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For several years now, STRATFOR has been closely monitoring the growing violence in Mexico and its links to the drug trade. In December, our cartel report assessed the situation in Mexico, and two weeks ago we looked closely at the networks that control the flow of drugs through Central America. This week, we turn our attention to the border to see the dynamics at work there and how U.S. gangs are involved in the action.

The nature of narcotics trafficking changes as shipments near the border. As in any supply chain, shipments become smaller as they reach the retail level, requiring more people to be involved in the operation. While Mexican cartels do have representatives in cities across the United States to oversee networks there, local gangs get involved in the actual distribution of the narcotics.

While there are still many gaps in the understanding of how U.S. gangs interface with Mexican cartels to move drugs around the United States and finally sell them on the retail market, we do know some of the details of gang involvement.

Trafficking vs. Distribution

Though the drug trade as a whole is highly complex, the underlying concept is as simple as getting narcotics from South America to the consuming markets -- chief among them the United States, which is the world's largest drug market. Traffickers use Central America and Mexico as a pipeline to move their goods north. The objective of the Latin American smuggler is to get as much tonnage as possible from Colombia, Peru and Bolivia to the lucrative American market and avoid interdictions by authorities along the way.

However, as narcotic shipments near the U.S.-Mexican border, wholesale trafficking turns into the more micro process of retail distribution. In southern Mexico, drug traffickers move product north in bulk, but as shipments cross the U.S. border, wholesale shipments are broken down into smaller parcels in order to hedge against interdiction and prepare the product for the end user. One way to think about the difference in tactics between trafficking drugs in Central America and Mexico and distributing drugs in the United States is to imagine a company like UPS or FedEx. Shipping air cargo from, say, New York to Los Angeles requires different resources than delivering packages to individual homes in southern California. Several tons of freight from the New York area can be quickly flown to the Los Angeles area. But as the cargo gets closer to its final destination, it is broken up into smaller loads that are shipped via tractor trailer to distribution centers around the region, and finally divided further into discrete packages carried in parcel trucks to individual homes.

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As products move through the supply chain, they require more specific handling and detailed knowledge of an area, which requires more manpower. The same, more or less, can be said for drug shipments. This can be seen in interdiction reports. When narcotics are intercepted traversing South America into Mexico, they can be measured in tons; as they cross the border into the United States, seizures are reported in kilograms; and by the time products are picked up on the streets of U.S. cities, the narcotics have been divided into packages measured in grams. To reflect this difference, we will refer to the movement of drugs south of the border as trafficking and the movement of drugs north of the border as distributing.

As narcotics approach the border, law enforcement scrutiny and the risk of interdiction also increase, so drug traffickers have to be creative when it comes to moving their products. The constant game of cat-and-mouse makes drug trafficking a very dynamic business, with tactics and specific routes constantly changing to take advantage of any angle that presents itself.

The only certainties are that drugs and people will move from south to north, and that money and weapons will move from north to south. But the specific nature and corridors of those movements are constantly in flux as traffickers innovate in their attempts to stay ahead of the police in a very Darwinian environment. The traffickers employ all forms of movement imaginable, including:

Tunneling under border fences into safe houses on the U.S. side.

Traversing the desert on foot with 50-pound packs of narcotics. (Dirt bikes, ATVs and pack mules are also used.)

Driving across the border by fording the Rio Grande, using ramps to get over fences, cutting through fences or driving through open areas.

Using densely vegetated portions of the riverbank as dead drops.

Floating narcotics across isolated stretches of the river.

Flying small aircraft near the ground to avoid radar.

Concealing narcotics in private vehicles, personal possessions and in or on the bodies of persons who are crossing legally at ports of entry.

Bribing border officials in order to pass through checkpoints.

Hiding narcotics on cross-border trains.

Hiding narcotics in tractor trailers carrying otherwise legitimate loads.

Using boats along the Gulf coast.

Using human "mules" to smuggle narcotics aboard commercial aircraft in their luggage or

bodies.

Shipping narcotics via mail or parcel service.

These methods are not mutually exclusive, and organizations may use any combination at the same time. New ways to move the product are constantly emerging.

Once the narcotics are moved into the United States, drug distributors use networks of safe houses, which are sometimes operated by people with direct connections to the Mexican cartels, sometimes by local or regional gang members, and sometimes by individual entrepreneurs. North of the border, distributors still must maneuver around checkpoints, either by avoiding them or by bribing the officials who work there. While these checkpoints certainly result in seizures, they can only slow or reroute the flow of drugs. Hub cities like Atlanta service a large region of smaller drug dealers who act as individual couriers in delivering small amounts of narcotics to their customers.

It is a numbers game for drug traffickers and distributors alike, since it is inevitable that smugglers and shipments will be intercepted by law enforcement somewhere along the supply chain. Those whose loads are interdicted more often struggle to keep prices low and stay competitive. On the other hand, paying heavy corruption fees or taking extra precautions to ensure that more of your product makes it through also raises the cost of moving the product. Successful traffickers and distributors must be able to strike a balance between protecting their shipments and accepting losses. This requires a high degree of pragmatism and rationality.

Local Gangs

While the Mexican cartels do have people in the United States, they do not have enough people so positioned to handle the increased workload of distributing narcotics at the retail level. A wide range of skill sets is required. Some of the tactics involved in moving shipments across the border require skilled workers, such as pilots, while U.S. gang members along the border serve as middlemen and retail distributors. Other aspects of the operation call for people with expertise in manipulating corrupt officials and recruiting human intelligence sources, while a large part of the process simply involves saturating the system with massive numbers of expendable, low-skilled smugglers who are desperate for the money.

The U.S. gangs are crucial in filling the cartel gap north of the border. Members of these border gangs typically are young men who are willing to break the law, looking for quick cash and already plugged in to a network of similar young men, which enables them to recruit others to meet the manpower demand. They are also typically tied to Mexico through family connections, dual citizenship and the simple geographic fact that they live so close to the border. However, the U.S. gangs do not constitute formal extensions of the Mexican drug-trafficking organizations. Border gangs developed on their own, have their own histories, traditions, structures and turf, and they remain independent. They are also involved in more than just drug trafficking and distribution, including property crime, racketeering and kidnapping. Their involvement in narcotics is similar to that of a contractor who can provide certain services, such as labor and protection, while drugs move across gang territory, but drug money is not usually

their sole source of income.

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These gangs come in many shapes and sizes. Motorcycle gangs like the Mongols and Bandidos have chapters all along the southwestern U.S. border and, while not known to actually carry narcotics across the border into the United States, they are frequently involved in distributing smaller loads to various markets across the country to supplement their income from other illegal activities.

Street gangs are present in virtually every U.S. city and town of significant size along the border and are obvious pools of labor for distributing narcotics once they hit the United States. The largest of these street gangs are MS-13 and the Mexican Mafia. MS-13 has an estimated 30,000 to 50,000 members worldwide, about 25 percent of whom are in the United States. MS-13 is unique among U.S. gangs in that it is involved in trafficking narcotics through Central America and Mexico as well as in distributing narcotics in the United States. The Mexican Mafia works with allied gangs in the American Southwest to control large swaths of territory along both sides of the U.S.-Mexican border. These gangs are organized to interact directly with traffickers in Mexico and oversee transborder shipments as well as distribution inside the United States.

Prison gangs such as the Barrio Azteca and the Texas Syndicate reach far beyond the prison fence. Membership in a prison gang typically means that, at one point, the member was in prison, where he joined the gang. But there is a wide network of ex-prisoner gang members on the outside involved in criminal activities, including drug smuggling, which is one of the most accessible ways for a gang member to make money when he is released from prison.

Operating underneath the big gang players are hundreds of smaller city gangs in neighborhoods all along the border. These gangs are typically involved in property theft, drug dealing, turf battles and other forms of street crime that can be handled by local police. However, even these gangs can become involved in cross-border smuggling; for example, the Wonderboys in San Luis, Ariz., are known to smuggle marijuana, methamphetamine and cocaine across the border.

Gangs like the Wonderboys also target illegal immigrants coming across the border and steal any valuable personal items or cash they may have on them. The targeting of illegal immigrants coming into the United States is common all across the border, with many gangs specializing in kidnapping newly arrived immigrants and demanding ransoms from their families. These gangs are responsible for the record level of kidnapping reported in places like Phoenix, where 368 abductions were reported in 2008. Afraid to notify law enforcement out of a fear of being deported, many families of abducted immigrants somehow come up with the money to secure their family member's release.

Drug distribution is by far the most lucrative illicit business along the border, and the competition for money leads to a very pragmatic interface between the U.S. border gangs and the drug cartels in Mexico. Handoffs from Mexican traffickers to U.S. distributors are made based upon reliability and price. While territorial rivalries between drug traffickers have led to thousands of

deaths in Mexico, these Mexican rivalries do not appear to be spilling over into the U.S. border gangs, who are engaged in their own rivalries, feuds and acts of violence. Nor do the more gruesome aspects of violence in Mexico, such as torture and beheadings, although there are indications that grenades that were once part of cartel arsenals are finding their way to U.S. gangs. In dealing with the Mexican cartels, U.S. gangs -- and cartels in turn -- exhibit no small amount of business pragmatism. U.S. gangs can serve more than one cartel, which appears to be fine with the cartels, who really have no choice in the matter. They need these retail distribution services north of the border in order to make a profit.

Likewise, U.S. gangs are in the drug business to make money, not to enhance the power of any particular cartel in Mexico. As such, U.S. gangs do not want to limit their business opportunities by aligning themselves to any one cartel. Smaller city gangs that control less territory are more limited geographically in terms of which cartels they can work with. The Wonderboys in Arizona, for example, must deal exclusively with the Sinaloa cartel because the cartel's turf south of the border encompasses the gang's relative sliver of turf to the north. However, larger gangs like the Mexican Mafia control much broader swaths of territory and can deal with more than one cartel.

The expanse of geography controlled by the handful of cartels in Mexico simply does not match up with the territory controlled by the many gangs on the U.S. side. Stricter law enforcement is one reason U.S. border gangs have not consolidated to gain control over more turf. While corruption is a growing problem along the U.S. side of the border, it still has not risen to the level that it has in northern Mexico. Another reason for the asymmetry is the different nature of drug movements north of the border. As discussed earlier, moving narcotics in the United States has everything to do with distributing retail quantities of drugs to consumers spread over a broad geographic area, a model that requires more feet on the ground than the trafficking that takes place in Mexico.

Assassins' Gate

Because the drug distribution network in the United States is so large, it is impossible for any one criminal organization to control all of it. U.S. gangs fill the role of middleman to move drugs around, and they are entrusted with large shipments of narcotics worth millions of dollars. Obviously, the cartels need a way to keep these gangs honest.

One effective way is to have an enforcement arm in place. This is where U.S.-based assassins come in. More tightly connected to the cartels than the gangs are, these assassins are not usually members of a gang. In fact, the cartels prefer that their assassins not be in a gang so that their loyalties will be to the cartels, and so they will be less likely to have criminal records or attract law enforcement attention because of everyday gang activity.

Cartels invest quite a bit in training these hit men to operate in the United States. Often they are trained in Mexico, then sent back across to serve as a kind of "sleeper cell" until they are tapped to take out a delinquent U.S. drug dealer. The frequency and ease with which Americans travel to and from Mexico covers any suspicion that might be raised.

The Gaps

The U.S.-Mexican border is a dynamic place, with competition over drug routes and the quest for cash destabilizing northern Mexico and straining local and state law enforcement on the U.S. side. Putting pressure on the people who are active in the border drug trade has so far only inspired others to innovate and adapt to the challenging environment by becoming more innovative and pragmatic.

And there is still so much we do not know. The exact nature of the relationship between Mexican cartels and U.S. gangs is very murky, and it appears to be handled on such an individual basis that making generalizations is difficult. Another intelligence gap is how deeply involved the cartels are in the U.S. distribution network. As mentioned earlier, the network expands as it becomes more retail in nature, but the profit margins also expand, making it an attractive target for cartel takeover. Finally, while we know that gangs are instrumental in distributing narcotics in the United States, it is unclear how much of the cross-border smuggling they control. Is this vital, risky endeavor completely controlled by cartels and gatekeeper organizations based in Mexico, or do U.S. gangs on the distribution side have more say? STRATFOR will continue to monitor these issues as Mexico's dynamic cartels continue to evolve.

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