6-6-2012

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Drug Cartel Damages Property of Leading Corporation, Raising Concerns that Large Businesses Might Now be Targets

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Category/Department: Mexico
Published: 2012-06-06

Snack manufacturer Sabritas, one of Mexico’s largest companies, suffered a series of attacks at properties in Michoacán and Guanajuato states, raising fears that organized crime was beginning to target Mexico’s business sector. A related question was whether Mexican affiliates of US companies have become a target, since Sabritas is a subsidiary of the US-based soft-drink company Pepsico.

The attacks occurred in late May, when groups of men set fire to several warehouses and delivery trucks owned by Sabritas in the municipalities of Lázaro Cárdenas, Apatzingán, Uruapan, and Lagunillas in Michoacán state, and Celaya and Salvatierra in Guanajuato state. A total of 42 Sabritas delivery vehicles were torched, and several warehouses and other structures were damaged or destroyed.

Authorities quickly detained several suspects in the attacks, including some leaders of the Caballeros Templarios (Knights Templar) cartel, which operates primarily in Michoacán, but the incidents remain under investigation, and other arrests could follow.

"We will not allow organized crime to attack any individual or company in our country," the Procuraduría General de la República (PGR) said in a statement after the first attacks. "That is why the federal government, along with the governments of the two affected states, will take any actions necessary to bring to justice the criminals who threaten the livelihood of many Mexicans."

The Secretaría de Gobernación said several safeguards were put into place in the aftermath of the attacks, including increased security at all Sabritas facilities and military patrols at other locations in Michoacán and Guanajuato states. "The federal government has activated all the corresponding safety protocols to suppress further criminal activity," said deputy interior secretary Obdulio Ávila.

Cartel accuses company of allowing trucks to be used for spying

The Caballeros Templarios was not shy about taking credit for the incidents. In the aftermath of the attacks, the cartel hung banners in the cities of Apatzingán and Morelia in Michoacán state, accusing "some companies" of allowing state and federal law-enforcement agencies to use their trucks for surveillance.

"We are aware that these companies are a source of employment for citizens of Michoacán, and we respect their role in this regard," said a message on one of the banners clearly directed at Sabritas. "But we demand that they limit their activities only to business transactions."

The Caballeros Templarios, an offshoot of La Familia de Michoacán, also took the opportunity to warn other businesses against cooperating with the government in anti-drug efforts. "We
are warning all companies that allow themselves to be used for these activities that they will be punished."

**Extortion also cited as possible motive**

While the banners openly declared that the company was targeted for allowing its vehicles to be used for surveillance, rumors circulated that the cartel carried out the attacks after the company refused to pay an extortion fee.

Company and government officials dismissed both the allegation that the company’s vehicles were being used to spy on drug organizations and the extortion allegations. "It is important to point out that we have no information proving that the vehicles were being used for any purpose other than commercial activities," said Ávila.

Sabritas also disputed reports that criminal organizations had tried to extort money from the company.

But Guanajuato state attorney general Carlos Zamarripa suggested that extortion might have been the motive for the incidents in the state. He said the information came from some of the suspects detained in connection with the attacks. "They mentioned in their declarations that extortion was a motive [for the attack]," said Zamarripa.

Whether or not extortion was involved in the Sabritas case, some experts have raised the possibility that large companies, which until now have generally not been threatened by organized crime, could increasingly become targets.

Lantia, a security-consulting company in Mexico, said in a report that there was no precedent for such a large-scale attack on a company the size of Sabritas, which has 70,000 employees throughout the country and a fleet of 14,500 delivery trucks.

Columnist Héctor Aguilar Camín of Milenio.com, who quoted the Lantia report authored by analyst Eduardo Guerrero, said the perpetrators took great pains to avoid loss of human life, in order not to turn public opinion against the drug cartel. It appears that the attackers made sure that all the trucks and the buildings that were firebombed were empty. "They did not want a repeat of the Casino Royal incident," said Aguilar Camín, in reference to a fatal arson on a casino in Monterrey in August 2011, which claimed dozens of lives (SourceMex, Aug. 31, 2011).

The Casino Royal arson not only worsened already-bad public opinion of the Zetas drug cartel but led to an intense search that resulted in the arrest of several leaders of the organization in Monterrey.

Others also viewed the size of the attack as unprecedented. "Until now, street vendors and small businesses had generally been the victims of extortion," Ernesto Carrasco, director general of the security-consulting firm Kroll, said in an interview with the Guadalajara daily newspaper El Informador. "Before the recent incidents, it appeared that the criminal organizations had not sought to attack large corporate interests. This is because they measured the consequences in terms of negative reaction at the national and international levels."

Carrasco said the recent attacks on Sabritas have alarmed Kroll’s customers. "Our clients, obviously, are very alarmed by these developments, especially since this level of aggression against a large corporate entity is unprecedented," said the Kroll official.
Others agreed that authorities would have to remain vigilant to ensure that the incidents that rocked Sabritas are not repeated against other large companies, especially those with US ties. By some estimates, about 18,000 companies in Mexico have some US investment.

Jorge Carrasco Araizaga, a correspondent for Agencia de Noticias Proceso (apro) news service, said the potential for such attacks by organized crime is "enormous," especially if US interests are targeted. The US State Department says that more than 1 million US citizens reside in Mexico. In addition, an estimated 10 million people visit Mexico from the US.

"The idea had prevailed among US analysts that these criminal organizations would rather not have to tangle with the US, since they themselves could be hunted down," said Carrasco Araizaga. "But the recent attacks on Sabritas not only break this perception but support those who have proposed a greater direct intervention by the US to combat drug trafficking in Mexico and levy a heavy hit on the drug traffickers."

Government says attacks isolated, but businesses alarmed

The government, and in particular Economy Secretary Bruno Ferrari, sought to portray the attacks as isolated events and not a pattern that could affect business and foreign investment in Mexico. Data from the government statistics office (Instituto Nacional de Estadística y Geografía, INEGI) shows that foreign direct investment (FDI) has increased by an accumulated 18.6% during a span of two years, from February 2010 to February 2012. The growth has come despite the seemingly out-of-control drug-related violence. But until now, foreign corporate interests and their affiliates in Mexico had not been targeted directly, other than the occasional theft of property from trucks and warehouses (SourceMex, July 13, 2011).

Ferrari moved swiftly to ease concerns about the Sabritas incidents. "I do not see why [these attacks] should be a cause for panic," said the secretary, who pointed out that authorities quickly addressed the problem. He noted that investment levels remain strong in Michoacán and Guanajuato, the two states where the attacks occurred.

The governors of those two states had opposite reactions to the attacks. Interim Gov. Héctor López Santillana said there was no cause for alarm in Guanajuato. "There is no red flag here, said López Santillana, who is serving out the term of Gov. Juan Manuel Oliva Ramírez. "We are doing what we need to do, which is to reinforce security."

But Michoacán Gov. Fausto Vallejo, who described the attack as the worst against any multinational company in Mexico, expressed concern that the incidents might discourage future investment in his state. "Yes, this is discouraging. I don't think that we can hide from these types of questions," said Vallejo. "I certainly believe that this is going to inhibit investment. This is a very delicate matter."

There was also some preoccupation within the Mexican business sector. Two major organizations, the Confederación Patronal de la República Mexicana (COPARMEX) and the Consejo Ejecutivo de Empresas Globales (CEEG), issued statements raising concerns that these violent attacks on Sabritas would have repercussions on investment and development in Mexico. In its statement, COPARMEX urged the Michoacán and Guanajuato state governments to coordinate with the PGR to punish those responsible for the sabotage against Sabritas and thus prevent similar incidents in the future.
Some observers said businesses were justified in expressing concerns. "Imagine how nervous the companies involved in merchandise distribution are after the incidents that destroyed several Sabritas vehicles and buildings," columnist Enrique Quintana wrote in the Mexico City daily newspaper Reforma.

Quintana said some businesses couldn't operate freely in areas dominated by the drug cartels. "In states like Michoacán, Tamaulipas, and Chihuahua, among others, it is likely that a part of the cost of operation is paying right-of-way fees to transit on certain roads," he said. "Insecurity affects investment perspectives negatively, and if the problem continues and expands, it will be a determining factor [for potential investors] even at the national level."

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