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## Article

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# Against the Odds: Small Business Strategies for Managing Extortion in San Salvador

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RESEARCH



## ABSTRACT

Since the mid-2000s, extortion has impacted social and economic development in El Salvador significantly. Against the grain of the extant literature, which predominantly takes for granted that extorted businesses are passive victims, we leverage business surveys and 103 interviews, primarily with 54 micro and small enterprises (MSEs) in the San Salvador metropolitan area, El Salvador, to explore (a) the impact of extortion and (b) how businesses operate in the face of extortion. We conducted some interviews before and others during the state of exception in force since March 2022, garnering unique insight into both impacts and business strategies. By way of statistical analyses, we elucidate the differential impact of extortion on Salvadoran MSEs, showing that the very smallest businesses suffer a disproportionately heavy burden. Drawing upon extensive fieldwork, we find that MSEs (a) act strategically in the face of extortion, (b) adopt a diversity of strategies to manage extortion on a continuum from avoidance to adaptation, negotiation, and resistance, and (c) have different ranges of strategies available to them, largely varying according to the businesses' mix of tangible and intangible resources, which MSEs leverage to manage extortion and ameliorate its impact.

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Over the past two decades, extortion has become an everyday experience for many Central Americans, to the extent that it has grown into a significant obstacle for social and economic development (Vázquez, Félix & Carballo 2021). Pervasive extortion can have widespread economic effects, notably by discouraging or inhibiting new investment and driving out old investment (Anderson 1996: 35; Konrad & Skaperdas 1998). In El Salvador, it is shown to have large direct as well as indirect costs (Acevedo et al. 2005; Peñate et al. 2016). Here, extortion has been perpetrated principally by the gangs Mara Salvatrucha 13 (MS13), 18<sup>th</sup> Street Revolutionaries, and 18<sup>th</sup> Street Southerners. Although extortion has been generalized, it disproportionately impacts micro and small enterprises (MSEs; see Ponce et al. 2016), motivating us to interrogate how MSEs survive in a high-extortion context.

The literature on extortion has moved from considering businesses essentially as victims, to including analyses on how they resist or avoid extortion (Battisti et al. 2018; Ganson & Hoelscher 2021; Goldberg et al. 2014; Moncada 2020, 2021). We build on this literature and argue that, as extortion has become a regular occurrence, most businesses are neither merely passive victims nor resist extortion, but rather seek to manage extortion. The question is, what enables MSEs to manage extortion? While the existing literature focuses on contextual explanations and has mostly studied medium-sized and large firms, we build on recent studies seeking to understand and theorize the contingent agency of victims of systematic and long-term extortion (Collier et al. 2016; Moncada 2022; Munoz 2016), when analyzing the strategies pursued by MSEs in El Salvador. This brings out two broad findings: (a) Businesses act strategically in the face of extortion and (b) businesses facing extortion adopt a diversity of strategies on a continuum from acquiescence to resistance. Furthermore, we argue that the strategies available to MSEs facing extortion vary according to the mix of tangible and intangible resources available to them. Concretely, MSEs mobilize three sets of resources to manage extortion—money, social networks, and knowledge and deploy strategies that can be categorized into four basic approaches, namely *avoidance* before and *adaptation*, *negotiation*, and *resistance* after an extortion demand is made.

We define extortion as the *act or action of non-state actors using coercion to obtain material benefit*. ‘Material benefit’ (usually money, but also possibly other goods or services) separates it from sexual exploitation, for example, whilst ‘coercion’ is distinct from violence: If successful, coercion defers violence rather than executes it. Following Volkov (2000: 718), coercion ‘should be seen not as unmediated interaction, like demands at gunpoint, but rather as a relationship mediated by rules enforced by the threat of sanction.’ Thus, in most cases, extortion is less of a situational crime with immediate threat of violence (such as a robbery) and more of a relational crime infused with uncertainty, couched in a longer time horizon (where payment may not be immediate), and rooted in victims’ vulnerability. The relation tends to be systemic, in that extortion is usually a recurrent practice, notwithstanding some instances of ‘episodic,’ ‘intermittent’ (Dammert 2021: 7), or ‘opportunistic’ extortion (Bonello, Reitano & Shaw 2021: 8).

We base this article on years of research on businesses and gangs in El Salvador, business surveys, and a combination of individual and group interviews with 85 people, as well as 18 repeat interviews, mostly conducted in two rounds (January 2022 and January–February 2023). Of the total, 54 interviewees were MSE owners. All of them operated in areas of the city affected by gangs and armed violence. Of the 54, 25 interviewees were sole proprietors of micro enterprises in the commerce sector in formal markets in the historical center of San Salvador; 7 were owners of small industry and service companies that had existed for more than a decade with up to 15 employees in various violent parts of the city; 22 were micro-enterprise owners in service and handicraft operating in different areas in Greater San Salvador. Most of them were sole proprietors but some had up to four employees, and the majority were recruited from a group of female entrepreneurs that met regularly in a support network. To contrast the interviews with MSEs, we organized a focus group with medium-sized companies in the industry and transport sectors, and interviewed 6 managers or owners of medium and large enterprises. In addition, we undertook interviews with 9 business advisors, 6 public servants (municipal workers, law enforcement officers, and the head of the small business authority), 3 community leaders, and 7 former or retired gang leaders. We selected and contacted most interviewees through prior contacts to ensure a level of trust, which was especially important given the sensitive character of the research. All consciously consented to participating in the research and were promised confidentiality. Thus, we anonymize all interviewees and exclude details that might reveal their identities.

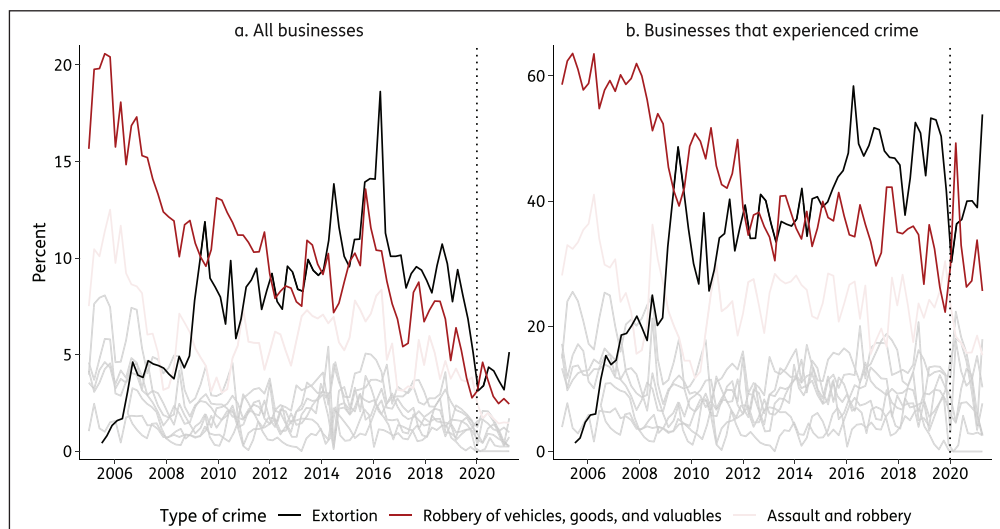
In response to a homicide campaign orchestrated by El Salvador's gangs, the government of President Nayib Bukele introduced an ongoing state of exception in March 2022, suspending a set of constitutional rights and spurring widespread human rights violations. More than 66,000 people were incarcerated during the first year (Amaya 2023), bringing the total number of incarcerated Salvadorans to an equivalent of 2% of the adult population. The measure has simultaneously dismantled the rule of law, swept up thousands of innocent people, and decimated the gangs' operational capacity, including to extort. While we focus on experiences with and responses to extortion prior to the state of exception, its introduction had significant methodological and analytical implications, principally by substantially diminishing business owners' pervasive sense of insecurity between our first and second round of interviews, making our interviewees more open to talk about the details of their experiences with extortion.

In the following, we review existing data on extortion in El Salvador, concluding that it is widespread and that it disproportionately affects MSEs. We then discuss theoretical perspectives on extortion and draw up a framework for analyzing MSEs strategies for managing it. Finally, we present our findings on how MSEs manage extortion in San Salvador and manage to survive against the odds.

## THE IMPACT OF EXTORTION ON MICRO AND SMALL BUSINESSES

MSEs play an important role in the Salvadoran economy, not least as providers of employment to low-productivity workers (Erazo 2020). Using 2022 household survey data (DIGESTYC 2023), we find that, among workers in the San Salvador metropolitan area, 37% work in single-person enterprises, up from 29% in 2018; 40% work in micro enterprises (2–9 workers), up from 38%; 12% work in small enterprises (10–49 workers), down from 15%; 9% work in medium enterprises (50–249 workers), down from 15%; and 3% work in large enterprises ( $\geq 250$  workers), down from 4%. Of the workers in the city's MSEs, 75% report per-capita household incomes below the minimum wage. Moreover, 74% report informal employment conditions, against 12% in medium and large enterprises. Other research shows that most MSEs are only a survival strategy; few grow or are bought up by larger businesses (Banegas & Winkler 2020; Pisani 2019).

Extortion has become the most salient crime against MSEs in El Salvador, with subnational data being largely unavailable or unreliable. While reports of most other crimes have trended downward (Figure 1a), extortion has gone from being a marginal issue when it was first recorded in 2005 to becoming the principal crime affecting Salvadoran businesses from 2014 onward (Figure 1b). Correspondingly, law enforcement data shows that no gang members were arrested for extortion up to 2004; only 17 were arrested in 2005 and 206 in 2006 (Savenije 2009: 151). In the past decade, however, it has been among the most prominent crimes for which Salvadorans are incarcerated (Bergmann & Gude 2021: 50).

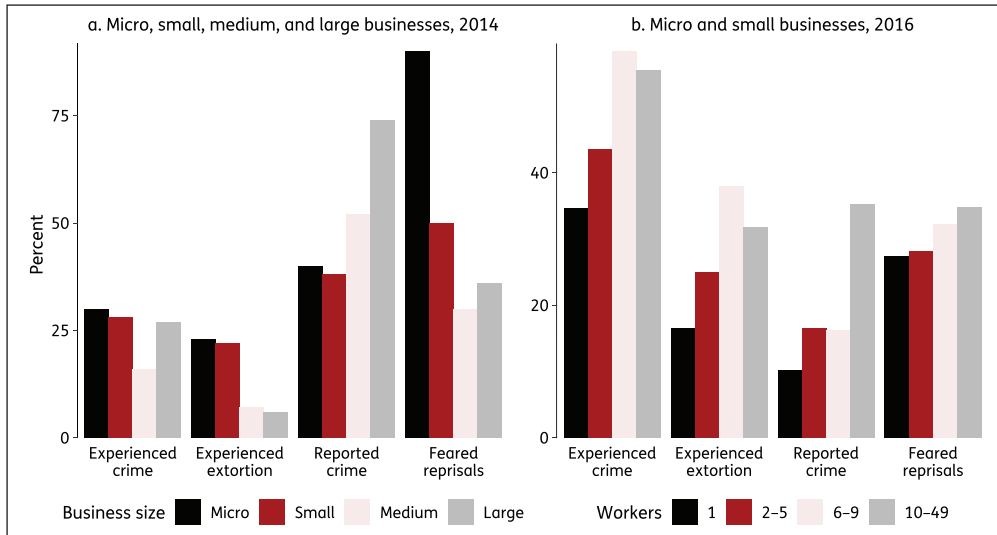


**Figure 1** Types of crime experienced by Salvadoran businesses in the previous three months, per quarter, 2005–2021.

Source: Elaboration by the authors with data from FUSADES (2005–2021).

Note: FUSADES did not generate data for the fourth quarter of 2007 and the first quarter of 2009, so we interpolate the corresponding values. The dotted vertical line denotes the start of the COVID-19 pandemic in the first quarter of 2020.

The data also shows that extortion tends to hit smaller businesses harder. Figure 2a shows that, relative to larger businesses, smaller businesses are (a) more likely to suffer crime generally and extortion specifically, (b) less likely to report this to law enforcement authorities, and (c) more likely to fear reprisals if they do so. Meanwhile, Figure 2b suggests that, among MSEs, crimes, including extortion, may affect the very smallest businesses somewhat less frequently than the slightly larger ones. That, however, does not necessarily correspond to a lesser impact.



**Figure 2** Salvadoran businesses' experiences with crime in the previous 12 months, by size and number of workers, 2014 and 2016.

Source: Elaboration by the authors with data from FUSADES (2005–2021; Ponce et al. 2016).

Based on our analysis of data from a 2017 MSE survey (CONAMYPE 2018), Figure 3 shows the proportion of MSEs' total costs that relates to crime, extortion, and security, among businesses that reported having such costs, using sales volume as a proxy for business size. It suggests that the MSEs on the smaller end of the spectrum experience much greater economic impact of crime, extortion, and security costs (such as surveillance cameras and guards), with the very smallest businesses—those with monthly sales below \$252—attributing a median of 28% of their total costs to crime, three times the median burden reported by businesses in the next bracket, which goes up to \$476.

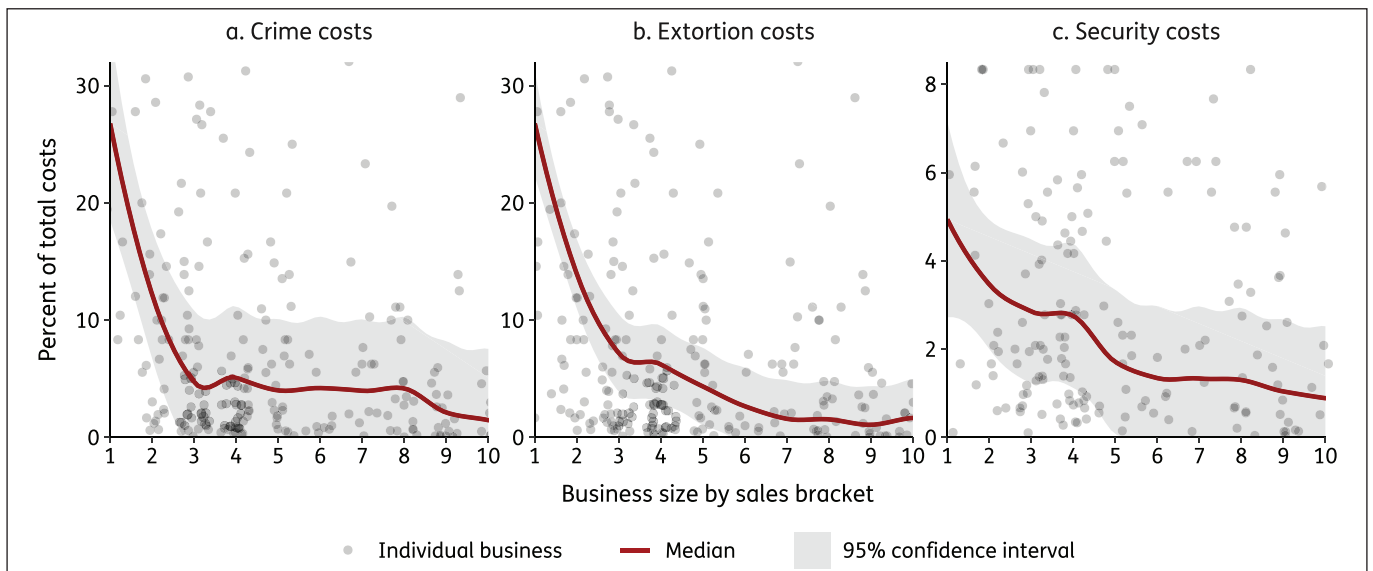
Moreover, according to our analyses of data from a 2016 business survey (Ponce et al. 2016), there is a great deal of under-reporting of extortion. Figure 4 reflects that the primary reason that MSEs state for refraining from reporting crime is that they consider doing so to be futile, along with lack of evidence and considering a crime unimportant. MSEs that stated not to have reported extortion disproportionately refer to a fear of reprisals as their main motivation (53%).

Our research reveals that extortion in San Salvador takes four principal forms: (i) a regular contribution, known as *renta* (rent), ranging from 25 cents per day to thousands of dollars per month; (ii) a kind of 'toll' to enter a gang's turf, frequently levied against buses and goods distributors; (iii) a sporadic payment demanded by gangs on occasions such as holidays or birthdays, or to pay for unforeseen expenses such as legal fees or medical bills; and (iv) a large, one-off payment, usually targeting larger businesses. These findings largely concord with previous research (Amaya & Martínez 2021; Ponce 2021). While there are reports of extortion made through various digital systems (Martínez et al. 2013), the overwhelming majority of payments are made in cash. Jointly, these charges represent a high burden on MSEs, and make it urgent to understand how they survive in spite of it.

**Figure 3** Salvadoran MSEs' crime-, extortion-, and security-related costs as percent of total costs, by business sales bracket, 2016.

Source: Elaboration by the authors with data from CONAMYPE (2018).

Note: CONAMYPE defines businesses' monthly sales brackets as (1) \$0.01–251.70, (2) \$251.71–476.19, (3) \$476.20–1,000.00, (4) \$1,000.01–2,000.00, (5) \$2,000.01–3,000.00, (6) \$3,000.01–4,000.00, (7) \$4,000.01–5,000.00, (8) \$5,000.01–10,109.95, (9) \$10,109.96–20,000.00, and (10) \$20,000.01–40,000.00.





**Figure 4** Salvadoran MSEs' stated reasons for not reporting crimes experienced in the previous 12 months, by type of crime, 2016.

Source: Elaboration by the authors with data from FUSADES (2005–2021).

Note: The width of each bar reflects the relative frequency of each type of crime in the dataset.

## PERSPECTIVES ON EXTORTION

There is a burgeoning literature on extortion from which we draw and to which we seek to contribute. A main inspiration is Tilly, who considered extortion as essentially a form of rent seeking—an activity that does not add any value but simply transfers it from the extorted to the extortionist. In Tilly's (1985: 171) view, the business model of a racketeer is that of 'someone who creates a threat and then charges for its reduction.' Many extortionists offer nothing in return—as is usually the case in El Salvador. However, such racketeering practices may also have a governance aspect to them, with Tilly (1985) considering organized crime as a structural equivalent to incipient states that seek to establish monopolies of violence while extracting resources and engaging in strategies of legitimization.

Building on this classical work, a significant literature discusses extortion as a governance practice taking place in 'hybrid political orders' in which 'diverse and competing authority structures, sets of rules, logics of order, and claims to power co-exist, overlap, interact, and intertwine' (Boege, Brown & Clements 2009: 17). This view holds that such orders open spaces for extortion, as no state with a legitimate monopoly of violence holds territorial control, and that these are spaces where corruption is commonplace (McDermott et al. 2019). The more the state is absent or deficient in the provision of public goods, the more communities are susceptible to becoming dependent on and supporters of criminal entities (Felbab-Brown 2010). Yet, the practice of extortion also shapes and expands such hybridity, making criminal organizations governance actors (Arias 2017; Bull & Hoelscher 2023; Feldmann & Luna 2022; Lessing 2022). Such contexts of hybrid governance have an in-built 'violence multiplier effect,' incentivizing the establishment of criminal enterprises that raise the threat level; the higher degree of threat, the higher the rent-seeking potential (Kløve & Mehlum 2022).

Studies based on such a perspective have made important strides in understanding why criminal organizations are expanding across the world and why it has been so difficult to combat extortion in spite of law-enforcement efforts. However, it does not distinguish between different kinds of criminal organizations or motivations for extortion. These perspectives have been addressed by the literature that focuses on the transformation from rather primitive local mafias or street gangs to sophisticated, hierarchical organizations (Ogunyemi 2014). In El Salvador, the high degree of centralized organization of the main gangs has a clear and direct impact on the forms of extortion to which MSEs are exposed (Amaya & Martínez 2021; Bergmann 2020; Ponce 2021). One expression of their increasing sophistication is the practice of measuring the assets of businesses by gangs, enabling them to adjust and improve extortion strategies (Neu 2022). Moreover, it is not only rent-seeking or the desire to establish territorial control that motivates extortion. As our interviews revealed, the internal codes of the gangs strongly influence what kind of extortion their members engage in. For example, collecting small amounts of 'renta' is a common first task for gang recruits and collaborators, and it has the function of showing loyalty, courage, and skill, rather than providing substantial funding for the gang.



These perspectives mostly focus on the actions of extortionists and make little of extorted businesses in their own right. This is a gap that studies of why some businesses are more prone to extortion than others, or why businesses resist extortion, seek to fill. These have investigated whether enduring differences in characteristics (including business size, age, and activity) make some targets more attractive than others, like the study by Savona & Sarno (2014), while Estévez-Soto, Johnson, and Tilley (2021) argue that the risk of victimization is dynamic and increases—at least temporarily—following an initial offense. Yet, some factors make it more likely for businesses to resist, including business size, higher levels of human capital (Battisti et al. 2018), and stronger communities (Bonello, Reitano & Shaw 2021; Kozeschnik & Noriega 2021).

Most notably, Moncada (2020, 2022) identifies and traces pathways and mechanisms to four strategies of resistance: Individual-level acts of ‘everyday resistance’; ‘piecemeal vigilantism’ in the form of sporadic killings by *ad-hoc* groups of victims and police; institutionalized and sustained forms of ‘collective vigilantism’; and coordinated efforts between victims and states to co-produce order in ways that both fortify and undermine the rule of law. He argues that the choice of strategy depends on the context—specifically, the time horizon of the relationship between the victim and the perpetrator, the political economy, and the degree of criminal capture by the state. Regarding the political economy, Moncada distinguishes between atomized, encompassing, and segmented relations among businesses and between businesses and the state, in which there are less intense relations in atomized contexts, and more in encompassing contexts, whereas, in the latter case, the relations are divided into segments.

These are important factors to assess whether businesses have the capacity to mobilize resistance to extortion. El Salvador can be characterized as a ‘segmented’ political economy with dense relations around often-family-based business groups, but with weak links across communities and classes (Bull 2014). Most MSEs operate in small communities with the ability to build long-term relations. In spite of this, we find wide differences between businesses that cannot be accounted for by differences in context. Thus, we seek to better understand the agency of MSEs and their ability to manage extortion on a day-to-day basis.

Studying the extortion of street vendors in Los Angeles, USA, Munoz (2016: 339) contends that ‘agency needs to be understood not as a totalising breakthrough from multiple restrictive structures, but as entanglements of these multiple structures with complex fluid locations and temporal positionings of the workers.’ That is, the agency of extorted businesses is not unconstrained; rather, MSEs exercise situated and contingent agency (Collier, Lawless & Ringera 2016) precisely within their constraints. MSEs and large businesses differ as the lives of those who work in the former are often entangled with those of the gang members who extort them through family, friendship, and kinship bonds, as well as years living together in the same urban spaces (Gutiérrez & Delgado 2022), creating intimacies that may constitute both resources and vulnerabilities (Naef 2023).

In this context, there is a broad and fluid repertoire of responses that businesses can choose from based on their available resources. According to a *resource-based view* of the firm, the sustainable competitive advantage of a business derives from developing superior capabilities and resources (Wernerfelt 1984). Businesses employ those resources depending on their *dynamic capability*, defined as ‘the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments’ (Teece, Pisano & Shuen 1997: 516). By drawing upon internal capacities, businesses can exploit different aspects of the environment. In their day-to-day management of extortion, businesses seek to control and manipulate relations along two dimensions, *proximity* versus *distance* and *visibility* versus *invisibility*. The main resources they draw on are money, social networks, and knowledge. The difference in access to such resources creates a social hierarchy among businesses and influences their decisions as to whether or not to seek proximity or distance, to be visible or invisible. In the following we will illustrate how these resources are employed in practice.

## MICRO AND SMALL BUSINESSES’ STRATEGIES FOR MANAGING EXTORTION

A prosperous processing business on the outskirts of San Salvador, with about a dozen workers and several vehicles, had been extorted for USD 50 a month ever since it opened a decade

ago—a marginal expense for this MSE. In contrast, at one point, a handful of gang members started to drop by the business around midday, expecting lunch, which was far more expensive than the regular extortion: ‘It was killing me!’ the owner recalled. Once they installed video surveillance cameras, the lunch crowd stopped coming, while extortion continued. The background threat was made clear shortly after launching the business, when a group of armed gang members showed up to vet the employees, investigating where they were from and any links they might have to gangs, ultimately abducting an employee who lived on rival gang turf, and was never seen again. Following that incident, the business discriminated when hiring; later, it operated only behind closed gates, receiving suppliers and customers only by appointment. Notwithstanding the adaptations, the local gang leader would sometimes call the owner to ask for favors—such as an evening when he asked the business owner to drive a gang member from one place to another. Thinking quickly, the owner excused himself, saying he was unable to go, but to send the gang member in a taxi for which he would pay, which the gang leader accepted. More recently, the business had to temporarily transfer its operations due to road construction cutting off vehicle access. On the third day at the temporary site, armed members of the local gang clique showed up, asking about the businesses and workers. After the owner explained, the local gang leader called the leader from the area they normally operated in, eventually stating, ‘He confirmed you’re already paying [extortion] there, so we’re good,’ before leaving.

This story illustrates how MSEs in San Salvador navigate the complicated webs that extortion casts, strategically mobilizing resources to engage in different strategies to mitigate the impact of extortion. It also shows the importance of knowledge and how being unfamiliar with a geographical area may increase vulnerability. Overwhelmingly, extorted businesses are located or operate within gang turfs; elsewhere, the risk is far lower. While the choice of strategy is not a matter of either/or, in the analysis below we use four categories of strategies to structure our analysis, namely avoidance, adaptation, negotiation, and resistance.

## AVOIDING EXTORTION

To the extent that they can, businesses will prefer to avoid extortion. In San Salvador’s high-crime, high-violence urban environment, this puts a premium on regulating a business’ visibility. While most businesses would benefit from being visible and spend significant resources on becoming known to customers, MSEs in San Salvador use various strategies to become invisible, depending on their access to resources.

Larger MSEs with somewhat more financial resources use sophisticated strategies to manage visibility, including refraining from expanding business, avoiding hiring, and keeping to only a small inventory. As one interviewee explained, referring to her mother’s bookshop,

There they [gang members] would come every month. She paid 200 dollars every month. ... Another, smaller bookshop paid 50 dollars. Lots of people said to my mother: ‘It’s [business] going well—why don’t you open another bookshop?’ But she didn’t want to because of the gangs; it’s very important not to show that you’re growing.

Where MSEs actually decide to expand installations, invisibility is a prime concern. For example, a producer of flour and grains had to move from its original area due to extortion. However, the owners had sufficient resources to build new installations elsewhere. When doing that, they built a workshop that they rented out along the side of the road and placed their own house and production facilities behind that workshop, out of view. While their renter was extorted, the owners were not.

The female micro-enterprise owners, many of whom were sole-proprietors with few financial resources available, used different strategies to avoid extortion. Several of them referred to keeping the curtains shut or to producing at night. In order to ensure access to production inputs and transport the final products to customers, others left their houses pretending to go on trips with backpacks or suitcases, in which they carried products. Upon return, they would bring inputs for new production in the same containers.

Across size and financial strength, all businesses sought to manage their online visibility. While most used social media actively, they would avoid indicating physical location, and made sure they would not be visible on Google Maps.



For street vendors, strategies such as the ones above are not equally available, as they are inherently visible to the public. To manage their visibility, some started to sell products through social media, while keeping a small stall, such that the business appeared less prosperous than it was. As a municipal worker working close to the street vendors observed, ‘Now they sell online, they sell in social networks, and you know, they may be *tiktokers* and they have a lot of benefits compared to only selling on the streets.’

For the smaller and financially weaker MSEs, their relationship with communities is of particular importance, as noted below. However, dependence on the community often conflicts with the desire to be invisible. For example, several home-based producers actively disengaged from their communities, considering it too risky to openly discuss business matters in the neighborhood. As one female entrepreneur put it,

Truth is, I’ve never talked about this topic [extortion] with other entrepreneurs. I can do it now because I’m not in the area where I live. I wouldn’t be in a [business] association there. If it’s your place and they know where you live, they can have a son or a nephew that are among those [gang members]. It’s impossible to have trust. It’s true that you’re stronger together—I’ve organized markets to improve sales—but I can’t include people from where I live. I don’t want to know them because I don’t trust them.

Overall, managing visibility easily comes at the expense of other concerns, leading many to combine it with other practices. Notably, a number of MSEs refer to varied everyday practices by which they seek to maintain cordial relations with gang members, starting with greeting them kindly when passing each other in the street. In another example, a family-owned restaurant with a strong social network in their community, and an intermediary level of financial resources, was contracted to cater food to a local school. The middle-aged brothers who delivered the food easily recognized the local gang members on their way to the school and decided to bring a few sodas or extra servings of lunch each day to give to the gang members. Thereby they were able to establish a minimal relationship with the gang members, hoping to avoid being threatened or extorted: ‘It was a vaccination—rather do that *before* they start to say something or having a bad experience.’

## ADAPTING TO EXTORTION

Once MSEs are subjected to extortion, they adapt their business practices to mitigate its effects. Again, adaptation strategies depend on the availability of resources, and formal companies may have access to a broader range of strategies to adapt to extortion than informal companies. A formal business may ‘depersonalize’ the ownership and control, making it more difficult for would-be extortionists to make out who to extort. As a business advisor working closely with extorted companies argued, ‘I tell them to create a legal association, not [work] as an individual. Then they can say to those who extort that, “I’m the sales manager, not the owner.” That makes it more difficult for the guys [gang members].’ Larger and formal companies with more resources also adapt to extortion by hiring personnel to handle payments, making the process more orderly and less uncomfortable for managers.

A further form of adaptation is to engage in strategic hiring, which takes several forms: On the one hand, gang members, law enforcement officers, and business owners alike emphasize that extortion is often carried out with the collaboration of employees, who provide gangs with information about business owners’ income, personal life, and telephone numbers. Thus, many businesses discriminate not only against gang members, but anyone they figure might be close to gangs or indeed stem from neighborhoods where gangs are prevalent. On the other hand, some businesses hire people precisely because of their proximity to gangs, such as their family members. This kind of ‘inclusive hiring’ is a mitigation strategy, in that it may reduce the likelihood of experiencing extortion. In yet other cases, gangs oblige businesses to hire certain people, some of whom may be gang members or family members of theirs.

A common strategy for businesses that have fewer material resources is to adapt by changing their location or kind of business. Careful not to mention the gangs’ names, a vendor at the Central Market recalled changing her mode of operation: ‘There was a time when the guys from the “Letters” [MS13] or from the “Numbers” [18<sup>th</sup> Street] identified our regular customers and

they asked them for *renta*. Those customers stopped coming to the market.’ Adapting to this, for a time, she coordinated with those customers to deliver products in the market’s parking lot but, eventually, ‘They started to extort in the parking lot as well. That’s why I took the initiative to do home delivery—to maintain the business and not have to shut it down.’

Businesses also adapt by vetting both clients and providers, often turning down clients if they do not pass the test: A self-employed electrician said, ‘It is the first that we ask when we talk with a client—if the area is safe,’ and explained that he regularly turns down potential business if it is not. A female entrepreneur described an online market operating on Facebook in the area she lives, where only previously vetted providers in the area can offer their goods and services, and only vetted clients can access and purchase them.

An extreme adaptation strategy is to cede certain markets to gangs. As Yansura (2022: 57) noted, ‘instead of delivering basic goods to gang-controlled neighborhoods—and subjecting delivery men to extortion—some companies have simply opted to turn over regional sales and distribution to the gangs themselves.’ This was also a strategy noted by our informants, who noted that it comes with an additional burden on MSEs, namely that gang members running businesses are often seen as illegitimate competition. As one of our interviewees noted,

Another friend was going to establish a restaurant. They made everything very nice were going to sell liquor, but there was another liquor store nearby that was run by gang members. The gang started to ask for a very high *renta* in order to make sure that the new restaurant would go bankrupt. In the end, they achieved that. Lots of families have lost their income that way.

As such, some adaptation strategies may simultaneously contribute to the survival of individual businesses and the long-term deterioration of overall business conditions.

## NEGOTIATING EXTORTION

Businesses’ ability to negotiate extortion with gangs depends on their financial resources and social networks. Some larger businesses may hire professional negotiators specialized in extortion rates, who seek to reduce one-off extortion demands or regular payments, or extend payment deadlines. In this way, the MSE accepts a kind of proximity and visibility. For instance, an owner of a medium-sized bus company who received a demand for the equivalent of half the value of the entire business: ‘They asked me for 25,000 dollars, or half my property. They told me, you pay or you’re going to “see the photo” [to be killed or have someone close killed].’ Hiring a negotiator, he reduced the amount to USD 5,000 before fleeing the country for a while.

Through negotiation and accepting a degree of proximity, negotiators can also sort out different extortion relationships, as a business advisor explained:

On one occasion, a company asked me for advice. They had to pay [extortion] every Tuesday. I started to talk to this gang member and it turned out that the company paid quotas to two gangs, in addition to another person. That person was an associate [part owner] of the business. That sort of stuff happens a lot, and that is what I can help with.

Negotiations may also be available to businesses without the financial resources to hire professionals, as illustrated in the introductory story. The mutual knowledge of gangs and MSEs, and the high level of organization of gangs, may also open for unilateral reevaluation of extortion by gangs. This is illustrated by a married couple, where the husband runs a small recycling center on the periphery of San Salvador, salvaging scrap metal, plastics, and anything else that might be sold on, while the wife has a stall in a municipal market, selling clothes. While the MS13 extorted the husband’s recycling center from the time it was set up, the wife’s market stall was on a border between gangs and did not pay extortion, but both husband and wife were extorted in their home by the local MS13 group which knew that they both had income. One year, when the monthly extortion rate came up for periodic negotiation, and the rate had gone up at the recycling business, the separate gang clique that extorted them at home informed the couple that, ‘We know they’re charging you more now at your shop, so we’ll keep the same rate.’ The extortionists knew this without the couple having said anything about it.

In many cases, negotiations draw upon knowledge of gang members' families. For instance, one business advisor explained, 'You manage to negotiate. In December [2021] ..., they demanded 1,000 dollars, but the one next to it has a business and is a family member of a gang member. As they [the business owners] get along well with him, he helped them to lower it to 700 dollars.'

On other occasions, MSEs turn to gang members as interlocutors, for instance to make them also extort their competitors. A former top-level MS13 leader explained, 'We also collaborate with businesses. If you're the owner of a company and you're extorted, you also want your competitor to be extorted, right? So, you give the information. That happened a lot of times.'

In a very different vein, another retired gang leader recounted,

I've helped a lot of people that had to pay *renta*. When people call me to sort out a situation, sometimes it [turns out] it's gang members that extort, or it might be gang members that work on their own accord [in breach of the gangs' rules]. It can also be a *peseta* [a person that has left the gang on bad terms]. But they know how we operate. There are also many civilians [non-gang members] that extort.

Gangs also evaluate and adjust rates independently, before or without entering directly into negotiations. According to the owner of a bus route that was systematically extorted, the gang members had such intimate knowledge of the industry that not only did they know in advance if bus owners were planning on reporting them to the police, but they also knew that the bus sector was in dire straits financially, and so could not over-charge them, lest they run them out of business (Bull & Hoelscher 2023). When extortion of bus operators took off in the early-to-mid 2000s, gangs charged some of them upward of USD 1,500 a month, and bus workers were routinely killed over the next decade. However, these practices started to decline before the onset of the pandemic in 2020 and the state of exception in 2022, in large part because gangs came to realize that a large section of the bus industry is no longer profitable.

## RESISTING EXTORTION

A fourth approach to managing extortion is resistance. One strategy of resistance is to turn to the police, but only a small minority of businesses actually use this as the principal strategy, as chronic distrust of the police is fed by rampant impunity and corruption, and a perception of law enforcement officers as illegitimate (Cruz 2015). That is, while the threat from extortionists is credible, the response from the state is not. As suggested in a focus group, 'There are cops that, yes, are good, but, out of ten, maybe there are three.' Entrepreneurs also revealed that when the police were to be trusted, it was because they knew specific persons in the local police.

Indeed, for a woman in her forties who sells homemade foodstuffs, the credible threat of gangs and the illegitimacy of law enforcement came together. She recounts how, in December 2021, local gang members went door to door in her community to collect a USD 50 'Christmas bonus' from each of the neighbors. 'At that moment, I was going through a very difficult situation.' She stops. 'I didn't have 50 dollars,' she says and breaks down in tears. 'Thank God, someone called the police' (she did not end up having to pay). The next day, though, gang members were going door to door once again—this time with the phone number of the person who had called the police the day before, presumably provided by someone within the police, and demanding to see people's phones to identify the caller.

Rather than turn to law enforcement, if they have the financial resources to do so, MSEs are more likely to install gated fences, metal bars covering doors and windows, and surveillance cameras, or contract private security services—be it because they provide protection or a semblance thereof. In one instance, a business owner in the city center spoke of hiring private security guards only to give the appearance of security to potential customers. She did so while also paying the gangs regularly, recounting that, 'Yes, we had to pay for security [services], at least so that our clients could feel that we were supporting them when they were bringing things, that they felt support, that someone was watching out for them. It was mainly for the customers and our providers.' She explained that this was purely performative because the gangs would, for instance, walk right up to the security guards at other businesses for them to hand a phone to their employers to coordinate extortion payments, illustrating their ineffectiveness.

For businesses with greater financial capacity, it is possible to hire a full-time private security detail that provides an effective service to confront the gangs. One interviewee has run a family-owned distribution business in the historical center of San Salvador since the 1980s, where gangs dominate. He has been through many periods of severe threats, yet never acceded to pay extortion, even after gang members killed his brother-in-law and wounded his sister, who ran a small business on the same block. The decision not to pay extortion has cost him. 'I started with [private] security [services] in 2001, and I've paid thousands and thousands [of dollars]. I've paid more than you can think for security in this period! There are four of them [security guards] and each of them gets 500 dollars a month—yes, every month! That's 2,000 dollars a month.' Four professionals armed with shotguns constitute an effective deterrent to gang members, the vast majority of whom have handguns and very little if any weapons training. Two thousand dollars a month is undoubtedly more than he would have paid in extortion, but, for him, it was a matter of principle. In addition to paying for private security services, he praised his large family for the ability to protect himself and the business; not least, because most of his 13 children work for the business, he largely did not have to vet employees or risk gang infiltration.

Indeed, for many smaller MSEs without the resources necessary to pay for private security, family relations and social networks are the main protective factors. Many street vendors, for example, have family members who also have stalls, and together make up a collective protection network. Such tight family relations are linked to broader social networks, as well as the use of communication technology. To this point, in many gang turfs, MSEs and others use WhatsApp groups to warn against gang activity. As a female entrepreneur described it, 'We would always know when it was safe to pass, or when we should not open the door, because neighbors would warn us.'

## CONCLUSION

Taking on the perspective of MSEs operating in contexts of high risk and high vulnerability in San Salvador, which has ranked among the most violent cities in the world this century, calls for a more complex and dynamic understanding of MSEs' agency than is commonly recognized. The coercive character of extortion implies radical inequality in interactions between the extorters and the extorted, as the latter live in fear of violence and economic uncertainty, which in the long run fractures communities due to mistrust and pervasive poverty. However, that is not to say that extorted MSEs are simply passive victims. Rather, businesses act strategically in the face of extortion and adopt a diversity of strategies, which are conditioned by the mix of resources available to them. In this light, the MSEs also defy a simplistic view of either paying or not paying extortion, as we find that they continually develop and implement complex strategies for *managing extortion*—in the first instance preferring to avoid an extortion demand altogether, but variously adapting to, negotiating, and resisting extortion thereafter.

As we illustrate above, MSEs are constantly evaluating the benefits of visibility versus invisibility and proximity versus distance vis-à-vis extorters. The most common are to manage visibility so as to avoid extortion, and to adapt business practices in order to minimize its impact. In both cases, businesses tend to manage growth and avoid appearing as having any success or wealth, with several MSE owners telling us, 'We don't dare to grow.'

Different ranges of strategies are available to smaller and larger, formal and informal businesses facing extortion. Larger businesses have more monetary resources available and may reduce risks by relocating their business to less exposed areas, paying for private security services, or outsourcing risky work either to operators who bake extortion charges into their costs (which may also be lower for small operators than large corporations) or to operators who are exempt from paying extortion in given areas. Smaller businesses make more extended use of social networks and contacts, for lack of monetary resources.

For all businesses, knowledge is a key resource employed to manage extortion: it can be knowledge about the gang members, their family members, or knowledge about different businesses and financial systems. Larger, more formal businesses collect information through formal channels and security companies, while smaller and more vulnerable companies use their social networks. For this reason, the vendors in the historical center of San Salvador were characterized as an 'intelligence network' that transmitted any information quickly amongst themselves.

Despite this, smaller businesses tend to be far more vulnerable to extortion, which in turn constricts their growth, such that extortion contributes to consolidating existing social and economic inequality and exclusion. This suggests that, to support MSEs, the totality of their resources ought to be strengthened, including social networks and finances, while reducing the threats in their operating environment. To do so may alleviate heavy burdens for individual MSEs, but also contribute to reducing inequality and exclusion, as well as making economies less segmented.

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The authors have no competing interests to declare.

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