

10-20-2010

Drug Cartel in Michoacán Busted for Illegal Exports of Iron Ore to China

Carlos Navarro

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

Navarro, Carlos. "Drug Cartel in Michoacán Busted for Illegal Exports of Iron Ore to China." (2010).
<https://digitalrepository.unm.edu/sourcemex/5443>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Drug Cartel in Michoacán Busted for Illegal Exports of Iron Ore to China

by Carlos Navarro

Category/Department: Drug Trafficking and

Published: Wednesday, October 20, 2010

The mining sector has become a lucrative source of earnings for some drug-trafficking cartels in Mexico. One cartel, La Familia Michoacana, which operates primarily in west-central Mexico, has made a huge profit by illegally extracting iron ore from the mountains of Michoacán state and selling it to three companies that conduct business with China's steel industry. During the past year, La Familia has earned about US\$42 million from the illegal export of iron ore. The Cámara Minera de México (CAMIMEX) said drug cartels also obtain revenues from the mining industry through theft, extortion, kidnapping, and sales of narcotics to workers.

La Familia Michoacana sold iron ore through intermediaries

Authorities learned the full extent of La Familia's scheme after they arrested one of the cartel's top finance operators, Ignacio Javier López Medina, on charges of international money laundering. López Medina, who was captured along with three other individuals, was responsible for managing resources obtained from extortion, ransoms from kidnappings, drug sales, and the export of minerals, said the Procuraduría General de la República (PGR) and the Secretaría de Seguridad Pública (SSP), which conducted the investigation.

López Medina reportedly answered directly to Servando Gómez, also known as La Tuta, who is one of the top leaders in La Familia.

In the course of interrogations, López Medina told authorities that La Familia established some operations in the sierras of Michoacán to extract iron ore, which was then sold to three international companies that have a presence in Mexico. The companies sold the ore primarily to buyers in China.

The PGR said authorities had been tracking the theft of minerals in Michoacán, based partly on complaints from companies like ArcelorMittal, which said illegal-extraction operations were being set up at some of its mining sites.

Officials said López Medina's statements provided the link to La Familia, which exported an estimated 1.1 million tons of iron ore during the past year. That volume of exports would normally bring about US\$42 million on the international market.

"The theft of minerals is an activity that has been growing in recent years," the PGR said in a statement.

Michoacán is also a top producer of other major minerals, including silver, gold, and zinc, and authorities are investigating whether La Familia is also involved in illegal extraction of those mine products.

Officials did not name the companies that acquired the iron ore from La Familia but said all three firms are being investigated to determine the extent of their involvement in the scheme. Jesús del Campo, an official at the Secretaría de Economía (SE), said the intermediaries encourage the

illegal activity by paying cash for the iron ore, which is used to produce steel. By paying cash, the companies also bypass the need to obtain the required permits.

In addition to López Medina, authorities charged three other individuals with money laundering in illegal transactions totaling about 90 million pesos (US\$7.3 million). Among those detained was Yadira Esbeyde García Landa, an executive at a bank in the port city of Lázaro Cárdenas in Michoacán.

The government said López Medina traveled to the US several times, where, under the alias Manuel Lombera Arias, he created corporations to launder La Familia's profits.

La Familia's venture into illegal economic activities other than narcotics sales reflects a recent trend among drug cartels. The Zetas drug cartel, which has its largest presence in northern states like Tamaulipas and Nuevo León, made a hefty profit from stealing fuel products from the state-run oil company PEMEX and selling them to US buyers ([SourceMex, Jan. 6, 2010](#)). The Zetas reportedly have used their profits to acquire legitimate businesses, such as car dealerships and restaurants, along the US-Mexico border.

Cartels threaten mining industry in other ways

Mining-industry executives, who gathered in Mexico City in mid-October, said drug cartels have targeted mining-industry operations, which are often in isolated mountainous areas. The cartels earn hefty profits through a variety of activities, including the theft of minerals that have already been extracted from mines around Mexico.

"There are more and more specific cases of threats from organized crime trying to penetrate areas of mining exploration and operation," Ramón Dávila, chief operating officer of Canadian-based First Majestic Silver Corp., said in an interview with Reuters.

For example, at the end of September, cartels stole 150 gold and silver bars worth about US\$3 million from a mining company in the north-central state of Zacatecas. One company, Canadian-based Goldcorp, has gone as far as to build a landing strip near its Los Filos gold mine in Guerrero state to transport its output by air. Company vice president Salvador García said the move is intended to bypass ground transportation, as highways in Mexico have become increasingly insecure.

CAMIMEX reports that, in addition to theft, the drug cartels are involved in extortion and kidnapping at several mine locations.

CAMIMEX president Manuel Luevanos said drug traffickers are also fomenting a market among employees at the mining operations, many of whom receive relatively high pay compared to that of other residents of the nearby communities. "A mining camp is an attractive market for drug dealers," Luevanos said.

Mining-industry officials said companies have incorporated regular drug tests into the daily routine at the mines in order to address the problem. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Oct. 20, 2010, reported at 12.39 pesos per US\$1.00]

-- End --