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Federal Government Investigating Mining Companies in Coahuila for Collusion with Zetas Cartel

By Carlos Navarro

The Mexican mining industry, already beset by accusations of environmental violations, territorial fights with local indigenous communities, and safety concerns, is facing a relatively new threat—connections with drug-trafficking organizations like the Zetas in Coahuila and La Familia in the central state of Michoacán. There are reports that the Zetas are extracting coal illegally, many times in collusion with local mining companies, and selling it to the state utility, the Comisión Federal de Electricidad (CFE), through an intermediary, primarily the Promotora de Desarrollo Minero (PRODEMI).

Zetas earn large profits from clandestine mines

Sources said the coal is sold at cut-rate prices, a process that allows the CFE to obtain the cheapest coal while providing the Zetas with a vehicle to launder profits and earn as much as 6 million pesos (US\$453,000) a week. In addition to money laundering, the scheme allows the Zetas to bypass safety guidelines and royalty payments to the government. Several accidents have been reported at clandestine coal mines in Coahuila this year.

"These people, the Zetas, produced about 10,000 tons per week and sold the coal at 600 pesos (US \$45) per ton," sources told the Mexico City daily newspaper Reforma. "They have been selling it cheaply to make it attractive to the buyers at PRODEMI. This way, they have been able to obtain good earnings and also launder profits."

The Procuraduría General de la República (PGR) is currently focusing its investigation on three coal-mining enterprises said to be in collusion with the Zetas—Impulsora JBN, Perforaciones Técnicas Industriales, and Minera La Misión—but dozens of other companies could be involved.

Sources said the federal government has shut down clandestine operations along the Sabinas-Nueva Rosita highway on land belonging to the Coahuila state government.

Former Coahuila Gov. Humberto Moreira had mostly remained quiet about corruption in his state, even after he left office. But recently—in a series of surprisingly candid interviews following the murder of his son —he accused business leaders from Coahuila's mining sector of sharing the wealth with top drug traffickers who in turn used the money to buy weapons and maintain their drug operations.

Sources said José Reynol Bermea, chief of the Zetas in the city of Sabinas, has led the operation. Reynol, who has responsibility for the cartel's "mining" division and for renting equipment and machinery, has reportedly been arrested by the Mexican military. "Zeta leader Z-40 [Miguel Ángel Treviño] left Reynol in charge of the region, assigning him supervision of coal production in Agujita and Cloete," sources told Reforma.

Human rights commission looking into workplace violations

The reports about the Zetas' entry into the coal-production business come at a time when complaints about safety have increased significantly in the coal-producing region of Coahuila. A recent report from the semi-independent Comisión Nacional de los Derechos Humanos (CNDH) said the number of complaints regarding workplace safety and working conditions has been increasing.

The report said 124 deaths have been attributed directly to coal mining in Coahuila in the past five years. Of the total, 80 have occurred at clandestine operations known as pocitos. "The exploitation of coal at the so-called pocitos presents a critical situation, since working conditions are inhuman," said the CNDH.

The report said none of the clandestine mines comply with Norma Oficial Mexicana 032, a federal guideline governing workplace well-being and health in Mexico.

The situation has prompted some members of the Senate to propose a working group to investigate both the lack of safety in the clandestine mines and the penetration of the Zetas in the Coahuila mining industry. Sen. Dolores Padierna, a member of the center-left Partido de la Revolución Democrática (PRD), said pocitos are profitable because maintenance costs are almost nonexistent and operators exploit their employees by making them work under inhumane conditions and at very low wages.

Padierna called on the federal tax agency Sistema de Administración Tributaria (SAT) and the government's banking regulator Comisión Nacional Bancaria (CNB) to examine the books for the more than 2,000 companies that received an operating permit in Coahuila in 2009 and 2010, when most clandestine operations in Coahuila were said to have started.

"In light of the declarations by former Gov. Humberto Moreira, who pointed out that the current problems are compounded by a link to organized crime, we have the obligation to show solidarity and find justice for miners," said Padierna. "We must thoroughly examine the labor situation in the mines, denounce any abuses, and produce the proper legislation in defense of those who are affected."

There are some precedents for cartel involvement in the mining industry, such as that of La Familia cartel in Michoacán, which has been accused of illegally mining and exporting iron ore to China. There are also mining industries in Sonora, Zacatecas, San Luis Potosí, and other states, and experts suggest that any could become the targets of cartels.

The Zetas involvement in the mining industry in Coahuila is part of the cartel's strategy to dominate a territory by controlling all aspects of business. The cartel, which has taken over many segments of business in Tamaulipas state, has been accused of stealing fuel from state-run oil company PEMEX and selling it to US companies.

"Not content to simply smuggle drugs through a region, the Zetas move in, confront every local crime boss in charge of contraband, pirated CDs, prostitution, street-drug sales, and after-hour clubs, and announce that they are taking over. The locals have to comply or risk death," said the Los Angeles Times.

Organized crime said to infiltrate almost 80% of Mexican economy

While the Zetas' position of overwhelming dominance of the local economy of a state is unique, the problem is present in some form in most states in Mexico. A recent study by the nongovernmental organization Instituto de Acción Ciudadana found that drug traffickers have infiltrated 78% of the economic sectors in Mexico. The report, put together with the assistance of Latin America expert Edgardo Buscaglia of Columbia University in New York, said the drug trade is especially involved in the mining, agriculture, pharmaceutical, and chemical industries, and in some financial areas.

Buscaglia said criminal organizations are linked with economic activities that account for about 40% of Mexico's GDP. These same groups are involved in similar activities in 47 other countries, said the study.

The main purpose of involvement in activities not directly related to drug trafficking is to launder profits, as these economic sectors provide a vehicle to hide the funds that come from illicit operations. These operations are often conducted through phantom companies.

The participation of these groups in the economy enjoys "enormous political protection," the researcher said in an interview with the Mexico City daily newspaper El Universal. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 15, 2012, reported at 13.23 pesos per US\$1.00.]