Special Report: The Evolution of Mexico’s Drug Cartels
Key Observations

> Latin American drug trafficking has experienced four decades of unremitting growth with criminal organisations evolving and adapting despite significant attrition of key leadership.
> Since 2006, the Mexican government has been aggressively targeting the drug trafficking trade and its supply routes throughout the country.
> Paradoxically, this has worsened the security situation as preeminent cartels have atomized into smaller, less centralized groups that have spent the last decade rapidly growing their operations in the absence of effective local security.
> The Gulf and Sinaloa cartel, in particular, witnessed major fragmentation through 2010-2012, resulting in internal divisions and newfound alliances between subgroups seeking to expand across geography to build relationships with groups in opposing territory.
> Despite government attempts to control drug trafficking, over 90 percent of the cocaine trade (estimated to total as much as $30 billion USD annually, and employing roughly half a million people) still travels through Mexico to reach the US.
> In turn, drug trafficking has incurred costs on local economies due to the consequences of violence and corruption as well as forced migration of families and businesses out of drug trafficking states.
> Meanwhile, there has been a 20 percent growth in kidnappings across Mexico, according to the country’s statistics agency, INEGI. Other crimes such as robberies, extortion, human smuggling and contraband have also risen sharply.
> Mexico continuously ranks as Unity’s regional kidnap hotspot and was listed as the global hotspot for the last three consecutive quarters.
> Foreign kidnap victims are primarily migrants, regional businesspeople and tourists, although Mexicans – especially wealthy professionals and their dependants – make up the bulk of the country’s kidnapping figures.
> The social conditions that beset Mexico’s high levels of violence and the impunity with which criminals operate, including weak institutions, public corruption, political and security failures, and economic disparity are unlikely to change in the medium to long term.
> The ongoing devolution of criminal gangs diminishes the ability of local security forces to disrupt their operations, leading to a prevailing security risk in Unity’s extreme risk areas including the State of Mexico, Tamaulipas and Guerrero.
Since the second half of the 20th Century the demand for drugs has grown exponentially, especially in the US, the world’s primary cocaine consumer. Correspondingly, the drug trafficking trade mushroomed in Mexico with cartels organising themselves as flexible and agile businesses dedicated to the international transport of drugs.

An alliance was formed between Mexican traffickers and Colombian cartels in 1984, which opened up Colombian smuggling routes to the American south-west. Since then, Mexico has constituted the region’s principal corridor for transporting drugs into the US, with cartel networks seemingly enmeshing the country’s political and social structures to undermine rule of law and prevent stability. Alongside this development came unfettered levels of violence, corruption, erosion of the rule of law, impunity and human rights violations that plague Mexico to date.

All of Mexico’s drug trafficking organisations operating today are essentially a spin-off of two ‘original’ cartels. The Gulf Cartel, formed in the 1970s and based in Tamaulipas’ Matamoros, and the Guadalajara Cartel, formed in the 1980s and split into three groups in the 1990s: the Sinaloa Cartel, the Juarez Cartel and the Tijuana Cartel. Over the years, these four major drug trafficking organisations have at times formed alliances, and at other times fought violently over regional control. Cartel infighting has led to the development of further splinter groups, and in addition to the above four mentioned, another five large organisations emerged over the past decade: Los Zetas, La Familia Michoacana and the Knights Templar are outgrowths of the Gulf Cartel, while the Jalisco New Generation Cartel (CJNG) and the Beltran Leyva Organisation (BLO) branched out from the Sinaloa Cartel. Hence, we can speak of nine major cartels currently operating in the Mexican underworld. In the 1990s, drug cartels operated in about ten of Mexico’s 31 states, and they sought absolute control of key border regions, especially Tijuana, an important smuggling route. Today, the nine major cartels operate in 25 states according to Mexico’s Attorney General’s Office (PGR), and disputes are not solely over territory, but also about establishing monopolies over local criminal activity in their spheres of influence.
The Sinaloa Cartel and the CJNG are two cartels that have experienced an undiminished proliferation, according to the PGR, while the other seven have seen a reduction in territorial influence and control. Nevertheless, all nine groups remain strong, while smaller gangs such as the Guerreros Unidos and Los Rojos in Guerrero have emerged and are also battling for space in Mexico’s criminal milieu.

Before 2000, Mexico’s cartels primarily focused on the external drug market, but with the turn of the century these groups began looking inwards, exploiting the local communities to finance their future operations.

Demarcation lines were drawn between conflicting cartel camps and narco leaders grew increasingly paranoid of their counterparts and confederates alike, which led to a highly weaponised environment whereby drug trafficking took on the character and form of a quasi-military operation.

The result was the setting-up of so-called enforcers. The Gulf Cartel recruited Los Zetas, Sinaloa enlisted Gente Nueva, the Juraez Cartel allied with La Linea and the BLO with the Negro and Pelones.

All the groups possessed the advantage of operating in mostly ungoverned areas where their networks flourished in the absence of security. While in the mid-noughties, those were the only enforcers, today the PGR estimates that nearly 60 such enforcing groups exist, extorting and terrorising Mexican citizens.

Hitmen (so-called sicarios), the narco-paramilitaries and corrupt security forces are paid to take out rivals and collect extortion money. The international trafficking operations are overseen by the higher echelons of the cartels, and the ground work is outsourced to local partners. Those range from criminal gangs and corrupted law enforcement officers to a network of ground transporters and prison gangs handling distribution.

The Sinaloa Cartel, for example, is better understood as a parent company with hundreds of subsidiaries and service providers, local gangs and specialists, including corrupt security forces that operate globally.

Drug trafficking routes across Mexico (Source: STRATFOR)
The Mexican government’s relative inertia towards cartel brutality changed in late 2006 when the newly elected President Felipe Calderon sent 7,000 soldiers to Michoacán to end the area’s drug violence. The offensive was followed by an aggressive military campaign supported by the US after the Mexican authorities agreed to closer cooperation on the drugs war in return for intelligence and funding.

The basis of the military offensive was to disrupt the drug operations and capture or kill cartel kingpins. By 2008, the government had made progress against the two preeminent cartels, the Gulf and Sinaloa cartels, but it came with unintended consequences. By decapitating the leadership, the government inadvertently created a power vacuum that many mid-ranking members sought to fill with the formation of new organisations.

Instead of establishing law and order, the government’s strategy actually produced around 60 to 80 new gangs, according to a PGR estimate. The fragmentation of the once integrated and hierarchical criminal structures not only meant that new gang rivalries emerged, but that they had to find ways to make money via other criminal enterprises rather than solely relying on drug trafficking. With extreme violence they consolidated power while diversifying revenue streams through kidnapping, extortion, human trafficking and internal taxation of the local community. Hence, the plethora of small, unstable and highly violent criminal gangs came to affect the life and property of ordinary citizens a lot more directly than the smuggling of drugs.

As a result of the shifting dynamics in Mexico’s criminal landscape, levels of violence increased nationwide. Government figures show that homicides spiked at 120,000 over Calderon’s six year term, which is double that of former President Vicente Fox.

Under current President Enrique Peña Nieto, homicide rates remain high. For 2015, the Interior Ministry reported 17,013 murders, the fifth-highest number recorded in nearly 20 years. This represents a nine percent increase over 2014, which is the first time the country’s murder rates have risen in four years.
It is to no surprise that the Mexican states witnessing the most fragmentation of organised crime groups permanently count the highest kidnapping numbers: Tamaulipas, Guerrero, Veracruz, the State of Mexico and Michoacán. Similarly, extortion is most prevalent in areas where competing gangs seek to stamp their authority on society, such as Jalisco and Veracruz, often as a result of lost income from declining revenues of drug trafficking.

Official data put the 2015 kidnapping figures at just over 1,500, whereas the NGO Alto Al Secuestro suggests the number to be over 2,500. Meanwhile, a Mexican statistics agency estimates that only one in every hundred abductions is reported, which would make the actual annual kidnapping figure closer to 140,000. Due to the widespread corruption of police forces and public officials, Mexicans are afraid of retaliation and often do not report missing persons. This coupled with statistics’ manipulation by state authorities means reliable kidnapping numbers are impossible to come by.

Extortion is even harder to quantify than kidnappings. While official extortion figures for 2015 are just over 5,000, Mexico’s National Citizen Observatory estimates the number of annual extortion cases stands at nearly 6 million.

Kidnapping: At a Glance

> Hotspots: Tamaulipas, Guerrero, Veracruz, and State of Mexico.
> Targets: 96 percent Mexican victims: Owners and managers of well-known businesses, members of wealthy families, as well as political figures and journalists.
> Tactics: Most victims are snatched outside their homes or close to their workplace. Kidnapping groups will identify their victims through social media and then tracking their travel several days before perpetrating an attack.
> Captivity: Between one to ten days, rarely exceeding one month. Cartels are not afraid to kill a victim if a ransom is not forthcoming.
> Ransoms: A few thousand to the mid-tens of thousands of USD for local victims, and up to mid-hundreds of thousands USD for foreign nationals and wealthy businesspeople.

Jalisco New Generation Cartel

With a presence in ten states, the Jalisco New Generation Cartel’s (CJNG) home turf is western Jalisco where it shares territory with the Sinaloa Cartel. It has tripled in size and presence since its emergence in 2011, taking over areas previously controlled by the Knights Templar and Los Zetas. Despite the capture of top leaders, the CJNG continues to grow and is the most resourced cartel in Mexico. The CJNG has demonstrated an ability to generate revenue through the drug trade with contacts in Colombia, Peru, Bolivia and the US. CJNG’s assets are thought to be worth over $20 billion USD, and the group possesses highly sophisticated weaponry. In May 2015 they notoriously shot down a Mexican military helicopter in Jalisco.
Kidnapping and Extortion (cont.)

Tijuana Cartel

Formed in the 1980s with a base in Baja California and a presence in 15 states. The cartel primarily exports drugs from Tijuana and is involved in US street-level trafficking. With all of the founding Arellano Felix brothers arrested or killed, the cartel suffers internal splits while the Sinaloa Cartel has made inroads into Baja California. The group is also involved in kidnapping, human trafficking and extortion, and it charges ‘piso’ (toll) for drug shipments through its areas.

Beltran Leyva Organisation

Emerged in 2008 after the Beltran Leyva brothers split from the Sinaloa Cartel. Formed in Sinaloa, the group operated in ten other states but has been weakened by arrests and deaths of all of the founding brothers. An alliance with Los Zetas and local gangs have helped the BLO stay afloat.

According to INEGI, Mexico’s National Institute for Statistics and Geography, extortion is the country’s second most frequent crime following robberies and assaults. The institute’s conservative estimate thinks the annual economic losses from extortion are just over $1 billion USD.

Unity’s kidnapping statistics show that dependants of high value targets are among the most affected local demographic in Mexico. They are followed by businesspeople, wealthy professionals, as well as members of the security forces.

Large cartels tend to target wealthier individuals while less organised criminals focus on middle and even low income victims, including children.

Foreign kidnap victims in Mexico are primarily Central American migrants en route to the US, regional business travellers and tourists. While Unity recorded the vast majority of foreign kidnap victims being rescued, a large number of reported local victims were killed. This demonstrates the violent nature of Mexico’s kidnapping gangs who have tortured and killed their victims if a ransom is not paid.

Map of Kidnap Victims in Mexico since Jan 2015 (Unity statistics)

Special Report: The Evolution of Mexico’s Drug Cartels / May 2016
Conclusion and Outlook

Knights Templar
Emerged in 2011 in Michoacán and proving even more aggressive than LFM. Engaged in drug trafficking, while extortion provides the majority of the group's income. In 2013 El Economista estimated the group earns $152 million USD annually from extorting Michoacán’s avocado industry alone.

Los Zetas
Formed as the Gulf Cartel’s enforcers in the late 1990s, Los Zetas are notorious for their violence and rely more on terror than corruption to finance their enterprise. They control a myriad of drug trafficking routes along the Gulf of Mexico while also running protection rackets, extortion and kidnapping activities. With most leaders arrested or killed, they now rely more on localised crime than on international trafficking for income.

Mexico’s war on drugs is widely recognised as being misguided and has only served to create greater volatility in the balance of power among drug trafficking organisations. This fragmentation brought about a disparate array of criminals groups which are something more than local gangs and something less than cartels. They are diversified and interested in exploiting Mexico’s local economies, not just in supplying drugs to foreign consumers.

Despite a concerted security effort to reduce the extortion and kidnapping activities of these groups, corruption in the judiciary and a failure to prosecute criminals has allowed the problem to persist.

What is needed is a strategy to strengthen the country’s federal institutions, including building strong local police forces and capable independent state prosecutors.

However, without a dedicated budget and political will those shortcomings and the country’s culture of corruption will not be adequately addressed. As long as police wages fall below the average salary of public sector employees, corruption will be here to stay.

Weak and underfunded institutions as well as economic disparity remain major obstacles, and as a result the country’s security situation is unlikely to improve in the medium to long term.