

Back to results 1 of 3,704 >

CENTRAL AMERICA/MEXICO: Extortion threats will evolve

OxResearch Daily Brief Service. (Jan 25, 2016).



Full text

Abstract/Details

Abstract Translate [unavailable for this document]

Hide highlighting

Outlook for extortion threats in Central America and Mexico.

Protection rackets and extortion threats have become generalised in areas controlled by criminal groups in Central America and Mexico. Business operations requiring logistic and transport routes that expose personnel to illicit checkpoints, kidnapping or death threats, are prone to comply with demands for protection money. Corruption and generally weak law enforcement capabilities render states incapable of pre-empting these threats in most business environments, particularly in the manufacturing and natural resource sectors.

Full Text Translate [unavailable for this document]

SUBJECT:Outlook for extortion threats in Central **America** and Mexico.

SIGNIFICANCE:Protection rackets and extortion threats have become generalised in areas controlled by criminal groups in Central **America** and Mexico. Business operations requiring logistic and transport routes that expose personnel to illicit checkpoints, kidnapping or death threats, are prone to comply with demands for protection money. Corruption and generally weak law enforcement capabilities render states incapable of pre-empting these threats in most business environments, particularly in the manufacturing and natural resource sectors.

ANALYSIS: Impacts.

Banking and asset management firms will be targeted as criminals seek confidential information to identify extortion and kidnapping targets.

Governments may resist new money laundering detection mechanisms as they can create business opportunity vacuums that fuel turf wars.

Gangs will become increasingly sophisticated, developing mafia-like business interests and systems of community-level pseudo governance.

In the coming years, the growth potential of Panama, Costa Rica and Nicaragua will improve the region's economic outlook, which is expected generally to outperform most of the rest of **Latin America** (see *PROSPECTS 2016: Mexico and Central America* - November 26, 2015).

Increased economic prosperity, however, has also brought more opportunities for criminal gangs to make money and broaden their income streams through extortion.

Turf wars.

Criminal organisations that control key narcotics production areas and transit routes crossing the region represent a major challenge for existing businesses and new investors. This is a particular problem in Mexico and Central **America**, where violence often breaks out in disputed territories:

Illicit supply lines of methamphetamine precursor, coming from Asia, operate along most of the region's Pacific coast ports, many of which are violently disputed by competing criminal organisations.

Land and sea routes used in cocaine trafficking from **Latin America** have been subject to fierce turf wars.

Large hubs for stockpiling, processing and local distribution of assorted drugs, such as San Pedro Sula and Tegucigalpa in Honduras, as well as Mexico City, Guadalajara and Monterrey in Mexico, are simultaneously disputed by numerous different criminal organisations.

Meanwhile, major cities along the US-Mexican border are also frequently disputed by rival criminal organisations.

The evolving cartel territories that emerge from such turf wars, along with changing economic opportunities and the actions of the security forces, mean that violence hotspots are constantly changing, making long-term predictions of where will be most secure extremely difficult.

Such violence creates something of a paradox, with criminal activity simultaneously endangering economic activity and thriving on it.

While investors are not necessarily put off by violent crime (see *MEXICO: Insecurity will barely affect Mexico's FDI* - July 23, 2015), businesses are forced to take security into consideration and spend far more on crime prevention.

Governments have yet to succeed in reducing the violence. Meanwhile, a tendency to pursue short-term results – employing security forces to use heavy-handed tactics and target high-profile figureheads, rather than tackling the long-term root causes of insecurity – has often exacerbated the problem rather than help it.

Rackets and extortion.

Over the last decade, numerous kingpins have been captured or killed, and many criminal organisations have lost significant amounts of money as well as large numbers of personnel.

Criminal groups have increasingly resorted to running protection rackets in order to pay their men and regain strength to fight for lost territory.

Consequently, extortion and kidnapping threats have become generalised in major economic centres in the region.

In the case of Mexico, government statistics show a 1,250% increase in reported extortion crimes between 2007 and 2012.

In many cities in Mexico and Honduras, most income earners from hawkers to cab drivers and school teachers are compelled to pay racket protection.

Small businesses targeted by extortionists can eventually fall under their control and then rapidly grow.

This has already been seen in Colombia, where small-time extortionists targeted local bus routes, before going on to invest their illicit gains in acquiring shares in medium to large public urban transport companies, a relatively informal branch of business.

In some cases, criminals eventually came to control these businesses, backed by cash that was in need of laundering.

While larger businesses are gradually investing in more security measures, many continue to pay criminal outfits for protection.

In an effort to tackle the problem, the former interim Governor of Guerrero, Mexico, Rogelio Ortega Martinez (2014-15), urged gold mining companies operating in the state to report all crimes perpetrated against them and to invest in public security instead of making extortion payments, which are often as high as 100,000 dollars per month.

However, with companies fearing for both the safety of their workers and the security of their investments, many still pay the protection rackets. Their concerns are not unfounded:

In March, three employees of Los Filos mine owned by Goldcorp in the state of Guerrero, were killed apparently in a kidnapping-related incident.

In June, Coca-Cola FEMSA in Guerrero shut down its Arcelia distribution centre because of persistent criminal extortion threats -- demands reportedly rose to 650,000 dollars.

During the same month also in Guerrero state, a regional administrator for PepsiCo was kidnapped at an illicit checkpoint as he drove to Ciudad Altamirano.

Infiltration.

Criminal organisations across Central **America** and Mexico are showing increasing sophistication in their recruitment of personnel in key positions of authority, or who have access to sensitive information.

Such sophistication was clear in the elaborate engineering involved in the high-profile escape of Sinaloa Cartel boss, Joaquin 'El Chapo' Guzman from Mexico's maximum-security Altiplano prison in July (see **LATIN AMERICA**: *Lack of prison reform poses risks - August 31, 2015*).

Information such as a facility's layout, construction and the location of particular inmates within a prison is usually carefully protected and would have been unobtainable had the escape planners in this case not had significant financial resources and intelligence capabilities.

Banks and other asset managers should be well aware of the risks regarding the confidential and protected information that they hold in order to avoid leakages that could expose their clients to extortion or kidnapping.

CONCLUSION: As high-value businesses and high net worth individuals operating in the region progressively adopt more measures to toughen their security against kidnapping and extortion threats, criminals will adjust accordingly, initially targeting softer, more vulnerable objectives, such as mid-level executives and their families, as well as lower-value businesses.

Word count: **1037**

Copyright Oxford Analytica Ltd. 2016. No publication or distribution is permitted without the express consent of Oxford Analytica.



Cite

Email

Print

More

Add to Selected items



Ask a Librarian!

Related items

Search with indexing terms

Subject

- Economic conditions
- Industry
- Politics
- Social conditions & trends
- Crime

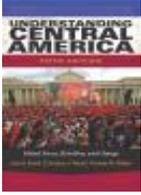
More...

Location

- Central America
- Mexico
- Latin America
- Caribbean area

Search

ebrary e-books

1.  **Chinatown Gangs : Extortion, Enterprise, and Ethnicity**
2.  **Women Legislators in Central America : Politics, Democracy, and Policy**
3.  **Understanding Central America : Global Forces, Rebellion, and Change (5th...**

Ask a Librarian!



Need help? Try Ask a Librarian! M-F 0800-1600 PT.

[Contact Us](#) [Terms and Conditions](#) [Accessibility](#) [Privacy Policy](#) [Cookie Policy](#)

Copyright © 2016 ProQuest LLC.