

"As long as America's seemingly insatiable appetite for imported psychoactive substances persists, Mexico's close proximity to the United States market assures that the logic of narco-corruption will remain entrenched" in the country's political system.

The Political Economy of Narco-Corruption in Mexico

PETER ANDREAS

The corrupting influence of the illicit drug trade is widely perceived as an especially extreme example of the weakness of the state in many developing countries. Although there is obviously much truth in this view, the Mexican experience of recent years reveals a more complex and negotiated relationship between the business of drugs and the business of policing drugs.

In his final state of the union speech on November 1, 1994, President Carlos Salinas de Gortari declared that "Mexico has changed intensely." Although he lauded the "establishment of a new relationship between the state and society" and Mexico's achievement of "an advantageous position in the new international reality," Salinas failed to mention that part of these changes has been Mexico's rising place in the illegal drug export business. Indeed, although the North American Free Trade Agreement (NAFTA)—the crowning achievement of the Salinas administration—does not officially include them, drug exports are an integral part of Mexico's comparative advantage in an expanding regional trade relationship.

While Mexico has long been enmeshed in the drug trade, its role has grown significantly in the 1990s. According to Eduardo Valle, who resigned as personal adviser to the Mexican attorney general in May 1994, Mexico's leading drug traffickers have become "driving forces, pillars even, of our economic growth." The United States State Department

estimates that as much as 70 percent of the South American cocaine bound for the United States market enters through Mexico; Mexico also supplies between 20 and 30 percent of the heroin consumed in the United States, and up to 80 percent of the imported marijuana. (Of course, any official drug statistics represent at best rough estimates.) In addition, Mexican traffickers now dominate much of the American market for methamphetamines.

The United States Drug Enforcement Administration (DEA) believes that Mexico earns more than \$7 billion a year from the drug trade, while Mexico's prosecutor general's office calculates that drug traffickers operating in Mexico accumulated revenues of about \$30 billion in 1994. The drug business is a significant employer: there are roughly 200,000 people earning a living growing drug crops (the Mexican attorney general's office calculates that the figure may be as high as 300,000). This number does not include the thousands of other jobs directly or indirectly generated by the drug trade in areas such as transportation, security, banking, and communications. This underground exit option has been especially important during a time of falling wages and limited employment prospects in the formal economy.

Ironically, Mexico's prominence in the drug trade is partly an unintended by-product of United States policy: American law enforcement pressure on cocaine shipments through the Caribbean and south Florida in the 1980s helped make Mexico the primary transshipment point for Colombian cocaine bound for the American market. While this expensive interdiction campaign provided political rewards for United States officials eager to show progress in the anti-drug effort, the effect of such a Maginot Line-style enforcement strategy was to cre-

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ate incentives for Colombian traffickers to shift to Mexican smuggling routes. Thus, while the percentage of cocaine entering the American market from Mexico was negligible in the early 1980s, by the early 1990s Mexico was the route of choice for the majority of Colombian cocaine shipments. Perhaps not surprisingly, the Bush and Clinton administrations conveniently downplayed the profound consequences of this geographic shift for Mexico in order to assure the smooth negotiation and passage of NAFTA.

As drug trafficking in Mexico has expanded in the past decade, so too has Mexican drug enforcement. Partly in an effort to pacify its northern neighbor, Mexico tripled its federal anti-drug budget between 1987 and 1989, and tripled it again in the 1990s. The growth of Mexico's anti-drug program is particularly striking given that it has occurred during a time of deep cuts in overall government spending: drug control stands out as one of the few areas where state intervention in the economy is increasing. Drug control now dominates the Mexican criminal justice system, with the majority of the federal budget for the administration of justice devoted to the effort. The "Mexican attorney general's office," notes Mexican scholar Maria Celia Toro, "has basically become an anti-drug law enforcement agency."

President Miguel de la Madrid Hurtado officially declared drug trafficking a national security threat in early 1988. And this declaration was reinforced by the administration of Carlos Salinas. President Ernesto Zedillo Ponce de León has gone even further, repeatedly declaring that drug trafficking is the country's number one security threat. Given that invoking national security is rare in Mexican political discourse, these calls mark a significant departure from the past.

For Salinas, classifying drugs as a national security issue was both a rhetorical move to improve relations with the United States and an attempt to provide the rationale for a revitalized national security apparatus. Salinas created a national security council and a new intelligence agency, set up a unit in the attorney general's office for drug enforcement, and developed new anti-drug units in the federal judicial police. He also reinforced the anti-drug role of the military, designating a new army staff section that focused on drug control. By the late 1980s about one-third of the military's budget was devoted to the anti-drug effort, and some 25,000 Mexican soldiers were involved in drug control operations—compared with only 5,000 in the 1970s.

As a result of its anti-drug role, the military has become the "supreme authority, or in some cases the only authority" in parts of some states, such as Oaxaca, Sinaloa, Jalisco, and Guerrero, according to Mexico watcher Roderic Ai Camp. While the military has traditionally concentrated on crop eradication, its anti-drug mission has significantly expanded in recent years. "In the past, there was always a reluctance to allow the military to play a stronger role," notes one United States official. "But with the Zedillo administration, that mind-set has dissolved." As a consequence, military ties between the United States and Mexico have deepened in recent years through military assistance and training for anti-drug programs.

THE LOGIC OF NARCO-CORRUPTION

Increased Mexican drug enforcement has generated a growing number of arrests and seizures and a rise in crop eradication levels (Mexico boasts that it destroys more illicit crops than any country in the world). These measures of policy progress are highlighted in the annual political ritual of the certification process, in which the United States determines whether Mexico and other drug-exporting countries are fully cooperating with American anti-drug objectives. While these "body count" statistics are politically necessary to maintain good relations with the United States and avoid the stigma of being "decertified," the reality is that the drug trade has not only survived but has thrived in the face of intensified Mexican drug control efforts. United States and Mexican officials alike place much of the blame on the corrupting power of the drug trade. Yet corruption is a two-way relationship: it reflects the influence of drug smuggling over the state and the state's influence over drug smuggling—and greater drug control capacity has arguably only deepened this influence. Corruption involves not only the penetration of the state but also penetration by the state. Drug smugglers must purchase an essential service monopolized by government officials: the non-enforcement of the law. Those in charge of enforcement must be bribed because they cannot be entirely bullied or bypassed.

The extent of drug-related corruption in Mexico is revealed by the series of high-profile murders and scandals in recent years (including the arrest of Raúl Salinas, the brother of Carlos Salinas) that have profoundly shaken the political system. The primary purpose here is not to focus on the mystery and intrigue that necessarily surround these controversial events (the complex and often specula-

tive details about who did what, when, and why), but rather to try to make sense of the underlying logic of drug corruption. Perhaps more than any other state regulatory activity, drug enforcement provides extraordinary incentives to use public authority for private gain. And these incentives only increase under conditions of fiscal austerity, economic uncertainty, and low wages.

At its core, drug corruption is a cost of doing business. While corruption in the form of bribes and payoffs has long been a part of the relationship between business and the state, it plays a more vital role in the case of drug smuggling because of the illicit nature of the activity. The enormous profits from drug smuggling (inflated by the drug's criminalized status) provide the financial means to corrupt. In the case of Mexico, a study by the Autonomous National University in Mexico City has found that cocaine traffickers spend as much as \$500 million a year on bribery, which is more than double the annual budget of the Mexican attorney general's office. (These calculations are derived from a widely used model that assumes \$1,000 in payoffs for each kilogram of smuggled cocaine.)

TAXING THE DRUG TRADE

A useful way to make sense of drug corruption is to view the act of corruption as the equivalent of paying a tax. Levels of corruption—the tax rate—often depend on the intensity of the drug enforcement effort. As enforcement increases, so does the drug smuggler's need to corrupt those who are doing the enforcing (the tax collectors). As Gianluca Fiorentini and Sam Peltzman suggest in their 1995 book *The Economics of Organized Crime*, the greater the deterrent effort, “the more [it creates] incentives to invest in corruption and manipulation of the deterrence agencies themselves.” This general observation is certainly applicable to the Mexican drug control experience. Even though increased drug enforcement capacity has failed to significantly deter the drug trade, it has increased the capacity to tax the trade in the form of corruption.

Smugglers who pay the “corruption tax” are less pressured by “tax collectors” than those who do not. One senior Mexican official described the process this way: “[Drug enforcement agents] receive money from one group of traffickers and they cannot act against people from that group. But they have their hands free to arrest people from other groups.” This type of selective enforcement allows officials to do their job—seizing drugs and arrest-

ing smugglers—while also collecting taxes from the drug trade. This dynamic favors large, well-connected smuggling organizations. Those smugglers with the greatest resources and contacts can most afford the corruption tax and pay it to the most appropriate tax collectors, while the smaller smuggling entrepreneurs are treated as tax evaders. Not surprisingly, it is the small-time smugglers who are most often “audited” and penalized.

Taxing the drug trade sometimes takes the form of seizing a drug shipment and then reselling all or part of it. Thus, confiscated drugs often disappear while in custody. In such cases, those charged with policing smuggling actually become smugglers themselves. This reflects the larger difficulty in Mexico of distinguishing between the police and the criminals. An internal report from the Interior Ministry estimates that by 1995 there were about 900 armed criminal bands in the country—of which more than 50 percent were made up of current or former law enforcement agents.

Police often double as drug enforcers and as drug-smuggling protectors. When Sinaloa drug cartel leader Hector “El Guero” Palma was arrested by the military in June 1995, he was at the home of the local police commander; the majority of the armed men protecting him were federal judicial police. Subsequent investigations revealed that Palma had bought off the senior federal judicial police commanders in Guadalajara with several \$40 million payments.

The lucrative payoffs from the drug trade mean that there is intense competition within and between law enforcement agencies—for example, between local and federal police, who sometimes end up shooting at each other. Violent conflicts often erupt between police operating as law enforcers and police operating as law breakers. In one incident on March 3, 1994, members of the federal judicial police came under fire from the judicial police of Baja California as they were attempting a drug bust.

There is also enormous competition within law enforcement agencies to be assigned to key posts along major smuggling corridors. Eduardo Valle claims that while he was in office, the top Mexican drug enforcement posts were auctioned off to the highest bidder. The price of a law enforcement position, he said, depends on changes in drug smuggling routes: “In Coahuila, for example, there are four or five entrances into the United States. If one crossing point is closed, the price of the federal police chief's position in that area goes down

because the post is irrelevant, but the price of the police chief positions in other places goes up. This is openly discussed inside the federal police.”

The case of Mario Ruiz Massieu, Salinas’s top anti-drug prosecutor between March and November 1994, provides a glimpse into how the system of drug corruption can be organized. During his tenure in office, cocaine seizures plummeted. Federal prosecutors and police commanders allegedly paid Ruiz Massieu as much as \$1 million to be assigned to profitable posts along the border and in other major drug areas. Officials regularly brought him suitcases with up to \$150,000 in kickbacks. One official familiar with Ruiz Massieu’s operation described it as a “franchising system.” Ruiz Massieu apparently inherited rather than created this system of selling lucrative posts and receiving large kickbacks.

Payoffs are made at each level of enforcement—the higher the position, the higher the payoff. For example, a notebook recovered from the smuggling organization run by Juan García Abrego included this list of payoffs: \$1 million to the national commander of Mexico’s federal judicial police; \$500,000 to the forces’ operations chief; \$100,000 to federal police commander in the city of Matamoros. Abrego’s cousin, Francisco Pérez, testified in a federal trial in Texas in 1994 that he had delivered \$500,000 to Javier Coello, Mexico’s deputy attorney general, between 1988 and 1991. Coello was eventually dismissed but never charged.

The particular shape and form of drug corruption in some ways mirrors the structure and character of the Mexican state. As Peter Lupsha argues, “because of the institutionalized authoritarian clientelism and centralization built into the national dominance of the Institutional Revolutionary Party or PRI, transnational groups like the Colombians must work with and through Mexican organized crime groups who have corruptive and collusive support of national institutions. . . for protection.”¹

In other words, Colombian traffickers must oper-

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ate in Mexico on Mexican terms. In practice this means that the Colombians have become increasingly reliant on their Mexican business partners, who have the necessary political connections and long-established trafficking networks. Consequently, the power and wealth of Mexican traffickers has dramatically increased in a relatively short period of time. Mexico’s comparative advantage in the cocaine trade is based on its access to the United States market—and such access has only grown as economic barriers between Mexico and the United States have fallen.² Mexican traffickers and their protectors within the state apparatus collect a sizable fee from their Colombian counterparts for entry into the North American free trade zone.

As more cocaine is shipped through Mexico to the United States market by way of legitimate commercial channels, drug payoffs reach beyond law enforcement to other regulatory agencies. The Mexican Office of Communication and Transportation, Lupsha notes in his article, “is as critical to the evolution of the Cali cartel’s drug transportation system as it is to NAFTA. Its portfolio includes the administration of airports, seaports, highways, communications lines, and the Federal Highway Police.” Lupsha contends that “Cali’s new transportation methodology. . . requires commercial airports, business fronts, the use of ports, free trade zones, container facilities, trailer trucking firms, and railroads. In short, it requires access, information, official forms, and seals that only an Office of Communication and Transportation can provide.”

Drug corruption in Mexico thus reflects a paradox: the state’s drug enforcement effort is undermined by the corrupting influence of the drug trade, yet the drug trade cannot survive without the protection of compromised elements within the state. Lupsha goes so far as to argue that because of the centralized authoritarian nature of the Mexican political system, drug traffickers must operate *con permiso* (with permission). The trafficker must go beyond simply sharing drug profits and is “expected to assist the police and the political system by providing grist for the judicial mill, as well as public relations materials to give U.S. drug enforcers. Thus, the trafficker could gain protection and warning information; the police could gain credit, praise, and promotions; the political system gained campaign monies and control; and the U.S., statistics, to justify a job well done.”³

¹Peter Lupsha, “Transnational Narco-Corruption and Narco Investment: A Focus on Mexico,” *Transnational Organized Crime*, vol. 1, no. 1 (Spring 1995), p.85.

²See Peter Andreas, “U.S.-Mexico: Open Markets, Closed Border,” *Foreign Policy*, Summer 1996.

³Peter Lupsha, “Drug Lords and Narco-Corruption: The Players Change but the Game Continues,” in Alfred McCoy and Alan Block, eds., *War on Drugs* (Boulder, Colo.: Westview, 1992), p.182.

Lupsha notes that this clandestine relationship between law enforcers and law evaders is unstable, given the frequent changes in government leadership, the transfer or promotion of key officials, and the often violent competition between smuggling organizations over trafficking routes. This instability is evident in the rise and demise of one of Mexico's leading traffickers, Juan García Abrego. Abrego's trafficking operations, which had flourished in the Salinas years, lost high-level protection after President Zedillo entered office, and soon also lost market share to competitors based in Tijuana and Juárez. Having fallen out of favor, Abrego became a hunted fugitive. By the time he was arrested in early 1996 and extradited to the United States, his business was in shambles. Nevertheless, Abrego's capture was applauded by the United States and Mexico as a sign of official resolve in the anti-drug campaign.

THE STATE RESPONSE

When drug corruption scandals have erupted in Mexico, the official response has been to fire or transfer individual officers and at times even disband entire agencies and create new ones. A report by the attorney general's office indicates that over 400 agents of the federal judicial police (more than 10 percent of total personnel) were fired or suspended between mid-1992 and mid-1995 on drug-related charges. On August 14, 1996, 737 federal law enforcement officers were dismissed, including Horacio Brunt, the celebrated police commander who had captured Abrego. An additional 270 employees of the attorney general's office were fired between December 1996 and August 1997. Such mass firings, however, only begin to dent the problem: in 1996, the attorney general estimated that "70 to 80 percent" of the judicial police force was corrupt. Moreover, many fired police officers have simply been rehired in other regions of the country and hundreds of other officers have been reinstated after challenging their dismissals in court.

Although the Zedillo administration has demonstrated a new resolve, past patterns suggest a lack of sustained high-level political commitment to confronting corruption. Salinas, for example, appointed Enrique Alvarez del Castillo, who had been the governor of the state of Jalisco, attorney general. Under his governorship the drug trade had thrived and traffickers had operated with little to fear from the authorities. Salinas also tried to

appoint Miguel Nazar Hurtado Mexico City police intelligence chief—despite the fact that he had been indicted in 1982 by a United States grand jury in San Diego on car theft and conspiracy charges.

Institutionalized corruption within Mexican law enforcement has generated growing pressures to turn to the military to take on more drug control tasks. But while militarization is interpreted by American officials as a sign of Mexico's heightened resolve to fight drug trafficking, a greater military role in drug control (and thus proximity to drug smugglers) is also likely to generate greater corruption in the military. In late 1991, in one of the most notorious cases of military corruption, ten federal judicial police agents attempted to apprehend smugglers delivering 800 pounds of cocaine from a small airplane on a remote airstrip in the state of Veracruz. The bust was interrupted when members of the Mexican army opened fire on the agents, killing seven of them. The traffickers escaped. A videotape of the incident by a United States Customs surveillance flight overhead indicated that the Mexican soldiers were protecting the traffickers. According to Mexican press reports at the time, this was just one of a number of incidents in which the military thwarted a police

anti-drug operation.

A series of high-profile drug-related scandals in 1997 further exposed the depth of the corruption problem in the Mexican military. In February the head of the federal anti-drug agency, General Jesús Gutiérrez Rebollo, was arrested on charges of working for Juárez cartel leader Amado Carrillo Fuentes. The agency was quickly disbanded and is now slowly being rebuilt. Then in March, General Alfredo Navarro Lara was arrested for attempting to bribe the head federal justice official in Baja California on behalf of the Arellano Félix brothers, the leaders of the Tijuana drug cartel. A recent report by the United States Office of National Drug Control Policy notes that 34 senior military officers have been targeted for disciplinary action because of drug-related corruption. In the face of such high-level military corruption, Zedillo has remained firmly committed to the militarization of law enforcement, putting the military in charge of federal police functions in at least eight states, as well as in Mexico City.

Meanwhile, the incentive for the PRI-dominated political system to turn to illicit revenue may be

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increasing as other sources of funding dry up. As Nora Lustig observed in the spring 1996 issue of the *Brookings Review*, "One facet of the PRI crisis is financial. Long dependent on contributions from (or raised through) the government, the party is ill-prepared to find alternatives."⁴ Some of the more militant officials may be tempted "to turn to 'donations' from unsavory sources, such as narco-traffickers." Concerns about economic stability may also inhibit major anticorruption initiatives. "Unfortunately, the rule of law is to a certain extent hostage to Mexico's financial vulnerability," Lustig explains. "The nation's leaders can probably not afford to uncover the questionable or illegal activities [engaged in] by prominent members of the political and business elites. The attempt to change the rules of the game too swiftly and prosecute people for past wrongdoings could trigger a wave of capital outflows large enough to threaten the fragile recovery."

FROM "CRISIS CORRUPTION" TO "NORMAL CORRUPTION"

Clues as to how the dynamics of corruption will eventually play out in Mexico's most important illegal export sector may be found by looking at the past dynamics of corruption in Mexico's most important legal export sector: oil. Drug corruption in Mexico may be a particularly striking example of "crisis corruption," in which there are "many suppliers trading in extraordinary stakes."⁴ This highly disruptive form of corruption is not unfamiliar to Mexico. In the late 1970s Mexico experienced a rapid influx of oil revenues that, while not generating the violence associated with the drug trade, nevertheless shares some similarities with the more recent influx of drug profits. Michael Johnston notes that "key figures in PEMEX (the state oil corporation), the Oil Workers Union, and the dominant political party (PRI) had long enjoyed a number of politically significant and mutually profitable corrupt arrangements. But when oil revenues began to grow rapidly in 1977, this corruption became particularly flagrant and disruptive. Old 'arrangements' in the oil industry gave way to intense competition over shares of the new wealth.

⁴Michael Johnston, "The Political Consequences of Corruption," *Comparative Politics*, vol. 18, no. 4 (July 1986), p. 472.

⁵Ibid., p. 473.

⁶Judith Gentleman, *Mexican Oil and Dependent Development* (New York: Peter Lang, 1984), quoted in Johnston, op. cit., p. 473.

The new abuses became matters of considerable controversy, and PEMEX, PRI, and union figures came under political attack from several quarters."⁵

By 1982, when the oil boom went bust, "it was evident that the nation had been 'sacked' by more than one set of actors. . . According to the government's own admission, the oil boom had whetted unsavory appetites in the nation and had spawned a substantial increase in the level of corruption throughout the nation."⁶ The influx of oil revenue had, Johnston notes, "thus placed extraordinary resources in many hands, transforming formerly integrative forms of corruption into disintegrative crisis corruption."

This may describe the current Mexican situation in relation to drug profits. If Mexico's earlier oil boom experience is any indication, today's drug-related crisis corruption will not necessarily produce political disintegration. Crisis corruption can be resolved in a number of ways. For example, Johnston explains that a "leveling off in the influx of resources might make the stakes of corruption more predictable, and thus less extraordinary, with improved chances of repeated profits over longer periods of time serving to moderate prices and to regulate terms of exchange. Mexico's oil industry had gone through earlier phases of rapid growth and flagrant corruption, reverting to more accustomed forms of corruption during periods of more stable revenues." Alternatively, he notes that "a few suppliers of corrupt stakes might become sufficiently powerful to impose a degree of order upon corrupt processes, perhaps producing one or more systems of cronyism or patronage." Applied to the drug trade in Mexico, either scenario suggests that the relationship between drug smuggling and the state may eventually settle down, resulting in a more stable, predictable, and less violent business environment.

Perhaps the best news for Mexico is that there are preliminary signs that Colombian cocaine traffickers are starting to reduce their reliance on Mexican smuggling routes by redeveloping routes through the Caribbean and south Florida. It seems that the high cost of moving their product through Mexico is scaring at least some of the illicit business away. A greater diversification of smuggling routes may help to reduce corruption in Mexico. Yet as long as America's seemingly insatiable appetite for imported psychoactive substances persists, Mexico's close proximity to the United States market assures that the logic of narco-corruption will remain entrenched. ■