Agency.

In addition to the projects to speed up border crossings, the Government of Mexico announced that it will move its National Customs Agency Offices, currently located in Mexico City, to the city of Nuevo Laredo, Tamaulipas. This relocation aims to accelerate permits and the provision of customs services.

Western-Bajío

Regional Overview

01 — Mining union paralyzes ArcelorMittal plant in Michoacán.

Since May 24th, section 271 of the national mining union, led by Napoleón Gómez Urrutia, has initiated a work stoppage at the accesses of the steel company ArcelorMittal in the port city of Lázaro Cárdenas, Michoacán. The primary reason for the strike is the workers' dissatisfaction with the distribution of profit shares, additionally they demand a review of their employment contract. Despite a Federal Judge ruling the union's work stoppage illegal and ongoing dialogue between the company, union, and federal authorities, the strike continues. As the largest company in the area, if the conflict continues, the jobs of thousands of workers and contractors will be at risk, as well as the supply chain with the United States.

02 — SHEIN begins interactive tour in Guadalajara.

The Chinese-origin online fashion store SHEIN continues to expand its presence and engagement with the Mexican public. In June, the brand announced its "SHEINnovation MX Tour", choosing the city of Guadalajara as its starting point. The tour aims to introduce citizens to the brand's essence and innovations in the fashion industry. Alongside these interactive experiences, SHEIN plans to install several manufacturing plants as part of its expansion strategy to supply the Mexican and Central American markets.

Key Actors

Losses due to work stoppage at ArcelorMittal.

The work stoppage affecting the steel company ArcelorMittal has resulted in daily losses of 17,200 tons of steel and poses a threat to the employment of 8,000 workers. The consequences of this stoppage are felt at the national level, as this plant supplies 30% of the steel required for various industries across Mexico.

Central

Regional Overview

01 ——— **Cyberattack exposes vulnerabilities in Mexico City's Police System.**

Mexico City's Secretariat of Citizen Security (SSC) recently suffered a cyberattack, exposing critical vulnerabilities in the ATLAS System. Hackers leaked user credentials, compromising detainee details and crime reports, and allowing unauthorized access to alter records. The system's outdated PHP version (4.4.0) and weak security measures contributed to the breach, though insider involvement is also suspected. This incident is part of a broader trend of cyberattacks targeting both high-profile enterprises and local governments across Mexico. Unlike other countries, Mexican victims rarely pay ransoms, opting instead to manage the aftermath of attacks. This latest attack underscores the country's lack of preparedness to counter hackers and highlights internal vulnerabilities within institutions responsible for handling cyberattack reports, pointing to a critical need for strengthened measures that involve executive and operational personnel.

02 ——— **Turbosina: the new target of fuel theft schemes in Mexico City.**

Residents living near Mexico City's International Airport (AICM) have persistently reported a gasoline-like smell emanating from the sewage. This month, the Secretariat of Comprehensive Risk Management and Civil Protection (SGIRPC) confirmed several clandestine taps into jet fuel (turbosina) pipelines near the AICM, dating back to February. Pemex officials were reportedly puzzled by the theft, as turbosina is exclusively used for aviation and had not previously been targeted in fuel theft schemes. The discovery has raised suspicions of fuel trafficking by airport employees, potentially selling it to other markets. Authorities have increased monitoring and cleanup efforts, reassuring the public that the smell does not pose an immediate risk.

Key Actors

SSC's site in need of updating.

SSC's website, created with PHP 4.4.0 (dating back to 2005), has 377 identified vulnerabilities. The site lacked login attempt limits and CAPTCHAs, contributing to its compromise. Both malware and insider involvement are suspected in the attack.

Southern

Regional Overview

01 ——— Continued Violence in Chiapas, its roots and aftermath.

The recent massacre of 19 individuals, including six Guatemalans, in La Concordia, where the victims were found shot and discarded, was claimed by the Sinaloa Cartel. Coupled with arson attacks on five homes, this led to the recognition of a new cartel: the Chiapas-Guatemala Cartel. These incidents underscore the state's instability and accentuate the escalating conflict between criminal organizations vying for control of strategic drug and human trafficking routes. This surge in violence, although exacerbated by electoral tensions, predates the election period, reflecting persistent security challenges in the region that intensify with the presence of external criminal groups. The escalating violence has forced community members to flee their homes leading to conflict-induced displacement. While no diplomatic action has stemmed from the massacre, this could be a turning point in Mexican-Guatemalan diplomatic ties.

02 ——— Veracruz Dissolves its Fuerza Civil.

Social mobilizations in Totalco, Veracruz against Granjas Carroll, a company ended abruptly after a confrontation with Fuerza Civil led to the killing of two protesters. In response, the Veracruz state government announced the dissolution of Fuerza Civil in the state. This dissolution will centralize all Public Security forced under a unified command that reports directly to the Subsecretary of Operations, seeking to restore public confidence and enhance oversight of law enforcement actions. The state's prompt response aimed to mitigate potential risks and prevent further escalation, however the protests persist.

Key Actors

Veracruz's government meets local demands.

The state's government committed to addressing environmental concerns associated with Granjas Carroll, emphasizing rigorous regulatory oversight and the possibility of sanctions if environmental compliance standards are not met accompanied by escalating the matter with SEMARNAT and PROFEPA. However, protests in Veracruz against the company are not isolated and echo those in Puebla and Tlaxcala that demand its closure.

Yucatán Peninsula

Regional Overview

01 ——— Damage to Yucatan's Progreso Port.

Yucatán's Progreso Port has experienced significant damage to its terminal's dock, specifically at dock six of Yucatan's Container Terminal. This has forced major shipping companies to redirect their cargoes to Veracruz, disrupting the flow of imports and exports crucial for regional trade and the local economy. The six-month repair timeline, from June 17 to December 17 as confirmed by The Administration of the National Port System (Asipona), will cost 1.1 million USD. The port had already faced logistical hurdles in March, halting trade for hours which caused prolonged disruptions and significant losses for the state and port users. Despite facing the need for infrastructural renewal investments three months ago, the lack of prompt action now results in significant repair costs compounded by the losses from thousands of redirected containers. If companies like Maersk Line and Mediterranean Shipping Company (MSC) find Veracruz to be more efficient, Yucatán risks losing critical maritime traffic and associated economic benefits permanently.

02 ——— Pemex's promising investment in Campeche.

Pemex advances with its \$136.5 million investment in the exploratory well Kathal-1EXP in Campeche, aiming to discover high-quality oil exceeding 35 degrees API in shallow waters. This project, part of the AE-0159-2M-CHALABIL exploration plan, allocates \$98.2 million to drilling and \$38.3 million to ready the well for production. Despite technological challenges, Pemex's strategic shift to shallow waters and terrestrial efforts has led to a 27% increase in their exploratory success. The National Commission for Hydrocarbons recognizes this venture as emblematic, due to the balancing of geological risks with the potential for highly profitable super-light oil.


Key Actors

Lighter oil, less refining.

API (American Petroleum Institute) gravity is the measure used for the density of crude oil. Crude oils with a higher API gravity (above 35 degrees API) are considered lighter and more desirable because they require less refining to produce more valuable products, like gasoline. The discovery of this type of oil in Campeche could be economically advantageous and highly valuable in the global oil market.


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