

# Crime a rising cost of doing business in Mexico

Business leaders concerned as violence returns to the worst levels of the past

Jude Webber in Mexico City DECEMBER 24, 2017

Erik Seiersen manages a new crisis every day. “I’ve been working in Mexico since 1990 and I’ve never seen this level of volatility and insecurity,” says the Mexican head of British drinks group Diageo and president of the country’s wine and liquor commission.

On just about every front, 2017 has been a catastrophic year for crime in Mexico. Homicide levels are higher than the worst years of former President Felipe Calderón’s war on drug cartels. October was the most murderous month in 20 years, with 2,371 killings, according to official data. Offences in virtually all categories — from murder to robbery to extortion to kidnapping — are rising. Only bank heists and cattle rustling are down.

Some crimes have been particularly shocking: the 12th journalist to be killed this year was gunned down at his son’s school Christmas play. In November, an ice box containing two severed heads was dumped outside a television station. Six bodies were recently strung up from bridges in the state of Baja California Sur, a tourist draw.

As the security crisis has spread beyond cartel heartlands to all but a handful of states, legislators in December enshrined the army’s decade-long role in policing and fighting crime in a controversial law. Critics, including Zeid Ra’ad al Hussein, the UN human rights chief, called the law ambiguous and open to abuse.

For Mr Seiersen and other business leaders who use the roads and rail network to transport millions of dollars’ worth of merchandise every day, the security crisis is a logistical nightmare and a costly slap in the face after all their investment in Latin America’s number-two economy.

It became too risky to move goods by rail when thieves were stripping cargoes of alcohol, televisions, iPhones and other high value consumer goods and throwing up roadblocks to keep police at bay. Many companies switched midyear to road haulage to try to get their goods to market intact - but at a price.

“When you shift to trucks, there’s a high increase in costs,” Mr Seiersen said — including eye-popping insurance premiums. Companies’ total cost base could “skyrocket, 100, 200, 300 per cent,” he added.

The Wine and Liquor Industry Commission, which Mr Seiersen heads, says there have been 151 robberies in 2017, of more than 109,000 cases of alcohol worth 352m pesos (\$18m). It has no comparative figures but but says levels in 2016 were “minimal”.

“It’s not just the theft of cargoes. They are selling these goods on illegal markets at below the price of production, and competing against our own products,” echoes Leonardo Gómez, head of the National Association of Private Transport, grouping major road haulage users. The government is also missing out on millions of dollars in sales and other taxes.

Companies tried sending lorries in large convoys for safety in numbers. On one key route, between the town of Puebla and the eastern port of Veracruz, things got so bad that “it wasn’t a probability you will get hit, it was a fact,” Mr Seiersen said.

As key roads became impassable companies switched back to rail haulage in November. But analysts see no meaningful measures on the horizon to combat the crime crisis as politicians focus on presidential elections in July and tough negotiations to update the North American Free Trade Agreement.

“This [crisis] hasn’t peaked yet,” cautioned Gustavo Mohar, a former interior ministry undersecretary. “If you don’t take consistent, drastic, permanent action, it will keep on growing.”

Part of the problem is Mexico’s police. They are underpaid, which makes them open to bribery, and overwhelmed by what Mr Mohar calls a “public security emergency”.

Since the role of corrupt municipal police in the disappearance of 43 students in 2014 placed Mexico’s inadequate police forces under a harsh spotlight, the government of Enrique Peña Nieto has been promising an overhaul. But little has been done.

The Fuerza Civil, a rare police success story located in Mexico’s northern business hub of Nuevo León, has “seen a lot of desertion, a progressive weakening, and violence levels have started rising again,” says Enrique Guerrero, a security analyst. “It’s tragic.”

The new Internal Security Law was passed in a bid to provide a framework for the military’s role in police duties. But as Eunice Rendón, a former government official and co-ordinator of Red Viral, an NGO, notes: “In 28 out of 32 states, there is some form of military presence. This is abnormal in any democracy.”

Mexico’s crime wave and near total impunity levels are major election issues as former finance minister José Antonio Meade seeks to defeat leftist Andrés Manuel López Obrador.

Meanwhile, the government’s “kingpin” strategy to knock out cartel chiefs has helped spawn 241 mafioso groups or gangs running extortion rings and protection rackets, Mr Guerrero estimates. One of the most lucrative criminal activities has been fuel theft.

But as security forces closed in, the thieves branched out into robbery of merchandise. “We want to invest in Mexico,” Mr Seiersen said. “But this level of insecurity is unheard of. . . People are going to lose interest in [investing in] Mexico.”