



# Mexican Strategic Landscape

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Monthly Report - September 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 / **Child recruitment by organized crime, a growing trend in Mexico.**

During August, the states of Sonora, Jalisco and Chiapas reported cases of children and adolescents recruited by organized crime groups, which reveals a growing trend in Mexico. In some cases, young people are recruited under the promise of great economic gains, while in places like Chiapas there are reports of forced recruitment of children, who are used to block traffic on roads and prevent the passage of authorities. Organized crime groups have begun to recruit children because, if arrested, the penalties would be lesser compared to an adult. The civil society organization Reinserta estimates that 250,000 children in Mexico are at risk of being recruited by organized crime, which reveals the vulnerability of children in Mexico.

## 02 / **National and international implications of Judicial reform.**

The haste with which the reform of the judicial power is being discussed in the Legislative branch has generated concern and uncertainty both in Mexico and abroad. Internally, various demonstrations have been recorded throughout the country and business chambers have expressed their concern regarding the politization that the judiciary could suffer. At the international level, the governments of USA and Canada have expressed the economic and commercial repercussions that the approval of the reform would have. The approval of the reform in the chamber of deputies has already caused the depreciation of the Mexican peso. Although AMLO's government is about to end and the consequences of this reform would directly and completely affect the incoming government, Claudia Sheinbaum has not shown any sign of a change of direction.

## 03 / **Rampant extortion affects businesses and consumers.**

One of the crimes that has grown the most and spread to different areas and sectors in recent years is extortion. Directly or indirectly, Mexicans end up paying more for different products and services due to the fees that organized crime charges different businesses so that they can continue operating. In recent years, it has even been observed that new economic sectors are also victims of this crime, without the authorities having been able to implement any effective strategy to contain or combat it. Economist Mario Di Costanzo estimates that the profits of organized crime from extortion amount to 10 billion USD annually.

## Mexico and the Global Stage

### Maduro remains in power in Venezuela.

After the failed mediation attempt by Mexico, Colombia and Brazil in the post-electoral crisis in Venezuela, Nicolas Maduro continues to cling to power. The attacks against political adversaries have intensified, causing former presidential candidate Edmundo Gonzalez to go into exile in Spain. The violations carried out by the Venezuelan regime demand clear and forceful condemnations from all countries in the region.

# Northwestern

## Regional Overview

### 01 ——— **Protests against shrimp smuggling as new fishing season begins.**

During Claudia Sheinbaum and AMLO's recent visit to the state of Sinaloa, fishermen expressed their discontent against the lack of action to stop illegal shrimp importation into the country. Carlos Urías Espinoza, leader of the Confederation of Aquaculture Organizations of the State of Sinaloa (COADES), voiced his concern regarding the risk of unemployment caused by smuggled shrimp from Ecuador and Central America. Although this region produces around 70% of the national fishing production volume, and for several months fishermen have warned about shrimp smuggling, the authorities have not been able to stop it, generating million-dollar losses for the industry.

### 02 ——— **Streak of factory closures in Sonora.**

This year, at least three companies settled in Sonora have announced their relocation out of the state. Masimo, located in San Luis Río Colorado with 3500 employees, and Stanley Black & Decker, located in Hermosillo with 500 employees and inaugurated only two years ago, have begun their relocation process. Meanwhile, Edgewell, located in Ciudad Obregón with 1300 employees, has announced its plans to move out by 2025. Although business chambers have argued that these decisions are grounded in internal decisions based on their product's demand, the closures occurred in a context of rising insecurity in Sonora and a climate of uncertainty and instability at the national level due to the reforms promoted by the government.

## Key Actors

### **Shrimp smuggling in Mexico.**

According to the COADES, at least 20,000 tons of illegal shrimp enter the country each year especially from Ecuador and Central America. This poses an immediate threat for the national shrimp production in losses of up to 200 million USD in Sinaloa and 500 million USD nationwide.

# Northeastern

## Regional Overview

### 01 — New Volvo plant in Nuevo León.

Volvo Group announced in August that it will install a truck manufacturing plant in the municipality of Ciénega de Flores, Nuevo León. The plant, with an investment of 700 million dollars, is expected to generate 2,500 jobs, making it the company's largest investment to date. The new plant seeks to satisfy the North American and Latin American market and is expected to be inaugurated in 2026. While Nuevo León offers important logistical advantages due to its proximity to the United States and its skilled labor, it will be crucial for the state and municipal government to collaborate to improve road infrastructure and public services to accommodate the increased flow of people during the plant's construction and operation phases.

### 02 — Federal government analyzes proposal to bring water from the Panuco River to the region.

After having met with governors of Nuevo León, Tamaulipas, Veracruz and San Luis Potosí, President-elect Claudia Sheinbaum announced that she will hold a working group to analyze the viability of building the Panuco River aqueduct and the environmental impact that the work would have. In recent years, Nuevo León and Tamaulipas have suffered serious droughts that have affected the water supply for residents and industries in the area. This has caused social unrest and million-dollar losses for industries. The reactivation of this project is vital for the region, which could lose its quality of life and competitiveness if it fails to ensure a water supply for the future.

## Key Actors

### Volvo investments in Mexico.

The Volvo company has 4 other plants in Mexico, 3 located in Mexico City and 1 in the State of Mexico. However, the plant they will build in Nuevo León will be the largest Volvo plant in the world.

# Western-Bajío

## Regional Overview

### 01 — Extortion to lemon producers in Michoacán.

Lemon producers in the municipalities of Apatzingán and Buenavista had to suspend cutting and harvesting during August due to extortions by organized crime. Producers estimate that extortion generates losses of approximately 30-40% of their profits, which has caused the abandonment of plots and the displacement of hundreds of families. After the announcement, the price of lemons increased in some cities in the country. Although extortion targeting lemon or avocado producers has been a historical problem in Michoacán, state authorities have not been able to stop this crime and there is a risk that extortion will spread to other productive sectors in the state.

### 02 — Guanajuato begins pilot test to store green hydrogen.

The Director of Guanajuato Puerto Interior announced the first stage of a pilot test to store green hydrogen with the purpose of supplying transportation units. Although it is expected that green hydrogen can eventually be produced at the plant, the director revealed that they will wait until 2025 due to possible changes in energy laws. In addition to Guanajuato, the Mexican Hydrogen Association revealed that there are 15 private initiative projects on green hydrogen, which reveals the growing interest in this topic. It will be key for the government, private initiative and universities to work together to generate a favorable environment to develop this source of energy and prepare skilled workers for this new industry.

## Key Actors

### Lemon production in the Tierra Caliente region, Michoacán.

The municipalities of Aguililla, Buenavista, Múgica, Parácuaro and Tepalcatepec produce 670 tons of lemon per year, making this region the largest producer nationwide.

# Central

## Regional Overview

### 01 — **Five-day blockade on México-Puebla highway results in \$6,591.89 USD in losses.**

The México-Puebla highway, a critical artery for commerce between Mexico City and the southeast, was reopened after a five-day blockade by ejido members from Santa Rita Tlahuapan protesting long-standing grievances over land expropriated to build the highway. Despite a previous payment in 2018, some ejido members claim they were left out of the compensation, fueling this latest protest. The blockade resulted in significant economic losses, estimated at 6,591.89 billion USD nationwide, disrupting supply chains and services, including automotive parts production and tourism. Although the blockade has been lifted, the federal government continues negotiations to address unresolved land payments with the aim of avoiding future disruptions to the region's economy and connectivity.

### 02 — **Continued negotiations in Volkswagen Puebla.**

The labor dispute at Volkswagen's Puebla plant is entering a decisive phase as negotiations with the Independent Union of Automotive Workers (SITIAVW) continue. After months of escalating tensions, the company has proposed a 10.59% wage and benefits increase, but also aims to modify 40 clauses, including reducing bonuses for marriage, birth, and death, cutting one vacation day, and reducing holiday pay. Union workers are set to vote on this proposal later this week, with a strike still possible if they reject the proposed terms. The outcome of this vote will not only affect the future of labor relations at Volkswagen but also have broader implications for labor rights, negotiations in Mexico's automotive industry, and the upcoming renegotiation of the USMCA in 2026.

## Key Actors

### **Volkswagen's wage increase gap.**

In February, Audi's union workers in Puebla set a precedent by securing a 10.2% contractual increase after a 26-day strike. Volkswagen's union workers, seeking a 24% global contractual increase, are now facing a similar situation. While Volkswagen's 10.59% wage proposal would be the highest attained in the industry, it still falls short of the union's demands.

# Southern

## Regional Overview

### 01 ——— **Blockades cause fuel shortages in the Frontera Comalapa region.**

Ongoing violence and blockades by organized crime in the Frontera Comalapa region have resulted in severe fuel shortages, as drivers transporting gasoline are unable to access the area. While some key routes have been cleared, such as Comitán-Frontera Comalapa, gas stations remain closed, disrupting local transportation and daily activities. Indigenous communities, who depend on these roads for agriculture and commerce, are calling for stronger intervention from military and law enforcement forces to prevent further violence.

### 02 ——— **Indigenous communities oppose the Tehuantepec Interoceanic Corridor.**

Indigenous organizations in Oaxaca and Veracruz, led by the Union of Indigenous Communities of the North Zone of the Isthmus (Ucizoni), have launched a strategic campaign to expose the environmental and social risks posed by the Tehuantepec Interoceanic Corridor. They assert that the communities were not properly informed about the damage it would cause to their lands, in violation of current consultation protocols. Through assemblies, the campaign is addressing key issues such as the unsafe operation of Pemex pipelines, frequent power outages despite local energy production, and the construction of industrial hubs in areas lacking essential services like water, electricity, and drainage. Similar concerns were raised by indigenous communities affected by other large-scale projects implemented under the current administration, such as the Tren Maya.

## Key Actors

### **Organized indigenous groups in Oaxaca.**

Organized by Ucizoni and other regional coalitions, indigenous communities in Oaxaca and Veracruz, including Zapotec, Mixe, Chontal, Chinantec, Zoque, and Popoluca groups, have opposed the Tehuantepec Interoceanic Corridor since 2018. In November 2023, 16 members faced charges for “Attacks on Communication Pathways,” which the coalition claims is an attempt to target activists.



# Yucatán Peninsula

## Regional Overview

### 01 — Skilled labor gap in Quintana Roo's growing economy.

Quintana Roo's government has raised concerns over a growing shortage of skilled labor, which threatens to hinder the region's rapid economic expansion and diversification. The National Chamber of the Transformation Industry (Canacintra) has called for immediate investment in professional training to prevent job losses and economic stagnation. This challenge emerges as projects like the Tren Maya, Tulum's new airport, and Chetumal's recent designation as a free zone create opportunities across various sectors. Local governments, such as Tulum's, are actively working to connect universities with businesses to bridge the widening labor gap. As the state aims to position itself as a nearshoring hub and attract international investment, the demand for skilled workers is expected to rise significantly, creating an urgent need for a workforce that can meet the diverse needs of this evolving economy.

### 02 — Yucatán's recent migrant rescue reveal emerging migration patterns.

Yucatán has seen a significant rise in migrant rescues, with up to 80 operations recorded weekly. Migrants from countries such as Cuba, Venezuela, India, and China primarily transit through the region, highlighting the increasing complexity of migration routes, a pattern also observed in Oaxaca since the start of the year. As the National Institute of Migration (INM) and the National Guard (GN) continue their coordinated efforts, evolving migration dynamics underscore the need to balance humanitarian responses with regional security concerns. Strengthening international collaboration is essential to addressing the root causes of migration and ensuring effective management of these flows.


## Key Actors


### Quintana Roo's economic surge.

The latest ITAEE data shows that in the first trimester of 2024, Quintana Roo recorded the highest economic growth nationwide at 20% compared to the same period in 2023, with growth observed across all sectors. Primary activities like agriculture and fishing grew by 3.4%, while secondary industries—mining, manufacturing, construction, and electricity—surged by 125.6%. Tertiary sectors, including goods distribution and knowledge-based services, increased by 5.5%.


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