



THE WAR HEATS UP  
Drug couriers arrested in  
March for kidnapping a  
rival in Phoenix.

# How the Cartels Work

Mexican drug lords have transformed the narcotics trade in America – and the DEA appears powerless to stop them

★ By Guy Lawson ★

ONE OF THE STRANGEST things about the drug war that is tearing Mexico apart is how little of the bloodshed has spilled over the border. On one side of the Rio Grande is Ciudad Juárez, one of the most violent cities on the planet, with 1,600 drug-related murders last year. On the other side is El Paso, Texas, the third-safest city in America, with only 18 killings. The 100-to-1 disparity in murders underscores a little-understood reality in the War on Drugs: The current crop of Mexican drug lords is not a bunch of *Scarface*-style lunatics high on coke and hellbent on violence. Instead, they are highly sophisticated executives, pursuing profit by the cheapest and most efficient means possible.

Torturing rivals and beheading victims serves a purpose in Mexico, where drug-related violence has killed 12,000 people in the past three years; *narcotraficantes* routinely use brutality to subdue competitors,

eliminate witnesses and frighten off police recruits. But north of the border, the drug lords are as corporate and hyperorganized as Walmart, replacing the top-down approach of their Colombian predecessors with a new business model – one that outsources the street-level grunt work to an army of illegal immigrants. With business booming – prices are steady and demand remains high – unleashing a Mexican-style rampage in this country would only risk riling up U.S. law enforcement. The Mexican cartels aren't fighting the War on Drugs in the United States for a very simple reason: They've already won.

AS THE VIOLENCE IN MEXICO has escalated, federal officials have stepped up major busts against the cartels in the U.S. Earlier this year, in Operation Xcellerator, the Drug Enforcement Administration made 750 arrests from Califor-

nia to Maryland, seizing \$59 million in cash and 23 tons of narcotics – including 12,000 kilos of coke, 1,200 pounds of meth and 1.3 million hits of Ecstasy. The operations employ the same law-enforcement tactics used to disrupt the Mafia in the 1980s, busting low-level flunkies and turning them into informants. So far, though, the DEA's widely publicized campaign has been a total bust when it comes to nailing top *narcos*. The target of Operation Xcellerator – a drug lord from the Sinaloa cartels – remains a fugitive, as do four Mexican drug traffickers designated as “narcotics kingpins” in July. According to the DEA, the men operate out of Mexico, overseeing a sophisticated organization in the U.S. that sets prices, tracks shipments, manages employment and handles payoffs. The group has divided the border into “plazas,” each under the control of a specific manager. The name of the outfit, appropriately enough, is the Company.

The failure of the DEA raids underscores the fundamental difference between Italian-American mobsters in Brooklyn and the much more brutal and ruthless Mexicans. The supposed Mafia “code of silence,” called *omertà*, proved to be little more than a joke as hundreds of wiseguys flipped to save their own skins, generating a steady stream of convictions. But the Mexicans have more than a fictional code of conduct: They have hostages. Every low-level *narco* busted in the U.S. has family and friends back in Mexico who, they know, will be killed by the cartels if they cooperate with the gringos. Senior DEA agents acknowledge privately that they have yet to flip a single significant snitch from the cartels. The matrix of punishments and incentives that destroyed the Mafia – racketeering laws, witness-protection programs, supermax prisons – have little relevance to the Mexican drug lords, who are essentially holding an entire nation at gunpoint.

“Mexicans don't flip,” says an undercover DEA agent who participated in Operation Pocono Powder, a major case against the cartels in New York. “Part of the way the cartels retain control is through fear. Mexicans will cooperate to a certain level, but they won't talk about Sinaloa. They know their family back home will be killed.”

The DEA insists that its high-profile busts are having an effect. “In Project Reckoning, we had 64 cities involved,” says Carl Pike of the DEA's Special Operations Division, citing a bust against the Gulf cartels that resulted in 507 arrests by last year. “We were after their distribution capability. It was like taking out 64 Walmarts all at once. The Mexicans have to regroup from ground zero, and it's time-consuming and expensive to do that.”

But the Walmart analogy offers a larger insight into how the Mexican cartels have transformed the drug business in America – and why the DEA has been unable to stop them. In the 1980s, the Colombians tried to directly control the distribution of their product through a network of low-level dealers – a group prone to stealing, fucking up, getting caught or trying to take over themselves. Like any good manager, however, the Mexicans learned from the mistakes of their predecessors. Instead of maintaining their own labor force of dealers – a risky and costly proposition at best – the drug lords came up with the same solution as Walmart and countless other multinational corporations: outsourcing.

To sell their product in America, the Mexicans contract with existing criminal operations, relying mainly on Hispanic gangs like MS-13 and the Mexican Mafia. But they also sell to Crips, Bloods, Hells Angels, Puerto Ricans or Dominicans – whoever can move weight reliably. This keeps their overhead low and reduces potentially risky connections to top management. It also makes all of the headaches

of running the business – wages, benefits, overseeing an untrained and unruly workforce – someone else's problem. “American gangs are not integrated into the Mexican drug-trafficking organizations,” says Tom Diaz, a senior policy analyst at the Violence Policy Center and the author of *No Boundaries: Transnational Latino Gangs and American Law Enforcement*. “The gangs are wild cards; their behavior is unpredictable. There's no advantage to the Mexican cartels to bring them into their structure. The Mexicans are happy to sell them drugs, but they keep them at arm's length. They use them sometimes as muscle or disciplinarians, but only on a contract basis.”

Street-level dealers, mostly drawn from the pool of millions of Mexican immigrants stuck in menial jobs in the U.S., effectively become what Amway calls “IBOs,” or Independent Business Owners. They sell all the crank and crack they can, hoping to boost their sales status from an Amway-like Silver to Gold to Platinum, providing them with ever-larger supplies of product to move. “The low-level guys are working

Rather than resort to violence in U.S. cities, the Mexican cartels have outsourced street-level grunt work to an army of illegal immigrants.

menial jobs as they establish themselves as a drug dealer,” says Greg Borland, the DEA assistant special agent in charge of Alabama. “They are the ones who are like Tony Montana in *Scarface*. They start small and try to make something of themselves.”

Higher-level dealers are required to keep a low profile and live modestly, as if they were regional managers for a chain of fast-food restaurants. If one gets busted, there's rarely a link that can be traced back to the cartels – and even if there is, the dealer knows that his family back in Mexico is certain to be executed if he talks to the feds. “The structure is designed to minimize the risk by minimizing the number of sales or ‘touches’ that have to be made,” says Borland. “The guys at the highest corporate level – the cartel guys – only make one sale. It's very low-risk.”

Stripped to its essence, what the Mexican cartels sell is not drugs so much as access to the world's biggest and most lucrative market for drugs. And thanks to U.S. policy, the Mexicans enjoy a virtual monopoly on the American market. In the 1980s, Ronald Reagan largely closed off

the Caribbean as a passage for narcotics, forcing the Colombians to turn to the Mexicans for an overland route. In the mid-1990s, after NAFTA made it easier to ship goods of all kinds across the border, Mexicans became the go-to distributors for Afghans, South Asians, Middle Easterners and anyone else looking to sell illegal substances to Americans.

The result has been the creation of one of the most successful criminal enterprises in human history. In Sinaloa, money brought back from U.S. drug deals was long known as “dirt,” because of the smell it got from being hidden in suitcases underground. But today, the cartels launder Yankee dollars through a network of global banks, using the same secure electronic transfers as any self-respecting international business. According to the government's own estimates, the Mexican cartels generate as much as \$38 billion in gross proceeds at the wholesale level every year – a sum that surpasses Dupont and Coca-Cola.

ALABAMA OFFERS AN ESPECIALLY illuminating microcosm of the way the drug cartels operate in America. The state has been cut up into territories, with no sign of the violent turf wars over markets that plague Mexico. Distribution in the north of the state is handled largely by established black drug dealers; the rural areas are increasingly handled by Mexican migrant workers looking to supplement their income from day labor. Even if the feds manage to bust a dealer, it's almost impossible to connect such a low-level flunky to a drug kingpin in Mexico. “The problem is how smart they are,” says Borland. “The dealers are illegals, so they're not documented. There's no credit cards, no driver's licenses. They're ghosts. All the dealer is, is a face and a name – which is probably not his real name. One false move and he disappears into thin air.”

Alabama is crisscrossed with interstate highways, making it an excellent site for transshipment. Police routinely set up roadblocks to catch narcotics on the highways, but the drug couriers have developed highly sophisticated evasion techniques. A three-car structure is used. First comes a sweeper car going 80 or 90 miles per hour, to flush out any law enforcement with a speeding violation. Next comes a station wagon laden with coke or cash, often driven by an unthreatening-looking elderly couple. Behind is a chase car, charged with crashing into the police if a pursuit begins. Even if the cops do manage to stop the car with the drugs, the courier's higher-ups know instantly that the shipment has gone off track: The drugs are embedded with GPS tracking devices.

In a recent bust called Operation Rico Suave, the DEA set up on a drug cell that was dealing coke in the affluent area of

