

DOING BUSINESS AMID CRIMINAL VIOLENCE

COMPANIES' STRATEGIES IN MONTERREY, NUEVO LEÓN

By Sandra Ley and
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KEY TAKEAWAYS

- To fight rising crime and extortion, companies in Monterrey participated in the creation of a new, more accountable police force.
- Businesses also collaborated to launch a crime reporting center to better monitor and prosecute crimes and promote accountability.
- Businesses innovated new ways of engaging with local governments, including performance reporting mechanisms for local politicians, to enhance political accountability and citizen oversight.

INTRODUCTION

Mexico stands today as the seventh most violent country in Latin America. Since 2006, more than 100,000 people have died as a result of the fight between drug cartels, their private armies, and their confrontation with the Mexican armed forces. This violence has had devastating consequences for the entire country. Children's educational achievement has been negatively affected by rising crime (Caudillo and Torche 2014, Jarillo et al. 2016). Insecurity has also depressed electoral participation (Carreras and Trelles 2012, Ley 2014). Criminal activity has negatively affected economic behavior ranging from labor participation to consumption (Robles et al. 2013). How have Mexicans reacted in response to rising criminal violence? We seek to understand the nonviolent actions of the business sector in Mexico in the midst of violence and their potential capacity to affect violent trends.

Drawing from the Mexican National Business Victimization

Survey, we analyze general trends on how the private sector has been affected by criminal violence, as well as how businesspeople have reacted against it. Survey data shows that firms respond to violence in varied ways, from building up physical security measures and paying extortion fees to closing operations. Using in-depth interviews with businesspeople and members of local civil society organizations, we also conduct a more detailed examination of the security initiatives organized by the private sector in Monterrey, the capital of Nuevo León state.

Business elites in Monterrey successfully organized as a united front to bargain and ally with public authorities in the creation of a new state police force that has contributed to the control of crime. However, the force's human rights performance has been mixed. The private sector in Monterrey has also invested in complementary strategies to strengthen civil society's ability to hold government accountable for crime and insecurity. These types of actions appear to be particularly relevant when violence results from the collusion between government and violent actors through informal protection networks, as is the case with organized criminal activity.

DOING BUSINESS AMID CRIMINAL VIOLENCE

When the Mexican government declared a "war on drugs" in 2006 and deployed thousands of army troops to the country's most conflictive areas, inter-cartel violence increased significantly and criminal groups expanded into new illicit markets, including extortion and kidnapping for ransom, to finance their wars. Businesses have been among the groups most affected group by these types of crimes.

According to the Mexican National Business Victimization Survey, between 2011 and 2015 approximately one-third of companies in Mexico were victims of at least one crime.

Throughout this period, extortion has consistently prevailed. It is one of the three most frequent types of crimes suffered by Mexican companies and one out of six enterprises has been extorted by criminal groups. Organized crime demands that businesses pay “protection quotas.” When businesses do not pay the extortion fees, criminal groups are likely to set the companies’ facilities on fire. Micro, small, and medium enterprises—from tortilla stores to restaurants and pharmacies—are the most affected by this type of crime. To a lesser extent, transnational corporations have also been targets of organized crime. However, unlike small businesses, large-scale companies are not only better equipped to pay quotas, but have also been willing to negotiate and have dialogue with cartels.

Given the prevalence of crime and the difficulty of reporting such events, two out of five companies have mainly implemented some type of physical security measure, from changing or installing locks to hiring some form of private security service. The cumulative demand for private security has translated in a considerable increase in private guards in the country as a whole. Today, the number of registered private guards in Mexico is larger than the workforce in any public security corporation at the federal or state level. Unfortunately, the privatization of security tends to fragment the state’s monopoly of the use of force even further and multiplies the possible sources of violence (Arteaga 2002, Zamorano and Capron 2013). The proliferation of private security forces threatens the state’s capacity to control public spaces and it opens the possibility of organized crime to control territory, ultimately limiting the state’s ability to act and enforce the legitimate use of force.

BEYOND SECURITY MEASURES: COLLECTIVE BUSINESS ACTION AGAINST CRIME IN MONTERREY

In Monterrey, a city significantly affected by rising trends of violence, large-scale companies were able to react as a united front. By organizing collectively, they creatively addressed some of the city’s most immediate security needs. To a

large extent, this was possible due to the strong personal connections, shared economic interests, and long history of collaboration among Monterrey’s business elites, which can be traced back to the early twentieth century (Guzmán 2016). In this case, the cohesion of Monterrey’s business elite allowed large corporations to go beyond their individual concerns for their companies and collaborate with local authorities in the provision of public security.

As shown in Figure 1, violence increased abruptly in Monterrey between 2009 and 2011. To a large extent, this was due to ruptures and fragmentation within organized crime groups operating in the city and its metropolitan area (Guerrero 2012). In early 2010, Monterrey’s dominant drug trafficking organization, the Gulf Cartel, split into two factions, which had significant impacts on the trends of violence in the area. Between 2010 and 2011, the homicide rate more than doubled from 30 to 69 per 100,000 population. However, things began to change for the better starting in 2012. The homicide rate was significantly reduced, falling to 13 homicides per 100,000 by the end of 2015.

We characterize the reactions of Monterrey’s private sector to criminal violence and evaluate the extent to which its actions may have shaped the decrease in the city’s violent dynamics. We conducted in-depth interviews with some

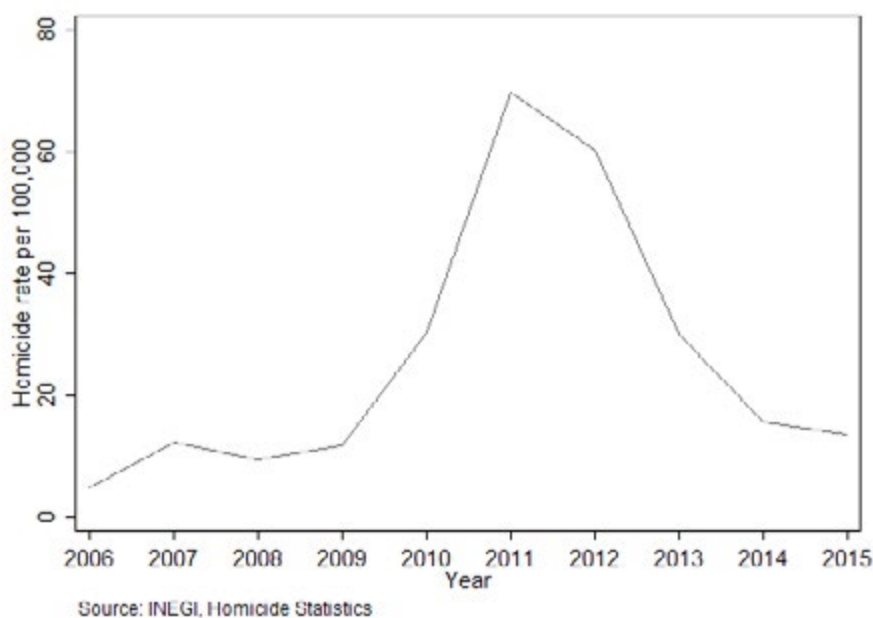


Figure 1. Intentional homicide rate in Monterrey, 2006-2015

of the main local businesspeople and civil organizations in Monterrey (from January 11-15, 2016). We talked with six heads of security and risk management of major corporations, two leaders of civil society organizations, two heads of chambers of business and commerce, and one public official.¹

Fuerza Civil: Designing a new police force to confront organized crime

The top priority of the main large-businesses in Monterrey was the reform of the state police. Organized crime groups had deeply infiltrated the state and local police. In 2011, more than 4,000 police were fired or jailed after failing lie-detector tests (Economist 2013) and more than 100 municipal police were arrested by the military (Salazar 2012). As a risk-management chief put it, “The root of all the violence was police corruption and we realized we needed to create something new. The police were simply unreliable; they were working for organized crime instead of protecting civilians.”² Therefore, beginning in late 2010, the business elite of the metropolitan area of Monterrey, and specifically, the business elite, became co-participants in the design, implementation, and initial oversight of the new state police force called Fuerza Civil (Civil Force).

Under a joint business-government coalition called “Alliance for Security,” large-scale business corporations, known locally as the “Group of 10,”³ cooperated with both financial and technical resources to spearhead the initiative. This group sponsored forums with the world’s leading security experts in order to help envision what the new police force should look like. In addition, the human resources departments of the alliance’s corporations advised and assisted the national recruitment strategy to hire members for the new state police force, which largely consisted of people outside of Nuevo León and new to law enforcement.

Together with the state government then led by Governor Rodrigo Medina, the main corporations in Monterrey carefully designed the marketing and branding strategy that would make it an attractive employment opportunity. This new state police force was revolutionary among its peers: 1) It was more selective and meritocratic in nature,

offering more extensive training—which took place in a brand-new university specifically built for the state police, the University of Security Sciences; 2) it granted access to new technology; 3) it paid higher wages—twice as much as what regular police forces earned; and 4) it provided a comprehensive health and education package for its employees and their families—benefits that were unavailable in other state-level corporations. These features were intended to eliminate possible sources of police corruption and defection.

The dialogue and collaboration between Monterrey’s business elites and public authorities were not without resistance, but the business coalition used creative tactics to overcome the political obstacles to reform. At the state level, Governor Medina initially did not want the private sector involved in the reform of the state police. He was only persuaded once Nuevo León’s top businesspeople urged President Felipe Calderón to intervene. Therefore, the federal government played a key role in facilitating the dialogue between the private sector and the state government. Large companies in Monterrey also forged agreements to avoid friction with the state government, which according to our interviews, was crucial for launching Fuerza Civil. The business elites agreed not to speak with the media about their involvement in Fuerza Civil, as well as not to organize protest events, such as marches for peace. At the same time, the federal government established a close and collaborative relationship with Monterrey’s private sector, directly sharing information with large companies’ security departments and providing training to the new state police force.

It is not clear whether Fuerza Civil was instrumental for the reduction in homicide rates because the municipalities surrounding the metropolitan area also experienced declines in violence. However, Fuerza Civil’s activities to dismantle criminal organizations in the metropolitan area may have contributed to reducing organized crime activity beyond the nine municipalities in the metropolitan area. To assess the effect of Fuerza Civil operations on violence, more detailed information is required about its deployment and strategies within each municipality. Unfortunately, due to security reasons, such data is currently unavailable.

¹ For security reasons, we omit the names of our interviewees and only refer to their general work descriptions or business profiles.

² Interview with head of risk management in multinational corporation, January 11, 2016.

³ Referring to ten large-scale corporations that operate in Monterrey (*Grupo de los 10*).

The assessment of the role of Fuerza Civil in the control of violence must also take into account its performance in combating human rights abuses. This has become a major concern among civil society leaders in Nuevo León. Between 2013 and 2015, the number of complaints against Fuerza Civil documented by the State Human Rights Commission of Nuevo León increased from 25 to 43 (CEDHNL 2013, 2014, 2015). Nuevo León's Human Rights Commission has also issued an increasing number of human rights recommendations for Fuerza Civil—from 21 in 2013 to 35 in 2015. However, the number of recommendations filed against municipal police forces across the state has remained relatively stable, making Fuerza Civil the local police force with highest number of human rights violations.

Center for Citizen Integration: An innovative societal accountability mechanism amid criminal violence

In 2011, in response to the low levels of crime reporting, Cemex—a multinational cement company based in Monterrey—created a platform that acted as mediator and buffer between citizens reporting a crime and state authorities. As in the rest of the country, 90 percent of crimes in Nuevo León are not reported to public authorities (ENVIPE 2011). The lack of reliable information on the prevalence of crime makes it harder to prosecute it, and on the other hand, it makes it easier for public authorities to minimize the situation, particularly regarding kidnapping and extortion.

The online platform, the Center for Citizen Integration (Centro de Integración Ciudadana, CIC), not only guarantees complete anonymity for the citizen, but also offers on-site legal and psychological counseling throughout the reporting process. With more than 150,000 reports filed via e-mail, SMS, Facebook, and even Whatsapp, the CIC is both data-driven and user-friendly, offering geotagging technology that zeroes in on the location of each crime report. Each report is validated and verified by CIC staff before making it public and contacting the corresponding authorities.

Out of the 6,343 security-related reports submitted in the platform until June 2016, 6,180 have been resolved. Given the close relationship with Fuerza Civil, when citizens report a sensitive security issue, such as a case of a kidnapping, disappearance, or extortion, the CIC has

been able to bring police directly to its office to attend to specific cases and file an official report. In these cases, CIC provides full legal and psychological counsel to victims.

Other business initiatives in Monterrey

Business elites in Monterrey have been particularly concerned with enhancing societal accountability. They have sought mechanisms to expose governmental wrongdoing, bring new issues onto the public agenda, or activate the operation of horizontal agencies regarding crime and insecurity. As a result, they have created two additional initiatives: *Alcalde, ¿cómo vamos?* (“Mayor, how are we doing?”) and *Pulsómetro de Seguridad*, or *Metropolitan Pulse*, a survey instrument.

Alcalde, ¿cómo vamos? began in May 2012 as an accountability mechanism for mayors in the Metropolitan Area of Monterrey, as well as to bring civil society's demands such as security, to the table. The program is led by the umbrella organization Consejo Cívico, which groups more than 60 organizations from business, academia, and neighborhood associations. The platform gathers all nine participating mayors at the start of their terms, when they pledge to embrace a list of 10 goals, which span from security and governance to human development and accountability. Each municipality's progress is graded on a quarterly basis and the data is available to the public.

This platform has been largely successful in creating accountability mechanisms that aim to keep the mayors in check. Every three months, mayors must attend a mandatory meeting where grades regarding each of the 10 goals are disclosed. The grades are then released to the public. Specific goals for security issues for the 2012-2015 term at the local level were (1) the regeneration, dignity, and hiring of police forces, and (2) the development of public spaces to repair society's broken social fabric (*Cómo Vamos NL 2015*).

The “*Pulsómetro de Seguridad*” survey was created by a private university, the Monterrey Institute of Technology, and backed by large-scale businesses in the city. The survey provides a snapshot of the perception of security among the citizens of the metropolitan area of Monterrey as well as their levels of trust in government institutions at the local, state, and federal levels. It is also used by Consejo Cívico to

rate the effectiveness of public policies relating to security⁴ and set goals for municipal administrations. Municipal governments also use the survey's results to highlight their progress in fighting against crime and insecurity.

CONTRASTING ENTREPRENEURIAL COLLECTIVE ACTION IN MEXICO

The collective action capacity of the private sector in Monterrey, its leadership amid a security crisis, and the types of actions it organized in response to growing criminal violence are largely unique in Mexico. In Ciudad Juárez, during the highest peak of violence, businesspeople were active in the creation of new security policies that helped curb violence in the city, but were not the leaders behind such initiatives, as was the case in the business sector in Monterrey. In Juárez, the private sector coordinated and worked closely with a broader group of civil society actors. Another contrasting experience is that of Acapulco—the second largest national tourist destination, after Mexico City (Reforma 2016) and the second most violent city in the world in 2012 (Yagoub 2016)—where collective action by the private sector has been very difficult to achieve. The port's business elites are highly fragmented and their actions have not been intended to control crime and hold authorities accountable for prevailing insecurity. Instead, their focus has been on self-protection in terms of both their own finances and their security.

CONCLUDING REMARKS

In the face of rising criminal violence, Mexican businesspeople have responded in varied ways. During the highest peak of violence, firms mainly invested in physical security measures. However, our examination of the role of company executives in Monterrey reveals innovative ways in which the private sector and governments can collaborate with each other, both as allies and as a system of societal checks and accountability.

Since criminal violence cannot operate without some degree of cooperation with state agents, Monterrey's business elites introduced new mechanisms to break these linkages. They were interested in both directly helping to reduce violence and indirectly affecting the relationships that fed into

criminal violence. First, they pushed the state government to purge the state police and sponsored a new police force that was relatively less prone to being corrupted by organized crime. Fuerza Civil may be associated with a subsequent decline in violence, though it is not without concerns over human rights abuses. Second, Monterrey's companies also invested in societal accountability mechanisms that have helped close the gap between citizens and government officials in matters of security, as well as keeping a check on local security policies.

POLICY RECOMMENDATIONS

The case of Monterrey and the active and leading role that local business elites played during its highest peak of criminal violence suggest several recommendations for policymakers facing similar security crises.

- Since organized crime depends on corruption for its survival, police reform is crucial, particularly at the local level, where state-sponsored protection rackets can provide more fine-grained information to criminal groups. However, at the same time, successful police reform also depends on civil society oversight.
- Evaluating police reform requires disaggregated and publicly accessible data on police membership, activities, and operations. Unfortunately, there is limited availability of such data in Mexico. Civil society organizations and local governmental institutions should work to develop the necessary data collection capacity.
- The involvement of the private sector in the creation of more effective security policies need not only be financial. Its expertise and infrastructure can aid in the creation of societal accountability mechanisms that help establish checks on local authorities and assess policy implementation.
- The collaboration of business associations and other sectors of civil society can help generate innovative and long-lasting security initiatives.

⁴ The Metropolitan Pulse survey was conducted every four months across the nine municipalities that make up the Metropolitan Area of Monterrey. However, given the apparent improvement in crime levels, the survey is now conducted every six months. It is financed by chambers of business and commerce and civil society organizations.

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ABOUT THIS SERIES

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