

GLOBAL DELIVERY REPORT

Putting Personal Safety into Proper Scope – A Case Study on Guadalajara, Mexico

EXECUTIVE SUMMARY & INTRODUCTION

With political turmoil in the Middle East, terror bombings in Mumbai, and drug-related violence in the Americas, evaluating personal safety conditions has become a major priority for enterprises in the process of diversifying their global service delivery platforms. So as Guadalajara continues to build momentum in the information technology and global services industry, current and future investors want to know whether the region has remained a safe place to visit and do business.

In response, this report takes a quantitative and qualitative approach to evaluate current personal safety conditions in Guadalajara (GDL). In addition to crime data, a detailed survey of the region's international business community strongly supports the notion that Guadalajara is just as safe, and in some cases safer than other major metropolitan areas across the developed and developing world.

A deeper analysis of the region's economy also points to a bright future for GDL. With a stable economy, good quality of life, a technologically-savvy labor pool, and relatively low cost of labor, the region has room to grow across various high-skilled and lower-skilled industries. These positive conditions should create more opportunity in the form of jobs and education for the region's young workforce, which in turn should help keep crime levels low and personal safety levels normal.

Currently, personal safety conditions are similar to other large urban areas. However, local government and private sector leaders will have to ensure that progress continues to be made in the area of education, employment and security. This year's Pan American games will be a test to the region's ability to host a major international sporting event, without any major incident threatening personal safety. Likewise, the games will prove to be a good opportunity to instill a heightened sense of culture around safety and stability in the region.

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ABOUT GLOBAL DELIVERY REPORT

Global Delivery Report is the premier website specializing in the global delivery of outsourced IT and business process services, and the growing IT ecosystem of Guadalajara, Mexico's "Silicon Valley." GDR is brought to you by the team at Nearshore Americas.

ABOUT THE AUTHOR

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STRUCTURE AND METHODOLOGY

General trends were first assessed to gauge the overall socioeconomic health of the region. Conclusions were drawn from data at the regional and national level, from sources including the Government of Jalisco, The Mexico Institute of Statistics and Geography (INEGI), Mexico's Ministry of the Economy, the Economist Intelligence Unit, the 2010 Legatum Prosperity Index, among others.

Homicide data - said to be the most accurate crime statistic – were also used to gauge overall personal safety conditions in GDL. Crime data from the United Nations Office on Drugs and Crime, FBI Uniform Crime Reports, Mexican government agencies, and other sources were leveraged to make a comparative assessment of personal safety conditions in GDL, compared to other cities in the United States and Latin America.

A survey tool was also implemented to obtain first-hand accounts of actual personal safety perceptions. 145 foreign-born professionals living in the metropolitan area were asked to complete the survey, out of which 45 responses were collected (31 percent response rate). The survey was anonymous and asked respondents to rate Guadalajara on multiple safety dynamics. Comments from survey respondents were also collected and are shared in a later section.

SECTION I: REGIONAL OVERVIEW AND ECONOMIC LANDSCAPE

With 4.5 million inhabitants, the Guadalajara Metropolitan Area is the second most populous region in Mexico, after Mexico City. It is the capital city of the state of Jalisco in the western-pacific part of the country, and accounts for 60 percent of the total state population. Guadalajara is considered to be a vibrant economic and cultural center famed for Mariachi music, world famous Tequila, film festivals, and “Chivas” Football (soccer) Club. It is located in the Central Time zone approximately four hours by plane from New York and Chicago, and two hours from Houston. The weather generally stays warm year round with considerable rain in the summer months and arid conditions in winter.

A strong local economy should help keep personal safety levels normal...

A volume of literature points to the direct relationship between unemployment and crime¹. Simply put, when unemployment levels go up, so does crime. With a total labor force

¹ <http://online.wsj.com/article/SB123974939828118493.html>

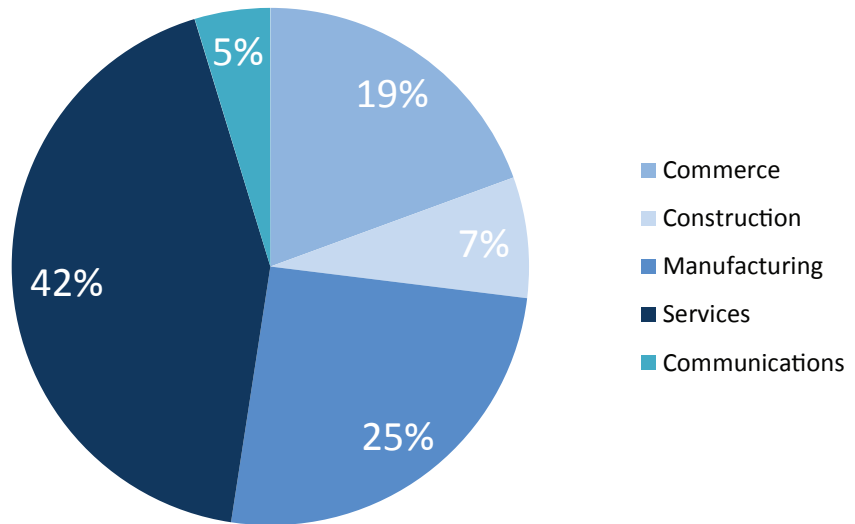
reaching over one million permanent and temporary workers, across five major sectors (see figure one), Guadalajara will have to provide continued employment opportunities for its citizens². Fortunately for the region, trends suggest that Guadalajara’s relatively large and diversified economy has continued to show signs of progress, even during the global economic slowdown.

State-level economic data point to a notable 10 percent growth in GDP across all sectors between 2005 and 2008. And, while the global recession impacted certain sectors harder than others (see figure two), statements from the Mexican Social Security Institute stressed that the region experienced net growth in jobs through 2009³. Likewise, unemployment in GDL has on average stayed lower than national rates during the recession (see figure three). Unemployment rates also suggest that GDL follows a similar economic rhythm to the nation. Looking forward, growth figures at the country level suggest that Mexico has continued to make economic progress since 2009 (see figure four). These positive economic trends should raise all boats and help to keep core crime levels in Guadalajara relatively low.

Figure One

Distribution of GDL’s Workforce
across five major economic
sectors

Data Source: SEIJAL – Sistema
Estatad de Información Jalisco



² The following municipalities were included for this analysis: Guadalajara, Tlajomulco, Tlaquepaque, Tonalá, Zapopan. These five municipalities amount to 95 percent of total population.

³ http://www.investguadalajara.com/news_events.php#noticias_29

Figure Two

Pre and Post recessionary performance across different sectors in the state of Jalisco
* Reflects potential impact of global recession

Source: INEGI. Sistema de Cuentas Nacionales de México.

	GDP '08 (Blns of Pesos '03)	Percent of Total '08	Percent Change '05-'08	Percent Change '08-'09*
Manufacturing	126	22%	10%	-7%
Retail & Wholesale	119	21%	2%	-6%
Real Estate	57	10%	13%	-13%
Agriculture	40	7%	11%	-1%
Transportation & Warehousing	35	6%	19%	-11%
Construction	31	5%	8%	-5%
Education	24	4%	5%	-13%
Media	19	3%	4%	0%
Financial Services	17	3%	34%	4%
Health Care	15	3%	60%	-5%
Professional, Scientific, and Technical Services	14	2%	12%	2%
Other	68	12%	21%	-17%
All sectors	565	100%	10%	-7%

Figure Three

Economic Pulse and average performance of Guadalajara compared to Mexico during global recession.

Data Source: INEGI

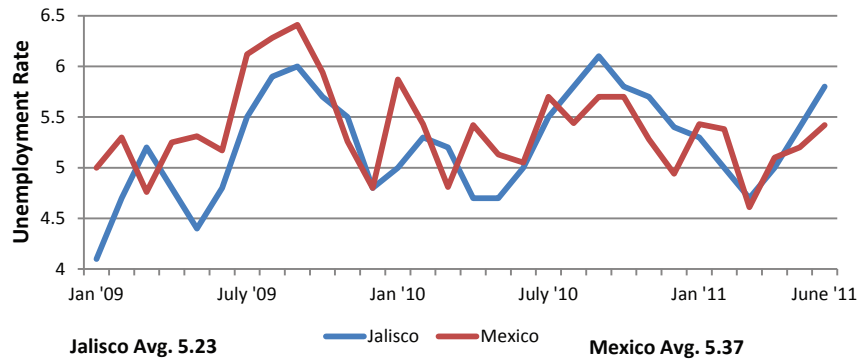
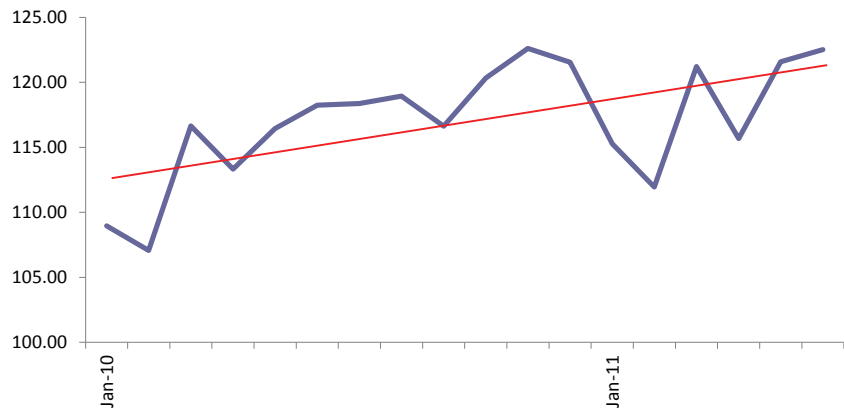


Figure Four

Mexico's economic performance over the last 18 months

Source: INEGI



Pan American Games will channel additional resources to fund infrastructure and security programs...

In 2006, Guadalajara was chosen to host the Pan American games being held this October. Considerable investment in local infrastructure and security has been made in preparation for this major sporting event. A total of twenty-three stadiums have been built in and around Guadalajara to accommodate the 6,000 athletes coming to compete. To ensure adequate provision of services for support staff and spectators, Guadalajara has also expanded its hotel infrastructure by 30 percent, increasing room capacity from 16,000 to 21,000 hotel rooms ⁴.

The Pan American Games have also spurred major investments in security systems for the region. The governor of Jalisco has been working with city officials to allocate some 500 (40 USD) million pesos to improving security infrastructure and equipment. This includes a 500 camera closed circuit municipal surveillance system, new aerial equipment, and the building of a new metropolitan detention center ⁵. Government officials are also working with teams from the United States to reinforce security personnel and to improve on overall security strategy for the city.

The GDL International Airport Authority has also invested a total of 333 (27 USD) million pesos to improve airport security, luggage handling, and expansion of the customs area to handle the influx of international travels coming for the games. Other projects include a new bus rapid transit system, a 10,000 seat performing arts auditorium (Auditorio Telmex), and the new public library of the state of Jalisco.

Education will be critical to promoting personal safety...

A 2008 study conducted by the Justice Policy Institute showed the inverse relationship between crime and education. Not surprisingly, when education levels go up, crime goes down ⁶. To this end, the State of Jalisco is said to have among the best educational resources in the country. In a recent press release, the governor of Jalisco committed 29 billion pesos (3 billion USD) to the 2011-12 school year. This is to be more than any other state in the Mexican union, and eight percent more funding than last year ⁷.

Today there are 431,857 students attending middle school and high school across 897 educational centers ⁸.

⁴ Source: [Mexican Embassy of Canada](#)

⁵ National Secretary of Government (SEGOB)

⁶ http://www.justicepolicy.org/images/upload/07-08_REP_EducationAndPublicSafety_PS-AC.pdf

⁷ www.jalisco.gob.mx

⁸ Government of Jalisco

The state boasts a total of 12 nationally-recognized universities and 14 technological institutes working closely with industry partners in the region to adapt curricula to specific needs. Prominent educational institutes in the city include Universidad Panamericana, ITESO, Universidad de Guadalajara, Monterrey Institute of Technology (ITESM) and the Universidad Autonoma de Guadalajara. These institutions graduate 6,500 engineering students every year, with approximately 2,000 of these specializing in high technology. The state is also a big proponent of continuing workforce education with 637 worker training centers, and 56 technical training schools.

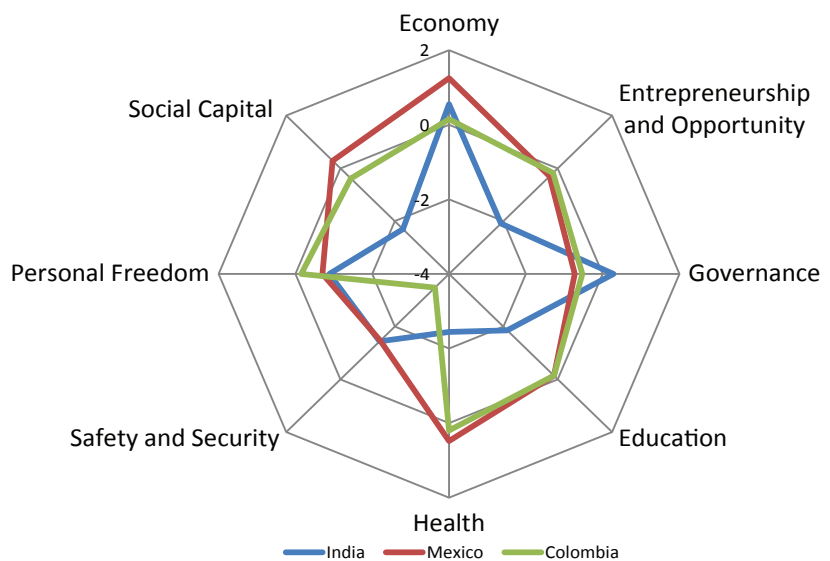
Mexico scores well on overall prosperity...

Looking beyond core economic indicators and local investments, the 2010 Legatum Prosperity Index evaluates eight different micro and macro level dynamics to measure “prosperity”⁹. For the purposes of comparison, prosperity is defined as “both wealth and wellbeing, and finds that the most prosperous nations in the world are not necessarily those that have only a high GDP, but are those that also have happy, healthy, and free citizens.”

Figure five shows how Mexico scored against India and Colombia across eight different categories. Overall, Mexico rivaled or surpassed India and Colombia on all except for two: “Personal freedom” which considers things like rights to expression, belief, organization, and personal autonomy; “governance” which considers effective and accountable government, fair elections, political participation, and rule of law. Mexico scored well on categories like social capital, safety and security, health, and entrepreneurship.

Figure Five

Legatum Prosperity Index scores and comparisons to India and Colombia



⁹ www.prosperity.org

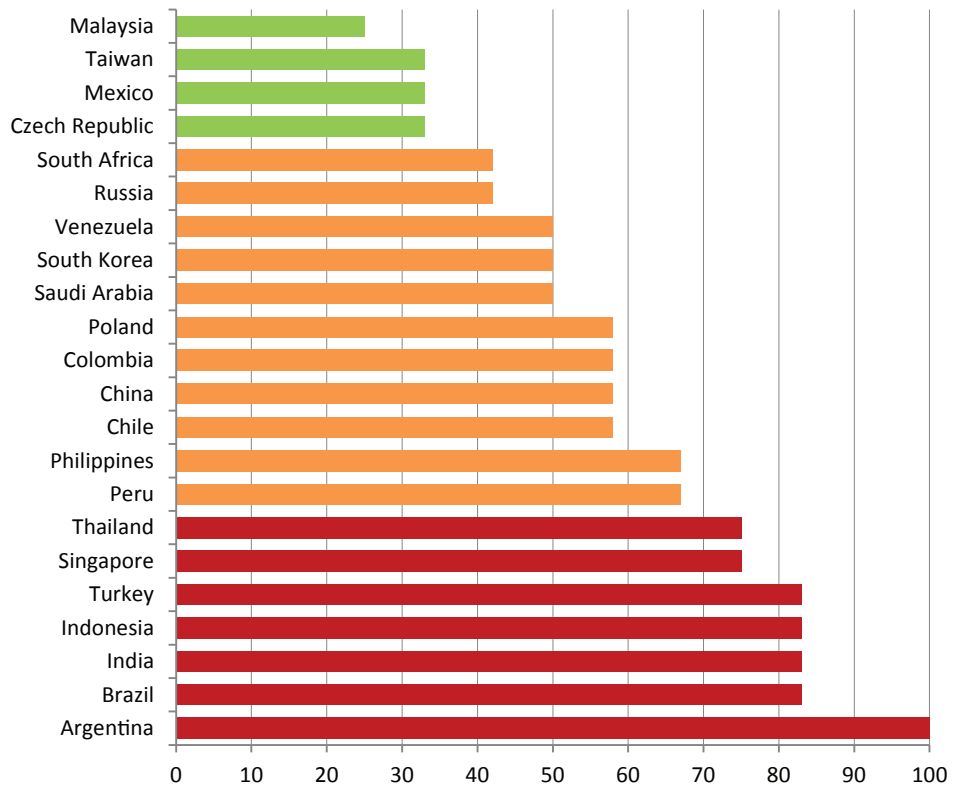
The Economist Intelligence Unit considers Mexico’s economy stable...

Personal safety is one of many considerations taken into account when assessing new sourcing destinations and overall country risk. Developing economies are particularly vulnerable to inflationary pressures as labor and property markets heat up, government policy on labor rights and lending fluctuate, and domestic demand expands and contracts. The Economist overheating index ranked 27 countries according to their risk of boiling over. Rankings were based on six indicators: prices, GDP, jobs, credit, interest, and current-account balance.

According to the index, Mexico’s emerging economy has a relatively low risk of overheating compared to other emerging markets both in Latin America and Asia. For global services companies looking at longer-term investments, Mexico appears to be a relatively safe bet when it comes to macroeconomic stability.

Figure Six

EIU developing country overheating index



SECTION II: PERSONAL SAFETY IN GUADALAJARA BY THE NUMBERS

Crime data, particularly homicide rates, have become a standard measuring tool used to assess and compare personal safety conditions around the world. However, according to criminologist Richard Rosenfeld from the University of Missouri, using crime data for this purpose should be exercised with caution because of differences in data collection practices between countries, and differences in the rate of crimes that go underreported. Likewise, Rosenfeld noted that homicide rates tend to be the strongest indicator of overall socioeconomic health, but it is also important to look at historical data to identify overall trends.

Crime Statistics favor Guadalajara over other regions...

Data from various local and international sources were collected to compare Guadalajara homicide rates to other cities and geographies around the world. When compared to other cities, homicide rates show that Guadalajara is on par with places like Houston, but considerably safer than many other cities in the developed and developing world.

Figure Seven

Homicide rate for select cities

Sources:

Guadalajara - Instituto Nacional de Estadística y Geografía (2009)

All US cities - FBI Uniform Crime Reports (2010)

Rio de Janeiro - Institute of Public Security (ISP) of Rio de Janeiro (2010)

Bogota - Instituto de Medicina Legal (2010)

Capetown - South African Police Service (2010)

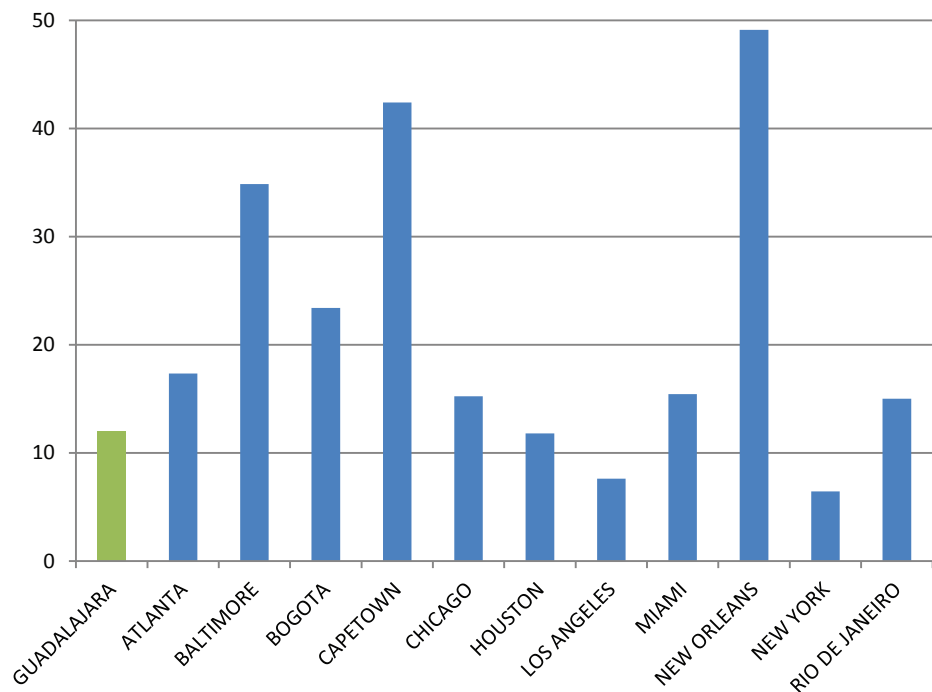


Figure Eight

Homicide rates for select countries

HOMICIDE RATES FOR SELECT COUNTRIES (2008)

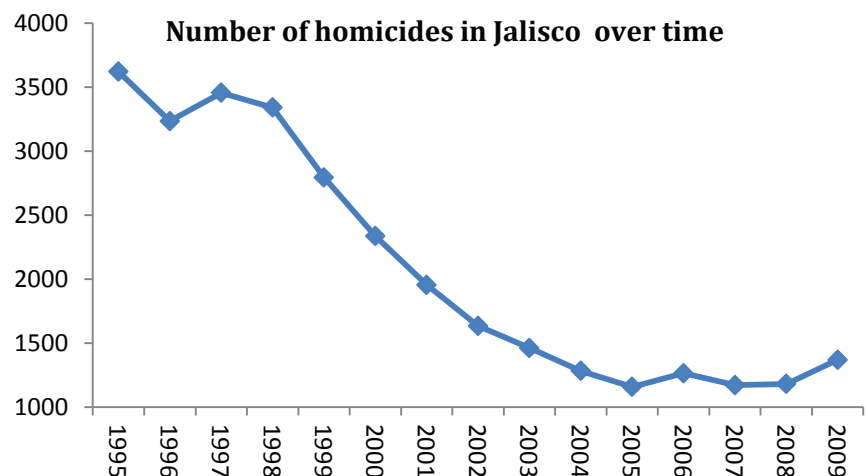
Country	Rate per 100,000 Population	Source
Honduras	60.9	OCAVI
Colombia	38.8	Interpol
South Africa	36.5	National Police
Brazil	22.0	MOJ
Puerto Rico	20.4	National Police
Russia	14.2	UN-CTS
Mexico	11.6	NGO
United States	5.2	UN-CTS

The state of Jalisco has become a safer place to live...

Historical data at the state level also show that Jalisco has become a much safer place to live over the last 15 years (see figure nine). While the state did see a rise in the number of homicides in 2009, it is important to note that violence tends to be concentrated in specific areas, between specific segments of the population. This is typical of most urban areas that rarely witness widespread and uniform violence. Chicago offers a very clear example of extremes in violence between different neighborhoods. Of the total 379 homicides that occurred in the last 365 days, over 47 percent took place in just two concentrated blocks of neighborhoods on the south and west side of the city, between rival gangs¹⁰.

Figure Nine

Trends in homicide numbers in Jalisco



¹⁰ Chicago Police Department ClearMap Crime Survey

PERSONAL SAFETY IN GUADALAJARA – SAFETY PERCEPTIONS SURVEY RESULTS

Crime data is an effective tool when comparing two places, but does little to assess how people actually feel about their overall personal safety in a given area. For this purpose, we deployed a detailed survey asking foreign-born professionals living and working across the Guadalajara metropolitan area to assess their feelings on personal safety. Out of the 145 surveys sent out, 45 responses were collected from people originating from nine different countries and a range of different occupations including architecture, human resources, sales, marketing, technology, non-profit, and freelance retirees.

Most foreign professionals feel as safe, or safer in Guadalajara...

Respondents were asked to rate how safe they felt in Guadalajara compared to their birth cities. Overall, the majority of respondents considered Guadalajara “as safe or safer” than where they originally came from (see figure ten). Interestingly, 78 percent of respondents originally from the United States found GDL “as safe or safer.” Not one European found GDL safer than their home city, and only 38 percent found it as safe. This suggests that current personal safety conditions in GDL are somewhere between that of the US and Europe. It is also important to note that for the 40 percent that considered GDL less safe, the point scale difference between all responses averaged only 1.14. This means that while some respondents felt safer back home, the difference in perception didn’t appear extreme.

Figure Ten

How safe do you feel in Guadalajara compared to your home town?

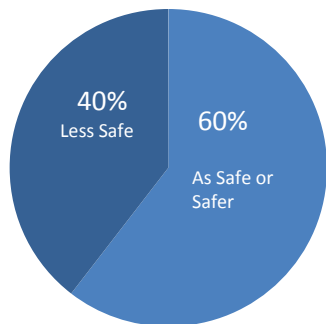


Figure Eleven

How safe do you feel in Guadalajara?

(Scale of 1 to 4 – One being the safest)

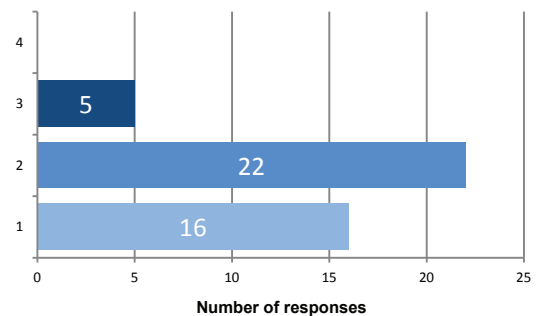


Figure Twelve

Americans find GDL safer than
Europeans & Canadians

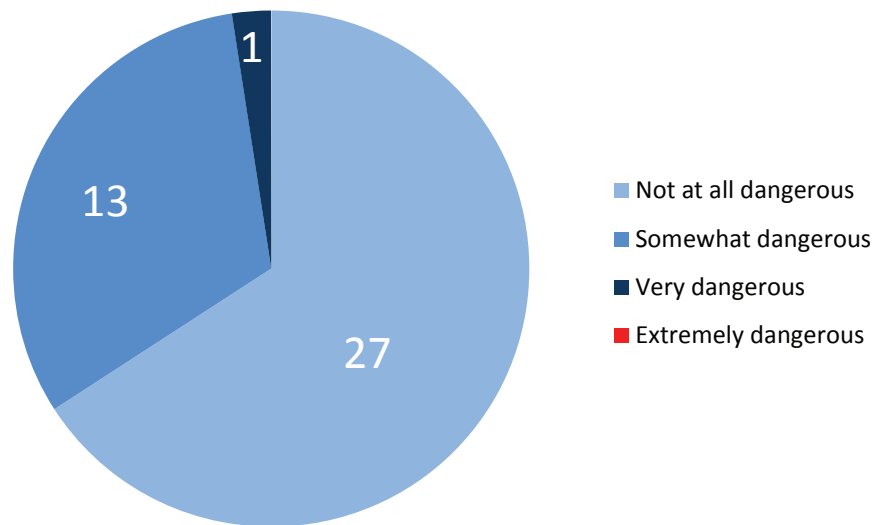
	USA	Europe & Canada	Latin America	Japan
Safer	7	0	1	0
As Safe	7	5	6	0
Less Safe	4	8	4	1
Total	18	13	11	1

Most foreign-born professionals believe GDL to be quite safe...

When asked to rate Guadalajara on personal safety, most respondents considered the city as “not at all dangerous.” Perhaps more telling was the fact that not a single respondent considered Guadalajara to be “extremely dangerous.” Furthermore, judging from the comments provided by respondents, the general consensus points to normal conditions where precautions should be taken to avoid dangerous situations in an otherwise normal urban environment.

Figure Thirteen

Overall perceptions on safety in
GDL (number of responses)

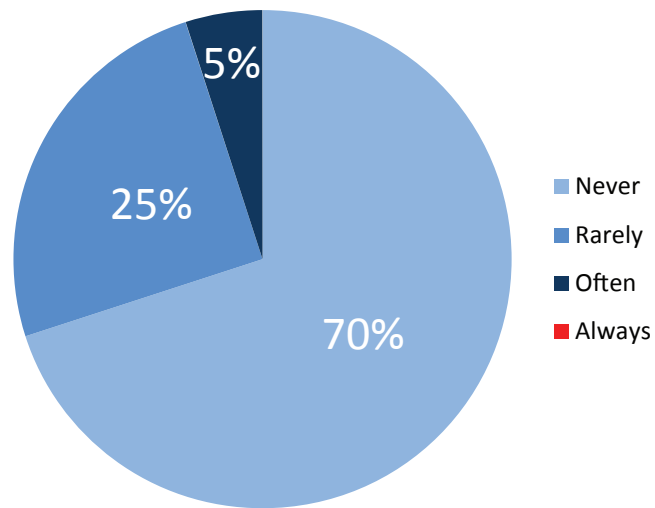


Foreign-born professionals go about their daily lives without feeling threatened...

When going about their daily lives, an overwhelming majority of respondents said that their personal safety was never threatened during their normal routine. A 2011 report released by the US State Department on safety conditions in Guadalajara also confirmed that “Americans in Guadalajara currently do not face crime and safety concerns distinct from other residents or tourists.”

Figure Fourteen

How often do you feel your personal safety threatened?



RESPONDENT COMMENTS ON PERSONAL SAFETY CONDITIONS IN GUADALAJARA

Survey respondents were also given the opportunity to comment on what it is like to live in Guadalajara. Below is a sample of comments collected:

“I have been living here for 5 weeks, have taken the bus and walked around in the city, never felt my safety threatened.”

“The way the US media has reported on the situation in Mexico is very misleading to potential business visitors and tourists...yes, there is a drug war going on but it is important to point out it is in isolated areas near Mexico’s border with US and is mostly in-fighting between cartel members.”

“Most people take precautions to keep their homes and businesses secure. I am more afraid of falling on the sidewalks than being robbed or mugged.”

“In spite of the media’s exaggerated reports of violence in Guadalajara, our lives and those of family, friends, business associates, etc, goes on as usual.”

“You take your normal precautions that you take anywhere you live, and you should be fine.”

“I was raised in NY City during the Mafia wars. Enough said. I don’t buy or sell drugs. I am not a member of the Mexican military. I drive a simple car and don’t go to drug-infested areas after midnight. No problems.”

“Guadalajara is a very friendly place to live, to work and to raise children. Safety in the city depends like in all over the world on where do you hang out, live and people which you have relationships with.”

“I feel safer walking the streets of Guadalajara compared to my hometown. There are many international corporations and businesses in Guadalajara and all of them are flourishing.”

“There are bad parts of town. You have to pay attention to where you are, what you’re doing, and who is around. I moved here from Metro Detroit, and I don’t feel any less safe here than there.”