

# Sharp Around the Edges

**A Comparative Analysis of  
Transnational Criminal Networks  
on the Southern Borders of NAFTA  
and the EU**

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Sharp Around the Edges: A Comparative Analysis of Transnational Criminal Networks on the Southern Borders of NAFTA and the EU

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# Introduction

Although radically different in so many ways, Mexico and Bulgaria share the common benefits, grievances, and some major misfortunes of being on the bottom end of the two most powerful economic development polls in the Western World: NAFTA and the EU. The most disrupting of misfortunes is that both countries have become hubs to a broad number of Transnational Criminal Networks (TCNs). This paper compares TCN's in Mexico and Bulgaria, analyzing their network's structure, modus operandi, and development, prescribing a set of recommendations to assist the institutions in charge of combating them as well as those that need to survive them.

This document focuses on the links between TCNs and the public sector taking into account the findings presented of the articles by Petrunov (2013)<sup>1</sup> and Salcedo-Albaran & Garay (2014)<sup>2</sup>.

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<sup>1</sup> Petrunov, G. (2013). *Analysis of Social Network Models of Transnational Criminal Networks operating in the Southeastern Border of the European Union*. Vortex Foundation. Bogota: Vortex Foundation.

<sup>2</sup> Salcedo-Albaran, E., & Garay Salamanca, L. J. (2014). *Structure of a Transnational Criminal Network: "Los Zetas" and The Smuggling of Hydrocarbons*. Vortex Foundation. Bogotá: Vortex Foundation.

# **(Un) common Trends: Mexico-Bulgaria Two State Controlled Societies**

Mexico and Bulgaria were both ruled by non-democratic regimes during most of the 20th Century. While there are almost none connections or similarities between Mexican and Bulgarian societies, be that ethnic, economic, or cultural, both countries exhibit similar trends in the establishment and growth of large organized crime groups. The criminal growth has been sharply noticed during roughly similar political transition periods.

Bulgaria was run by a Marxist-Leninist Communist Party that exercised absolute control over most aspects of Bulgarian's way of life, while Mexico's pragmatic Institutional Revolution Party (PRI) ran the country differently, promoting a populist mixed-market economy that exercised centralized rule with decisive actions when matters threatened stability of the regime. Whether it was an absolute monarchy, a

communist party, or a populist hegemonic party, in both cases the single-party State occupied a central role in each country's governance and security matters. There is ample evidence in both cases, to support that large criminal syndicates existed do to some level of tolerance, sponsorship, and/or complicity of the State or at least on of its sectors.

# Growing in the Gap

While large criminal groups existed and survived due to some sort of relationship with the authoritarian state, in its absence, they thrived. In both countries, the democratization process led the previous state-control apparatus to shrink and the role of government decreased, giving way to private stakeholders, including organized crime.

The main difference is that in Bulgaria the post-communist corporate elite was linked primarily to former government rulers, while Mexico did have large private sector with an independent and significant business-sector elite not dependent on government, at least not at the national level. Interestingly enough, in some Mexican states, such as Tamaulipas where “Los Zetas” were created, and Veracruz and Coahuila, where “Los Zetas” have thrived, the degrees of separation between government officials, local businessmen and organized crime are very close and in few specific cases, the same.

In Bulgaria crime grew exponentially during the early and mid 1990's, immediately after the fall of the Soviet bloc as the country transitioned towards electoral democracy. In Mexico, drug cartels' power projection capabilities grew significantly during the first decade of the 21st Century, as its transition away from an authoritarian regime and closed economy toward political democracy and greater openness to external trade and investment (Bailey, 2014).<sup>3</sup> Drug cartels in Mexico during the 2000's grew to the point in which they were able to challenge the authority of the state in certain and several parts of the country. In remote areas, such as *Tierra Caliente* in Michoacan, Guerrero, and Mexico State or Triángulo Dorado [Golden Triangle] between Sinaloa, Chihuahua and Durango cartels control large areas to the point in which they provide social services and compete to replace the role of the state.

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<sup>3</sup> John Bailey, *The Politics of Crime in Mexico*, Lynne Rienner, Upcoming (January 2014) 14-15

# Smuggling by Profession

Modern Bulgarian smugglers date from the 1970's when the communist state established companies to conduct foreign trade outside the Soviet Block. In some cases, these companies resorted to illicit channels to smuggle captagon and weapons. From the late 1980s, following the fall of communism, the former employees of these semi-legal companies took over the smuggling routes for their own personal gain. These smuggling channels have remained in operation, and are used to smuggle drugs, weapons, stolen vehicles, cigarettes, and other illicit goods. Smuggling intensified in the 1990's as the international embargo on the former Yugoslavia prompted a new and lucrative market for illegal goods pouring from the now liberalized Bulgarian markets.

As in every other place that man decided to draw imaginary lines and establish a border outpost, smuggling in Bulgaria has been an age-old profession. The country is bisected by the ancient Silk Route, which has connected China to Western Europe since the 13th Century and today is a major drug and human trafficking route.



In the case of Mexico, the first notorious cross border smuggling activities appeared in a town named Bagdad, in northern Tamaulipas circa 1858 (Moyano, 1996).<sup>4</sup> The town became a hub to U.S. and Mexican blockade-runners and smugglers that traded weapons, slaves, and all types of goods brought in from Europe. Smuggling through the port went both ways as it served the U.S. Confederate States as a cotton outlet during the American Civil War (Saldivar, 2006).<sup>5</sup> Bagdad was destroyed by a devastating hurricane in 1867, but its ruins are located just a few miles from Matamoros, birthplace of the Gulf cartel and “Los Zetas”. The Gulf cartel’s origins can be traced back to the 1930’s when its founder smuggled whisky and rum into the U.S. With the end of prohibition, from the 1940’s the organization switched direction and began importing lower-profile illicit products such as electronic appliances, televisions, and foreign liquor which were not available in Mexico, but from the 1970’s the organization included narcotics in its list of commodities (Valdes, 2013).<sup>6</sup> “Los Zetas” were created in the late 1990’s by the Gulf cartel as enforcers to protect the Gulf’s smuggling routes, cargo, and fend off competition from rival cartels. They differ from the Gulf cartel and other large cartels in that they were born into violence and therefore do not share the low-profile smuggler gene in their DNA. On the contrary, “Los Zetas” thrive from intimidation tactics that require a fairly visible presence.

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<sup>4</sup> Moyano, Angela, *Frontera: Así se Hizo la Frontera Norte*, Ed. Planeta, 1996.

<sup>5</sup> Saldivar, Ramon, *The Borderlands of Culture*, Duke University Press 65-66.

<sup>6</sup> Valdés, Guillermo, *El Nacimiento de un Ejército Criminal*, Nexos, 1 September 2013 <http://www.nexos.com.mx/?P=leerarticulo&Article=2204327>.

# Strong Motivators: High Profits, Low Risk

TCN's are motivated by economic goals. They thrive from controlling smuggling routes that bridge the divide between developed and developing regions. Their power is further increased by the high yield profits earned from illegal goods sold in developed markets *vis-à-vis* a reduced risk from having their bases of operation in developing countries where rule of law environment is relatively weak. The high propensity for political and police corruption mixed with weak law enforcement institutions make Mexico and Bulgaria extremely attractive for the creation and development of TCN's.

## **Weak Social Relationships = Poor Loyalty**

Money corrupts and buys accomplices, but rarely buys loyalty. In both the Mexican and Bulgarian cases financial relations account for the majority of the connections within the network, while Family/Intimate relationships are minimal. Familiar bonds within a criminal network, on the other hand, is important as it guarantees the presence of two variables that are fundamental for the survival of any organization: trust and loyalty (Valdes, 2013).

## **The Elasticity of a Decentralized Network**

For instance, the “Los Zetas” network analyzed by Salcedo-Albaran & Garay (2014)<sup>7</sup> is highly decentralized, making it extremely resilient to law enforcement and military operations. Interaction of that TCN with public servants on the Mexican side concentrate overwhelmingly (88%) with security-sector officials, emphasizing “Los Zetas” concerns of security services, either legitimate or co-opted by their criminal competition as their main opposition.

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<sup>7</sup> Salcedo-Albaran, E., & Garay Salamanca, L. J. (2014). *Structure of a Transnational Criminal Network: “Los Zetas” and The Smuggling of Hydrocarbons*. Vortex Foundation. Bogotá: Vortex Foundation.

That level of penetration in law enforcement institutions, mainly at the state and local level, emphasizes Los Zetas' tactical concerns and is characteristic of an organization that is expanding its area of operation. "Los Zetas" run a very disciplined and pragmatic organization that has proven resilient to large-scale military operations: On 28 August 2011 the Army launched Operation Scorpion [*Escorpión*], a 1,500-troop operation which specifically targeted Los Zetas' supply chain and operational capabilities in Coahuila, Nuevo Leon, Tamaulipas, and San Luis Potosí. The operation was as a tactical success with 1,093 presumed criminals captured, 112 eliminated, 50 tons of marijuana, 1,300 vehicles, and over 3,000 firearms seized, 130 kidnapped victims liberated for the loss of 2 troops KIA and 18 wounded (SEDENA, 2011).<sup>8</sup> However, the "Los Zetas" network was able to replenish its losses in a relatively short period of time, mainly due to its decentralized network. Within weeks it was back in business.

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<sup>8</sup> SEDENA Press Communiqué 3 November 2011 <http://www.sedena.gob.mx/index.php/sala-de-prensa/comunicados-de-prensa/7979-3-de-noviembre-de-2011-monterrey-n-l?device=html>

Also proving its resilience, yet in a completely opposite direction Bulgarian crime syndicates adapted and transformed into legal entities in the form of private security companies. While these private security companies still remained operating outside of legal parameters due to their use of violence to intimidate local businesses through racketeering, they slowly transitioned from black to grey agents/nodes. Their further transition into insurance companies, whether they are reputable or not, is a step further towards eventually becoming bright agents/nodes. That would hardly be the first example of a reputable corporation with a criminal past.

# A Decentralized Expansion Strategy

Tracking the “Los Zetas” expansion throughout north eastern and central Mexico is possible through statistical analysis, particularly as they extend from Tamaulipas towards Coahuila, Nuevo León, Veracruz, Zacatecas, and San Luis Potosí.

When expanding, “Los Zetas” seeks to obtain a monopoly of criminal activities over conquered territories to ensure that operations run unopposed from local crime syndicates. In some areas, particularly in central Mexico, the arrival of “Los Zetas” has led to the professionalization of common crime. For instance, car theft in Zacatecas up to August 2009 had remained relatively stable at a monthly average of 58 vehicles stolen during the year but in September 2009 there were 213 car thefts. Up to September 2013, the monthly car theft remains at 221 (SNSP, 2009-2013). The high rate of car thefts coincides with the continued presence of “Los Zetas” in Zacatecas and as of late

October 2013 they remain in relative control in central and northern Zacatecas. Therefore, in the Zacatecas case, car theft reports can be used to track the cartel's movements, and investigations into the specific car theft network is likely to coincide with agents/nodes of parallel "Los Zetas" networks.

In a similar fashion, as explained by Petrunov (2014)<sup>9</sup>, Bulgarian criminal syndicates also seek to monopolize criminal activities such as extortion, car theft, prostitution, and human trafficking. While extortion, kidnapping, and prostitution usually have very low reporting rates, car thefts are almost universally reported, due to the victim's hopes of recuperating their loss by collecting the insurance. A sharp increase in common crimes can therefore serve as an indicator of a monopolizing criminal network in action.

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<sup>9</sup> Petrunov, G. (2013). *Analysis of Social Network Models of Transnational Criminal Networks operating in the Southeastern Border of the European Union*. Vortex Foundation. Bogota: Vortex Foundation,.

# Conclusions for Institutional Reform Initiatives

Bulgarian and Mexican criminal organizations share some common trends, in both cases they were pre-existent in some form but became increasingly violent as autocratic regimes collapsed and their host countries moved towards democracy and free-market economies. In both cases remain in their host countries due largely to the existence of a relatively inefficient and corrupt law enforcement institutions and political structure and benefit from relatively easy access to their main markets. The most resilient criminal networks are those with intimate/familiar relationships and/or with a high degree of decentralization. With these variables in mind and without neglecting aggressive anti-corruption and professionalization of law enforcement programs, the



following institutional reform initiatives are offered as complements and/or alternatives:

***Transformation of Criminal Entities through their Institutionalization:*** Promote a reconfiguration of transnational criminal networks, at least partially, into legal entities through their institutionalization. Several government agencies can undertake independent approaches. The evolution of Bulgarian criminal organizations from violent gangs, to private security racketeers, to semi-reputable insurance companies or more sophisticated, yet significantly less violent organizations involved in money laundering, skimming or financial fraud, while not optimal, is far more desirable than the current status of “Los Zetas”. The transformation of criminal groups into legitimate agents is not new to Mexico. As a historic example, in 1861 Mexican President Benito Juarez transformed a large number of rag-tag bandits into the “*rurales*”, a rural defense militia. The original manpower for the “*rurales*”, as they became known, was recruited from -criminals and- ex-convicts, which had profound experience and knowledge of criminal groups and their activities. This knowledge allowed the *rurales* to dramatically reduce crime on roads and isolated rural areas (SEDENA, 2006).<sup>10</sup>

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<sup>10</sup> SEDENA Responses to Question via the Transparency Law March 2006 <http://www.sedena.gob.mx/leytrans/petic/2006/marzo/13032006b.html>

***Motivate Crime Reporting by Involving Third Parties:***

Consistent crime reporting is positive as it allows a society to understand what its main threats and challenges lay and motivates governments to finding direct solutions. Strong regulations or efficient law enforcement are usually good motivators for high rates of crime reporting. When these motivators are not present, a third party may assist. In the case of car theft, having an independent member of the private sector (such as insurance companies) as the intermediate point between victims recuperating a significant portion of their valuables via an insurance claim, only if they present a formal crime report. Therefore engaging insurance companies and prompting them to develop specific product for particular circumstances, such as extortion or kidnapping insurance, would trigger victims to make formal crime report. The alternatives to increase crime reporting are less attractive, as they would require either dramatically increasing the effectiveness and capabilities of law enforcement, which is not probable, or criminalizing non-reporting as a negligent activity, which would be plainly irresponsible.

***The Complex Multi-national Solution:*** For Bulgarian and Mexican criminal networks, borders constitute just another obstacle in a long but lucrative supply chain that can be solved by force, ingenuity, stealth, saturation, corruption, or pure luck. The lack of institutional trans-border integration with Turkey and the U.S., respectively, becomes the main challenge for effective law enforcement operations. There is a need for a permanent bi-national border law enforcement programs that are funded, staffed, and equipped by both governments and can operate relatively autonomous. The U.S.-Canadian Integrated Cross-border

Maritime Law Enforcement Operations (ICMLEO), better known as "Shiprider" is a good example of a successful bi-national cooperation program. It allows for armed law enforcement agents from both the U.S. and Canada to be able to transit back and forth across the border to help secure it from threats to national security, as well as prevent cross-border smuggling and trafficking (RCMP, 2013).<sup>11</sup> While the maritime alternative is potentially the most viable, air and land versions should not be discarded.

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<sup>11</sup> RCMP information website on Shiprider program at <http://www.rcmp-grc.gc.ca/ibet-eipf/shiprider-eng.htm>