United States Expands Terrorist Designations of Cartels: Implications for Companies in Chihuahua and Michoacán

This week, the U.S. government designated the Juárez Cartel (La Línea) and Los Viagras as Foreign Terrorist Organizations (FTOs), expanding existing sanctions on both groups. Companies should review their compliance programs and the due diligence processes applicable to their counterparties, with particular attention to those with operations, suppliers, or supply chains connected to Chihuahua and Michoacán.

Overview of the Designations

This week, the U.S. government designated the Juárez Cartel — also known as La Línea — and Los Viagras as Foreign Terrorist Organizations (FTOs), expanding the financial sanctions that already applied to both groups. Although both organizations already faced sanctions related to narcotrafficking, this new designation subjects them to the most severe regime that the United States reserves for terrorist groups. In practical terms, the measure allows for the freezing of assets under U.S. jurisdiction, restricts dealings by U.S. persons with these organizations, and increases criminal exposure for anyone who, with knowledge, provides them with funds, transportation, or other services. For companies with operations, suppliers, carriers, or supply chains in Chihuahua and Michoacán — **including non-U.S. companies with ties to the U.S. financial system** —, the measure requires an immediate review of their compliance programs and of the information they hold on their business counterparties in those regions.

The designations are part of a strategy that the United States launched in 2025 to classify certain cartels as Foreign Terrorist Organizations ("FTOs"), and to treat them not merely as narcotrafficking organizations but also as threats to national security. Since then, the FTO list has expanded steadily and now includes major cartels such as the Sinaloa Cartel, the Jalisco New Generation Cartel (CJNG), and Cárteles Unidos. The measure requires companies to review their compliance programs and the information available about their business counterparties, particularly where their operations, suppliers, carriers, or supply chains are connected to Chihuahua or Michoacán.

The designations reflect a strategic expansion on two key fronts: the industrial, financial, and border corridor of Ciudad Juárez–El Paso, and the regional extortion and illicit financing networks affecting the formal economy in Michoacán.

The Juárez Cartel is present in various areas of Chihuahua and occupies a strategic position in the Ciudad Juárez–El Paso corridor, one of the busiest land border crossings between the two countries, through which a substantial volume of legitimate trade flows, including maquila (export assembly) operations, automotive manufacturing, warehousing, customs services, trucking, personnel transport, and logistics. This corridor also concentrates cross-border transfers, remittance operators, currency exchange houses, and other financial services related to the movement of people, goods, and funds between Mexico and the United States. For companies, the relevant point is not to presume that the group controls these activities, but to recognize that operating in that environment can increase indirect exposure through third parties, routes, payments, or local services that could end up benefiting the organization.

The second front of this strategic expansion is in Michoacán, focused on Los Viagras. This regional group operates through shifting alliances, drug trafficking, and an extortion network that directly targets agribusiness (avocado and citrus growers and packing plants) and local livestock ranchers. This environment creates collateral risks for transportation, logistics, telecommunications, and financial services chains. Mining also warrants priority attention given its heavy dependence on local services and infrastructure. Michoacán is one of the three states in Mexico that receive the highest volume of remittances, which will foreseeably draw greater scrutiny of the local financial sector, affecting remittance operators and transfer agents.

Experience with prior designations suggests that further action may follow against leaders, intermediaries, shell companies, or any entity that provides any form of material support to these organizations. For companies, this can translate into greater scrutiny by banks, insurers, investors, and auditors, as well as more detailed reviews of their suppliers, beneficial owners, and service providers in Chihuahua and Michoacán. The designation does not prohibit ordinary business activity in those states, but it does require identifying and controlling possible indirect points of contact within supply and payment chains, and promptly addressing any red flags. Extortion demands require an immediate, case-by-case evaluation: the company should escalate the incident internally and to its legal counsel, document the circumstances, identify the recipient where possible, assess whether any report is required, and preserve the available evidence. It will be especially important to be able to demonstrate that the company properly vetted its counterparties and did not ignore clear signs of a possible relationship with a designated organization.

Key Compliance Takeaways

- **What Companies Should Do:** Updating sanctions lists is not enough. Companies must identify their points of greatest exposure, review their counterparties and beneficial owners, strengthen controls over subcontractors and payments, and have clear protocols in place to respond to and document extortion demands. They should also anticipate additional information requests from banks, insurers, investors, and auditors.

For any questions or personalized advice on how to strengthen your corporate programs, do not hesitate to contact our team of experts.

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