MEXICO: VIOLENCE CONTINUES TO BE THE LARGEST OBSTACLE TO HIGHER GROWTH

Bottom Line: Barring a turnaround in the security strategy and a significant investment in the military, we expect recession and stagnation.

4Q19

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The table below provides yearly growth forecasts through 2021, which average 0%. The two scenarios for 2022-2024, average 1.5%.

Economic Growth Projections through 2024

% Change YoY	2019	2020	2021	2022-2024 Average	
				AMLO Wakes Up	AMLO Sleeps
Real GDP	**-0.08**	**-0.30**	**0.53**	**2.82**	**0.21**
Household Consumption	1.00	0.50	0.50	2	0.5
Government Consumption	0.00	1.00	3.00	6	-0.5
Gross Fixed Capital Investments	-6.00	-6.00	-2.97	1.9	-2.4
Exports	4.00	4.00	6.00	3	4
Imports	3.00	3.00	5.00	2	3
	Assign 50% to both scenarios			**1.52**	

Source: Tourmaline

Executive Summary

> *"If we expected additional material spending to be effective in improving security and reducing violence, we would view it as credit positive."*
>
> - *Ariane Ortiz-Bollin, Moody's*

1. **Violence is costing Mexico ~24% of GDP annually.**

    a. The fear of violence, which alters consumer and investor behavior makes up the bulk of the cost estimate.

2. **The root causes of violence are:**

    a. Broken judicial system

    b. Chronic underinvestment in the military

    c. Corrupt police

    d. US trafficking of weapons into Mexico

3. **If this administration does not course correct, Mexico is headed for secular stagnation.**

    a. Course correction involves 4x spending in domestic defense.

        i. Credit rating agencies would not necessarily see this as credit negative, so long as it were done well (and would probably require oversight).

4. **You, the investor, can choose to contact key policy makers.**

Contents

Goals of this Report

1. Establish and quantify the link between security and economic growth in Mexico.
2. Provide color on the security situation such that the reader can grasp severity and depth.
3. Furnish a 2-5 year economic outlook.
4. Enable investors to meaningfully engage with stakeholders and policy makers in order to promote market-friendly solutions that improve living standards and the credit trend.

Introduction

The failed capture of El Chapo's son, and the subsequent macabre massacre of nine US citizens in Mexico by members of a drug cartel once again has put "failed state" back into the rhetoric of columnists and pundits. Back in 2008 when Calderón launched the war on cartels, the homicide rate had hit a new decade-long high of 13 per 100,000.

It has gotten worse. Last year, the homicide rate was 29 per 100,000, and 2019 is set to upstage last year's shocking figure. In addition to the direct costs of violence, the fear thereof alters behavior by consumers and investors alike. **The Institute for the Economics of Peace (IEP) estimates these cost Mexico MXN 5.1 trillion in 2018, equivalent to 22% of GDP[1]. Tourmaline believes this is a conservative estimate.**

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[1] Total cost of violence 2018 = MXN 5161.2 billion in constant 2018 pesos (IEP 2019).
2018 Nominal GDP = MXN 23,517 billion (INEGI)
IEP estimated the figure at 24% of GDP. However, using INEGI's nominal GDP for 2018, the value is 22%.

Violence lops off ¼ of GDP annually

The Institute of Economics of Peace (IEP) estimates in their *Mexico Peace Index 2019* report that the economic impact of violence cost Mexico MXN 5.16 trillion, equivalent to USD 272 billion, or 24% of GDP in 2018[2]. The indirect costs of violence make up the bulk of the total burden, accounting for $219 billion of the $270 total. For some comparison, the cost of violence globally (e.g. inclusive of countries at war) is USD 14.8 trillion, or about 12% of global GDP. On a percentage of GDP basis, Mexico is running violence at double the global rate.

Figure 1 takes the data from IEP and converts it into percentage of GDP terms[3]. **Homicide alone cost the economy 11 percentage points, while government spending on domestic defense, namely military, other security forces and the justice system *together* totaled only 2.3% of GDP.**

Note that the category "organized crime" is comprised of extortion, kidnapping, human trafficking, retail drug crimes and crime offenses committed by three or more persons. It does not mean that the homicides are unrelated to organized crime. Regarding kidnappings, note that Mexico is the global leader according to Control Risks' latest publication of kidnapping trends:

> *"Despite the emerging offshore threat in Asia Pacific (APAC), the region was overtaken by the Americas as the world's primary region for kidnapping in terms of total levels of the crime. Mexico continued to account for the majority of incidents as the security situation deteriorated."* (2016)

As high as the homicide rate is, it is understated

According to the IEP's report, homicides are responsible for 51% of the total economic cost of violence. That could nevertheless be an understatement of the problem because:

- Only 10% of crimes are reported, of which only 7% result in a criminal investigation[4]. Meaning only <1% of crimes are investigated.

- In order to count as a homicide statistic, authorities must have a body, and the

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[2] Tourmaline's estimate is 22% of GDP; uses the official nominal GDP figures from INEGI.
[3] GDP in current pesos from INEGI. As noted earlier, % of GDP estimates differ from IEP.

[4] (Mexico Peace Index 2019)

body must be identified[5]. Often that is not possible because the body is either not found, or when mass graves are found, getting DNA tests on the bones can be difficult.

At the end of Peña Nieto's term, he inaugurated a new missing persons search system called the Sistema Nacional de Búsqueda de Personas (SNBP). Close to 40,000 people were initially registered missing by their family members. If we assume that only 10% of the actual missing persons were reported, then **the number of missing persons is actually closer to 400,000**.

The statistic that captures the situation well is the homicide witness statistic.

Figure 2 depicts data from INEGI: 27.5% of persons 18 years of age or older have been witness to a homicide. More than 1 out of every 4 adults have witnessed a murder.

Figure 1: Economic Impact of Violence, % of GDP

Indicator	2015	2016	2017	2018
Homicide	7.9%	8.8%	10.5%	11.2%
Violent Crime	7.4%	6.8%	6.6%	6.8%
Organized Crime	0.1%	0.1%	0.1%	0.1%
Fear	0.4%	0.4%	0.3%	0.3%
Private Security & Weapons	1.4%	1.6%	1.5%	1.3%
Military Spending	1.2%	1.1%	1.0%	0.9%
Domestic Security Spending	0.6%	0.5%	0.4%	0.4%
Justice System Spending & Incarceration	1.1%	1.2%	1.0%	1.0%
Total	**20%**	**20%**	**21%**	**22%**
Source: IEP, Tourmaline Group				

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[5] There are two sources for homicide statistics in Mexico. One is from INEGI and the other from the SNSP. INEGI reports the number of individual homicide victims identified by medical examiners, and SNSP reports homicide cases handled by law enforcement investigations.

Figure 2: Witness to a murder, percent adult population
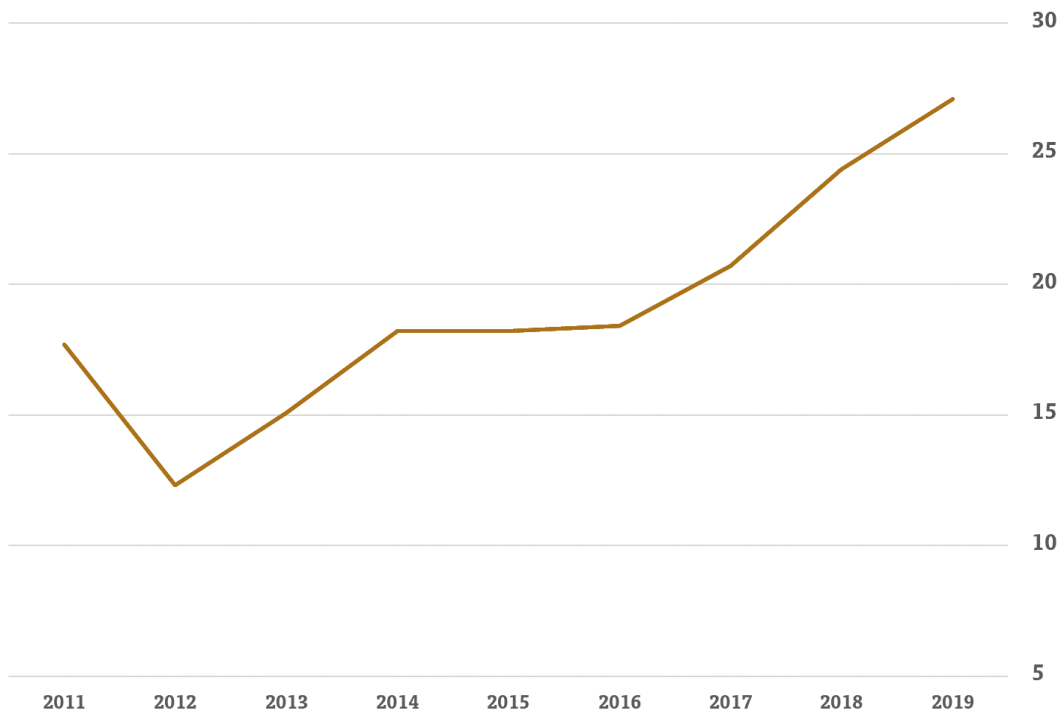
Source: INEGI, Tourmaline

Fear of violence distorts economic behavior and lowers productivity

Deaths have a direct impact on economic activity, but the fear of violence distorts economic behavior and lowers productivity. For example, Potomac, a local security firm estimates that in Mexico City[6]:

- 78.4% of the population does not allow their children to play outside
- 75.4% do not wear jewelry
- 67% do not carry cash

- 60% do not go out at night
- 52.5% do not carry debit / credit cards

Considering the lost productivity and consumption that arises from just these behavior changes named above (no doubt that is not a complete list), and that household consumption accounts for about 70% of GDP, the IEP's violence cost estimate of 24 percentage points of GDP sounds conservative.

Consider further that consumers are not the only economic agents making decisions based

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[6] (Nota de Coyuntura Octubre)

on fear of violence. Businesses large and small are doing the same. According to Reuters, security businesses in the formal sector grew 180% between 2016 and 2018, and the market is worth about $1.5 billion – and that is just the formal sector. The Inter-American Dialogue estimates that over 80% of the security businesses in Mexico operate in the informal market, outside of government regulation. While violence may be good business for security firms, it no doubt disincentivizes other investments. Gross fixed capital investments account for about 20% of GDP, and both domestic and foreign direct investments are sensitive to security concerns.

Why are only 10% of crimes reported?

The reasons for the under-reporting of crimes in Mexico is complex. However, there are three salient reasons that stand out:

1. The police are not trusted, and in fact are often the co-perpetrators or facilitators of crimes.

2. There is only a 10% chance that the crime will be investigated, even if it is reported[1].

3. Reporting an incident that may be related to organized crime often has social stigma attached.

Mexican families who lose their children to drug or cartel violence often face discrimination in their communities, as it is presumed the victim was somehow involved with cartels. While killings tend to target enemies, it is not always the case. The recent massacre of US citizens in Sonora brought these issues to light in the US media.

Mexico needs to increase quantity and quality of military spending

A recent Forbes magazine report called for "massive public investment in creating and coordinating local, state, and federal police forces."

As was noted earlier, homicide alone cost the economy 11 percentage points in 2018, while government spending on domestic protection, namely military, domestic security and the justice system *together* totaled only 2.3% of GDP, which equates to half of the OECD average. By comparison, Colombia was spending 3-4% of GDP on its military alone during its war with narcotraffickers according to data from the Stockholm International Peace Research Institute. Equally important to note is that the most violent states in Mexico are not receiving higher per capita funds for domestic security[7]. A reallocation of resources thus could yield large rewards.

The link between security and economic growth is intuitive. Beyond intuition, the IEP estimates that if violence and its economic impact were reduced to the level of the five most peaceful states, the Mexican economy would be boosted by an additional 11 percent, per year, for four years[8].

Yes, additional ~~spending~~ investment of 3-4% of GDP.

As referenced above, assuming the quality of the investment is effective, the payoff would be double digit economic growth. [9] Thus, the impact on the domestic debt dynamics could be positive, or neutral at worst. The caveat, however, is that it needs to be done *well, and be effective*. We asked **Moody's Mexico analyst, Ariane Ortiz-Bollin**, about how large additional outlays toward domestic security would be viewed. Her response was in line with Tourmaline's views: *"If we expected the additional material spending to be effective in improving security and reducing violence we would view it as credit positive."* [10]

3-4% of GDP is an estimate based on Colombia's experience

What Mexico is going through parallels what Colombia went through in the 1980's through early 2000's: namely, a persistent war against better armed, better funded militias that often brought the government to its knees. Last

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[7] (Mexico Peace Index 2019)

[8] The causality between security and economic growth is also echoed in the World Bank's 2011 Development Report and the UN's Sustainable Development Goal 16 (SDG16).

[9] IEP 2019

[10] (Ortiz-Bollin)

month, Mexican security forces brought El Chapo's son into captivity only to release him again when the Sinaloa cartel fought the government's forces and won. This was perhaps the most embarrassing experience for the Mexicans recently, but not a shocker: Colombia endured similar defeats. The highest profile was perhaps the kidnapping of Colombia's presidential candidate, Ingrid Betancourt, along with other US military contractors in 2002. It took six years before they were rescued by Colombian forces.

The good news is that Colombian forces eventually won, and a peace deal with the FARC (largest insurgency group) was signed in September 2016. The lessons from this decades long war can, should, and are being shared with Mexican police and military forces.[11] Top of mind is cost. The Colombian government spent on average 3-4% of GDP on domestic defense. On top of that, they received aid from the US in terms of training, information sharing, and other goods and services. Today, Colombia's elite forces are the best in the region. They are so good that they often directly integrate into US military operations.

Mexico has received aid from the US, but it has been limited in part because of Mexican sensitivities about foreign government intervention in domestic affairs. In 2007 the

US and Mexico signed the Merida Initiative after President Calderon asked the US for assistance with drug and weapons trafficking. The agreement has mostly been symbolic. The US has provided a total of $3 billion in resources since 2008, which represents only 2% of Mexico's mediocre defense budget. Mexico promised to stem corruption and crime, and the US promised to stem flow of weapons into Mexico, and reduce elicit drug consumption. While efforts were made, the results have been underwhelming.

What are the root causes of the security problem?

There is a lot to unpack, and then you find that causality flows two ways.

1. Broken judicial system
2. Chronic underinvestment in military
3. Corrupt police
4. Heavy arms trade between US suppliers and Mexican cartels
5. Fragmentation in cartel territory

Judicial system underwent a deep reform; implementation has been slow, but continues to improve.

According to the Rule of Law Index, published by the World Justice Project, Mexico ranks

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[11] There are a variety of sources. See references for a few.

poorly on a global as well as regional basis in terms of both civil and criminal justice. In terms of criminal justice, it ranks at the bottom 8th percentile, being number 115 out of 126 countries surveyed globally. On a regional basis Mexico is slightly better ranked at the 16th percentile (number 25 out of 30). With respect to civil justice it is the bottom 10th percentile globally and regionally, being number 113 out of 126, and with respect to regional peers it ranks 27/30. Given these statistics, it is not surprising that in corruption, Mexico ranks almost dead last in the region, being number 29 out of 30 Latin American and Caribbean nations surveyed.

The good news is that sweeping constitutional reforms were passed in 2008, which made deep structural changes to the judicial system. However, there was an 8-year implementation phase, and it has gone into overtime due to difficulties in re-training judges, attorneys, police and other professionals with links to the system.[12] Figure 3 offers a few highlights of the striking differences in the two systems.

The baseline is terrible, but things are headed in a better direction

The condition of the Mexican judicial system can at best be described as broken. However, more important than where it stands, is where it is headed. Figure 4 summarizes findings from a report authored by Layda Negrete, soon to be published by the World Justice Project. These data were collected by INEGI and published under the name Encuesta Nacional de Población Privada de la Libertad in 2016. It is a survey of 58,000 Mexican detainees who are at least 18 years of age.[13]

The first standout is probably the set of questions themselves. In the developed world, and in many parts of the developing world, these questions would be interpreted as satire. The bad news is this is really where things are. The good news is that progress is underway.

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[12] *Presumed Guilty,* a film by Layda Negrete and her husband Roberto Hernández offers viewers a gripping journey into the bowels of Mexico's judicial labyrinth. It provides a closeup view why

re-training to something more akin to a US system is a tall order.

[13] The term "detainee" is used purposefully. About 30% of inmates today have not been convicted.

Figure 3: Salient points of difference between the new and old justice systems

Before 2008 Reform	Post Reform
Accused is presumed to be guilty	Accused is presumed to be innocent
Trial is done 100% in writing.	Arguments are made orally.
Closed, private trials decided by judges. No one knows what goes on inside.	Oral, open public trials decided by judges (no juries).
Evidence can only constitute eyewitness accounts, which are transcribed by typists whose errors are overlooked (or sometimes paid to alter).	All evidence is welcome. For the first time, forensic evidence is allowed in court.
Defense attorneys could not challenge evidence presented by the prosecution.	Defense attorneys can challenge any evidence presented.
The accused could languish in jail for years without ever having had a judgement.	A verdict is required in order to be held at length. Nevertheless 33% of prisoners did not have a sentence in 2017. (IEP 2019)
A suspect's confession was the highest form of proof -- torture often used to get a confession.	The law explicitly prohibits torture and new safeguards to prevent it were introduced (e.g. a confession cannot be made without the presence of the defendant's attorney).
Defendant has counsel if s/he can afford it.	Defendant has right to counsel, even if s/he cannot afford it.
Nothing but oral confessions or eyewitness accounts were considered admissible evidence.	Police have new responsibilities to gather and protect evidence from a crime scene.

Figure 4: Comparing the old and new judicial systems from the perspective of the detainees – progress from a low base of expectations

	% of Detainees in agreement with the statement	
	Old System	**New System**
The authorities at the Public Ministry explained why I was taken into custody.	38	45
My confession was coerced with use of force.	77	67
My attorney was present when I signed papers surrendering myself to the Public Ministry	27	33
The declarations made by the Public Ministry accurately reflect the verbal declarations I made at the time.	40	50
I know what I am being accused of	61	81
My attorney was present at my hearing.	40	60
The judge was present at my hearings.	16	62
The judge was paying attention during my hearing.	15	57
The judge clearly explained why I was detained.	23	47
My hearing was videotaped.	10	63
The investigator was present at my hearing. *	38	60
My hearing was open to the public.	17	41
Police do not conduct investigations in Mexico. This is the responsibility of the Public Ministry.		
Source: Phone conversation with Layda Negrete, November 2019		

Chronic underinvestment in security

Figure 5 is a graph of military spending as a percentage of GDP of the largest economies in Latin America. Mexico spends the least in domestic defense compared to peers yet ranks almost dead last in security regionally. [14] As

discussed earlier, Colombia is Mexico's closest peer with respect to its security challenges. Mexico will need to increase spending by 4-5x if it were to emulate Colombia.

Figure 5: Military / Defense Spending, % of GDP

Source: www.macrotrends.net

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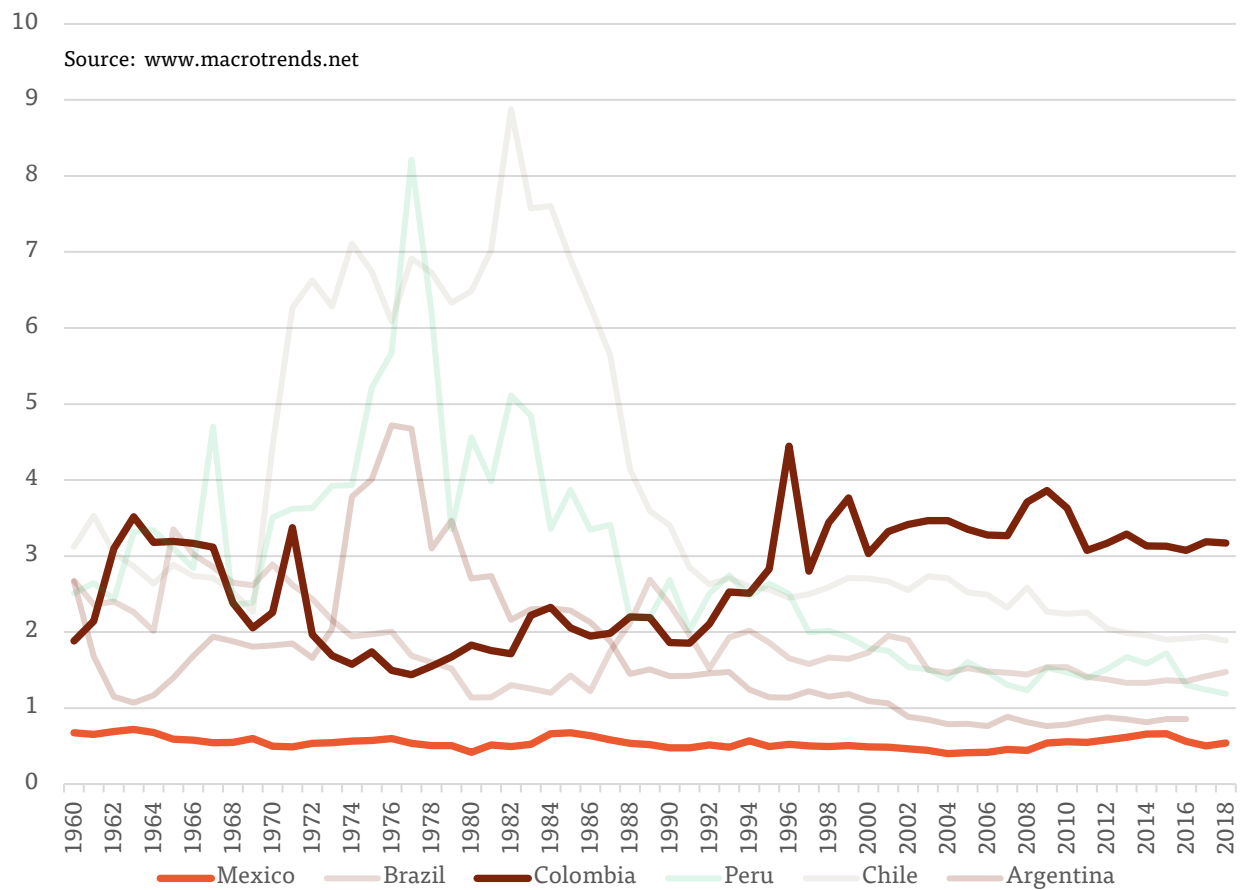
[14] Rule of Law Index regional rank is 29/30

Police rank in bottom 7ᵗʰ percentile, globally — greater military intervention is the best option available

The [World Internal Police Index](#) (WISPI) [15] "aims to measure the ability of the security apparatus within a country to respond to internal security challenges, both now and in the future." Its overall rankings are a product of four sub-indices: capacity, process, legitimacy and outcomes.   Mexico's overall rank is in the bottom 7ᵗʰ percentile at 118 out of 127 countries surveyed.   With regard to legitimacy (depicted in Figure 6), it made the list of the bottom five globally.

The failures of law enforcement cannot be divorced from the broken judicial system, and the systemic corruption discussed earlier, but police have their own problems as well. While government undervalues and underpays its police, organized crime highly values, and highly pays police officers. Below is some color:[16]

- Police earn on average US$ [588 per month](#), whereas a fair salary would be US[$1400](#) per month.
- In Mexico City, only [9%](#) of police officers are certified for duty.

Figure 6: Global Rankings of Police Legitimacy

Most Legitimate	Rank
Finland	1
Norway	2
Denmark	3
Singapore	4
Switzerland	5
Least Legitimate	**Rank**
Kenya	123
Nigeria	124
Mexico	125
Congo	126
Pakistan	127
Source: WISPI	

- They must pay [quotas to their superiors](#) in order to get supplies, or to get promoted.
- Cartels are highly involved, and often [control state and local governments](#).
- [Only 25%](#) of Mexico's local and federal police officers are certified for duty.

Figure 7 depicts the efficacy perception of the population with respect to personnel at various government departments. The Navy and Army

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[15] Developed by the IEP at the request of International Police Science Association

[16] For additional color, see film *"Cartel Land"*

are the only ones with a passing grade. The reason for this is straight forward: chain of command. The higher up you go in government, the less accessible you are to kingpins of organized crime. The less corruption there is with the top brass, the more effective their subordinates will be[17].

Figure 6: Percent who view efficacy as "very good" or "somewhat effective"

Source: INEGI
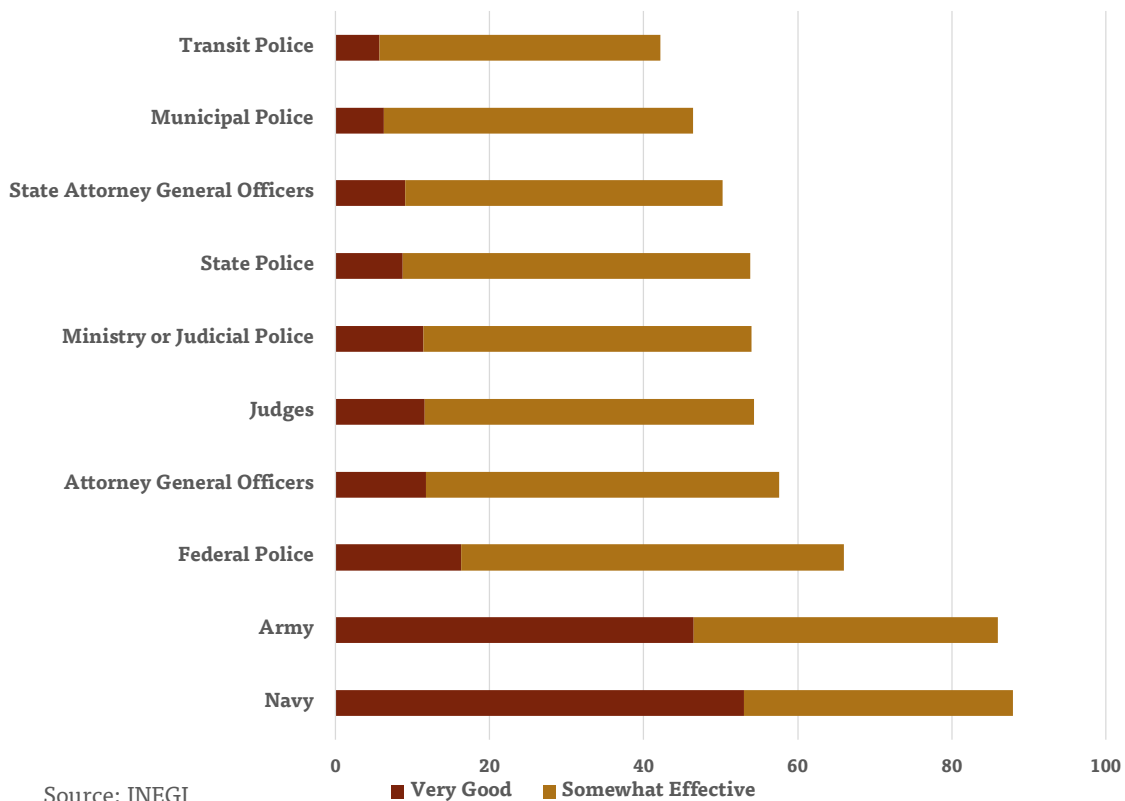
Unfortunately, while the military has an effective perception among the population, it also has had a long history of human rights abuses. The Merida Agreement between the US and Mexico, for example, was contingent on the human rights abuses ceasing. The Washington Office on Latin America (WOLA) has written several reports advocating for removing the military from the streets. Their recommendation, however, is based on the

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[17] My sources here are conversations over the years with experts on the ground.

view that the local and state police would have a better track record.

A group of journalists interviewed soldiers to discover the drivers behind extra judicial killings and other human rights abuses by the military. What they found was that much of it was linked to chain of command issues. In cases where there was an accident, or potential (even minor) wrongdoing, soldiers had orders from their commanders to kill witnesses so that there would not be anyone alive to testify against them in court. Thus, the cause of many extra judicial killings is not necessarily a problem with the military, but rather a perverse incentive structure created by the judicial system. As outlined earlier, in the old system, the only form of admissible evidence were eye-witness accounts, which were transcribed often with intended and unintended errors. In the new system, all evidence, including forensic evidence is admissible.

Hence, as the new judicial system becomes more universally adopted, the incentive structure that has contributed to human rights abuses, should, over time disappear. Given how poorly local police forces rank, and the great disparity in efficacy between local police and the military, Tourmaline believes that a continual investment in the Mexican military is the best available avenue to reduce violence.

Cartels are heavily armed by US entities -- US cooperation would be helpful

the largest exporter, dominating 28% of the market, followed by California at 13% and Arizona with 11%.[18]

According to data from Potomac, 70% of firearms in Mexico come from the US. Texas is

Figure 7: Weapons Trafficking Routes from the US into Mexico

Source: Potomac
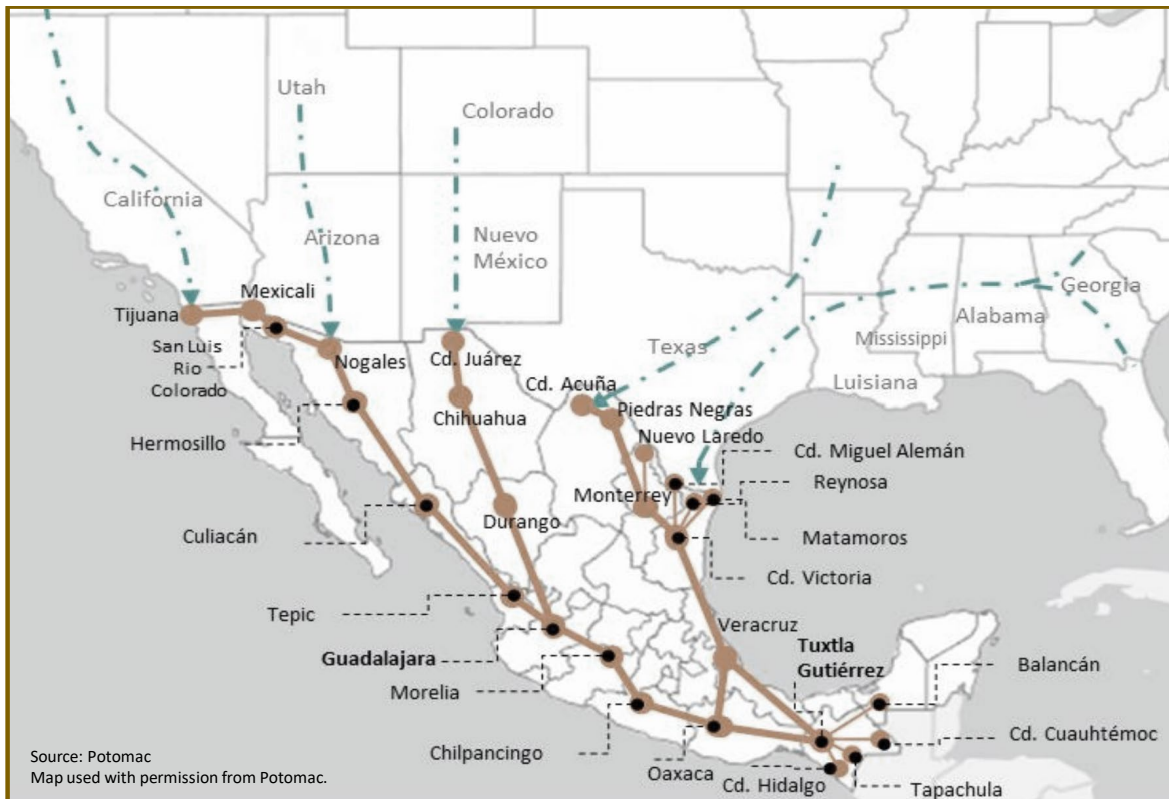Map used with permission from Potomac.

Figure 8 illustrates the routes from the US into Mexico. The map is from a recent Potomac report. Any meaningful solution to the security problems Mexico faces today will have to include stemming the flow of firearms and assault weapons coming from the US. Investors and stakeholders can help raise awareness about the need for intervention.

[18] Potomac,"Armas de Fuego"

Number of cartels doubled; territory splintered, giving rise to surge in violence

According to conversations with Luis Esteban Lisla the founder of Potomac, there used to be four major cartels with very defined territory in the country. However, around 2006, new cartels came into power, and now there are nine large cartels. To make matters more complex, these nine super cartels spawned 49 criminal cells (e.g. criminal bands) that operate throughout the country, often in territories that are primarily controlled by a competitor. Thus, clashes between these criminal bands happen frequently, and account for the surge in violence Mexico has been undergoing over the past decade.

Figure 8: Controlled territories, and density of criminal bands in operation by state
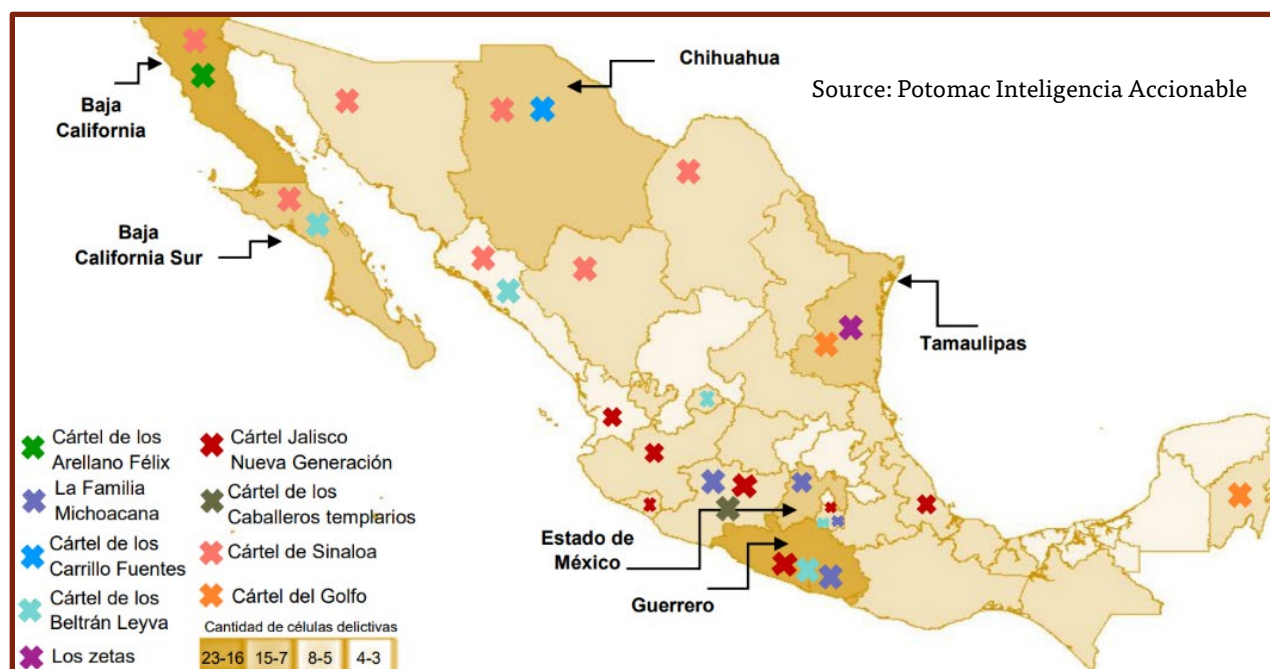

Figure 9 plots the claimed territory of the nine large cartels with an *x*. The shades of beige represent the density of numbers of criminal cells in operation within the state. The darkest shade represents 16-23 cells, and white represents 3-4 cells. There are no states free of cartel cells. The higher number of cartels and their current state of fragmentation suggests a weakening of power. If this were happening under a scenario where there were strong security forces and a well-funded strategy, fragmentation would be a win for the government. However, as discussed earlier, Mexico has one of the weakest police forces in

the world, and the security strategy is not only underfunded, the current president has sent mixed signals at best.

Thus, absent a significantly higher number of well-trained security forces, this fragmentation and dispersion of cells

throughout the country presents an outlook for continued escalation in violence, a deterioration in national security, and a slow-down in economic growth stemming from slower household consumption as well as investments.

Barring a significant investment in a sound security strategy, we expect deterioration in the economic outlook

We were initially very hopeful that President Andrés Manuel Lopes Obrador (AMLO) would make a big leap in the security strategy when he announced a constitutional reform that would [create a national guard](#) but have been disappointed with the end results.

The Mexican constitution is federalist, meaning that states have governance powers over a variety of areas, much like states here in the US. During times of need, the federal government can deploy military forces to secure municipalities or even states, but only with the consent of the governor. A permanent presence by the military is generally not welcomed, and the reason often cited is the track record of human rights abuses, as

discussed earlier. On the other hand, keeping the military out – which is least pervious to cartel influences -- also facilitates organized crime groups with ties to local and state government officials. Thus, putting the military in charge of national security seems like the only available option.

Unfortunately, while the idea was good, implementation flopped. There is a risk that it could further deteriorate the situation. Instead of creating a new National Guard to take over security nationally, the new creation merged local, state, federal and military into one unit. The dangerous part is that it now subordinates military soldiers to civilian command, which is vulnerable to cartel influence. While there is no doubt that human rights abuses by military personnel need to be addressed, putting civilians in charge is not the answer.

Given this disappointing strategy, we believe there is a 60% chance that violence worsens. This would lower productivity, lower investment, and lower economic output. Our economic projections in through 2021 reflect these risks.

We offer two scenarios for years 2022-2024. The average of the two scenarios, given a 50% chance of either is found below the two columns.

Figure 9: Economic Growth Projections through 2024

% Change YoY	2019	2020	2021	2022-2024 Average	
				AMLO Wakes Up	AMLO Sleeps
Real GDP	**-0.08**	**-0.30**	**0.53**	**2.82**	**0.21**
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Exports	4.00	4.00	6.00	3	4
Imports	3.00	3.00	5.00	2	3
Assign 50% to both scenarios				**1.52**	

Source: Tourmaline

Investor Engagement: Asking key questions of key people

The economic literature on the need for structural reforms in Mexico is large. The OECD, IMF, McKinsey Global Institute to name a few have highlighted productivity as a grave concern.   They are exhaustive in the list of economic areas in need of productivity gains, or tweaks in the legal framework, but they are reticent to point out the single most important constraint on productivity, namely: security.

We hope this report will be a starting point for a new conversation.

Below is a list of government contacts with whom we encourage investors to request an audience. We also include a list of private sector experts as additional resources.

Top Mexican Government			
Name	**Title**	**Institution**	**Note**
General Luis Cresencio Sandoval	Secretary of Defense	SEDENA, Guardia Nacional	
Alfonso Durazo	Secretary of Citizen Defense	Secretariat of Security and Citizen	
David Perez Esparza	Head of Unit	Centro Nacional de información at SESNSP	SESNSP is in charge of formulating security policies.

Organizations have their own security experts that meet with government frequently			
Name	**Title**	**Institution**	**Note**
Luis Manuel Flores		Confederación Patronal de la República Mexicana	Contact information available upon request.
Jaime Domingo López Buitrón		Consejo Coordinador Empresarial (CCE)	Contact information available upon request.

Mexican Security Experts			
Name	**Title**	**Institution**	**Note**
Gustavo Mohar	Founder, former head of CISEN (Mexican CIA) during Calderon	Grupo Atlaya	Contact information available upon request.
Alejandro Hope	Security Analyst	El Universal	Contact information available upon request.
Luis Esteban Lisla	Founder, Security Analyst	Potomac Inteligencia Accionable	lisla@potomac.com.mx + 52 15-5550-75301

Suggested questions

- Can a similar security budget to 2019 be expected in 2020?
- Are you aware that violence is costing the economy one quarter of its output annually?
- Are you aware that Mexico's credit rating would not necessarily be negatively impacted if a large 4% of GDP investment were made in security?
- Is the security strategy being advised by the experience in other countries?
- Are there any plans to collaborate with the US or southern border countries for joint efforts against illegal trafficking? Is the recent collaboration with the FBI in the case of the LeBaron family a sign of potential increase in collaboration?
- How will you measure the effectiveness of La Guardia Nacional?
- Do you have a plan for identifying corrupt officers or commanders?
- How is the government addressing the issue of *autodefensas* (civilians taking justice on their own hands)?

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