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THE POLITICAL ECONOMY OF DRUG TRAFFICKING: THE HERRERA ORGANIZATION
(MEXICO & THE UNITED STATES)
by
Peter A. Lupsha & Kip Schlegel
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I

INTRODUCTION

Borders are much more than simple edges. Rather, they encompass physical, cultural, social, and economic spaces that expand and contract along the physical line of the border. Instead of borders, we must recognize borderlands, which encompass the geography of border culture and economy. Here we use borderlands to refer not only to the southwestern border states of the United States, but also to the states of Baja California, Sonora, Chihuahua, Sinaloa, Durango, and the other drug production areas of the Republic of Mexico, as well as some of the major drug trafficking impact areas within the United States, for these are the economic spaces affected by our adjacent boundaries and the areas affected by drug trafficking in the borderlands.

In this paper we examine the effects of this drug trafficking contrabandista activity, the rise and decline of Mexico's leadership as an exporter of illicit drugs, and some of the effects of organized trafficking on the political economy of both Mexico and the United States. Smuggling and contraband are endemic to borderlands. As one knowledgeable observer estimated, "anywhere from 20 percent to 30 percent of all economic activity along our Southwestern border is illegal contraband." Of this contraband trade only a small percentage involves the smuggling of illegal drugs. Most of it involves the illegal rebalancing of border-created supply-and-demand inefficiencies. Coffee, instant cocoa, parrots, vehicles, appliances, human labor, mercury, guns, or drugs make up the traffic, and whatever is expensive in one nation and cheap in another provide the incentive to the contrabandista. Like many kinds of crime and criminal activity, smuggling is functional and helps satisfy larger systemic needs.

While the potential for such activity is natural to borderlands, it is more likely to occur when economic differences in adjacent cultures are great. The United States-Mexico border separates the greatest per capita income differences between two adjacent countries in the world; thus it is only natural that contraband, smuggling, and its attendant crime, corruption, and human exploitation would be common to this borderland. What is surprising is that this subject is only rarely mentioned, much less systematically studied, by scholars interested in the borderlands. This paper
is an attempt at correcting this situation, and will, it is hoped, mark
the beginning of a series of long-term studies of contraband and the
contrabandista, as well as the ramifications of this activity for both
Mexico and the United States. Much work needs to be done, better statis-
tics and data bases gathered, and long-term funding support for this type
of research developed. We hope this paper can help point up these issues,
the problems, and the importance of continuing and improving our research
in this area.

Here we examine one of the most publicized and more studied of the
border contraband crime matrices, the trafficking in heroin. We focus on
this contraband activity and its ramifications first because we are famil-
lar with it. We have spent the last several years researching and studying
organized drug trafficking in New Mexico. Second, because we believe that
before one sets out to examine the less known and untidy world of the
contrabandista, one should first study the more visible and known world;
and much data has been collected, if not analyzed, on heroin traffic.
Third, in keeping with a prudent approach, we believe that before entering
into what could be a most dangerous game, it is wise to study the terrain
from some distance. This we have done from the sanctuary of secondary
analysis. We know there are miles to travel; we have, however, sought to
take a first step.

II
UNITED STATES-MEXICO BORDERLANDS DRUG TRAFFICKING TRENDS:
PAST TO PRESENT

The 1,945 mile border between the United States and the Republic of
Mexico has long been an area of drug trafficking and smuggling. In the
nineteenth century, the Chinese communities in Mexico and the United
States engaged in the production of opium in Mexico for use in Los Angeles
and San Francisco. The Los Angeles-Tijuana link was further developed in
this century after the passage of legislation limiting the open sale of
narcotic drugs and medicines. But for the most part, our Southwestern
borderlands before World War II lacked the people, money, leisure, or at-
titude to make it much of a market for illicit drugs. While there were
local addicts and indigenous users, these tended to be few in number and
underground in life-style. The prime market was Los Angeles, and the
Tijuana-Sinaloa connection appeared to be only major trafficking axis.
The rest of the borderlands had their minor traffickers and user-entre-
preneurs loosely linked—often through kinship ties—to producer communi-
ties in Mexico, but this border traffic was largely unorganized, with
half-ounce and ounce shipments constituting the bulk of the trade. Such
small-scale enterprise is economically and risk efficient in the border-
lands. One important structural point to remember is that the further one
gets from the border, the greater the need for organization and the traf-
ficking in larger units of illicit drugs. This fact changes both the
nature of the enterprise and any interdiction strategies or public policy
alternatives.

It was during World War II, with the allies cut off from other legal
sources of drug supplies by the fighting, that Mexico became a source of morphine for the licit market and of heroin for the illicit. Similarly, the war created a need for hemp for rope and cordage, which led to the large-scale cultivation of marijuana both in Mexico and the United States. After the war, such cultivation appears to have declined, and it was not until the "epidemic" of drug use in the 1960s that border states, and later the federal government, began to take cognizance of the role and potential of Mexico in the total drug trafficking picture. In May of 1969 the California legislature first noted the "fire storm" of drug use in the state. In the rest of the southwestern borderlands it was still considered a minor indigenous problem by most federal agencies.

The Bureau of Narcotics and Dangerous Drugs (BNDD) in their 1970 budget hearings with Congress, for example, noted: "Heroin from Mexico is not considered a major problem. New York City is the key point of entry for heroin distribution throughout the United States." Mexico was considered by BNDD that year, however, to be a major source of barbiturates and amphetamines as well as the source of large amounts of marijuana smuggled into the United States. An examination of U.S. Customs data from the San Ysidro-Tijuana border from the 1960s (Table 1) suggests that BNDD may have been missing some early signs that things were beginning to change.

While drug statistics and seizure data must always be examined with caution, it is the pattern, not the specific numbers, that are of interest here. By the end of the period, drug trafficking in all common types was substantially on the increase. We also would note that in 1967 the U.S. Customs Service at the San Ysidro station estimated that they were only seizing some 4% or 5% of the drugs being smuggled across.10

Elsewhere in the southwestern borderlands in 1968-1969, the BNDD found only minor drug trafficking from Mexico. In Texas, they noted, "only gram and ounce traffic by independent smugglers carrying small amounts." In Arizona and New Mexico, they found, "capsule (gram) amounts of heroin...(with) none of the traffickers supported by organized crime." In these areas of the border BNDD also found that even the marijuana was mostly "domestic and homegrown."13

On the other side of the border there appeared, throughout this period, to be greater concern. The so-called "gran campana" against the cultivation of opium poppies and marijuana was launched by the Mexican government in 1948. But this effort consisted of only occasional raids on fields in Sinaloa, Sonora, Chihuahua, and Guerrero. Richard Craig, a student of this period, notes that it was not until 1961-1962, after acquiring some $500,000 in surplus U.S. aircraft, helicopters, jeeps, wagons, and spare parts, that some 3,890,316 square meters (961 acres) of drug cultigens were destroyed. The major effect of these raids
appears to have been the displacement of these fields and their relocation in more mountainous terrain.

...opium and marijuana cultivators, aware of the increased probability of aerial detection, began concealing their crops amidst legitimate ones and planting smaller crops in even more remote regions.16

BNDD in Mexico, working with the Mexican government, did not find much in the way of major heroin production or trafficking; they did, however, begin to find marijuana for export on the increase in 1968-1969.

July 26, 1968. Guadalajara, Mexico. 7 lbs. heroin; 2.2 lbs. opium gum; 17 lbs. marijuana seized. The defendants are considered to be the biggest suppliers of opium in Michoacan State.

November 13, 1968. Playa Azul, Michoacan, Mexico. 4,000 lbs. bricked marijuana seized.

November 19, 1968. Playa Azul, Michoacan, Mexico. 6,000 lbs. bricked marijuana seized. (3/4th miles from site of first seizure.)

November 10, 1969. Guamuchil, Sinaloa, Mexico. 6.6 lbs. heroin seized.17

In a sixteen-month period from 1968 to 1969 BNDD seized a total of 13.6 lbs. (6.8 kilos) of heroin in Mexico.18

In 1969, however, the United States government in a dramatic policy shift entitled "Operation Intercept" attempted to halt drug trafficking by the simple expedient of stopping everyone crossing the border. This operation, better termed "Operation Fiasco," tied up border traffic, angered the Mexico government, and found little marijuana or heroin in its eight weeks of operation.19 Secretary of State, Henry Kissinger, later argued that the purpose of Operation Intercept was not to seize drugs, but to convince the Mexican government to pay greater attention to drug production within its borders. The State Department, at that time, and scholarly analysis later disputes this reasoning. But with increased aid to Mexico, greater cooperation, and technical assistance to Mexico's "La Campana Permanente" the joint U.S.-Mexican effort to eradicate opium poppy and marijuana was begun.20

Not until 1972, however, with the breaking of the "French Connection," did the heroin market structures and distribution patterns radically shift," and Mexican drug trafficking and opium poppy fields blossom. Mexican "mud," brown heroin, was suddenly in great demand. From 1972 through 1976 Mexico reigned as "queen" of the heroin trade and the leader in supplying an ever increasing demand for marijuana. By 1977 and 1978, however, the impact of the cooperative Mexican-United States efforts to locate and eradicate opium poppy field and marijuana pastures, and the TRIZO and JANUS programs that
this cooperation spawned, was beginning to be seen. These programs, as well as a declining demand for heroin (as purity declined to almost zero because of improved interdiction and prosecution of major traffickers), preference and trafficking shifts to Colombian marijuana and cocaine, and the Paraquat spraying program, all lessened demand for Mexican heroin and marijuana in the U.S. market. 21

By summer 1978 trends could be clearly seen that Colombia had displaced Mexico as the major supplier of the American drug demand. Cocaine and Colombian marijuana were the drugs of choice. The penalties for cocaine or marijuana smuggling are much milder than those for heroin, thus lowering risk/penalty ratios for volume trafficking in these drugs. Tremendous profits and new middle-class demand also helped make this shift attractive. Today Colombia is first in this illicit drug market. Along with these changes, the success of the U.S.-Mexican programs has affected Mexico's leading position as a heroin producer. Now as overdose deaths indicate, Asian "Golden Triangle," Pakistani, and Iranian white heroin appears to have taken an increasing share of the market away from Mexican trafficking organizations. Table 2 provides one illustration of these shifts. Indeed, impressionistic data suggest that the Colombian traffic is even affecting Mexico's natural dominance in the drug markets of the borderlands.

The vast profits to be made from trafficking during the heyday of Mexico's leadership in poppy and marijuana production led to the development of a number of sophisticated organized criminal groups and trafficking structures. Major crime families operated in Ciudad Culiacan in Sinaloa State, and in Durango State. The Durango or Herrera Organization was considered by the Drug Enforcement Administration to represent the single most important group. Other families among the six major trafficking organizations are of almost equal importance, wealth and influence, but the Herrera "Family" is typical of them and illustrates the structure and operation of Mexican drug trafficking groups and their impact on both sides of the border.

III
THE STRUCTURE AND ECONOMICS
OF THE HERRERA ORGANIZATION:
THE DURANGO–CHICAGO CONNECTION

The Herrera "family" is said to have been in the heroin trafficking business since 1957. 23 While their home base is Los Herreras in Durango, Mexico, members of the Herrera group have been living in the Chicago area since the 1950s. It was not until May 1972, however, that the Herreras were specifically mentioned as being large-scale traffickers. In that month the "Noche y Dia" Club, owned by Asuncion Herrera-Chavez, and "El Alacran" Club, run by Reyes Herrera-Herrera and his three sons, were cited by the Illinois Department of Law Enforcement as being major trafficking headquarters. 24 It is likely that the Herreras were well-established by that date, although at the time the Chicago Police were not yet knowledgeable
about Mexican "brown" heroin. Indeed, a year later, two officers stopped and released a young Mexican national in the vicinity of these two clubs after accepting his story that the brown soil-like substance filling a suitcase in his car was Mexican "fertilizer." By 1978, however, both local and federal law enforcement were well acquainted with the Herrera organization and what the Illinois Legislative Investigating Commission called the "Heroin Highway" stretching from Durango to Chicago.

To students of illicit organizations and their operations, as well as to borderlands scholars, the Herreras' heroin trafficking operations provide fascinating material for study. The Herreras are in all likelihood the premier "contrabandistas" of the United States-Mexico borderlands. The DEA considers them the largest single heroin supplier organization in Mexico, estimating their profits at $100,000,000 a year. Such net profit would place the Herrera group about 116th in the Fortune magazine listing of America's most profitable corporations, and ninth, just behind Safeway Stores, in profit earned by U.S. retailers. To students of border issues perhaps the most fascinating thing about the Herrera organization is that the vast majority of this profit is returned to the Republic of Mexico.

The base of the Herrera organization's operations is Durango State, Mexico: in the capital, Durango, where Jaime Herrera-Nevarez lived for many years, and where his associate Enrique Diaz-Garcia owns an illicit heroin processing laboratory; up the secondary highway, Durango 89, past Los Herreras, the family stronghold where Arnoldo Herrera-Herrera owns a heroin laboratory; and on to Tepehuanes, some two hundred kilometers Northwest of the capital city, where Manuel Herrera-Herrera controls a seasonal heroin laboratory; Durango State is Herrera country. In the summer of 1978 Jaime Herrera-Nevarez moved south to the Zacatecas-Guadalajara area, where his long-time friend and partner, Manuel Villareal-Valdez, resides. A Herrera cousin, Carlos Herrera-Araluce is Mayor of Gomez Palacio in East-central Durango State and said to run a heroin-processing laboratory there. Another cousin of the Herreras is a police official in Hidalgo del Parral in southern Chihuahua State and is said to facilitate Herrera interests from there. The Herreras' influence and investments are felt across all North Central and Western Mexico, but as one DEA agent noted, Durango is their corporate headquarters.

The Herreras control the City of Durango in the same manner that American corporations have controlled company towns in the United States.

In organizational structure and style, the Herrera group is rather similar to Italian-American organized crime groups operating in the United States during Prohibition. The approximately 2,000 members of the "family" are all of the same ethnic group and come from a particular geographic area of their country of origin. They are related either directly by blood ties and kinship, or through the cross-ties of marriage. As did the old Italian-American organized crime leadership, they tend to live relatively modestly in both Mexico and in the United States. As did the old Italian groups they tend to send their money, or some portion of it, home, and they seek

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respite there, as well as sanctuary from American law enforcement.

Structurally, the Herrera organization consists of six interrelated families. The senior members of these families (Jaime Herrera-Nevarez, Manuel and Arnoldo Herrera-Herrera, Heliodora Herrera-Medina, and Luis Herrera-Vengas) are responsible for overseeing the organizational tasks of production and processing as well as the management and investment of capital. These organizational tasks include the hiring of campesino farmers, the distribution of poppy seed, the development of new production areas, the oversight of habitadores, who collect the opium gum, the supervision and management of the laboratories, and the "stepping on" (i.e., cutting and diluting), packaging, and shipment of the heroin to Chicago. While the life-style of the family members in Mexico is more visible and somewhat more opulent than that of those in the United States, it is for the most part unpretentious. The vast majority of the organization's wealth is invested in ranches, land, dairies, apartments, and the financial institutions of Durango and Mexico's western region.

The younger members of the family (Reyes Herrera-Nevarez, Adalberto Herrera-Medina, Jose Herrera-Manquero, and their relatives) run the distribution and wholesaling end of the business in Chicago. Their neighborhood bases are in the Roseland, Pilsen, Blue Island, and Aurora sections of the city. They are also responsible for transshipment to retailing groups in Louisville, Detroit, Boston, Springfield (Massachusetts), Hartford, New York City, Philadelphia, and Puerto Rico.

Efficient organizational management is maintained by some 26 executive level directors, and a vast array of "field representatives" in a number of American cities. This network is held together through the Herrera organization's Chicago "offices" and through constant communications and trips back to the organization's headquarters in Durango.

Two aspects of the Herreras' operations are of interest to us in this paper: first, their transportation and transshipment of heroin through the borderlands; second, their return shipment to the Mexican economy of large sums of untaxed United States currency. This second aspect of the Herreras' operation is particularly significant as it has been ignored for so long by students of the borderlands. The traditional wisdom is that drug trafficking crime matrices, particularly those from less developed nations, such as Mexico, are unimportant from the perspective of political economy because the bulk of the profits occur in the recipient nation, and only small sums return to the producing nation. Indeed, it has been argued that even the money that does return to the less developed illicit drug producing country is of little concern for it will be spent on expensive luxuries and advanced technology products, which are produced in the high-technology drug-consuming nations. We challenge this conventional view, for the data from the Herrera organization indicate, as we shall show, that under certain organizational conditions a large percentage of the profits rapidly leave the illicit drug consuming country and return to the producing nation. Second, we find little comfort in the view that these "drug-dollars" will quickly find their way back into the U.S. economy. We note that there are other advanced technology nations (for example, Japan and West Germany) producing goods that compete for these narcodollars. And more
important, we note that the producing nations themselves offer attractive investment possibilities. We see little reason why a group like the Herreras should return their drug-dollars to the United States through the purchase of New York City office buildings, or Beverly Hills estates, when the ranches, dairies, and resort developments of Mexico offer attractive returns. From this point of view, we see drug trafficking as having an important effect on North/South relations. And, it may well be that the argument we are presenting for Mexico could be made regarding the Colombian drug-dollars as well.

The DEA estimates that the Herrera organization imports 0.37 tons (746 lbs.) of pure heroin into the United States each year. This amounts to some 8.14 tons of "stepped on" five percent heroin for retail. According to the Drug Enforcement Agency, this amounts to one-third of the total Chicago market for this drug.35

There are a number of ways to move illicit contraband across a border. In the heroin trafficking matrix, the most common way is for a half-ounce or ounce of heroin to be carried in a rubber condom and held inside the mouth or other orifices by human "burros" or "mules." This is perhaps the most common means of transport in the borderlands themselves. One New Mexico trafficking group had seventy-six such human 'mules' crossing the border every month. After delivery of the heroin, they would return to Mexico via the Immigration and Naturalization Service bus, courtesy of our undocumented workers program.37

The Herreras' operations are too large and too far from the border to permit the use of this method. Their preferred method of transshipment is the "Durango drive-shaft," and the compartmentalized gas tank, although they have used door panels and other hiding places as well.38 The "Durango drive-shaft" is a sleevelike device of the Herreras' invention, which surrounds the vehicle drive-shaft and can contain up to several kilos of heroin. The compartmentalized gasoline tank is simply that, a subdivided vehicle gasoline tank, one part holding the fuel, the other several kilos of heroin. Once these devices are travel-dirty, they are hard to distinguish or detect.

To bring their heroin across the border, the Herrera organization uses driver-'mules' who take a loaded vehicle from Durango to Chicago in 49 hours of straight-through driving. At the border crossing—the Herrera group, according to one DEA map, prefers the El Paso, Del Rio, Eagle Pass, and Laredo check points—the mule will be observed by a Herrera representative to make sure he crosses undetected.39 The U.S. Customs estimates, they are only able to interdict some two percent of the heroin crossing the Southwest border, so this phase of the Herreras operations usually proceeds smoothly. On arriving in Chicago the mule will be paid $800 to $1,000 for his work. In this manner the senior Herreras traffic their heroin across the borderlands.

The second part of the Herreras' operations that is of interest involves the movement of United States (untaxed) currency back to Mexico. Much of this cash is returned by southbound "mules" or by higher level members of the organization who are returning home. One such Herrera family member was arrested just as he was about to leave Chicago carrying $94,000; another was stopped at the border and $217,970 found in a compartmentalized gas tank.41

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Because of these problems, and other problems of "slippage" in sending cash back to Durango, the Herreras have turned to a different and unique method. They simply use the local poverty neighborhood currency exchanges (check cashing outlets) to send money orders back to Durango. A recent Congressional study found that between June 1976 and July 1977, the Herreras sent $625,906 from one South Halsted Street exchange to a bank in Durango. Between January 1975 and June 1977 they had sent $1,253,076 south of the border from another exchange. Indeed, in a single day they moved $125,000 in money orders through one poverty neighborhood exchange. 42

In light of law enforcement interest in this method of funds transfer, the Herreras appear to have turned to Western Union to send their excess cash to Mexico. In 1976 they sent $270,680 to Durango through Western Union. In the first five months of 1977, as the government studied the currency exchange transfers, this jumped to $351,650. 43

In total, the DEA and other federal, state, and local law enforcement agencies could trace just under $2 million ($1,878,323.23) from the exchanges and Western Union during the period they studied. They estimate that this is probably about one percent of the total ($100-$200 million) cash transferred to Mexico by the Herrera organization annually. 44 We believe that the $200 million figure is too high. Our analysis of the economics of the Herreras' operation indicates that $100 million is more nearly correct.

The DEA estimates that it cost the Herrera organization between $5,500 and $6,500 to get a kilo of heroin from the opium poppy fields of the Sierra Madre to the streets of Chicago. 45 The difference in these figures depends on whether they are bringing in ten percent heroin ($5,500) or five percent heroin ($6,500). As the Herrera group are primarily wholesalers, they are content to sell a kilo for $27,500, even though they could work for higher prices. 46 Given their costs, they net $21,000 or $22,000, depending on the level of purity of the kilo. Chicago Police Department intelligence indicates that the Herreras have an organizational norm which states that a minimum of $17,000 is to be returned home to Mexico out of every kilo wholesaled. 47 By working through these numbers, we can better estimate how much the Herrera group is likely to send across the border back to Mexico. This analysis is presented in Table 3.

See Table Three

The government's investigation of the Chicago currency exchanges, and DEA and U.S. Customs border stops over six months in 1976-1977, only account for about $2.1 million moving south. If we accept the notion that as border screens are designed to keep things out, and not to prevent things from leaving, and the fact the Customs only stops ten percent of total contraband coming into the United States, it is possible that much larger shipments of untaxed cash are moving out. 48 Certainly our analysis would suggest that the movement of over $100 million to Mexico by the Herrera organization is feasible. How many of the other major heroin trafficking groups that operate in the borderlands return similar proportions of their profits to Mexico is unknown. To examine further the impact of drug trafficking on North/South relations, we now turn to the political economy of drugs south of the border.
IV
THE POLITICAL ECONOMY
OF DRUG TRAFFICKING IN MEXICO.
THE HERRERA ORGANIZATION: PART II

In Mexico a federal policeman is paid between $150 and $200 a month in salary. Given the contraband on the border, it is not surprising that mordidas, the payments of gratuities or bribes for the nonenforcement of law, are commonplace. The Herreras' organization obviously can make use of this, so perhaps we should not be surprised when Marshall Carter in her study of El Paso informs us of one relatively new Mexican border officer who has over $150,000 in U.S. bank accounts. \(^49\) Obviously, if one is in the right place whether it is on the United States or the Mexican side of the border, one can earn significant sums by looking the other way. Thus the first impacts that the Herreras have south of the border, as probably they do on the U.S. side of the line, is in bribery and corruption of the guardians of that border. Unfortunately, due to the lack of systematic data, we cannot analyze this and can only note the need for regularized study.

Farther south, the campesinos of the Sierra Madre can, with luck, earn $100 a year from the beans and corn they raise. If one adds to this the value of their labor, and the fruit of their livestock and family's efforts, this figure can be increased to $400 per year. The poor, often landless campesino, by planting an illicit 2.5 acres on government mountain wilderness, can aid his family. The sowing and cultivation of opium with his corn, or on some rugged mountainside, can also greatly increase the campesino's income. At the same time, the campesino has little understanding of the serious implications that his efforts to improve his lot have on some other distant society. \(^50\) By planting opium poppies on 2½ acres, a campesino can earn from $2,000 to $4,000 or more annually, depending on the number of crops he can harvest. \(^51\)

See Table Four

In Table 4 we present several scenarios that estimate the Herrera organization's contribution in terms of local acreage planted in the Durango area. This table is based on a number of premises, which we will do our best to explain. As this is a secondary analysis, lacking access to either the Herrera account books or DEA intelligence files, we have used the best common-sense intelligence possible.

The different yield figures and alternative scenarios in Table 4 provide us with the range of acreage the Herrera organization must have in cultivation to produce their supply for the Chicago market. The varying yield formulas could reflect the varying soil or climatological conditions of the Sierra Madre region, or new learning on the part of DEA. Since it is impossible, using secondary source materials to know the answer to this, or to know the exact number of Herrera acres affected by the TRIZO eradication program, we simply present all the alternative likely yield and eradication scenarios. Obviously, if all the Herrera acreage had been eradicated by the TRIZO program, they would be out of business. We assume, therefore, that they have the capacity to achieve at least one harvest. It may be that they had other acreage planted that was completely eradicated. The largest figure in the table
(2,035 acres) indicates what the Herrera group must cultivate to meet their tonnage under the poorest yield conditions. The smallest figure (185 acres) indicates the least amount of acres they need cultivated under the best conditions. It is likely that the Herrera organization receives their opium gum from some amount of acreage within this extreme range.

If the typical campesino family in the Sierra Madre cultivates 2.5 acres of opium poppies as DEA reports, then the Herrera organization provides employment for anywhere from 68 to 756 campesino families. This work, however, is highly labor intensive and, at harvest time, many more farm laborers would be employed. Indeed, DEA estimated that it takes 20 laborers to harvest the gum from one acre of opium poppies. If this is so (and because of serial planting, all acreage does not mature at the same time, so that the average field crew can only harvest two acres), then anywhere from 680 to 7,460 farm laborers could receive seasonal employment from the Herrera's illicit entrepreneurship. This is admittedly a crude "guesstimate," but it indicates the range of basic employment opportunities provided by the Herrera group in the Sierra Madre region.

Using the various scenarios presented in Table 4, it is possible to derive some income estimates for the campesino families who engage in the cultivation of this illicit crop. Table 5 presents these income estimates. We assume in this effort that some of their income will go to pay harvest labor and thus this income will be more widely dispersed in the Sierra Madre communities.

This analysis reflects the impact that the Herrera organization would have on the income of the campesino population of the Sierra Madre region. We suspect, however, that the TRIZO program has probably displaced much of this cultivation to other areas and states east and south of the TRIZO program boundaries. Whatever the case, it is evident from Table 5 that the cultivation of opium can greatly increase campesino income, and that any program to limit the cultivation of opium poppies must seek to provide alternative income possibilities and incentives for the campesinos. Indeed, because campesino earnings are so low, any extra income is likely to be quickly consumed with attendant multiplier effects on the merchandising and retailing sectors of the regional and local economy.

The Herrera organization, through their illicit entrepreneurship in the borderlands, is putting, we estimate, nearly $1.5 million into the campesino economy, which is likely to have a "spending" multiplier effect several times that amount. Such economic "pump-priming" is likely to have strong effects on the campesino economy. Through poppy cultivation a campesino can, for better or worse, move from a subsistence income and barter to participation in the cash economy. From dependence on the burro, he can achieve dependence on the pickup or four-wheel-drive vehicle. Indeed, the booming borderlands business in stolen trucks and four-wheel-drive vehicles moving south across the border underscores this transportation change. C.C. Benson of the National Auto Theft Bureau estimates that some 10,000 vehicles stolen in the United States each year end up in Mexico. The majority of those vehicles stay in the Mexican borderlands, particularly the drug-producing regions.
While the Herrera's contribution to the campesino economy is large compared with earnings from traditional production and labor, it represents only 1.5 percent of the total untaxed U.S. currency income they bring into the Republic of Mexico. Their annual investments, during the 1970s, of over $100 million a year in land, ranches, dairies, apartments, resort developments, and financial institutions is a tremendous, if illicit, boon to the Mexican economy. In light of the consequences of addiction, and its multiplier effects of crime and human misery on the United States side of the border, this is not a pleasant conclusion to come to. But from the point of view for a less developed nation and its economy, so long as the illicit drug production and trafficking is for the export market, there are few incentives to eliminate totally this production. It is somewhat surprising, therefore, that the Mexican government has been as cooperative as it has in assisting the United States to eliminate opium and marijuana fields and bring major traffickers to justice. In 1978 Mexico spent some $40 million in these efforts. This is far more than a token gesture and indicative of the strong desires the Mexican government has for amicable and close relations with the United States. Given the shifting trafficking patterns to other less developed countries, however, this analysis of profits and incentives is something that our policy makers must recognize and ponder.

V
THE POLITICAL ECONOMY OF
DRUG TRAFFICKING IN MEXICO: PART III
ESTIMATES OF HEROIN PRODUCTION
AND DRUG-DOLLAR RETURNS
TO THE MEXICAN ECONOMY

DEA authorities estimate that there are six separate organizations that control production and smuggling of an estimated 10 tons of pure heroin into the United States each year.59

Governor James Thompson of Illinois made the above statement in February 1978 at the opening of congressional hearings into drug trafficking in the Chicago area. While we agree that there probably are six major organizations engaged in this drug trafficking across the southwestern borderlands, we believe that the "10 tons of pure heroin" is either exaggerated or out of date.

In order to get a better estimate of the total amount of heroin that could be produced in Mexico, and, in turn, imported into the United States, we must turn to the eradication and yield estimates of the U.S. government. In mid-October 1976, the DEA reported that it had destroyed some 38,500 fields of opium poppies, which it estimated made up between 85 percent and 90 percent of the total acreage in Mexico.60 In 1978, DEA presented summary figures, which showed that in 1977 some 21,769 acres that could have yielded some 8,567 kilos of pure heroin were eradicated.61 This conversion is based on a DEA formula, which estimates that 2,471 acres yields 10 kilos of opium gum, equivalent to one kilogram of pure heroin (2.2 lbs.). Either DEA's math is in error or they have additional unstated assumptions regarding yields, for using their formula and numbers we find a yield (see Table 6) of 8,809 kilos.

See Table Six

If the 21,769 acres eradicated were the total acreage in Mexico and if
they had been unmolested for one or both harvests, anywhere from 8.5 to 34.6 metric tons of pure heroin would have been available for export to the United States. Instead, the TRIZO eradication program removed much of this tonnage from the market. The acreage eradicated, however, is not likely to be the total acreage planted in opium poppies, only some percentage of it. It we assume that in 1977 they were able to destroy the same percentage as in 1976 (i.e., 85 percent to 90 percent) then, using the lower percentage figure, DEA and the Mexican government destroyed 21,769 acres out of a total acreage of 25,610 in poppy cultivation. This means that there were some 3,341 acres missed by the TRIZO program. If this acreage produced one harvest it could yield, using the 2.471 acres yields one kilo formula, some 1,336 kilos of pure heroin, or 1.3 tons. If totally unmolested, this acreage could yield 2.6 tons for export. This estimate of between 1.3 and 2.6 metric tons available to the United States market appears more reasonable than Governor Thompson's "10 tons." It also appears to be more in line with the 0.37 metric tons that DEA estimates is the Herrera organization's share of the U.S. market. The large drop in the purity of heroin available on the streets of this nation, from 5.1 percent in the beginning of 1978 to 3.5 percent in March of 1979, also corroborates that the amount of pure heroin available for the market has declined considerably.62

If the range of from 1.3 to 2.6 metric tons of pure heroin available for export can be considered to be "ballpark," then we can estimate what the likely drug-dollar flow back to Mexico might be if every trafficking group behaved like the Herrera organization. Table 7 presents this analysis.

See Table Seven

From this analysis we can see that if every Mexican heroin trafficking group behaved like the Herrera organization is said to behave, then anywhere from $420 million to $1.5 billion dollars in U.S. currency could flow into the Mexican economy from the heroin trade. It is unlikely that other trafficking organizations behave like the Herrera group, although we would note that Alberto Sicilia Falcon, who headed a large Culiacan-Tijuana to Los Angeles trafficking network, is said to have returned some $3.6 million a week to Mexico when his organization was operating at peak efficiency.63

Given the large amount of drug-dollar flows back into the Mexican economy as well as the extremely large dollar amount of the estimated possible drug-dollar flows, it is surprising that the Mexican government has been as cooperative in eradicating the opium poppy crop as they have been in the past several years. Even with government cooperation, however, one must not forget the persistence and tenacity of human beings to improve their lot in life. For the poor campesino the growing of opium poppies will remain an extremely attractive proposition given his limited alternatives.

In the fall of 1977, the DEA conducted a helicopter survey of Zone 06 north of Culiacan in Sinaloa State. Here the fields of opium poppies have been the targets of eradication programs since the "gran campana" of 1945. Yet the survey found that of 1,055 fields flown over, some 608 had been destroyed, 270 had opium poppies growing, and 177 were in preparation for poppy cultivation.64 The survey noted: "the large fields that had been destroyed were abandoned. The fields are smaller, dispersed . . . hidden

---

Table 7

<table>
<thead>
<tr>
<th>Estimated Acreage (in millions)</th>
<th>Drug-Dollar Flow (in U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3</td>
<td>$420 million</td>
</tr>
<tr>
<td>2.6</td>
<td>$1.5 billion</td>
</tr>
</tbody>
</table>

---

64. DEA, Helicopter Survey of Zone 06, November 1977.
among traditional crops . . . under high foliage." For more than thirty-two years this area of Sinaloa State has been under surveillance and subjected to poppy eradication efforts. Yet, the poppies are still being grown. To close, we would note that if just the 177 fields in preparation were each only one acre and left unmolested, they would more than supply the Herrera organization's share of the United States market.

VI
CONCLUSIONS

In summary, we have in this paper examined one small aspect of the political and economic relationships that make up the complexity of the borderlands, the heroin trafficking crime matrix and its effects on the United States and Mexico. We have found that some forms of borderlands drug trafficking organization appear to provide an illicit and untaxed form of foreign aid for a less developed economy, aid that, we noted, reaches into very different sectors and levels within an economy as does the formal foreign aid program. Law enforcement, whether federal or local, cannot be expected ever fully to accomplish its mission so long as such political and economic incentives to trafficking continue to exist.

Finally, in terms of future research, much needs to be done. First, we—academics and scholars—need to work more closely with the State Department and law enforcement intelligence working in this field. We need access to data, and they need an outside, objective research and analysis of their formulas, data collection, and verification techniques if they are to serve the Congress and the nation. There is a need for on-site research in Mexico, and other nations, and the development of cooperative projects and ties with our counterparts in the academy and drug law enforcement of those nations. There is also a need for comparative research studying the structure and function of trafficking organizations and cash flows and their effects on a nation's economy. Comparative studies between Mexico and other Latin American drug-producing nations and the Caribbean area would be a good place to start. Most of all we need to recognize the multifaceted nature of this policy problem and its effects. We hope this research can provide one example of a beginning, and that we and others can progress, learn, and develop a more sophisticated understanding of all the aspects of drug trafficking as both a domestic and international policy problem.
NOTES


12. Ibid., p. 981.

13. Ibid., p. 932.

15. Ibid., p. 109.

16. Ibid.


18. Ibid., p. 980.


27. Ibid., p. 267.
28. Ibid., p. 275.


31. Ibid., p. 273.

32. Ibid., p. 244; p. 260. Also Illinois Legislative Investigating Commission, The Heroin Highway, op. cit., Chapters 3 through 5.

33. Ibid., p. 260.


35. The Heroin Highway, op. cit., p. 279.

36. The Mexican Connection, op. cit., presents several interesting charts, unfortunately based on very small numbers, which suggest that heroin inside Mexico frequently moves by private aircraft, but that it crosses the border primarily by private automobile. If this information is correct and patterns hold, then the implications of this pattern deserve serious research and study.


40. The Mexican Connection, op. cit., p. 47.


42. Ibid., p. 288.

43. Ibid., p. 62.
44. Ibid., p. 63.
45. Ibid., p. 62.
46. Ibid.
47. Ibid., p. 44.
51. Investigation of Narcotics Trafficking Proceeds, op. cit., p. 274.
52. Yield formula one comes from DEA in Investigation of Narcotics Trafficking Proceeds, op. cit., p. 274; yield formula two comes from Drug Enforcement, the DEA house organ, February, 1977, p. 7; yield formula three comes from DEA in The Mexican Connection, op. cit., p. 14.
53. DEA, Drug Enforcement, op. cit., p. 7.
55. As opium gum and heroin could be considered basic export industries of the Sierra Madre, a multiplier effect of 3 or 4 would be typical of the consumption of this income by campesinos on the local retail and service sectors of the regional economy. See Charles Tiebout, The Community Economic Base Study (New York: Committee for Economic Development, Supplementary paper Number 16, December, 1962), pp. 54-76.
57. The Mexican Connection, op. cit., pp. 19-22 and Appendices.
58. There appear to be some clouds on this horizon for The Mexican Connection reports that in spring of 1978 the
Mexican government is cutting back on the eradication effort, and is asking DEA law enforcement agents to leave the opium growing areas. One bright spot is that Mexico intends to broaden TRIZO program to a nationwide air survey and mapping of opium poppy fields. If this works, it would be a very positive step. Op. cit., pp. 9, 112-116.


60. Select Committee on Narcotics Abuse and Control, Testimony of Mathea Falco, Advisor to the Secretary of State and Coordinator for International Narcotics Matters, Hearings 94th Congress, September 23rd, October 6th, 12th, November 15th and 16th, 1977, pp. 218-222.


64. *The Mexican Connection*, op. cit., pp. 143-144.

65. Ibid., p. 144.
<table>
<thead>
<tr>
<th>Fiscal Year (June 30-July 1)</th>
<th>Marijuana (lbs.)</th>
<th>Heroin (ozs.)</th>
<th>Dangerous Drugs (1,000 units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1961</td>
<td>393</td>
<td>87</td>
<td>21</td>
</tr>
<tr>
<td>1961-1962</td>
<td>1,904</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td>1962-1963</td>
<td>924</td>
<td>94</td>
<td>17</td>
</tr>
<tr>
<td>1963-1964</td>
<td>3,900</td>
<td>240</td>
<td>530</td>
</tr>
<tr>
<td>1964-1965</td>
<td>6,331</td>
<td>156</td>
<td>74</td>
</tr>
<tr>
<td>1965-1966</td>
<td>3,121</td>
<td>174</td>
<td>102</td>
</tr>
<tr>
<td>1966-1967</td>
<td>16,133</td>
<td>195</td>
<td>542</td>
</tr>
<tr>
<td>1967-(May) 1968</td>
<td>37,679</td>
<td>441</td>
<td>947</td>
</tr>
</tbody>
</table>

TABLE 2. MEXICAN HEROIN TRAFFICKING TO THE UNITED STATES IN THE 1970S AS INDICATED BY MEXICAN HEROIN'S SHARE OF THE U.S. MARKET

<table>
<thead>
<tr>
<th>Market Percentage</th>
<th>100%</th>
<th>90%</th>
<th>80%</th>
<th>70%</th>
<th>60%</th>
<th>50%</th>
<th>40%</th>
<th>30%</th>
<th>20%</th>
<th>10%</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>72%</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>67%</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

Source: See footnote 22.

Note: Although Mexico's share of the market in the late 1970s was substantial, purity levels had dropped significantly as a result of the eradication programs.
TABLE 3. AN ANALYSIS OF THE POLITICAL ECONOMY OF HEROIN TRAFFICKING:
PART I. THE HERRERA ORGANIZATION*

Imported: 0.37 tons pure heroin = 8.14 tons (16,280 lbs.) 5% heroin

8.14 tons yields 7,384 5% kilos.

Wholesale price: $27,500 a kilo x 7,384 kilos = $203,060,000 Gross Profit.

Profit Minus Costs: Costs: $6,500 per 5% kilo

7,384 kilos x $6,500 cost = $47,996,000 Gross Cost.

Net Total Profit:

= $155,064,000

DEA Estimates 75%-80% Returned to Mexico:

= $116,284,000 at 75% returned.

AN ALTERNATIVE APPROACH: CHICAGO POLICE INTELLIGENCE INFORMATION

Total kilos: 7,384

Organizational Norm: $17,000 minimum returned to Mexico from each kilo.

Net return to Mexico: $125,528,000

*The authors have converted metric tons and hectares used by DEA intelligence throughout this paper.
### Table 5. The Political Economy of Drug Trafficking: Part II. Campesino Income Estimates from Opium Poppy Cultivation for the Herrera Organization versus Planting Traditional Crops

<table>
<thead>
<tr>
<th>Scenarios (See Table 4)</th>
<th>Campesino Income Estimates from:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opium Poppy Cultivation</td>
<td>Traditional Crops and Labors</td>
</tr>
<tr>
<td>Scenario A</td>
<td>$1,628,000</td>
<td>$325,600</td>
</tr>
<tr>
<td>Scenario B</td>
<td>$789,000</td>
<td>$105,200</td>
</tr>
<tr>
<td>Scenario C</td>
<td>$272,000</td>
<td>$29,600</td>
</tr>
</tbody>
</table>

**Computation Rationale.** Scenarios A and C are based on the most and least acreage requirements of Table 4. Scenario B is based on an average of the three different yield figures in that table. Note: We assume that the campenios would plant the same acreage of traditional crops under normal conditions as they do acres under the adverse TRIZO conditions. This is probably an unreasonable assumption. In which case their earnings for traditional crops would always be close to the Scenario C case.
TABLE 6. ANALYSIS OF THE POLITICAL ECONOMY OF HEROIN TRAFFICKING VARIOUS YIELD ESTIMATES OF DEA'S 1977 ERADICATED ACREAGE (21,769 ACRES)

<table>
<thead>
<tr>
<th>YIELD FORMULAS</th>
<th>PURE HEROIN TONNAGE FROM:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ONE HARVEST</td>
</tr>
<tr>
<td>1. 2.471 acres yield</td>
<td></td>
</tr>
<tr>
<td>1 kilo (2.2 lbs.)</td>
<td>DEA's math yield (8,567 kilos)</td>
</tr>
<tr>
<td></td>
<td>Our math yield (8,809 kilos)</td>
</tr>
<tr>
<td>2. 2.5 acres yield</td>
<td></td>
</tr>
<tr>
<td>1 pound pure heroin</td>
<td>4.0</td>
</tr>
<tr>
<td>3. 1 acre yields</td>
<td></td>
</tr>
<tr>
<td>1.75 lbs. pure heroin</td>
<td>17.3</td>
</tr>
</tbody>
</table>

Note: Yield formulas, see footnotes 52 and 61.
TABLE 7. ESTIMATED DRUG-DOLLAR FLOWS BACK TO THE MEXICAN ECONOMY FROM TOTAL HEROIN PRODUCTION AND HERRERA ORGANIZATIONAL BEHAVIOR.

<table>
<thead>
<tr>
<th>HERRERA ORGANIZATIONAL BEHAVIOR</th>
<th>LOW ESTIMATE CASH FLOWS</th>
<th>HIGH ESTIMATE CASH FLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Price ($27,500 a kilo)</td>
<td>$734,800,000</td>
<td>$1,469,600,000</td>
</tr>
<tr>
<td>Gross Costs ($6,500 a kilo)</td>
<td>$173,580,000</td>
<td>$347,360,000</td>
</tr>
<tr>
<td>Total Net Profit</td>
<td>$561,120,000</td>
<td>$1,122,240,000</td>
</tr>
<tr>
<td>Estimated Return to Mexico (75%)</td>
<td>$420,840,000</td>
<td>$841,680,000</td>
</tr>
</tbody>
</table>

Using Chicago Police Intelligence formula the figures would be $525,453,000 and $1,050,906,000 returned to Mexico.


2. Davidson, Russ "A Description of Rare and Important Medina Imprints in the University of New Mexico Library." May 1988.


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