

September 13, 2012

Mitigating Travel Risks to South America



Crime remains the most likely risk to impact business travelers across the region.

Bottom Line Up Front

- Business travel to South America is increasing as the region continues to prosper economically. But with consistently high levels of corruption, crime and a persistent threat from terrorism and civil unrest, it is important for businesses to have a robust security risk mitigation program in place.
- Looming security risks for the region include likely instability in Venezuela ahead of next month's scheduled presidential election in October and further election-related protests in Mexico.

As of early September 2012, with economic growth attracting more Foreign Direct Investment, business travel to Latin America is on the rise. For many years, the continent's economic engine was Argentina, Brazil and Mexico. This has broadened more recently, as multinational companies — particularly those in the telecommunications and energy sectors — have also increasingly invested in Peru, Chile and Venezuela. But these opportunities have to be balanced with the security risks: among corporate security professionals, polls show a majority believe Latin America is the highest risk continent for business travel. In the second of a two-part series on business travel, this Intelbrief examines the current and future risks across South America.

The basis for safe business travel is preparation and planning. **The Soufan Group's** approach to proactively managing business travel risk involves understanding the current threats and identifying emerging trends to provide layered and comprehensive security mitigation. The first step involves the timely and objective analysis of a range of potential hazards — from regime instability to infectious diseases — on a quantitative scoring system from one (low) to five (high). Each of these scores is aggregated specifically for business travelers. Based on an interpretation of their subcategory scores, an overall country risk score for business travel is assigned, which can be used as a guide to identify the critical planning, preventive and monitoring measures that will be required. (Please see the table on page 4.)

Preparing for Corruption

Across the continent, corruption is common practice. According to Transparency International's Corruption Perception Index, Venezuela is the most corrupt state in the continent, closely followed by Paraguay and Bolivia (with both Chile and Peru notable for having lower levels). One of the main reasons for the persistent corruption is the fact that governments across the region have failed to sanction it.

Corruption can cause disruption to business travel in two fundamental ways. First, in countries with chronic levels of corruption, public officials are likely to ask business travelers for bribes or "grease payments" to expedite

bureaucratic procedures. This can happen at any stage during travel but it is particularly common when passing through police checkpoints or handing over documentation such as passports. Law enforcement officials will often demand business travelers pay for real — or on occasion trumped-up — transgressions. As such, it is good practice for companies to establish clear protocols for how their employees should respond when faced with such a scenario.

Second, systemic corruption can also have strategic implications for businesses. High levels of graft are often an indicator of government expropriation. In Venezuela, for instance, the government has nationalized key industries on multiple occasions. Moreover, companies that fail to pay bribes to key officials can lose contracts and business. According to a recent Reuters article, 51% of respondents interviewed during a survey on corruption in Latin America believed that they had lost business to competitors who had paid bribes. Over the long-term, however, this practice should gradually decrease as a result of recent corruption legislation such as the U.S. Foreign Corruption Act.

Drugs, Crime, and Business Travel Risks

Although often exaggerated in the media, serious crime — which includes murder, rape and carjacking — poses a significant risk to business travelers in countries across the region. Organized criminal groups are often involved in drug trafficking, particularly in Mexico, El Salvador, Guatemala and Honduras. Several criminal groups have acquired considerable capabilities, to include building a powerful array of weaponry that they use to deter law enforcement operations. In addition, they often attack government authorities and rival gangs to maintain the viability of their smuggling routes. Organized criminal groups are motivated by profit; typically their use of force is only used to protect drug-trafficking routes, or against rival gangs. There are few examples of these groups deliberately targeting business travelers in Latin American countries, although it is possible to be an indirect target, particularly in the event businesses are located in high-risk area.

The more direct threat to travelers comes from violent crimes perpetrated by smaller scale gangs and individuals. Murder rates are high throughout the region. According to Venezuela's interior minister, the murder rate currently stands at 50 per 100,000 people, which ranks among the highest in the world. In Bogota, Colombia, the rate is 22.7 per 100,000 and in Sao Paulo, Brazil, 14 per 100,000. Criminal gangs will often target foreigners they perceive as wealthy. The U.S. State Department, for example, rates Rio de Janeiro at its highest level for crime risk, with the U.S. Embassy in Brazil frequently receiving reports that criminals target Western appearing foreigners outside popular (and relatively expensive) restaurants and hotels. Carjackings present another risk, one that is common across much of the continent. In one notable example that occurred in November 2010, criminals attempted to carjack Jenson Button, the British Formula One driver, in Sao Paulo.

Across the region, the threat posed by kidnapping is also rising. Kidnapping takes two distinct forms: *kidnap for financial gain* and *kidnap for political purpose*. Business travelers are at risk from both, though the former is more common. Between 2005 and 2011, there was a 500% increase in reported kidnaps for ransom in Mexico. Such abductions are also on the rise in Venezuela, Guatemala and Colombia. Criminals often target those they perceive to be high value for ransom. This was the case for Wilson Ramos: a native of Venezuela, Ramos is a professional baseball player in the U.S. who was kidnapped by criminals in Valencia, Venezuela, in November 2011.

A fundamental element of any travel risk mitigation plan is to identify the highest threat areas within any country. Other equally important risk mitigation measures include operating with a low profile and avoiding any ostentatious displays of wealth.

Terrorism: A Persistent Threat to the Energy Sector

The Colombian-based FARC is the most renowned terrorist group operating in South America. Over the years, the group has conducted kidnappings, bombings and armed attacks primarily against Colombian police and military forces. Over the past decade, however, a U.S.-supported counterinsurgency campaign has curtailed the group's operational capabilities and killed a number of the group's senior leaders. In an apparent sign of this

weakness, the group has recently entered into peace talks with the government. Despite this, FARC has continued to conduct attacks, particularly against oil and gas targets.

According to reports out of Colombia, FARC has staged more than 43 attacks in 2012 against Ecopetrol, the state-run oil company, while also routinely threatening its employees. Other Marxist-inspired terrorist groups, including ELN, are also active in Colombia and periodically conduct kidnappings that have targeted Westerners. Meanwhile, in Peru, Shining Path — although also on the decline following sustained counterterrorism operations — has shown remarkable perseverance. In April, the group kidnapped 30 gas industry employees from the southern region of Cusco in Peru. In addition, Hezbollah, the Lebanon-based Shi'a militia, has long maintained an operational presence across Latin America, but it has mostly leveraged that presence to raise funds rather than to develop its operational capability.

Regime Instability and Elections

Over recent years, the region has enjoyed a degree of political continuity, as ruling political parties benefitted from economic growth. However, elections often result in periods of instability, protests and unrest. In July, Mexico held a presidential election that saw Pena Nieto from the Institutional Revolutionary Party win the presidency. However, his opponent, Lopez Obrador, contested the results claiming that Nieto used illicit money to buy votes and media coverage during the campaign. Obrador organized large protests in cities across the country, which were attended by tens of thousands of people and caused disruption to businesses and traffic. Further, large demonstrations over this issue are possible over the coming weeks and months, particularly during Nieto's inauguration. There are no indications to suggest that protests will threaten the viability of the new government.

In Venezuela, the political outlook is more uncertain. Presidential elections are scheduled to take place on October 7th, with President Hugo Chavez standing against Henrique Capriles Radonski. The election — which polls indicate will be competitive — is just one of a number of issues that are likely to result in both short- and medium-term unrest. Chavez continues to suffer ill-health from cancer, and there is ongoing speculation that the disease has spread further than he has admitted. Amid this uncertainty, there are also persistent rumors of coup attempts, and likely bouts of unrest are thus possible. Even in the event that Chavez wins next month's presidential election, it is not clear who would replace him if he were to die from his illness, and whether the opposition would accept a change in ruler. Large protests and potentially a change in the country's ideological trajectory are realistic scenarios.

Part 1 of this series examined the risks of business travel to Africa.

Near-Term Forecast

- Crime remains the most likely risk to impact business travelers across the region. High-levels of corruption and kidnapping will also persist as major risks. Bouts of disruptive civil unrest are possible in Mexico, and very likely in Venezuela.

Long-Term Forecast

- A negotiated settlement between the government and FARC would significantly reduce the terrorism threat in Colombia, while the death of President Chavez would likely result in a period of violent unrest in Venezuela.

The Soufan Group's world-class network of intelligence analysts produces specialized geopolitical and risk assessment products tailored to the unique needs of our clients in the public and private sectors. We welcome the opportunity to discuss your requirements and explore how our intelligence services can assist you in achieving your strategic objectives. For more information, please contact

Table 1: Business Travel Risk Assessment by Country — South America
 1 = Low Risk 5 = High Risk

Country	Regime Instability	Terrorism	Crime	Kidnapping	Civil Unrest	Infectious Diseases	Health Care	Armed Conflict	Overall Risk
Belize	3	2	5	2	3	4	4	2	4
Costa Rica	2	2	4	3	3	3	2	2	3
El Salvador	3	2	5	3	3	4	4	2	4
Guatemala	3	2	5	3	3	4	4	2	4
Honduras	4	2	5	5	3	4	4	2	4
Mexico	3	3	5	5	4	3	4	4	4
Nicaragua	4	2	5	5	4	4	4	2	4
Panama	3	2	3	3	3	3	3	2	3
Argentina	3	3	4	4	3	3	2	2	3
Bolivia	3	2	4	4	4	4	4	2	4
Brazil	3	2	5	3	3	4	4	2	4
Chile	2	2	3	2	3	3	2	2	3
Colombia	4	4	5	5	4	4	4	3	4
Ecuador	4	3	5	4	4	3	4	2	4
Guyana	4	2	5	4	4	4	4	2	4
Paraguay	4	2	4	3	4	4	3	2	4
Peru	4	3	5	4	4	4	3	2	4
Uruguay	2	2	3	2	3	4	3	2	3
Venezuela	5	4	5	5	4	4	3	3	4