# Mexico: Decapitation of one of the most powerful and largest Mexican gangs likely to raise violence risk in coming months | Credendo

## Event

High-profile violence and road blockades erupted across much of Mexico end February, as news broke that Nemesio Oseguera Cervantes ("El Mencho") was killed during a Mexican security operation supported by US intelligence. El Mencho was the kingpin of one of Mexico's most powerful drug cartels, which also has the largest geographical footprint in Mexico and beyond.

## Impact

The initial spike in violence following El Mencho's reported death is a typical cartel reaction to such news. While violence has since subsided, a renewed uptick remains likely in the coming months. Historical experience shows that the decapitation of major criminal organisations often leads to a surge in both intra  and inter cartel violence, as rival factions and splinter groups compete for control over trafficking routes, local markets and internal command structures. Western Mexico, the cartel's traditional stronghold, is likely to be the most affected, although other regions may also experience a rise in violence given the cartel's large geographically presence. However, even during episodes of expected high-profile violence, the Mexican government will likely be able to restore control due to the military superiority of the armed forces. It remains therefore unlikely that criminal gangs will seize effective government control over any part of the country, unlike what has occurred in Haiti. On the upside, the operation decreases the risk of US unilateral military strikes on Mexican soil, which Trump regularly threatens to do, and shows a deepening security cooperation between the two neighbouring countries.

In this context, the political violence risk (category 3/7) has a negative outlook. The business environment risk (currently in category E/G) also carries a negative outlook, depending on the severity and duration of the violence and its potential impact on key indicators (e.g. the economic cycle, exchange rate volatility) alongside other risks, such as shifts in US trade policies and the outcome of the upcoming USMCA trade renegotiations. The short term political risk outlook (category 2/7) remains stable, as current account receipts and foreign exchange reserves are unlikely to be affected in the short term unless the violence starts to spiral, which is not the baseline scenario. The medium-to-long-term political risk has a negative outlook as institutional indicators have been on the decline.

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