

Mexican Transnational Criminal Organizations:

Sources of Hemispheric Instability

by Steve Brackin

Today Mexico is the reluctant host to the leadership and core infrastructures of several of the most powerful transnational criminal organizations (TCO) in the Western Hemisphere, if not the world.¹ Through a vast system of illicit, non-state commerce, these Mexican TCOs monopolize the illicit cross-border trafficking of drugs, people, weapons, and bulk cash between Mexico and its neighbors to the north and south.² Leveraging illicit profits and an arsenal of small arms to corrupt, co-opt, intimidate, and compel, Mexican TCOs have established zones of impunity to manage their illicit infrastructures.³ Despite a primary objective of maximizing profit from illicit activities, second- and third-order effects of TCO activities stimulate crime, violence, and instability, which together undermine the legitimacy of state institutions. By undermining the legitimacy of state institutions, Mexican-based TCOs constitute the center of gravity of a threat that is weakening states throughout the Western Hemisphere and thereby undermining the security of the U.S.

Mexican TCOs—A Brief Primer

Mexican TCOs can trace their history to prohibition era “Los Tequileros” and the poppy cultivators that produced morphine to replace the disrupted Asian supply for the U.S. during World War II (WWII). Reminiscent of today’s narco ballads, songs praised the heroic Los Tequileros, who, despite the shoot-on-site policy, supplied the demand for illicit alcohol in the U.S.⁴ It was during this period of prohibition that organized crime in Mexico consolidated control of the “plazas”—the smuggling infrastructure along Mexico’s northern border with the U.S.⁵

Despite official protest from the U.S., Mexican heroin and marijuana continued to flow north after the end of the WWII. While acknowledging these diplomatic protests and publicly pledging to suppress the illicit trade, Mexico’s entrenched Institutional Revolutionary Party (PRI)—

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synonymous with the Mexican government itself—in fact, integrated the poppy and marijuana traffickers into its corporate system. In exchange for established tiers of contributions (bribes) to various state institutions, the drug cartels were allocated “plazas” in which to cultivate, manufacture, store, and transport illicit contraband to destinations within the U.S.⁶

This complicity is alleged to have continued until the early 1990s when the PRI’s hold on Mexico’s national politics began to collapse. However, the emergence of post-Cold War globalization coincided with the PRI’s decline and created enormous opportunities for Mexican TCOs. The cartels transitioned from members of a corporate political entity to independent non-state actors.⁷ Following the broader trends evolving within globalization, Mexican TCOs used the unprecedented integration and technological innovations in the fields of communications, finance, and transportation to transform their business models.

This transition coincided with the diminishing power of the state in relation to non-state actors as a result of globalization. Unlike the bipolar Cold War era, which was dominated by nation states, the cumulative decisions and actions of non-state actors now combine to govern, direct, or influence a significant proportion of the activities that affect global populations. Influential non-state actors include the largest, multinational corporations that together employ 72 million people worldwide, hold \$119 trillion in assets, and influence a majority of the global media that influences popular and elite opinion. These non-state actors also include violent, terrorist organizations, such as Al Qaeda and its affiliates, which challenge the legitimacy of and seek to supplant globalization.⁸

In addition to reducing relative state power, globalization has contributed to the expansion of an illicit global economy. Using the World

Trade Organization’s estimate of global trade (total of all exports) in 2009 of \$18 trillion and the World Economic Forum’s estimated value of the illicit economy in that same year of \$1.6 trillion, the illicit economy is roughly 13 percent the size of the global economy.⁹ With a growth rate estimated to be faster than the legitimate economy, some suggest the illicit economy has the potential to account for 30 percent of gross

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Anticipating these trends, Mexican TCOs effectively exploited the unintended effects of U.S. Plan Colombia and the passage of the North American Free Trade Agreement to expand their illicit operations and secure their places as some of the most powerful illicit non-state actors on the globe. In addition to heroin and marijuana, Mexican TCOs expanded their operations to include methamphetamines and cocaine and increased the sophistication of their smuggling operations to exploit increases in the legal flow of trade.

Within their established zones of impunity, Mexican TCOs built industrial-sized production facilities, where they synthesize precursor chemicals, purchased in bulk from China, to meet the methamphetamine demand in the U.S. As a result of the success of the U.S. Plan Colombia to dismantle and disrupt Colombian TCO smuggling operations, Mexican TCOs are now believed to smuggle 90 percent of South American cocaine into the U.S. With the enormous proceeds from these sales, Mexican TCOs have the resources to not only corrupt

state agents and secure the acquiescence of entire communities by dominating their economies, but also to arm themselves with sufficient firepower to secure their operations against challengers—state or otherwise.

Exploiting over 2,000 miles of land border and annual legitimate trade exceeding \$260 billion in 2011, Mexican TCOs increased the sophistication of their smuggling operations to increase the flow of illicit drugs into the U.S. While TCOs still use traditional smuggling routes between the ports of entry, the Department of Justice estimates that they smuggle a majority of the drugs into the U.S. through legal ports

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of entry in commercial containers or vehicles that cross the border daily.¹¹ Techniques to conceal illicit drugs within legitimate products continues to evolve, from cocaine packaged in cans of jalapenos to the manufacture of secret compartments in commercial and private vehicles.¹²

Once in the U.S., Mexican TCOs control the wholesale movement of drugs along interstates and highways to a network of warehouses throughout the nation, where wholesale brokers distribute their supply to an array of retail supply networks, usually drug gangs that have established business, partnership, or franchise relationships with the TCO. Proceeds from the drugs are then returned to Mexico, smuggled

as bulk cash through these same networks or laundered through TCO-owned or affiliated legitimate businesses.¹³

Mexican TCOs have emerged as strong non-state actors that exploit the global economy to profit from their activities in the parallel, illegal global economy, which signifies a significant change in the operational environment. It is important to understand, however, that the “illegal economy” nexus of illicit trade, organized crime, and corruption combine to produce such a grave threat that the World Economic Forum places in its top three of threats to the global economy and global stability.¹⁴

The nexus of the illegal economy is a chronic risk that is highly likely to persist and is of central importance considering its impact on global stability, in general, and fragile states, in particular. The danger of this nexus is the inherent feedback loop of illicit trade, organized crime, corruption, and economic disparity. This destructive cycle undermines economic development by raising the costs of legitimate business and increasing the wealth and power of the illicit or corrupt actors, which increases economic, social, and political inequalities both within and between countries.¹⁵ The relative size of the illegal economy and the fact that in many instances it constitutes the major source of income puts developing countries at greatest risk.

Steven Metz, John Sullivan, and Robert Bunker have articulated theories to describe the threats posed by organized crime within what the World Economic Forum calls the nexus of the illegal economy. These theories on “criminal insurgency” seem to describe the delegitimizing and destabilizing activities of Mexican TCOs and gangs in parts of Mexico and many Central and South America nations.

The first stage in these “criminal insurgencies” establishes zones of impunity within which criminal organizations establish

and control their illegal infrastructures and the commercial environments required to maximize illicit profits.¹⁶ With zones of impunity established, a conflict over control emerges between non-state criminal actors—an unconventional non-state conflict—and between these same non-state criminal actors and the state—an intrastate conflict. These sustained, unchecked conflicts combine with endemic corruption and co-optation to destabilize local areas; consume the attention of the state to the neglect of other essential services; and, ultimately, delegitimize the state and its institutions both internally and externally. What emerges from this dystopia is characterized as a criminal state where the nominal authority of the state may exist but only at the discretion and with the approval of criminal organizations.¹⁷

Applying the concept of insurgency to the acts and activities of criminal organizations invokes a passionate response from many. Another important writer, Geoff Demarest, argues that nomenclature is less important than an appreciation of the implications of the ability of criminal organizations to grant impunity. The extent to which the state maintains a monopoly on the granting or withholding of impunity, he argues, is the most appropriate measure of state success.¹⁸ When the state loses the power to hold individuals accountable for committing immoral and illegal acts within its territories, it surrenders its sovereignty in that particular space. Demarest also describes the relationship between impunity and anonymity. Whereas a criminal organization may initially require anonymity to conduct its illicit activities, as it gains impunity, the requirement for anonymity is reduced.¹⁹

Whether or not the activities of Mexican TCOs and gangs operating in the Western Hemisphere are captured by these models can be debated. It can be argued that the situation in Mexico and the northern triangle of Central America does indeed reflect the stages of criminal

insurgency. It is clear that criminal organizations are producing, transporting, smuggling, and selling vast quantities of illicit drugs, a situation which requires something resembling the zones of impunity described by the criminal insurgency model. Moreover, the homicide rates in some Central American countries and Mexico appear to be the manifestation of the non-state and intrastate conflict described in the second phase of the criminal insurgency model. It may even be argued that Honduras and Guatemala are approaching the final stages of criminal insurgency where the government is subsumed by endemic corruption and co-optation and unable to challenge the impunity of criminal non-state elements. Nomenclature aside, it is clear that organized crime is the malicious driving force of the corruption-illicit trade-organized crime nexus that is destabilizing fragile states.

Summary and Conclusions

Mexican TCOs are the center of gravity of a larger threat to the interests of the U.S. As the largest and most organized drug traffickers,

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they are responsible for supplying, through the southwest border, the overwhelming majority of illicit drugs to the U.S. The illegal activity drives enormous social costs in terms of medical care, criminal justice system expenditures, and loss of productivity. The steady and, perhaps, increasing supply of illicit drugs facilitated by Mexican TCOs has established conditions for the expansion of sophisticated gangs throughout

the U.S. and the Western Hemisphere that seek to profit from activity in the lucrative, illegal economy. The methods employed by Mexican TCOs and other illicit actors combine to corrupt and delegitimize state institutions and destabilize societies throughout the hemisphere as well, particularly among the fragile states in the northern triangle of Central America along Mexico's southern border.

This threat to the U.S. and its hemispheric partners has evolved and matured over the course of the last two decades. Mexican TCOs have strategically leveraged the trends of globalization to increase the flow of illicit drugs into the U.S. by successfully exploiting increased flows of legitimate trade through legal ports of entry. Moreover, they have benefited from the success of U.S. Plan Colombia to assert themselves as dominant hemispheric actors in the illegal economy.

To counter the threat posed by Mexican TCOs, the U.S. must develop a whole-of-government approach that establishes unity of effort to coordinate and synchronize all government efforts. The Organized Crime Drug Enforcement Task Force (OCDETF) offers the best solution to providing this unity of effort in the domestic domain. To extend the coordination and synchronization provided by OCDETF to the foreign policy domain, the U.S. government should expand its authorities to include the Department of Defense and the Department of State. Furthermore, it should expand its

budget to scale-up its efforts to confront the enormity of the Mexican TCO threat. **IAJ**

NOTES

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