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FEATURED Q&A

How Are Mexico's Drug Trafficking Organizations Changing?

Q A new report from the Mexican government estimates that there are as many as 80 small- and medium-sized drug cartels in operation. In the previous report, the administration of then-President Felipe Calderón said eight large cartels were at work in Mexico, though it added that at least one of them had splintered into smaller factions. How are the size, make-up and landscape of drug cartels changing? Are different populations, sectors or businesses likely to be affected by the violence in 2013? Are Peña Nieto's planned European-style gendarmeries likely to succeed in reducing violence and other crimes?

A Marcelo Bergman, professor at the Universidad Nacional Tres de Febrero in Argentina and the Centro de Investigación y Docencia (CIDE) in Mexico: "The spread of violence in Mexico has more to do with syndicates and groups fighting one another than with the direct intervention of security forces. We still do not know exactly who is fighting who and why, but groups are most likely battling for rents produced by growing markets of illicit activities. Cartels are not cohesive, disciplined enterprises with thousands of employees, but loosely connected gangs hired by powerful bosses for 'special assignments.' Smaller subcontracted organizations are autonomous from large DTOs and are naturally inclined to engage in violent acts such as extortion and kidnapping. The question the new administration needs to ask is why this 'market' for violence has grown. Large cartels make huge gains trafficking drugs to the United States. Smaller syndicates profit from selling protection, dealing drugs in the domestic market, trafficking in people and trading illegal goods. These organizations have proliferated over the last eight to 10 years mainly because the regional political patronage, local police and justice system have completely collapsed in several states, and consequently law enforcement and

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Chávez Fighting Severe Lung Infection: Officials

Venezuelan President Hugo Chávez is fighting a severe lung infection following his latest cancer surgery, officials said Thursday night. It appears increasingly unlikely that Chávez will be well enough to be sworn in for his new term next Thursday. See story on page 2.

File Photo: Venezuelan Government.

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NEWS BRIEFS

Southern Copper Workers in Peru Threaten Strike

Southern Copper's main units in Peru could be facing a strike later this month if talks with union members break down, Reuters reported Thursday. Union leader Ricardo Juárez said workers could strike after Jan. 15 if the two sides do not progress in the negotiations. Workers want a 15 percent wage increase and better health benefits and safety conditions, said Juárez. The company has offered to boost salaries no more than 5.5 percent, he added.

Chile's Public Spending Rises by 5 Percent

Chile's government spending increased last year by 5 percent, Finance Minister Felipe Larraín announced Thursday, Reuters reported. The level of public spending hit the government's target and was below the country's estimated 5.5 percent growth rate for the year. Public spending and economic growth are expected to grow 4.8 percent this year.

Tax Breaks, Falling Interest Rates Fuel Record Car Sales in Brazil

Sales of cars and light trucks in Brazil reached 3.63 million vehicles in 2012, an increase of 6.1 percent from the year prior and a new record, the Brazilian Motor Vehicle Dealers Association, or Fenabrave, said Thursday, Dow Jones reported. Tax breaks and falling interest rates contributed to the robust sales, which are likely to continue in 2013. Last year, the government removed excise taxes on the majority of motor vehicles and the central bank has reduced the interest rate to 7.25 percent. Fenabrave estimate that sales of cars and light trucks will rise 3 percent in 2013.

Political News

Venezuela's Chávez Fighting Severe Lung Infection

Venezuelan President Hugo Chávez is fighting a severe lung infection as he struggles to recover after his fourth cancer surgery, government officials said Thursday night, the Associated Press reported. "Chávez has faced complications as a result of a severe respiratory infection. This infection has led to respiratory deficiency that requires Commander Chávez to remain in strict compliance with his medical treatment," Information Minister Ernesto Villegas said in a televised statement. The 58-year-old president has not been seen or heard from since his Dec. 11 surgery in Cuba. The government has not addressed speculation that Chávez may be breathing with the assistance of a machine, but the latest reports on his health appear to make it increasingly unlikely that he will be unable to take the oath of office next Thursday to begin his new term. Chávez's political opponents have demanded the government release more details about the ailing leader's heath and have said that the government should hold a special election to replace Chávez within 30 days if he is not inaugurated as scheduled. The country's constitution calls for a special election within that time frame if a president dies or is unable to continue in office. Dr. Michael Pishvaian, an oncologist at Georgetown University's Lombardi Cancer Center in Washington, who is not involved in Chávez's treatment, told the AP that such respiratory infections can range from "a mild infection requiring antibiotics and supplemental oxygen to life threatening respiratory complications." He added, "it could be a very ominous sign." In addition to his three previous surgeries for an undisclosed form of cancer, Chávez has undergone chemotherapy and radiation treatment.

Villegas

File Photo: Venezuelan Government.

Several officials, including Vice President Nicolás Maduro, National Assembly President Diosdado Cabello, Attorney General Cilia Flores and Oil Minister Rafael Ramírez visited Chávez this week in Cuba. Chávez's older brother Adán, who is the governor of Barinas state, and Science Minister Jorge Arreaza, Chávez's brother-in-law, also visited this week.

Ecuadorean President Taking Leave of Absence Ahead of Election

Ecuadorean President Rafael Correa is taking a leave of absence ahead of the country's Feb. 17 presidential election in which he is seeking an unprecedented third term. The South American country's Congress overwhelmingly approved the leave, which begins Jan. 15, the Associated Press reported. Correa will temporarily hand the reins of power to his vice president, Lenín Moreno. Correa said the move will allow him to avoid suspicion that he is improperly using his presidential powers to benefit his campaign. "I don't have to do it, but I prefer to avoid any suspicion," he told lawmakers.

Correa will temporarily hand the reins of power to his vice president, Lenín Moreno.

However, analysts and Correa's political opponents told the AP that Correa will remain in charge of the government and will still benefit from state resources. The leave "doesn't change a thing," Diana Atamaint, an opposition lawmaker, told the wire service. "The official publicity will continue. Correa can use state resources and there will be no balance

Correction

The affiliation of commentator Donald J. Planty was listed incorrectly in Wednesday's Advisor. *He is president of Planty & Associates in Washington and a former U.S. ambassador to Guatemala.*

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with respect to other political parties," she said. Ecuadorean political scientist Jorge León told the AP that Correa will remain president even if Moreno is granted nominal powers. "He can use his security forces, transportation and other state resources because he remains in his role, and all the government infrastructure still holds," he said. "A leave gives him more freedom of movement, because he can dedicate all his time to being a candidate, show that he can win without being in the presidency and support his political party. This is an advantage." In the 20th century, Ecuador limited presidents to one term. However, lawmakers changed the constitution in 2008 to allow for re-election, benefitting Correa.

Company News

Mazda Increasing Capacity of Planned Mexico Factory

Japanese automaker **Mazda** is increasing the capacity of the factory it is building in Mexico by 21 percent, Bloomberg News reported today. The plant in Salamanca, which is scheduled to open in 2014, will be able to produce 230,000 vehicles annually by March 2016, Mazda said in a statement. The factory will manufacture the Mazda2 and Mazda3 small cars as well as 50,000 vehicles that it is contracted to produce annually for **Toyota Motor Corp.** "This production capacity increase is an important part of Mazda's drive to strengthen its overseas production base as laid out in our medium- to long-term plan," Mazda's chief executive officer, Takashi Yamanouchi, said in a statement. Currently, Mazda exports from Japan all of the cars it sells in the United States.

The plant will be able to produce 230,000 vehicles annually by March 2016.

Featured Q&A

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deterrence couldn't be exerted. The Peña Nieto administration will probably target the smaller rackets that have terrorized the population and silently leave larger organizations to continue the drug trade into the United States. The new gendarmerie aims to develop better policing for regions in dire need. Rebuilding state capacities at the local level remains the most daunting challenge for providing security. The new government has prioritized the reduction of violence precisely by targeting those small organizations. It remains to be seen whether they can effectively deliver on their promises."

Eric L. Olson, deputy director of the Latin America Program at the Woodrow Wilson Center: "There is much we don't know about Mexico's criminal organizations. For instance, they are most likely not cartels that control supply or price in a marketplace; they are generally not vertically integrated enterprises and they are not limited to trafficking in illegal drugs. More likely, there exist a series of overlapping criminal networks that at times work together and at other times engage in specialized criminal activities like auto theft, extortion and kidnapping. Some criminal networks are transnational, others local or sub-regional. If cocaine smuggling is the most lucrative criminal enterprise, then the cocaine smugglers are at the top of the pyramid, but their control of other criminal activity may vary by group and geographic location. Their number and size is constantly changing based on demand, shifting alliances and in response to law enforcement actions. The Calderón strategy of focusing primarily on high-value targets contributed to groups splintering and alliances between criminal groups unraveling, but also resulted in more violence and a greater number, if less powerful, of criminal groups. While a strategy to reduce criminal violence merits exploration, it is unlikely that the proposed gendarmerie alone will accomplish this goal without simultaneous investments in improving prosecutions, reforming the prison system and economic and social investments in high violence areas. The new force can make an important contribution if, as proposed, it helps restore security in areas where criminal groups have successfully undermined state authority, but it must be part of a focused and integrated strategy that is publically accountable."

Steven Dudley, co-director of InSight Crime: "The dominant paradigm in talking about drug trafficking has been to refer to the larger brand names as 'cartels.' But as the comments of Mexico's new attorney general make clear, this is simply an outdated way of describing them. Those that move illegal drugs on an international level work more as federations or franchises, if you prefer business terminology, than they do cartels. They have operatives that stretch up and down the distribution chain. They contract most of these operatives who have varying degrees of loyalty to the bosses. These contractors often have other businesses that include local drug distribution, extortion, contraband and theft. Rising drug consumption along the distribution chain is changing the economic calculus for these contractors, many of whom can feed their criminal organizations from local profits alone, thus changing the dynamic in places like Mexico where numerous smaller organizations fight for the proverbial street corner."

Douglas Farah, senior fellow at the International Assessment and Strategy Center: "Among the most significant changes we are likely to see in Mexican drug trafficking organizations (DTOs) this year is the spread of their influence and expansion of their centers of power in Central America and further south. This will increase their political influence and corruption, particularly among the weak law enforcement and judicial institutions on a regional

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Featured Q&A

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level. Like water running downhill, Mexican DTOs will take the path of least resistance to move their illicit products and profits derived from the sale of those products. As the resources applied to Plan Mérida have a more significant impact, making it at least marginally more difficult to operate and move and hide money, Mexican DTOs are already increasingly turning to the dollarized banks of El Salvador, Panama and Ecuador for their economic activities. If pressure is maintained, the cartels will increasingly turn to taking over legitimate businesses and land further afield, and exercising political influence in new spheres. The Mexican DTOs currently rely on a network of 'transportistas' in Central America to move their products, from cocaine to humans, weapons and bulk cash. Several of the most important transportista groups use branches of the violent MS-13 (Mara Salvatrucha) gangs for muscle and territorial control. As the Mexican organizations fragment and seek access to more territory, MS-13 is likely to play a greater role, reap economic benefits and increase its political clout, already enhanced in El Salvador by the successful truce negotiations with the government. Given that MS-13 has more than 50,000 members in El Salvador, Honduras and Guatemala, the strengthening of these groups and their ties to Mexican DTOs will be a significant and perhaps insurmountable challenge for the countries and their allies."

> "Like water running downhill, Mexican DTOs will take the path of least resistance to move their illicit products and profits derived from the sale of those products."
>
> ***— Douglas Farah***

Raúl Benítez Manaut, researcher at the Center for Interdisciplinary Research in Science and Humanities at the National Autonomous University of Mexico (UNAM): "Enrique Peña Nieto's security policy is characterized by a combination of continuity and expectations of change. Two ministries—the Secretariat of National Defense (SEDENA), which is responsible for the deployment of the army and air force, and the navy (SEMAR)—have orders to continue the same military policies. Thus, the strategy to capture the major cartel lords will continue, and U.S. support will remain unchanged. Where things have changed radically is the structure of the police. The Interior Ministry will be strengthened to incorporate the federal police, while the Public Security Ministry will disappear. This super-secretariat, created in 2000 under Vicente Fox, received large increases in its budget under Felipe Calderón and its head, Genaro García Luna, became one of the most power men in Calderón's government. Peña Nieto has talked about creating a national gendarmerie, following the French model, to monitor the borders, strategic highways and the cities that are the main centers for narcotrafficking in order to regain 'territorial control.' It is also thought that it will reform the more than 2,000 municipal police forces and 32 state police forces through coordination and control of staff. Peña Nieto's real challenge is to fight against the main cause of the insecurity situation: the corruption of the police. Yet with all these reforms, it isn't clear if the government's objective—reducing killings, kidnappings and extortion—can be achieved with these changes."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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