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Mexican Drug Cartels Said To Earn As Much As US\$40 Billion

by LADB Staff

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Earlier this year, Forbes magazine listed notorious drug-cartel leader Joaquin Guzman Loera among its "new billionaires." Earnings of the Sinaloa cartel leader, who is also known as El Chapo, are only a fraction of what the drug industry earns as a whole. A recent report from consulting company Kroll de Mexico put earnings of drug traffickers in Mexico as high as US\$40 billion. A separate report from the US government notes that the cartels are able to make the most of their earnings by organizing in much the same fashion as multinational corporations. The heavy financial power of the cartels has allowed drug traffickers to more than hold their own against the anti-drug efforts of Mexican law-enforcement agencies.

Earnings surpass budget for many Mexican government ministries

The Forbes listing of Guzman Loera among the world's billionaires caught many observers by surprise (SourceMex, March 18, 2009), even though the high earnings of Mexican drug traffickers are common knowledge. Kroll, which put together a report for an Americas conference in Miami, estimated that Mexican cartels earn between US\$25 billion and US\$40 billion per year. Some observers pointed out that drug-trade earnings surpass the budget of many Mexican government ministries. "These resources are three times higher than the budget requested by the Secretaria de Educacion Publica in 2010," said the Mexico City daily newspaper El Universal. Kroll official David Robillard told participants at the conference which was organized by the World Bank, Florida International University (FIU), and the state of Florida that the annual drug-trade earnings greatly surpass remittances from Mexican expatriates. Remittances are expected to be down this year to about US\$23 billion or less (SourceMex, June 03, 2009 and September 02, 2009). Robillard, who heads Kroll's operations in Mexico, said the slump in most of Mexico's economic sectors this year will magnify the impact of drug profits on the Mexican economy as a whole. "[Drug profits] will make a difference, much more than in the past," said the Kroll official.

Cartels organized like multinational corporations

The Kroll report coincides with a recent study from the US Department of Justice and the US Treasury, which notes that the structure of drug-trafficking organizations has evolved and become more sophisticated. Many drug-trafficking groups now operate much like multinational corporations. "Mexican cartels increasingly have a more corporate structure, they have a CEO (chief executive officer), operations units, technological teams, financing cycles, and strategic alliances with other organizations," said a DOJ official. The DOJ and Treasury put together the report after conducting investigations in the US, Canada, Europe, Central and South America, Asia, and Africa. The study also examined court documents filed in the US. The report says that Mexican cartels control 80% of the cocaine traffic that originates in Colombia and other parts of South America and

90% of the cocaine traffic that enters the US. Robillard pointed to the highly corrupting influence of the Mexican drug organizations, which now have a nationwide presence in Mexico.

The cartels have threatened and bribed law-enforcement officials and politicians into cooperating with them. In a recent case, federal authorities arrested several mayors in Michoacan state for offering protection to the local drug organization known as La Familia, which has ties to the powerful Sinaloa cartel (SourceMex, May 07, 2009 and August 19, 2009). The financial power of the drug cartels has also given them a major advantage over local law-enforcement agencies, which at times are powerless to act against their far-reaching operations. The cartels operate with weapons smuggled from the US, which has been a complaint that Mexican officials frequently lodge with US counterparts (SourceMex, June 11, 2008 and March 25, 2009).

The US has made some efforts to curb the flow of high-caliber arms to Mexico, but critics say those measures have been largely ineffective (SourceMex, April 01, 2009 and August 12, 2009). With 90% of the weapons flowing to Mexico's four major organizations the Sinaloa, Gulf, Tijuana, and Juarez cartels drug dealers are frequently better armed and have access to more technological resources than law-enforcement agencies. Robillard said that in some areas law-enforcement agencies have lacked sufficient capacity to confront the cartels on their own and have had to rely on the federal Army. He cited some communities in Chihuahua and Tamaulipas states as examples.

US government files charges against 43 Mexican drug dealers

On another front in the war against drug traffickers, President Barack Obama's administration is continuing efforts by his predecessors to bring drug-cartel leaders to trial in the US. In late August, US federal authorities filed charges against 43 individuals accused of operating a nationwide drug-distribution ring in the US. The US Department of Justice (DOJ) presented the charges in New York and Chicago after lengthy investigations by the US Drug Enforcement Administration (DEA) and the US Immigration and Customs Enforcement (ICE) that spanned several countries. DEA spokesperson Mike Sanders told reporters that one line of investigation began with a heroin bust in Chicago that eventually led to high-level officials in the Sinaloa cartel. A second probe explored the drug distribution on the streets of New York City by a Colombian paramilitary group.

The legal actions brought by the Department of Justice include 10 indictments, including against such notorious figures as Guzman Loera, Ismael "Mayo" Zambada Garcia, and Arturo Beltran Leyva, all of whom are top leaders with the Sinaloa cartel. Documents presented by the DOJ show the three men are responsible for coordinating the shipment of more than 200 tons of cocaine and an undetermined amount of heroin to the US from Mexico. These operations are said to have resulted in the illegal transfer of US\$5.8 billion in funds from the US to Mexico. "We allege that these defendants shipped multi-ton quantities of narcotics into the US," said US Attorney General Eric Holder. Guzman, Zambada, and Beltran remain at large, along with seven others who were indicted. US authorities have only detained eight of the 43 individuals against whom the charges were filed.

Detractors say the US indictments are futile because the corrupt Mexican law-enforcement system will prevent US authorities from gaining custody of the drug traffickers. Still, Holder said the US

government remains committed not only to bring Chapo Guzman and others to justice but also to "cripple their operations" by blocking their financial operations in the US. The US attorney general noted that efforts against the drug cartels will continue because of strong bilateral cooperation between the two countries.

The US government is helping those bilateral efforts by providing millions of dollars for Mexico's anti-drug efforts via Plan Merida, including funds for training, equipment, and technology (SourceMex, June 11, 2008 and SourceMex, August 12, 2009). There are some precedents that show Mexico's willingness to turn over members of the drug cartels to the US justice system. Mexico has sent notorious drug dealers Ramon Alcides Magana, Francisco Javier Arellano Felix, Francisco Rafael Arellano Felix, and others to the US (SourceMex, June 20, 2001, September 27, 2006). The US has also asked for the extradition of former Quintana Roo Gov. Mario Villanueva (SourceMex, July 11, 2007).

Cartels continue to have upper hand Even with the Mexican government's anti-drug efforts, there is wide concern that the drug cartels are winning the war. A report published by the European Union (EU) in early October noted that drug trafficking is threatening political stability in Mexico and other countries in Latin America. "Illegal drugs, the mistreatment of human beings, organized crime, and violence are on the increase," said the report. "They are endangering stability, security, governability, in individual countries and in the region of the Americas." The EU said the problem has increased to such proportions that it is now on par with the fight against poverty as the top challenges for Latin American countries.

In Mexico, one area where violence has increased significantly is the US-Mexico border region, particularly Ciudad Juarez. The Juarez and Sinaloa cartels are engaged in a power struggle for control of this important supply route to the US. Data compiled from police reports indicates that more than 1,800 people were murdered in Juarez between January and September, surpassing the total of 1,650 murders for all of 2008. The statistics show that 311 murders occurred in September 2009, the highest level for that month since records were first kept 20 years ago. Mexican authorities confirmed that the turf war between the two cartels is largely responsible for the violence.

In late September, Mexican soldiers detained five individuals employed by the Sinaloa cartel for the sole purpose of murdering members of the Juarez cartel. Some of the drug-related crime is spilling across the border to the US. Several businesses in El Paso, Texas, have reported threats by extortionists claiming to be members of drug cartels. In some instances, the threats came from individuals identifying themselves as members of the Zetas, the enforcement arm of the Gulf cartel. One business owner told The Dallas Morning News that he received a threat from a man who, in a "bullying voice," demanded "US\$50,000 immediately, or the next time we see you, it will be at the funeral of a loved one." But law-enforcement officials say incidents such as these might involve scams from individuals trying to make money from the ruthless reputation of the cartels.

The biggest threat, said Robillard, is for domestic and foreign businesses operating in Mexico. Citing statistics from the Consejo Coordinador Empresarial (CCE), Robillard said many Mexican businesses spend 15% of the value of goods and services that they produce annually on security. In the past, foreigners have been targeted at random, with kidnapping the greatest threat for foreign

nationals during the past decade (SourceMex, October 02, 2002). But Robillard said the increased violence would by necessity force foreign companies to spend more on security to protect personnel and infrastructure. "Virtually everybody today in Mexico is being directly or indirectly affected by security issues," the Kroll official said at the conference in Miami. "More than 6,000 lives were lost to cartel violence last year." He added, "It is not unlikely that US companies may be faced with extortion, that local managers are kidnapped for ransom, and that truck hijacking increases."

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