



Mexico – Security Risk [Stand 01.06.2014]

Summery

Mexico is a stable democracy and the second-largest economy in Latin America, despite predictions of modest growth at a rate of two to three per cent in 2013. The manufacturing sector continues to thrive, driven by internal and external demand. A stable investment climate, favourable demographics and low labour wages indicate that Mexico will remain a major export market. National debt, inflation and unemployment are relatively low and under control. Criminal violence and kidnapping have become increasingly indiscriminate, as drug cartels and associated gangs operate with virtual impunity in many regions. Although President Peña Nieto has vowed to change the discourse of the former administration's aggressive security strategy, his administration's approach remains unclear to the public and cartel activities and drug-related violence will continue to pose a security threat, particularly in the northern border region and disputed drug transit areas.

Current Analysis

Internal Conflict

Mexico's internal security environment has deteriorated since 2006 and it has become sharply worse since 2008, when drug-related killings spiked from 2,275 to 6,290 in one calendar year. Over 70,000 are estimated to have been killed since mid-2006 and at least 20,000 kidnappings occur each year. The conflict is characterised by an increasingly fractious picture of well-resourced and organised criminal groups competing for influence in various territories. Some, especially Los Zetas, are well trained and demonstrate extreme brutality.

The difficulties of combatting organised crime are compounded by the level of corruption in the country. The municipal police tend to be implicated in a very high proportion of organised crime and increasingly accusations are also being levelled against the state police and the military.

There are a number of main drug trafficking organisations, each with local and specialised enforcer groups. The position, strength and allegiances of these changes regularly and with them change the regions and cities experiencing the greatest concentrations of violence. Drug-related violence does not just affect those implicated in organised crime, but also those working with the media, government departments, human rights groups, the judiciary and energy sector workers, along with those occupying or seeking to occupy elected office.

Less immediate threats are presented by leftist groups such as the Popular Revolutionary Army (EPR) and the Ejercito Zapatista de Liberacion Nacional (EZLN or 'Zapatistas'). In July and September 2007 the EPR cut off gas supplies across central Mexico by bombing natural gas pipelines belonging to state oil company PEMEX, costing the company US\$1.6 billion in lost economic output. The EZLN remains functional in Chiapas but is largely a diminished political movement now. The group is unlikely to evolve into a serious security or political threat in the foreseeable future.

Crime

In addition to traditional threats to national security, issues of personal security (such as crime and lawlessness, police corruption and abuse, and transnational street gangs) are also currently major concerns in Mexico.

Major federal crimes, which include homicides, kidnappings and arms trafficking, have risen considerably, although it is difficult to disentangle these figures from the rise in drug-related violence witnessed in most parts of the country. Most prevalent are crimes such as robbery, carjacking, extortion, fraud and counterfeiting as well as kidnapping, committed by a wide variety of criminal organisations.



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Although unreliable statistics and underreporting make it difficult to accurately gauge the number of kidnappings that occur each year in Mexico, the rate is amongst the highest in the world. The kidnapping threat affects the whole of society: wealthy individuals are targeted by highly professional groups that demand millions of dollars in ransoms whilst impoverished migrants transiting from Central America are often held in return for paltry payments from their families back home. Some are also press ganged into joining the cartels themselves. Mexico has even witnessed a trend known as “virtual kidnapping”, where families are persuaded that a kidnapping has occurred when in fact it has not. The pervasive threat of kidnapping generates widespread fear, making “virtual kidnapping” an easy source of money. The impact of transnational gangs has also been felt in Mexico. Although there is a dearth of reliable data on the extent of gang activity, the US Agency for International Development (USAID) estimates that 17,000 gang members affiliated to the Mara Salvatrucha Guatemalan gang operate in Juarez alone. The lack of a cohesive national strategy in this realm, as in the case of the drug cartels, contributes to insecurity, as does the sheer absence of government representatives in countless small towns across the north and the south-west.

Civil Unrest

Civil unrest is a present and a growing concern amid President Pena Nieto's economic reform agenda, which seeks constitutional changes in the energy, fiscal and education sectors and which have triggered large-scale protests. Moreover, Mexico remains beset by a host of economic problems, particularly high levels of inequality, which are compounded by a sense of frustration with the government. Labour unionism is relatively well established in the country and demonstrations are common, occasionally turning violent.

In 2006, a contested electoral ruling in favour of former President Felipe Calderon caused massive upheaval. Given the country's history of opacity in electoral matters, any close-run election will likely elicit a similar response. In 2012, massive demonstrations against media bias in favour of President Peña Nieto led to detentions and as the government tries to increasingly centralise power, public discontent could spark further large-scale protests in the near future.

Projections

- Drug-related violence will continue to be a significant problem in Mexico for the foreseeable future.
- The kidnapping epidemic will remain unresolved until police corruption and weak implementation capacity are addressed. Violent crime, robbery and carjacking will remain common.
- Despite a change in the security discourse by President Pena Nieto, his government's strategy will continue to be questioned and turf disputes between drug cartels will continue to yield high.

Mexico Country Risk Rating AKE32

AKE's Risk Rating was developed by AKE Intelligence for the insurance market. See also our World Risk Map

http://www.globalintake.com/world_risk_map.php

