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There are two cartel wars currently raging in Mexico that have combined to produce record levels of violence in 2009. The first war is the struggle between the government of Mexico and the drug cartels. The second, a parallel war, is the fight among the various cartels as they compete for control of lucrative supply routes. Shortly after his inauguration in December 2006, President Felipe Calderon launched an all-out effort to target the cartels, which he viewed as a major threat to Mexico's security and stability. Over the past three years, the government's effort has weakened and fragmented some of the major cartels (namely the Gulf and Sinaloa cartels), but this government progress has upset the balance of power among the cartels, which has resulted in increased violence. Former cartel allies have been pitted against each other in bloody battles of attrition as rival cartels have tried to take advantage of their weakened competitors and seize control of smuggling routes.

In this year's report on Mexico's drug cartels, we assess the most significant developments of the past year and provide an updated description of the country's powerful drug-trafficking organizations as well as a forecast for 2010. This annual report is a product of the coverage we maintain on a weekly basis through our Mexico Security Memo as well as other analyses we produce throughout the year.

Mexico's Drug Trafficking Organizations

La Familia: This cartel has garnered a great deal of media attention during the past year, especially after being labeled in May "the most violent criminal organization in Mexico" by former Mexican Attorney General Eduardo Medina Mora. La Familia has grabbed headlines mainly because of its brazen attacks against government forces and its pseudo-ideological roots. In spite of its public image, the La Familia organization still remains relatively small and geographically isolated compared to the larger and more established cartels. The La Familia organization's headquarters and main area of operation is in the southwestern state of Michoacan, hence the name of the principal group: La Familia Michoacana. The organization also has regional franchises that operate in the neighboring states of Guerrero, Guanajuato and Mexico, as well as a limited presence in Jalisco and Queretaro states. The degree to which these groups coordinate with each other and how much autonomy they possess is unclear, though they all reportedly follow the same cult-like ideology. Without direct access to the U.S.-Mexico border, La Familia is geographically constrained and must pay "taxes" to the organizations that control the border corridors through which La Familia's product is moved.

Gulf cartel: At the beginning of Calderon's campaign against the cartels, the Gulf cartel was considered the most powerful drug-trafficking organization in Mexico. After nearly three years of bearing the brunt of Mexican law enforcement and military efforts, however, the Gulf cartel is today only a shell of its former self. At its height, a great deal of the Gulf cartel's power came from its former enforcement arm, Los Zetas. Today the two are separate entities, with Los Zetas being the dominant organization and controlling much of the Gulf cartel's former territory. The relationship between the two organizations reportedly was somewhat strained over the past

year when the Gulf cartel leadership refused to take orders from Los Zetas chief Heriberto "El Lazca" Lazcano Lazcano. Despite this rift, the two organizations continue to work together when their interests align.

Los Zetas: Over the past year, the group has held firm its position as one of the most powerful cartels operating in Mexico while trying to extend its presence southward into Central America from its core area of operations along Mexico's eastern coast and the Yucatan Peninsula. The organization remains fully under the control of "El Lazca." There have been rumors that Lazcano Lazcano has tried to consolidate control over what is left of the Gulf cartel over the past year and integrate the remaining personnel into Los Zetas' operations, but these reports have not been confirmed. Los Zetas have a well-documented relationship with Los Kaibiles (Guatemalan special forces deserters turned criminal muscle) since at least 2006, which has helped facilitate Los Zetas' expansion into Guatemala. A Guatemalan joint military and law enforcement operation in March raided a Los Zetas camp and air strip in the border department of Ixcán that were being utilized for the tactical training of Los Zeta recruits as well as a destination for aerial deliveries of cocaine — further indication that Los Zetas have an established presence in Guatemala. This push southward has given the organization greater control of its overland cocaine supply line into Mexico and enabled it to control much of the human smuggling from Central America into Mexico and the United States.

Los Zetas have also worked with the Beltran-Leyva Organization (BLO) throughout 2009. The two organizations are currently trying to wrest control away from La Familia in the Michoacán and Guerrero regions to gain access to the lucrative Pacific ports of Lázaro Cárdenas and Acapulco. There has also been a concerted effort by the Los Zetas leadership to become stakeholders in the BLO over the past year, but currently their role remains that of hired muscle to supplement the BLO's ongoing operations as the organization pursues its own agenda. Los Zetas have also contracted themselves out to the Vicente Carrillo Fuentes Organization, also known as the Juárez cartel, to serve as advisers and trainers for the organization as they both battle their common rival, the Sinaloa cartel, for control over the Juárez border region.

Beltran-Leyva Organization: After a very active 2008, the BLO has kept a relatively low profile throughout much of 2009. After the BLO secured control of its territory in mid-2008 following its split with the Sinaloa cartel (the BLO/Sinaloa battle for territory accounted for a significant portion of the violence in Mexico in early 2008), the cartel was able to concentrate on consolidating and streamlining its narcotics smuggling operations. After the consolidation, the group went on the offensive again in October and November when it teamed up with Los Zetas to target La Familia in Guerrero and Michoacán states. The BLO remains under the command of Arturo Beltrán Leyva, who is supported by a well-established network along Mexico's Pacific coast and into northeastern Mexico. The BLO has been in the narcotics business a long time and has perhaps the most sophisticated intelligence capability of any of the cartels.

Sinaloa cartel: In spite of losing some of its former allies like the Carrillo Fuentes Organization and the BLO in 2008, the Sinaloa cartel remains the most formidable and dominant cartel in Mexico today. Headed by the world's most wanted drug lord, Joaquín "El Chapo" Guzmán Loera, the Sinaloa cartel demonstrated its resiliency in 2009 and remained quite active throughout the year. Guzmán's partners, Ismael "El Mayo" Zambada García, Ignacio "El Nacho"

Coronel Villareal and Juan "El Azul" Esparragoza Moreno, each have their own respective networks and continue to work together when necessary to traffic narcotics northward from South America.

The conflict in Ciudad Juarez and Chihuahua state between the Sinaloa cartel and the Vicente Carrillo Fuentes Organization (VCF), also known as the Juarez cartel, has undoubtedly been the primary focus of the Sinaloa cartel over the past year. The conflict has essentially resulted in a stalemate between the two organizations as they battle for control over the lucrative Juarez plaza. The Sinaloa cartel still maintains a significant presence in the territory along the Pacific coast of Mexico and the Sierra Madre Occidental. While violence has lessened significantly between the Sinaloa cartel and the BLO, their overlapping geography continues to generate some conflict between the two organizations, particularly in the state of Sinaloa. The Sinaloa cartel has also remained active in Central and South America throughout 2009 as it attempts to exert greater control over the flow of weapons and narcotics from South America to Mexico.

The Vicente Carrillo Fuentes Organization/Juarez cartel: The VCF is based out of the northern city of Ciudad Juarez in Chihuahua state. The cartel is led by Vicente Carrillo Fuentes, who took over after the 1997 death of his brother and cartel founder Amado Carrillo Fuentes. Throughout 2009, the Juarez cartel has maintained its long-standing alliance with the BLO, which is helping the VCF in its vicious battle with the Sinaloa cartel for control of Juarez.

The VCF is yet another Mexican drug trafficking organization (DTO) that has fallen significantly in the past few years. The VCF and its enforcement arm, La Linea, have been locked in a battle for nearly two years with their former partners from the Sinaloa cartel for control over the lucrative Juarez plaza. The prolonged conflict has taken its toll on the VCF and has forced the cartel to resort to other criminal activities to finance its battle for Juarez, primarily kidnapping, human trafficking, prostitution, extortion and the retail sale of drugs to the domestic Mexican market. In its weakened state, the VCF has been forced to focus almost all of its efforts on fighting the Sinaloa cartel and has not been able to effectively project its influence much farther than the greater Juarez area.

Arellano Felix Organization/Tijuana cartel: The Arellano Felix Organization (AFO) — also known as the Tijuana cartel — is based in the far northwestern state of Baja California, across the border from San Diego. With the arrests of all the Arellano Felix brothers and several other high-ranking members, infighting has caused the once-powerful AFO to be split into two competing factions — one led by Arellano Felix nephew Fernando "El Ingeniero" Sanchez Arellano and the other led by Eduardo Teodoro "El Teo" Garcia Simental. Garcia initially sought the support of the rival Sinaloa cartel and it is now thought that the Garcia faction is essentially a Sinaloa proxy in the greater Tijuana area. The Sanchez faction has remained relatively dormant in 2009. The organization has been forced to diversify its operations into other criminal activities, such as kidnapping, human trafficking, prostitution and extortion. This was due in part to increased scrutiny by Mexican law enforcement after an extraordinary spike in violence in 2008 that saw, at its height, more than 100 executions during one week in the greater Tijuana area. Much of the violence that has occurred in Tijuana in 2009 has been a result of clashes between these two rival factions. The overall level of violence in Tijuana has been far lower in 2009 than it was during the height of the conflict in 2008.

Debate Over the Military's Mission

One of the most important facets of the Calderon government's campaign against the drug cartels has been the widespread deployment of Mexican military personnel. While previous presidents have used the military for isolated counternarcotics operations, the level to which Calderon has used Mexico's armed forces in that role is unprecedented. During Calderon's term in office, he has deployed more than 35,000 military personnel to a number of regions throughout Mexico to carry out counternarcotics operations. Because of this, 2009 witnessed a growing debate over the role of the Mexican military in the country's war against the cartels.

Domestic and international human rights organizations have expressed concerns over an increase in alleged civil rights abuses by Mexican military personnel, and U.S.-based Human Rights Watch has even gone so far as to call on U.S. Secretary of State Hillary Clinton not to certify Mexico's human rights record, which would effectively freeze a portion of the Merida Initiative funds allocated by the United States to aid Mexico in its counternarcotics campaign. Even members of Calderon's own National Action Party have stated that there needs to be a better balance between the needs of the cartel war and the civil rights of Mexican citizens.

The Calderon administration's unprecedented use of the military is due in large part to the seemingly systemic corruption in the ranks of local, state and even federal law enforcement agencies in Mexico. Less corrupted as an institution, the military has been increasingly called upon to handle tasks that would normally fall under the responsibilities of law enforcement such as conducting security patrols, making traffic stops and manning checkpoints. As the military has taken over these traditional law enforcement tasks, it has come into closer contact with the Mexican civilian population, which has resulted in human rights-abuse accusations and the current controversy.

Calderon has defended this strategy saying that the military's large role in the war against the cartels is only a temporary solution and has tried to minimize the criticism by involving the federal police as much as possible. But it has been the armed forces that have provided the bulk of the manpower and coordination that federal police agencies — hampered by rampant corruption and a tumultuous reform process — have not been able to muster.

Calderon is aware that it is not ideal to use the military in this capacity, but the fact is that the military remains the most reliable and versatile security tool presently available to the Mexican government. While Calderon's ultimate goal is to professionalize and completely hand over all the traditional law enforcement tasks to the federal police, the military will be needed to help in Mexico's war against the cartels for the foreseeable future. The Mexican government has no other option. It will be years before the federal police will have the capability and manpower required to take over the missions currently being performed by the military.

Trends in Violence

As noted in last year's cartel report, the last three months of 2008 saw an explosion in violence and a dramatic increase in the number of cartel-related deaths across Mexico. The levels of violence seen at the end of 2008 have persisted into 2009 and have gradually worsened over

the course of the year. Estimates of the current death toll for organized crime-related deaths in Mexico at the time this report was written ranged from 6,900 to more than 7,300. The previous yearly record was 5,700 deaths in 2008.

The geography of the violence in Mexico has remained relatively static from the end of the 2008 through 2009. Chihuahua, Sinaloa, Guerrero, Michoacan and Baja California were the five most violent states in 2009 — and all happen to be the top five in terms of violence throughout Calderon's term. Chihuahua state once again sits atop the list as the most violent state, with more than 3,200 deaths so far in 2009, and more than 2,100 in Juarez alone. The extraordinary levels of violence seen in Juarez and Chihuahua state can be directly attributed to the ongoing conflict between the Sinaloa cartel, the Juarez cartel and their street-gang proxies.

High levels of violence returned to Michoacan and Guerrero states in 2009 due in large part to the increased activities and expansion of the La Familia organization. La Familia has launched numerous high-profile attacks against the military and law enforcement personnel operating in Michoacan as well as its rivals in the region. Federal police and military patrols in the region frequently come under fire and are sometimes ambushed by La Familia gunmen. The attacks on security personnel are often associated with the capture of a high-ranking La Familia member.

While Mexican security forces have been able to weaken and divide some of the more powerful cartels, this diminution of cartel power has actually spawned even more violence as the organizations scramble to retain control of their territory or to steal turf from other cartels. Over the past few decades, the only time intercartel violence has diminished has been during periods of stability and equilibrium among the competing cartels, and the Mexican government's anti-drug operations will not allow for such stability and equilibrium. This means we can expect to see the high level of violence continue between the government and the cartels, and among the competing cartels, throughout 2010.

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