

MEXICO: POLITICAL, ECONOMIC AND SECURITY UPDATE

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Security Situation

1. According to media reports, by the end of 2011 more than 50,000 people had been killed in drug-related violence in Mexico since President Calderon took office in December 2006; official figures show 47,515 such killings up to September 2011 (see table). The government estimates that 90% of those killed had links to organised crime. Such claims are disputed by NGOs and some security experts.

Year	Murders	Drug-related murders	Drug-related murders as % of total murders	Murder rate
2006	10,454	n.a.	n.a.	9.8
2007	8,868	2,826	31.9	8.2
2008	14,007	6,837	48.8	12.8
2009	19,804	9,614	48.5	17.9
2010	25,757	15,273	59.3	22.9
2011	n.a.	12,903*		

(*Jan-Sept)

2. Both government and media sources show the rate of increase in drug-related killings slowing down in 2011. Mexican media reported a 6.7% increase in killings last year, much lower than increases of 26.5% in 2009 and 75.8% in 2010. The latest government figures show an 11% increase in drug-related killings during the first nine months of 2011 compared to the same period in 2010 (again significantly lower than the 70% increase in 2009-10). Although the rate of increase in killings has slowed down, levels of brutality have not: the number of decapitated and tortured victims increased in 2011 by 53% and 20%, respectively. Drug-traffickers increasingly employ such tactics to intimidate rival gangs, the authorities and the general public. Saturation media coverage of gruesome violence feeds public perceptions that the government is losing the 'war on drugs' and that the security situation is getting worse.

3.

Numerous drug kingpins have been arrested or killed in the last few years, which has disrupted the activities of some (not all) drug-trafficking organisations (DTOs). The Sinaloa Federation, operating mainly in western Mexico, and Los Zetas, operating mainly in the east of the country, are the two principal DTOs, with Los Zetas generally regarded as the most violent. Levels of violence have fallen in some cities as a result of large-scale deployments of federal police and military. But a number of observers question whether these security gains are sustainable given the slow pace of police and justice reforms. Without proper functioning state and municipal police forces, it will be difficult to withdraw the military from its internal security role anytime soon. Continuing high rates of drug-related violence have led to calls from some quarters, most notably ex-President Fox, to negotiate a deal with the drug-traffickers. This call has been firmly rejected by most of Mexico's political class.

4. Although annual rates of drug-related killings have increased five-fold since 2007, the majority (70%) are concentrated in just eight of Mexico's 32 states, and within these states in just a handful of municipalities. In 2011, one-third of all killings occurred in ten of Mexico's 2,452 municipalities, with the notorious border city of Ciudad Juarez (Chihuahua) and the resort city of Acapulco (Guerrero) accounting for around 15% of all killings. The geography

of violence in Mexico has shifted over time, with states that were previously relatively peaceful - Coahuila, Nuevo Leon, Veracruz and Zacatecas - registering significant increases in killings last year. However, many states, and the capital Mexico City, remain virtually untouched by drug violence. Ten states recorded less than 50 drug-related murders in 2011.

5. Mexico's overall murder rate (which includes all types of homicide, not just drug-related killings) increased from 8.2 per 100,000 of the population in 2007, Calderon's first full year in office, to nearly 23 in 2010. That is the highest rate in nearly 50 years. Discounting drug-related killings, Mexico's murder rate would be closer to 10. Although Mexico's murder rate has more than doubled since 2007, it is still well below rates in Honduras (82), El Salvador (66), Venezuela (49), Guatemala (41) and Colombia (33), and about the same rate as Brazil's. In the Caribbean, Jamaica (52), Belize (42), St Kitts and Nevis (38), Trinidad and Tobago (35), Bahamas (28), Dominican Republic (25) and Saint Lucia (25) all have higher murder rates than Mexico. However, murder rates in some of Mexico's drug hot spots are well above the national average: Ciudad Juarez (148), Acapulco (128), Torreon (88), Chihuahua (83) and Durango (80) and Culiacán (74).

6. As the government continues to crack down on their drugs business, DTOs are rapidly diversifying into other crimes such as kidnapping, extortion, piracy, people trafficking and prostitution. Reported kidnappings increased by 20% in 2010, although many more cases go unreported as victims have little or no confidence in the criminal justice system. The average number of reported kidnappings per year has more than doubled since President Calderon took office.

Human rights

7. Mexico's National Human Rights Commission (CNDH) and international human rights NGOs have reported a sharp increase in the number of complaints of alleged abuses by the military in the struggle against organised crime. Over 6,800 such complaints have been received by the CNDH. In November 2011, Human Rights Watch (HRW) published a critical report on Mexico, which documented more than 170 cases of torture, 39 enforced disappearances, and 24 extrajudicial killings by the military in five states over a two year period. Following publication of the HRW report, President Calderon announced a Joint Working Group to analyse its contents. Despite rulings by Mexico's Supreme Court and the Inter-American Court of Human Rights, most allegations of abuses against the armed forces are still processed through military rather than civilian courts. Rates of impunity in Mexico generally remain very high. Journalists, local politicians and migrants transiting Mexico en route to the US have all been targeted by DTOs. The Inter-American Press Association ranks Mexico as one of the most dangerous places for journalists, and reported 10 journalists killed in 2011 (76 since 2000). The government has appointed a Special Prosecutor for Crimes against Journalists to tackle the problem.

Economic situation

8. Despite concerns over security, the Mexican economy has continued to grow steadily (just under 4% last year) and shown more resilience than expected to the slow recovery in the US. Some 600,000 new jobs were created last year and foreign direct investment (FDI) reached US\$16-17 billion. However, low official unemployment of 5% masks much larger under-employment and a huge informal sector. Formal sector job creation has not kept pace with increases in the labour force, leaving disaffected youth in some areas vulnerable to recruitment by organised crime. Higher rates of annual growth are needed to tackle this structural problem. The proportion of Mexican households living in poverty increased from 34.8% in 2008 to 36.3% in 2010, another unwelcome development. Tourism, however, grew by some 12%, with numbers approaching pre Swine Flu totals. Mexico became the fastest-growing car producer in the world in 2011, while consolidating an aerospace sector with exports valued at US\$7.5 billion per year. Free Trade Agreements with Peru, Colombia and

Central America were signed and Mexico made clear its interest in joining the Trans-Pacific Partnership on top of greater Pacific Rim activity in the south. Meanwhile, Mexico continues to pursue a Free Trade Agreement with Brazil.

9. Extortion and kidnapping are the principal security concerns of business operating in Mexico; most companies have not been directly impacted by the violence between rival DTOs. According to the latest (2010) World Bank enterprise survey, the percentage of firms in Mexico identifying crime, theft and disorder as a major constraint on doing business (29%) remains below the Latin American average (34%), and below levels in key competitors like Brazil (57%), Chile (37.5%) and Colombia (32.5%). 43% of companies in Mexico surveyed by the World Bank are paying for security, compared to 87% in El Salvador, 75% in Brazil, 72% in Colombia, and 67% in Argentina. However, in the northern industrial state of Nuevo Leon, now a drug hot spot, 58% of firms (double the Mexican average) did identify the security situation as a major constraint on business activity. In Veracruz, also experiencing high levels of drug-related violence, 64% of companies (well above the Mexican national average) are now paying for security.

10. The extra security costs of operating in parts of Mexico are easily absorbed by big business, but are more of a burden for small and medium-sized enterprises (SMEs). Some SMEs thinking of investing in Mexico have been deterred by extensive (but sometimes distorted) media coverage of drug-related violence. There are reports that some companies have relocated within Mexico from areas of high violence in the north to safer central states like Guanajuato and Queretaro, where investment is reported to be booming. Overall, most commentators still regard Mexico as a good place to do business, with sound macro-economic fundamentals and an expanding middle class. Corruption, rather than security, is more often cited by business as an obstacle to working in Mexico.

Political situation

11. Mexicans go the polls in early July to elect a new president, for a non-renewable six year term, and Congress. The candidate of the PRI, which governed for 70 years until 2000, is Enrique Peña Nieto, a former governor of the economically and politically important State of Mexico. [REDACTED]

[REDACTED] Peña Nieto was backed by a number of smaller parties, including one linked to the powerful teachers' union (SNTE), but this alliance has now broken up. However, this development is unlikely to seriously damage his electoral prospects.

12. If elected, Peña Nieto has said his number one priority will be to stamp out the drugs violence, although there are still few details on what he would do differently from the current government. He has also made positive noises about opening up the state-run oil company (PEMEX) to private investment, for long a taboo subject in Mexico. His campaign manager is Luis Videgaray, who helped lead a major reform drive in the 1990s and is respected by investors.

13. The left-of-centre PRD has once again chosen Andres Manuel López Obrador (AMLO) as its presidential candidate. AMLO lost narrowly to Calderon in 2006 after a closely fought election. He unsuccessfully challenged the result in the courts and led a long campaign of street protests against the new government. [REDACTED]

[REDACTED] AMLO has said he would withdraw the military from its policing role over a period of six months. He strongly opposes any private investment in PEMEX and

is keen to break what he sees as the monopoly power of some of Mexico's largest companies. He is currently third place in most polls, with support of 18-20%.

14. The governing PAN will choose its candidate in a primary scheduled for February. The current front runner for the nomination is Josefina Vázquez Mota, Calderon's former Education minister and campaign manager. President Calderon's preferred choice is believed to be former finance minister Ernesto Cordero, who nevertheless trails Vázquez in the polls. The other contender is former Interior Minister Santiago Creel, a senior figure in the PAN who ran unsuccessfully for the nomination in 2006.



Americas Research Group, Research Analysts, FCO (January 2012)

From: Diptel MEXICO CITY (Protect)
Sent: 23 February 2012 18:57
To: Diptel FCO (Restricted)
Subject: PROTECT: MEXICO: BRITISH PARLIAMENTARY VISIT TO MEXICO 13TH - 17TH FEBRUARY 2012 [DIPTTEL 1201684]

Diptel MEXICO CITY (Protect)

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Mexican Senate and the Embassy co host a 5 member UK delegation. Wide ranging programme with calls secured at a high level. Main themes included human rights, trade and investment, climate change and security. MPs interested in the considerable potential for trade and investment in Mexico, particularly in the energy and education sectors. Overall discussions were remarkably open and substantive, reflecting the greater degree of contact now established between our Parliaments.

DETAIL

1. The Mexican Senate and British Embassy, with IPU support, organised a busy 5 day programme (some 30 engagements) for a British Parliamentary delegation from 13-17 February. The delegation were led by the Chair of the UK – Mexico Parliamentary Friendship Group, Jeremy Corbyn MP (Lab) accompanied by Baroness Hooper (Con), Lord Davies of Stamford (Lab), Mark Menzies MP (Con), and John Robertson MP (Lab). The delegation was formally received in both the Senate and the Chamber of Deputies, met with senior SRE officials and the Mayor of Mexico City, Marcello Ebrard and his team. Outside of Mexico City, they met the Governor and members of the Congress of Puebla, a state some 100kms from the capital.
2. This was the first visit by members of the UK/Mexico Friendship group to Mexico since 2005. It followed however a visit by a number of Mexican Heads of Parliamentary Commissions in July 2011 and a recent series of exchanges organised with our help through Globe Mexico. For several of the calls therefore, we were renewing previous contacts as well as spreading the net.

Human Rights

3. Human rights featured prominently in the programme (partly reflecting Jeremy Corbyn's interests). The Embassy hosted a lunchtime exchange with human rights NGOs, an opportunity to ask probing questions about the scope and depth of human rights violations including: access to justice for indigenous and sexual minorities (LGBTI), protection mechanisms for human rights defenders and journalists, the rights of illegal drug users, the rights of migrants, especially of women migrants, police accountability, and the reform of the military justice system to comply with the Inter-American Court of Human Rights. On the other side, we arranged for the MPs to meet with the Mexican Minister for Migration, Migration and Religion who was able to brief on the new Mexican Migration Law and the efforts now being made to protect migrants and minorities in Mexico.

4. MPs also met with human rights activist Javier Sicilia, whose peace movement has attracted national and Presidential attention in the past year. [REDACTED]

Political parties/2012 elections

5. Parliamentarians held meetings with the senior leadership of both the PRD and PAN political parties. These focussed on the challenges that faced each party as it competed for the Presidential, Federal and some state elections later in July. While these meetings revealed the intensity of competition over political offices, parliamentarians did not ascertain from the parties what would be the main political platforms- not likely to surface yet for another month. Mexican politicians of all stripes remained clear however that security and employment would be the two key issues ahead. On these: the consensus was on tackling security through social and economic measures as well as by force. On developing the economy, most interlocutors were in favour of open trade and further reforms.
6. The competitive electoral landscape was the subject of a meeting the Parliamentarians conducted with the President of the Federal Election Institute (IFE), Leonardo Valdes who, as the chief arbiter of the forthcoming elections, lobbied the Embassy to meet with the delegation. In addition to explaining how the IFE would ensure free and fair elections and the challenges of policing the use of media airtime and campaign spending, the IFE representatives and our Parliamentarians were also keen to encourage international election observers.

Falkland Islands

7. During a discussion with both the Foreign Relations and Human Rights Commission in the Chamber of Deputies, a Mexican deputy asked whether the UK would negotiate with Argentina over the Falkland Islands, prompting a firm and resolute rebuttal from the UK delegation. The principle of self-determination was spelled out and the discussion ended as quickly as it had started.

Trade and Investment

8. The MPs met with both the Senate Trade and Industry Commission and the Congress Foreign Affairs Commission, with all Mexican parties present. [REDACTED]
[REDACTED] UK parliamentarians comments were entirely in line with, and supportive of, HMG commercial and prosperity asks. [REDACTED]
[REDACTED] Mark Menzies MP and John Robertson MP reinforced the message that the UK had much to offer especially in renewable energy technology and advanced manufacturing, and pushed in support of increased UK exports and Mexican opening of their energy monopoly. Climate change actions, waste disposal and sustainable development were

also recurrent themes of the visit. The delegation were impressed with the level of interest and engagement of their interlocutors; particularly Mayor Ebrad's efforts to relieve traffic congestion in Mexico City with hire bikes, parking hikes and new metro and fast controlled lane buses.

9. The message that the UK was 'open for business' and that Mexicans should look more towards the UK and less towards the US was repeated many times throughout the week. In addition to discussions in Congress, the delegation was also briefed on the Embassy's UKTI and Prosperity Operations and was particularly keen to hear how the Embassy supported SMEs. A reception at the Residence for the UK community, including UK business and Mexican companies involved in bilateral trade and investment, also usefully informed the delegation about our Prosperity ambitions in Mexico.

Consular assistance

10. The parliamentary delegation learnt from our Consul, on how we look after British holiday makers and the plans we put in place for natural disasters. The presentation was particularly appreciated as a number of parliamentarians had dealt personally with bereaved families. An explanation of local disaster prevention/reaction measures in place during Mexico's annual hurricane season, especially on the Caribbean coast where the majority of UK visitors holiday, was also well received.

Visit to State of Puebla

11. Finally the visit was a good opportunity to visit the nearby state of Puebla and meet with the State level Congress and Governor, Rafael Moreno Valle who was accompanied by his Ministers for Education and Employment plus the State Coordinator for International Affairs. Puebla, a vibrant city three hours away from Mexico City, is home to important European businesses including VW with a young and growing University population keen to develop greater links with the UK. The importance of increasing UK investment in the state was discussed including a commitment by the Governor to join a Consortium led by the British Council, HSBC and Fundacion Televisa to roll out a new English Teaching programme for all levels of state school teachers that would then be replicated for students. The UK interest in taking forward various educational opportunities linked to business: including an increase in technical and vocational skills cooperation, business placements and post graduate R&D co-operation were also discussed. My team will follow-up with the State of Puebla in the coming weeks to take forward these areas of cooperation and capitalise on their interest and good will.

COMMENT

12. The visit was both extensive and intensive. In addition to the formal programme, the MPs joined the launch of a new British Council programme to meet with Mexican Alumni from across the UK University scene. They also called on a highly regarded local therapy group for homeless children and families experiencing violence. Overall the MPs were not only exposed to Mexican politicians but also had the opportunity to meet and interact with a wide range of key Embassy contacts, covering the full length and breadth of our work.

13.

[REDACTED]

I am grateful both to the UK/Mexico Parliamentary Group and to the IPU for their interest and very helpful support in getting this visit off the ground.

MACGREGOR

Authorised

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[REDACTED]

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