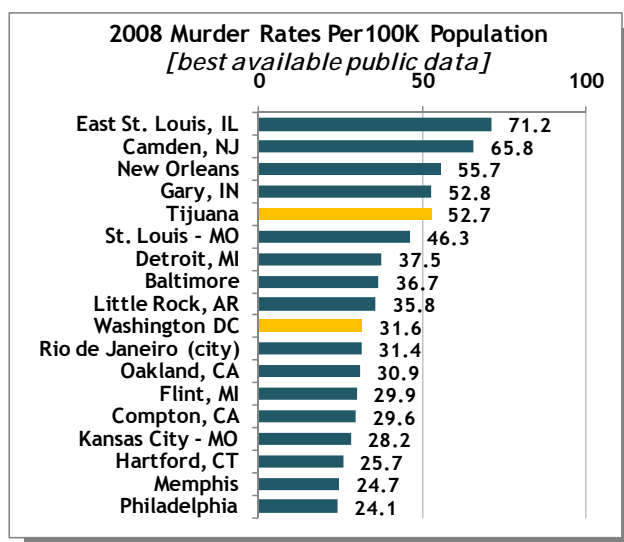


Perspective: Media Reports of Border Violence

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Throughout 2008, media reporting of sporadic and often isolated inter-cartel killings have created a strong impression of security problems in Mexico and border cities like Tijuana. While it is always important to be observant and conscious of personal security in any major city (whether in the US, Mexico, or otherwise), it is also important to have additional information and context about some of the perceptions that have been left by the coverage of recent border violence. *Given concerns expressed by some of our clients and those in the community, Crossborder Group would like to provide the following facts and background information:*

- Tijuana, with a population estimated at 1.6 to 1.7 million, is the second-largest city on the West Coast of North America (after Los Angeles). As such, it is important to understand that most (if not all) large cities have areas that one can visit with few or no problems, and other areas that are best avoided.
- To give a point of comparison, despite well-publicized, negative stories, research done by Crossborder Group using public information for 2008 (full year, with verified or highly-credible data) *shows that Tijuana's 2008 murder rates were still lower or similar to many major cities in the US.* As of this point, late-2008 was the peak of such violence in Tijuana, with a notable drop-off in February and March of 2009 to levels not un-common in other cities with 1 million-plus populations.
- It should also be noted that (based on reports of police records in Tijuana) more than 90% of the violent incidents that occurred in that city were exclusively between drug cartel members, those involved with drug trafficking, or law enforcement officials. In addition, most serious events are occurring outside of tourism and business zones, as well as occur typically late at night.



While these facts don't mean that drug-related violence is not happening, the fact is that such violence is highly-localized and does not directly affect "everyday Tijuanaenses" or visitors to Tijuana as stories in the media may lead one to believe.

Border Region vs Central Mexico: Perspectives on Security & Safety Measures

For companies considering operations in Mexico, two cities often under consideration - such as Monterrey and Tijuana - offer examples of the very different security issues that border cities and Central Mexico cities may have to address.

In general, Mexico is a society with relatively low overall crime rates (despite strong pockets of poverty - the largest motivator in property crimes). However, media accounts tend to highlight two primary security problems - killings and kidnappings - which are crimes focused typically on drug-related actors (killings between narcotraficantes and law enforcement), or those individuals that are in the upper middle and upper classes residing in Mexico.

In a border city like Tijuana, where much higher levels of overall violence are occurring (compared to the norm in Mexico), the vast majority of such violence is occurring between individuals (or groups) related to drug-trafficking or law enforcement - with some (but few) incidents of the public being involved (typically much lower than overall crime levels against the public in major US cities). Thus, the issue for business visitors becomes one of overall exposure to risk - will an investor be significantly exposed to inter-cartel conflicts, or will they become subject to potential kidnappings (while traveling in a border city, between a factory and a border crossing)? In most cases, the level of such risk is relatively low - and extremely few incidents can be identified during the last decade when visiting businesspeople (i.e.: non-residents) to Tijuana were subject to such risks.

In a non-border city like Monterrey, security challenges are very different from the perspective of expatriates or visiting businesspeople. While most maquiladora managers in Tijuana are either Mexican residents (i.e.: Mexican citizens residing in Tijuana), or US citizens visiting (and departing after work) the city, Monterrey executives are typically located in Monterrey and its suburbs. Thus, the potential risk increases for becoming a target for kidnapping - a crime that targets those that have patterns that can be watched, and planned for. That said, in general, cities like Monterrey have very low-levels of other types of crimes, and have had few incidents of inter-cartel fighting.

Again, it should be stated that very few incidents of foreign business visitors (or plant managers) have become involved with cartel-related violence or kidnappings during the previous ten years in Mexico. However, security concerns should result in more cautious approaches by potential investors. Most visitors to maquiladoras, however, have very low-levels of potential risk from violence or kidnappings (no recent case currently exists to our knowledge of a US executive being kidnapped or harmed during a visit to a Baja California subsidiary plant operation - apart from acts like auto accidents, etc.).

Safety measures that some existing plant management in border cities like Tijuana are taking include:

- Lowering their profile as a target by providing direct deposit payments for staff (thus, not having cash at facilities);
- Siting facilities in secure industrial parks (versus stand-alone operations);
- Being on site during daylight hours with slightly varying schedule;
- Driving normal (low attention) vehicles with good horsepower (some driving training may be considered);
- Siting relatively close to border crossings (to reduce travel time outside of plant); and
- Including strict screening of plant personnel (to avoid embedded, risky employees).

Please note that many of these security precautions are actually also extremely useful in non-border locations as well, and very often apply to security-minded US operations, as well.

If there are any questions, please feel free to contact staff from Crossborder Group at 1-888-4XBORDER, or via email at Answers@CrossborderBusiness.com