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## **A WAR WITHOUT 'PRINCIPALS': NARCO-VIOLENCE IN MEXICO**

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Over recent years, drug-related violence in Mexico has featured prominently in international media coverage. Paradoxically, this comes at a time when several Mexican media outlets have been forced into self-censorship, due to threats from drug traffickers.<sup>1</sup> Until August 2010, the death toll from narco-violence was thought to be just under 25,000 for the preceding 44 months. Overnight, that figure had to be revised upwards by an additional 3000, due to the revelation of secret statistics compiled by the Mexican intelligence service.<sup>2</sup>

Despite the best efforts of the Mexican government, violence levels have continued rising. A military-led offensive of unprecedented intensity and duration has failed to curb the power of drug trafficking organizations. Instead, these organizations have diversified into other criminal activities, such as kidnapping and extortion. With the victims of such crime being ordinary Mexicans, patience with the government and its counternarcotics policy is running low. War-weariness has started to permeate through Mexican society.<sup>3</sup>

Unless narco-violence falls within the next year, before presidential elections in July 2012, there is a possibility that the political establishment will be compelled to cut a peace deal with drug traffickers. Such a development would run counter to the established US policy of reducing trafficking through overseas supply interdiction. Thus, there is a need to identify alternative approaches to the current fire-fighting strategy of the Mexican government, lest the latter be eventually forced to choose between domestic and foreign policy compulsions.

As part of such an effort to identify alternative approaches, this article traces the evolution of Mexican drug trafficking organizations between 1985 and 2010. It argues that drug-related violence can be viewed as a principal-agent problem, which has thus far been exacerbated rather than moderated by counternarcotics operations. Such operations have created power vacuums within the drug industry, which have become the focus of intense contestation.

One way of breaking this cycle of violence might be for the Mexican government to conduct synchronized operations against the two main trafficking organizations: the Sinaloa cartel and its rival, Los Zetas. Between them, these two actors shape the nature of narco-violence either directly or through weaker proxies, who are prone to changing sides. Eliminating or severely weakening both groups simultaneously would deprive the drug trafficking industry of much of its disruptive potential, instead of just facilitating a power shift from one group to another.

## **Concerns about state failure**

In November 2008, the United States Army Joint Forces Command released an estimate of future threats to US national interests. Among the nightmare scenarios listed, was one of state failure in Mexico. The country was shown as experiencing a binary conflict between the government and drug cartels, with the latter being in a relentlessly offensive mode.<sup>4</sup> Left unexamined was the possibility that Mexico might actually be a battleground for two parallel conflicts occurring simultaneously: one, a low-intensity war between the government and drug cartels, and the other, a high-intensity war among the cartels themselves.

In reality, drug-related violence directed against the state is only marginal. Since January 2007, the vast majority of killings (90%) have occurred among drug traffickers. Security forces account for 6% of the dead, and noncombatants for 4%.<sup>5</sup> Clearly, the brunt of narco-violence is not being borne by the Mexican government, but by those who supposedly threaten its survival. Furthermore, drug prices in the United States have doubled owing to intensified surveillance along the US-Mexico border.<sup>6</sup> If the Mexican state was truly in danger of failing, it would logically have had little capacity to interdict transborder movement.

Notwithstanding these positive signs however, drug-related homicides have increased. Contrary to all expectations, the deployment of over 45,000 troops and 5000 federal police in counternarcotics duties has failed to bring down violence levels. While killings stood at 2 per 100,000 in 2006 – a figure that was considered high enough to require a crackdown – by 2009, they had reached 6.1 per 100,000.<sup>7</sup> The government presently insists that rising violence is a sign of success, wherein the cartels desperately fight over a shrinking market. Although this explanation is plausible, it assumes that the drug industry is static, and that new trafficking organizations are not emerging out of the ranks of older ones.

Such does not appear to be the case – from 1985, when determined efforts were first made to combat trafficking, the drug industry has proven susceptible to factional warfare. In particular, the emergence of paramilitary groups with no fixed loyalties has increased the risk of narco-violence. The argument that high violence levels indicate success in drug interdiction might be accurate, but it does not mean that public security is automatically enhanced.

State failure in Mexico is unlikely, at least in the obvious sense of the phraseology. The internal dynamics of the drug industry cause it to prioritize turf wars over confrontation with the state. However, such warfare is itself fuelled by the state's counternarcotics efforts, which open up vulnerabilities within sections of the industry that are exploited by others. Thus, the Mexican government is a crucial player in power struggles between drug traffickers, and inadvertently contributes to undermining its own territorially-defined monopoly of force. On this point more than any other, narco-violence threatens the notion of Mexican statehood.

## **Principal-Agent relations among Mexican traffickers**

A 'principal-agent' problem occurs when a subordinate (the agent) develops agendas which conflict with those of a patron (the principal), and which can be unobtrusively pursued due to the patron's own ignorance of developments.<sup>8</sup> It begins in the form of suspicion between two previously friendly actors, which gradually snowballs into outright hostility and then parricidal warfare. In the case of Mexico, this concept can help explain how the drug trafficking industry came to be at war against itself.

During the early 1980s, the biggest trafficking organization in Mexico was the *Guadalajara cartel*. Founded in 1982 by a former policeman named Miguel Felix Gallardo, it initially desisted from overt displays of force, preferring to deflect law enforcement efforts through bribery.<sup>9</sup> However, it ruinously broke with this restraint in February 1985, when it ordered the abduction and murder of a US Drug Enforcement Administration operative. Intense pressure from the United States forced Mexican authorities to gradually begin dismantling the cartel.

Sensing the changing fortunes of Gallardo, one of his top lieutenants broke away in 1988 to form a rival group, creating the nucleus of what became the *Sinaloa cartel*. Gallardo himself was arrested in April 1989. To adapt to the disruption caused to his nation-wide trafficking empire, he broke it up into regional cartels. The direct descendant of the Guadalajara cartel became the *Tijuana cartel*, so-called because its base was the city of Tijuana on the Pacific coast, just across the border from San Diego in California.

Another splinter group was the *Juarez cartel*, based in the city of Ciudad Juarez, which sits across the border from El Paso in Texas. Further east, an independent trafficking organization known as the *Gulf cartel* retained its traditional sphere of influence along the Gulf of Mexico coast. The Sinaloa cartel was left with drug-growing areas in central Mexico, which meant that it had relatively little direct access to the US border. This physical separation of the Sinaloa cartel from its prime market accounted for much of the infighting that subsequently broke out between Mexican drug traffickers.

Almost immediately, the newly-formed Tijuana cartel found itself under a combined attack from the Sinaloa and Juarez cartels. Sinaloa traffickers refused to pay the exorbitant transit fees demanded in exchange for sending their drugs into the US through Tijuana territory. Instead, they preferred to fight for control of border crossings (called ‘plazas’ in trafficking slang).<sup>10</sup> Meanwhile, the Juarez cartel bribed top law enforcement officials and through them, manipulated counternarcotics operations to the disadvantage of the Tijuana cartel. The latter finally capitulated in 1998 and joined a Sinaloa-Juarez alliance against the only other large trafficking organization: the Gulf cartel. This alliance, known as *La Federacion*, lasted until 2004, when the Sinaloa cartel undermined it by once again encroaching on Tijuana plazas.

### **Militarization of drug trafficking**

The years 1995-1997 are especially important to the evolution of Mexican drug trafficking. Two major developments set the country on course for a fragmentation of the drug industry and outbreak of militarized gang warfare. First, the government began deploying the military to combat drug cartels on a permanent footing. From 1995 onwards, the US army trained one thousand Mexican soldiers annually in commando tactics, for use against drug cartels. Army officers also assumed an advisory role to provincial law enforcement agencies.<sup>11</sup>

The second major development was a restructuring of the law enforcement system itself. In 1996, the Federal Attorney General’s Office (Spanish initials: PGR) was reconstituted from its old centralized command structure into three autonomous sets of non-contiguous jurisdictions. This meant that drug traffickers now found it more difficult to identify whom to bribe within a region, and also meant that more bribes needed to be paid per shipment.<sup>12</sup>

Militarizing the counternarcotics effort thus put pressure on the cartels, while law enforcement reforms denied them a non-violent means to escape that pressure. Together, these measures forced the cartels to look outside the politico-bureaucratic establishment for



protection. Now that the state was actively clamping down on their activities, a Darwinian situation emerged where only the strongest could survive.

The first drug trafficking organization to appreciate the implications of the changing operational landscape was the Gulf cartel. Just a year after the PGR was restructured, the cartel induced 31 soldiers from the army's Special Forces Airmobile Group (GAFE) to desert and work for it.<sup>13</sup> Led by a 21-year old lieutenant named Arturo Guzman Decena, the deserters adopted the moniker of '*Los Zetas*', after Decena's radio callsign, Zeta-1. They would become the most violent drug trafficking organization Mexico had ever seen.

The Zetas were initially hired as bodyguards for Gulf cartel leader Osiel Cardenas Guillen. Their tactical skills however, soon led to their role being expanded to tasks traditionally carried out by street gangs and contract killers, such as debt collection and long-distance assassination. Using its new paramilitary arm, the Gulf cartel slowly began projecting power westward, into areas hitherto controlled by the Juarez and Sinaloa cartels.

### **Rise of the paramilitaries in cartel wars**

The emergence of Los Zetas was a game-changer in the Mexican organized crime scene. Before deserting, several of its members had been trained by American, French and Israeli special forces in counterinsurgency and counternarcotics tactics.<sup>14</sup> They could therefore easily anticipate how government attacks against them would materialize. In response, they developed an intelligence network aimed at penetrating the government itself.

In addition, each of the 31 original Zetas (or Zeta Viejos, as they called themselves) trained ten other recruits in commando tactics. The new Zetas (or Zeta Nuevos) were mostly deserters from the army and police, for whom the allure of massive salaries was too good to resist. While an average Mexican policeman or soldier made less than 1000 dollars a month, Zeta operatives earned 12 times that amount.<sup>15</sup> By 2003, the group numbered around 300 members.

Over time, many of the original Zetas were killed or arrested, and a challenge arose of finding high-quality replacements. Training camps were accordingly set up in the interior of Tamaulipas and Nuevo Leon provinces – the Gulf cartel's traditional stronghold, where new recruits underwent six-month courses in weapons handling. From 2005, the camps were staffed by deserters from the Guatemalan army's special forces. The latter, known as *Kaibiles*, had gained a strong reputation for brutality during Guatemala's thirty-year civil war. The introduction of their training methods into Zeta camps to some degree explains why new recruits to the group turned out to be even more ruthless than their predecessors.<sup>16</sup>

Being former soldiers, the Zetas were not scared of direct confrontation with the Mexican army – a rare quality among drug traffickers. Previously, the army had been perceived as the government's weapon of last resort. Drug cartels were warned that if they did not heed official directives to control violence levels, troops would be dispatched onto the streets. Although such threats worked with most traffickers, by the 2000s the Gulf cartel, backed up by Zeta muscle, grew unimpressed. A growing desertion problem within the Mexican military, averaging 15,000 personnel per year, also meant that there was no shortage of trained manpower to bulk up the paramilitary armies being raised by drug cartels.<sup>17</sup>

The emergence of Los Zetas had forced other trafficking groups to invest in a paramilitary capability, or risk being wiped out. The Juarez cartel accordingly created *La Linea* (the Line), a private army of rogue policemen from the city of Ciudad Juarez. The Sinaloa cartel raised

militias of its own, with colourful names like *Los Negros* (the Blacks), *Los Pelones* (the Baldies) and *La Gente Nueva* (the New People). In addition, fringe criminal groups like *La Familia Michoacana*, a trafficking organization based in the province of Michoacan, grew more violent after being trained by Los Zetas. La Familia worked as a subsidiary of the Zetas until 2006, when it turned on them and began supporting the Sinaloa cartel.

With the arrest of Gulf cartel leader Osiel Cardenas in March 2003, the relationship between the cartel and Los Zetas changed. The latter began to act more as an equal partner than a subordinate, informing the Gulf cartel of its activities on an ad hoc and voluntary basis. However, a full-blown rift did not occur until January 2007, when Cardenas was extradited to the United States. From that point onward, the interests of the Gulf cartel and the Zetas diverged fundamentally, with the latter growing more powerful at the expense of the former.

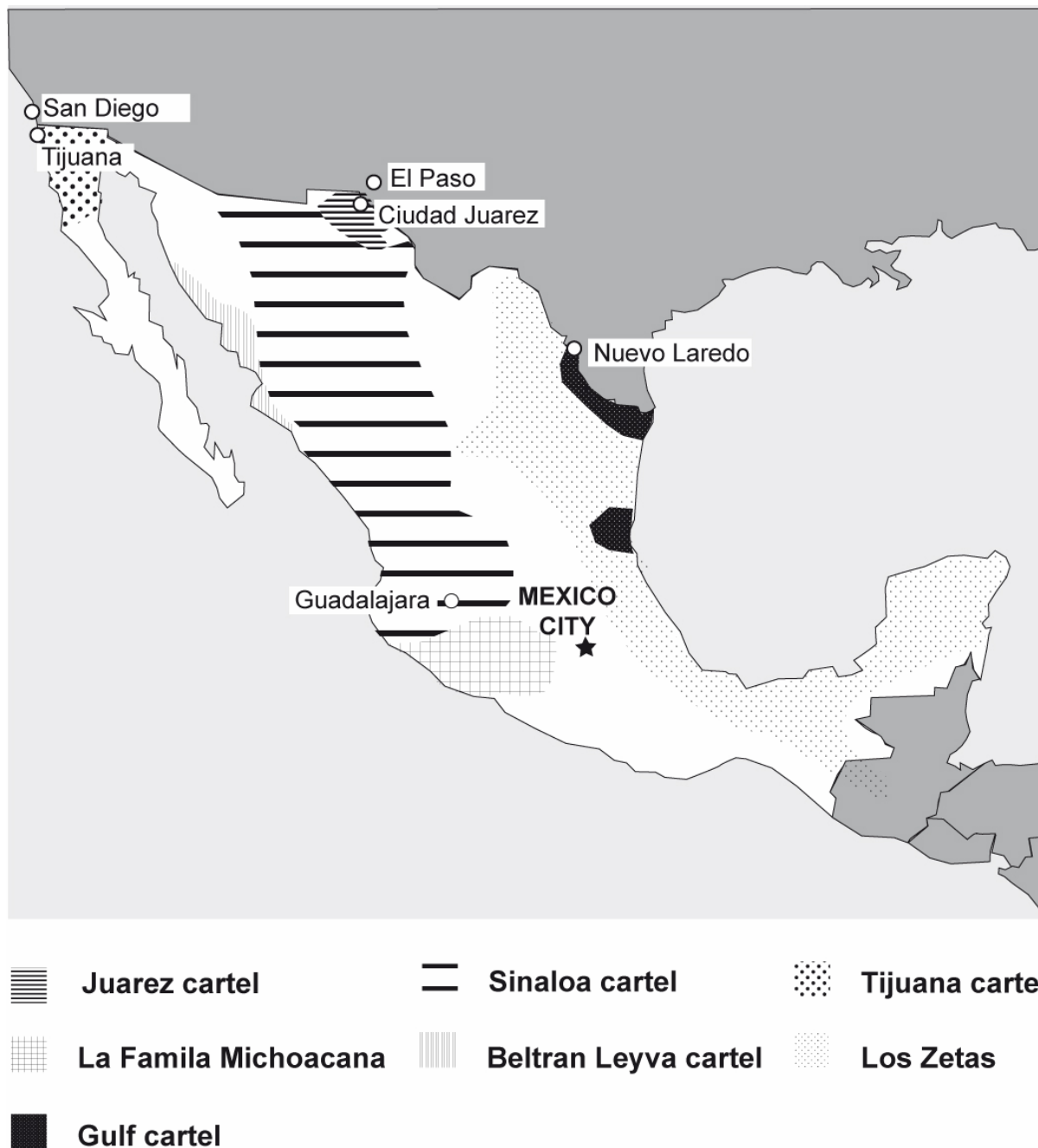
The power shift occurred partly because the Sinaloa cartel had used Cardenas' 2003 arrest as an opportunity to encroach on the Gulf cartel's turf in Tamaulipas and Nuevo Leon. Sinaloa traffickers particularly focused on seizing control of the city of Nuevo Laredo, Mexico's biggest inland port and one of the top three plazas in the country, alongside Tijuana and Ciudad Juarez. Nuevo Laredo was also where Los Zetas was headquartered. The resulting war between Sinaloa and its paramilitaries on the one hand, and the fragile Gulf-Zeta alliance on the other, prompted President Felipe Calderon to focus on destroying the Zetas when he assumed office in December 2006.

### **Narco-violence during the Calderon era**

By late 2006, the most powerful drug trafficking organization in Mexico was the Gulf cartel, owing to the strength of its paramilitary arm, Los Zetas. The Sinaloa cartel, which handled the biggest portion of the country's drug trade (45%, according to one estimate), was challenging the Gulf-Zeta combine in the eastern half of the country, and itself being challenged by their proxies in the western half. Calderon's first step was to launch an offensive against the Gulf-Zetas, since they tended to be more violent than the Sinaloa cartel. Ironically, his offensive contributed to helping the Zetas break free of the Gulf cartel.

When the army was sent to Tamaulipas in early 2007, the Zetas had already assumed a higher profile in the Mexican drug industry vis-à-vis their Gulf cartel paymasters, as a result of facing off the Sinaloa cartel. The army's counternarcotics drive now further strengthened them, because it disrupted the command and control system of the Gulf cartel. The Zetas' own internal structure rapidly adapted to the crackdown by switching from a localized and hierarchical format to a dispersed and networked one that allowed operatives to remain anonymous. With the Gulf cartel being weakened, the Zetas were able to appropriate the infrastructure previously operated by their erstwhile patron. In effect, counternarcotics operations had created an opportunity for the agent to backstab the principal.

The Sinaloa cartel meanwhile organized its remaining allies, the Juarez cartel and another group of traffickers known as the *Beltran-Leyva* cartel, into an alliance called the Sinaloa Federation. This alliance lasted until late 2007, when the Juarez cartel acrimoniously broke away over an unpaid debt. Subsequent street battles between Sinaloa and Juarez paramilitaries made Ciudad Juarez the most dangerous city worldwide. Over the next few months, relations also soured between the Beltran-Leyva and Sinaloa cartels. In May 2008, the former defected to form an alliance with their former opponents, Los Zetas.



**Figure 1: Cartel territories in Mexico, 2010. Copyright: Center for Security Studies**

In effect, narco-violence since 2006 has seen fleeting alliances between drug trafficking organizations that almost inevitably, collapse into turf warfare. The main challenger in this situation is the Sinaloa cartel, since it seeks control of border crossings that mostly lie within the territory of its rivals. Los Zetas meanwhile, poses a new and qualitatively different threat not just to other traffickers, but to Mexican society in general. Its operatives have shown marked indifference to collateral damage caused by their operations. In August 2010, the group massacred 72 migrants in Tamaulipas just to reinforce its credentials as an independent trafficking organization not to be trifled with. Street battles between the Gulf cartel and its former subsidiary are now a frequent occurrence in eastern Mexico.

The Zetas have formed an anti-Sinaloa alliance with the Juarez cartel, which partially explains the extremely high murder rate in Ciudad Juarez since 2008. Also members of this alliance

are the Beltran-Leyva cartel and the greatly-weakened Tijuana cartel.<sup>18</sup> The latter has itself split into two factions - while the traditional leadership are allied with Los Zetas, a 'dissident' faction has aligned itself with the Sinaloa cartel. For its part, in early 2010 the Sinaloa cartel forged a countervailing alliance, consisting of its erstwhile enemies; the Gulf cartel and La Familia Michoacana.<sup>19</sup> The primary target of this self-styled '*New Federation*' is Los Zetas, whose growing power is causing concern among those whom it has fallen out with.

### **A Sinaloa-led offensive against Los Zetas?**

There is a possibility that the Sinaloa cartel might now be doing what the Juarez cartel did in the 1990s i.e., manipulating law enforcement efforts to its own benefit.<sup>20</sup> Anecdotal evidence suggests that some army commanders posted along the US-Mexico border have been bribed by the Sinaloa cartel to target its adversaries. On at least one occasion, gunmen wearing army uniforms carried out synchronized executions of Juarez cartel operatives in Chihuahua province. Whether these were soldiers moonlighting for the Sinaloa cartel, or Sinaloa assassins in disguise, remains unclear.<sup>21</sup>

Some analysts argue that the Calderon government is weakening rivals of the Sinaloa cartel, thereby consolidating the latter's already strong hold over the drug industry. A study conducted in Ciudad Juarez found that out of a sample of 104 traffickers arrested, 88 were from the Juarez cartel and just 16 from Sinaloa.<sup>22</sup> Another survey found that of 53,174 arrests made between December 2006 and January 2010, only 941 (1.7%) were of Sinaloa cartel members.<sup>23</sup> The government claims differently, arguing that it made 72,000 arrests over the same timeframe, of which 24% were of Gulf cartel operatives and 27% from the Sinaloa and Beltran-Leyva cartels combined. President Calderon has angrily denied allegations that his government has not targeted the Sinaloa cartel, pointing instead to several top Sinaloa leaders killed or arrested during 2009-10.<sup>24</sup>

There is no doubt that the Sinaloa cartel has suffered severe losses at the hands of Mexican security forces lately. Previous inaction against the cartel might have stemmed from its innate cohesiveness and the resistance that this poses to penetration by the government's intelligence services.<sup>25</sup> Being based in an impoverished, drug-growing province (Sinaloa), the cartel has made some effort to cultivate a social base among the local peasantry, through the provision of public amenities and services. However, even after allowing for the difficulties that this would pose to counternarcotics operations, suspicions remain that the government secretly hopes to break up the other cartels and then conclude a peace deal with Sinaloa traffickers.

### **Limitations of interdiction**

Without prejudging the Mexican government's counternarcotics offensive, it might be useful to analyze the results achieved thus far. Narco-violence in Mexico is currently a three-way war between the Sinaloa cartel and its allies, Los Zetas and its allies, and the Mexican security forces. No single bloc currently appears to be in a dominant position, hence the temptation to forge tactical alliances and balance out imminent threats is strong. While the cartels are fixated on destroying each other, the government's priority is to reduce violence levels.

Here, the record of counternarcotics operations has been disappointing. Improved surveillance along the US-Mexico border has caused drug trafficking organizations to raise funds through other forms of criminal activity, which directly impact the public. Foremost among these are kidnapping and extortion. Official estimates hold that 65 persons are abducted for ransom every month in Mexico. Given that many victims' families do not report the crime for fear

that corrupt policemen would inform the kidnappers and endanger the victims' lives, the actual rate might be 500 per month. With only around 12.5% of kidnappings believed to target wealthy families, ordinary Mexicans are starting to wonder if the social cost of preventing drugs from entering the United States is worth it.<sup>26</sup>

President Calderon has justified his counternarcotics offensive by arguing that drugs are not just a problem for the US, but also for Mexico. While this is true, a literal reading of the statement would be slightly misleading. At 0.4% of the population, Mexico does not have a particularly high drug consumption rate for a middle-income country.<sup>27</sup> Moreover, a sizeable portion of the profit made by drug cartels is pumped back into the legitimate economy through front companies in the construction and hospitality industries. Mexican policymakers are therefore, reluctant to go after politicians involved with drug cartels for fear that such a step would destabilize the economy by triggering capital flight.<sup>28</sup>

Despite the courageous and determined efforts of President Calderon, there remain powerful stakeholders in the drug industry even at present. In mid-term elections held in 2009, the opposition Institutional Revolutionary Party (Spanish initials: PRI) made substantial gains at the expense of Calderon's National Action Party. The PRI is more inclined to reach an accommodation with the cartels, if that would suffice to bring down violence levels.<sup>29</sup> With Mexican voters growing frustrated by the worsening security climate that has accompanied inter-cartel warfare, its candidates have received strong popular support.

### **From sequential to synchronized operations**

The Calderon government therefore, needs to assess whether simultaneously targeting the two main pillars of the drug industry, the Sinaloa cartel and Los Zetas, would lead to a reduction in narco-violence. So far a lop-sided counternarcotics policy of reactively pursuing and neutralizing the most violent trafficking groups has only facilitated power shifts among the cartels. Thus, the Zetas have been in the ascendant one day, and the Sinaloa cartel the next. Such power shifts have been the norm since 1985, with state intervention against one drug cartel creating opportunities for others to usurp its infrastructure.

Sequential counternarcotics operations, where one group of traffickers is isolated and eliminated after another, do not seem to work in Mexico. Unlike in Colombia during the 1990s, when the government played off the Cali cartel against the more violent Medellin cartel, divide-and-conquer tactics appear unsuited to the Mexican drug industry.<sup>30</sup> Since 1988-89, when the monolithic Guadalajara cartel was broken up, the industry has grown too decentralized for all the traffickers to be blindsided at once. While the Cali cartel could be destroyed by Colombian security forces once its usefulness had ended, neither Los Zetas nor the Sinaloa cartel shall be caught off-guard if a similar ploy is tried with them.

Accordingly, the Mexican government needs to develop intelligence assets for a synchronized offensive against both, the Sinaloa cartel and Los Zetas. With these organizations currently dominating their respective power blocs, there is every chance that they will soon start to encroach on the territory of their weaker allies. In the case of Los Zetas, this would mean a takeover attempt of plazas and smuggling routes operated by the Juarez and Beltran Leyva cartels. In the case of the Sinaloa cartel, it would mean a takeover of territories that have thus far been controlled by the Gulf cartel and La Familia Michoacana.

Mexican intelligence agencies should therefore give priority to detecting signs of discord among Zeta and Sinaloa allies in the months ahead. There is a strong possibility that these



weaker trafficking organizations might become amenable to helping the state eliminate top Sinaloa and Zeta leaders, purely out of self-interest. By anticipating the prospects of yet another principal-agent problem emerging within the drug industry, the Mexican government can pre-empt further escalations of narco-violence instead of just responding to them.

### **US-Mexico information-sharing**

At present, the trend in Mexico is ominous for US counternarcotics policy. For decades, Mexicans have seen drugs as a problem that concerns only their wealthy northern neighbor. Only since the mid 1990s have Mexican policymakers been inclined to take an active stand against drug trafficking. No president has done more in this regard than Felipe Calderon. However, if his party experiences a drubbing in the 2012 presidential election, a slowdown in counternarcotics cooperation with the United States is quite likely.

The question thus remains: what role can the United States play in helping the Calderon government stabilize the situation. Under the 1.4 billion dollar Merida Initiative, Washington has already committed to strengthening the operational capacity of Mexican security forces through equipment transfers and training. Although these measures shall certainly help boost drug interdiction rates in the long term, they do not seem to address the more pressing short-term issue of lowering violence levels in inter-cartel wars.

For the latter problem, one solution might lie in joint US-Mexican analysis of data relating to rivalries within the drug industry. Intelligence fusion centers, similar to those set up in the US homeland after 9/11, could be established along the border to map out loyalty shifts within cartel alliances in real-time. Such information-sharing would allow Mexican authorities to exploit rifts between cartels and thereby generate operational-grade intelligence. It would also likely help in strategic penetration of cartel infrastructures.

Although US officials would have legitimate concerns about sensitive information being leaked to traffickers, as has happened in the past, the advantages of developing a common intelligence strategy would still outweigh the disadvantages. American counternarcotics officials for instance, would remain fully informed about the timing and scope of Mexican sweeps against the cartels, thus being able to coordinate parallel operations on US territory.

For such synchronicity to be fostered, upgradation of intelligence liaison at the local level will be far more useful than bilateral treaties and technical assistance at the national level. A very high level of granularity in intelligence coverage is required to track the evolution of a principal-agent problem. Such phenomena typically tend to be much easier to conceptualize than to monitor, but the unending spiral of narco-violence in Mexico requires that the difficulties be surmounted. Otherwise, if pursued beyond a point, the present fire-fighting approach of the Mexican government might impose intolerable demands upon the polity, which could rebound to the detriment of counternarcotics efforts.

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