Corruption and Organized Crime in Mexico in the Post-PRI Transition

LOUISE SHELLEY
American Universitv

President Fox has made the improvement of public safety and reduction in corruption priorities of his government. Backed by an educated urban middle-class electorate, he faces fundamental challenges to the achievement of his goals. These include a legacy of institutionalized PRI (Institutionalized Revolutionary Party) corruption, limited respect for the rule of law, and the penetration of drug trafficking groups into the state structure. Mexico's long border with the United States has contributed to the rapid rise in organized crime and the use of Mexican territory by foreign crime groups. Mexico's past may preclude the transition to a more democratic and open society despite the best of presidential intentions and the desires of much of the Mexican population.

The election of President Vicente Fox ended 70 years of PRI (Institutionalized Revolutionary Party) domination over Mexico. During his campaign, President Fox, a candidate of the right-of-center PAN (National Action Party), said that he would place public security and elimination of corruption at the top of the government agenda. In the first months of his presidency, he has not wavered from his campaign promises to address corruption, drug tracking, and the accompanying violence, which have deeply penetrated the Mexican political structure and daily life in northern and coastal Mexico. He has taken forceful and decisive actions to crack down on the drug trade, for example, sending 700 heavily armed agents to Tijuana in January 2001 to deliver on his commitment to eradicate crime from this violenceplagued city.

President Fox's campaign against crime and corruption is too new to have delivered long-term results. Yet, the citizenry has faith in his ability to make a difference. Evidence of this is the significant decline in the number of illegal border crossings between Mexico and the United States, suggesting that the poorest of Mexican citizens believe that there is a possibility for change. Fur-

Journal of Contemporary Criminal Justice, Vol. 17 No. 3. August 2001 213-231

thermore, there has been a dramatic increase in killing and retaliation among drug traffickers. A wave of violence has been unleashed in Sinaloa. Between December 1, 2000, and January 8, 2001, 79 murders occurred, or an average of two a day since Fox assumed the presidency. Organized crime members, as illustrated in Colombia and Italy, often kill each other when they face increased governmental repression and fears that members will cooperate with government law enforcers (Abadinsky, 2000).

Many Mexican analysts fear that Fox will face the same obstacles that some of his PRI predecessors faced. Combating one or two drug organizations only strengthens the capacity of rival groups. But to launch a simultaneous attack on the Gulf, Juarez, Tijuana, and Sonora cartels is beyond the capacity of the Mexican state, which now lacks reliable cadres in the federal police and investigative bodies.

Fox faces formidable challenges in combating the institutionalized corruption of the PRI on the national, regional, and local level. In January 2001, he established a Government Transparency Commission to address the wide range and diverse forms of corruption that exist in Mexico. Previously, government agencies were reluctant to provide information to the Comptroller General about potential areas of corruption risk. Therefore, the new commission faces a challenge to convince the public and state officials that it is more than a symbolic commission. Yet, this is a necessary step if Fox is to deliver on his promise to improve the administrative capacity of the state.

The new president's ability to achieve reform in the future may be limited by the legacy of institutionalized grand corruption and the political-criminal nexus of the drug traffickers with the state apparatus. Compounding the problem is the fact that Fox's PAN does not have a plurality of seats in the Mexican legislature. Yet, the president's recognition that addressing crime and corruption is key to governmental and social reform is a key step in the right direction. Also significant is his effort to engage the United States in a new way because our border and American demand for illicit products affect Mexico's ability to address its crime problems.

PRECONDITIONS TO THE PROBLEM

Mexico, as a Spanish colony, inherited the Spanish legal system and tradition. James Billington (1970), the Librarian of Congress, has written that two regions of Europe remained outside the Enlightenment, the Iberian peninsula and Russia. Therefore, these areas failed to benefit from the Enlightenment ideal of the rule of law. The former Spanish colonies and the countries that were under Russian rule have suffered from this historical legacy by having less respect for the rule of law and consequently higher levels of corruption.

Even before the arrival of the Spaniards, there was a high level of economic disparity in pre-Colombian society. The arrival of the Spanish reduced the social status of the Aztecs and other Indian groups within Mexico but did not change the high level of economic differentiation within Mexican society. A historical exhibit in the Cuernavaca Museum vividly lays out the social hierarchies in Mexican society from the pre-Colombian period to the present. The groups represented in the diagram change but not their relative status within Mexican society or their overall control of the country's resources.

Disparities in income, patron-client relationships, and the failure to observe the rule of law exacerbate the problems of corruption. Citizens believe they cannot resolve their problems through legal channels, and citizens at all levels of society resort to bribes and other illegal means to achieve the desired output from the legal system.

POLITICAL AND ECONOMIC CONDITIONS FACILITATING CORRUPTION

High-level and pervasive corruption rather than brute force characterized the "one party democracy" of Mexico (Doig, 1984). The PRI has been the distributor of benefits including jobs, contracts, educational opportunities, and social services. The process of co-optation of opposition undermined resistance to the PRI's dominance.

The long-term rule of the PRI assured stability in Mexico, which evaded the cycles of military and civilian rule that have characterized most Latin American governments. Yet, the dominance of one political party did not contribute to the development of competitive democratic institutions and the rule of law. Instead, the unique role of the PRI in Mexican society, rather than particular features of its organization, contributed to the high level of corruption.

In any country or city where one political group has enjoyed a dominant political role, corruption has tended to increase overtime. Analogies can be drawn to the Christian Democratic coalition in Italy after World War II, the Liberal party in Japan, or the Democratic party in New York and Chicago in the United States. The unique role that these parties have played in these governments for decades prevented a competitive party system (Johnston, 1997).

The acme of Mexican government corruption was reached during the Salinas years (1988 to 1994) (Pimental, 1999). The Salinas administration was highly praised by the international community for opening up the economic system and privatizing state-owned enterprises. Yet 'the reality was quite different from the international image. Policies taken to modernize the Mexican economy inadvertently contributed to the rise of organized crime and corruption (Andreas, 1999).

During the Salinas period, drug traffickers acquired unprecedented influence at high levels of the national government as well as at the level of regional governorships. President Carlos Salinas's brother, Raul, received massive payments from the drug traffickers. The indictment of **Raul Salinas and the** freezing of his assets by the Swiss government after a lengthy investigation provide evidence of the serious penetration of drug traffickers at the heights of national power (del Ponte, 1999). The arrest and confinement in the United States of former Deputy Attorney General Mario Ruiz Massieu, a member of Salinas's inner circle, is further evidence of the same phenomenon. Key governorships were also held by drug traffickers and their close associates. For example, Mexican authorities investigated the governor of Quintana Roo, who was suspected of being a central figure in a Peruvian-Colombian-Mexican drug conspiracy, and governors of Morelos and northwestern Sonora have also been implicated in major drug trafficking networks (Drug Enforcement Administration, 1999; Winer, 2001).

Frequent changes in the attorney general's office (the *procuraduria)* during the Salinas years meant that there was no continuity of leadership within the justice system and no important drug case could be seen to completion. Powerful drug lords were able to influence the selection of the attorney general, and frequent changes in the top legal official allowed different drug trafficking organizations to exercise their influence over the government and impede all unwanted investigations. When the honest ombudsman of Mexico, Dr. Jorge Carpizo, was made attorney general, he was not able to return integrity to the office because he could not assert control during his short tenure.

The progressive Instituto *de Ciencias Penales* (Institute of Penal Sciences), under the General Procuracy, trained researchers and students in reform of the justice system. It was closed in the final years of the Salinas period and only recently reopened.' Many students who served in the justice system as investigators and prosecutors had personal experiences with high-level interference in the legal cases they were handling. Serious impediments were placed on the investigation of high-level financial crimes committed by politically connected offenders, even though their crimes were costly to the Mexican state.

While the well-meaning students of the Instituto de Ciencias Penales made great efforts to educate themselves and to promote a more just administration of justice in Mexico, the building adjoining the institute housed the training school of the policia judicial (the federal police force). During the Salinas period, people paid significant bribes to enter the law enforcement body, the fees sometimes fronted by drug traffickers, who expected services in return for the sums advanced. The expensive jeeps and other vehicles driven by the new recruits at the academy of the policia judicial reflected the fact that these individuals were not and would not be living on their governmental salaries. Many of these law enforcers enjoyed impunity for their crimes. In 1998, police personnel were arrested for robbery, rape, fraud, and homicide; some of the arrest warrants had not been acted on since 1991 (Drug Enforcement Administration, 1998).

The Zedillo administration, which followed Salinas in 1994, did not have the high level of internal corruption exemplified by Raul Salinas. Yet it could not be a real force for change because President Zedillo was elected on the PRI ticket and could not promote reform of his corrupted party. He proved a transitional figure between the most corrupt of PRI administrations and the more open political system that President Fox seeks to promote.

A painful transition process awaits Mexico, as President Fox tries to create a more democratic society and multiparty state. Despite the new president's commitment to fight corruption, transitional periods provide enormous opportunities for corruption because there are now many more actors competing for power and more individuals who need to provide consent (Weyland, 1998). Transitional periods are often characterized by enhanced organized crime infiltration into the economic and political structure. As research on the Russian and Sicilian mafias has shown, transitional periods in which there is more focus on large-scale institutional change and less focus on the administration of justice prove conducive to the rise of organized crime (Gambetta, 1993).

ECONOMIC CHANGE, CORRUPTION, AND ORGANIZED CRIME

Major economic changes of the 1980s and 1990s, which improved the competitiveness of the Mexican economy, also had a profound impact on the capacity of domestic crime groups to act on the North American continent and in the global economy. With globalization and the North American Free Trade Agreement (NAFTA), in particular, the Mexican economy became more fully integrated into the global economy. Weapons, toxic waste, and smuggling of human beings and endangered species have become part of a larger web of corruption, which originates in Mexico but is aided by parties in America who facilitate this illicit cross-border trade (de Olloqui, 1998). Illicit trade has grown in tandem with the licit trade. The institutionalized corruption in the legal system makes it impossible to combat these trends.

In the 1980s, like many countries in Latin America, Mexico embarked on a massive program of privatization of state resources (Manzetti & Blake, 1996). In an effort to improve economic efficiency, the technocrats running Mexico chose to follow the economic strategy pursued by many countries and reduce the state sector of the economy. Prior to Mexico's ambitious program of privatization in the 1980s and 1990s, the state owned about 40% of the national economy.

Government technocrats, with the assistance of foreign advisers, embarked on a major program of privatization. Many of the economic advisers to the Mexican government were the same people who gave advice in eastern Europe and the former Soviet Union. They believed that the primary focus should be on the speed of privatization and not on the transparency of the process!

Mexico was a beneficiary of advice that was not suited to its particular economic and political situation. Insufficient safeguards accompanied the privatization process, and little attention was paid to the sources of capital that were used to buy state property.

Mexico lacked a sufficiently outspoken press, a mobilized civil society, and an independent and honest law enforcement system to counteract these developments. Therefore, many valuable state assets were sold without adequate assessment of their value and income. As a consequence of the Mexican process of privatization, many of Mexico's richest families became billionaires, increasing the economic disparity in Mexico. These families acquired controlling shares of the most valuable banks, food sectors, and telecommunications. Families with money from drugs and the gambling sector, tainted by massive money laundering, were able to acquire formerly state-owned businesses, allowing them to mingle criminal money with the legitimate economy and thereby facilitating the infiltration of organized crime into the larger Mexican economy (Oppenheimer, 1996).

THE GEOPOLITICAL SITUATION FACILITATING CORRUPTION

Mexico's proximity to the United States is an important factor in its present level of organized crime and the concomitant corruption. The United States is the greatest consumer of drugs in the world. Mexico's lengthy border with the United States has made the country a natural staging ground for drug operations to the United States, a process facilitated by the long history of smuggling across our mutual border. Mexico's major trafficking organizations are located either in the north or in coastal areas with excellent transport routes.

Mexican crime groups are not the only ones to exploit the long, loosely regulated border. The Colombians in the 1970s and 1980s began to move drugs in large quantities across Mexico to reach the United States (Abadinsky, 2000, pp. 252-255). More recently, Chinese organized crime groups exploited the lax Mexican law enforcement and used the Mexican American border to traffic people into the United States. Many other groups from all over the world are now using Mexico as a **haven or a transhipment** point to move drugs and other smuggled commodities into the United States.'

Crackdowns on the Medellin cartel in Colombia in the late 1980s gave Mexican drug trafficking organizations an enormous opportunity. Increasingly, Mexicans ceased to be middlemen and facilitators for the Colombian drug organizations and themselves became major exporters of drugs to the United States (Andreas, 1999).

Mexican drug trafficking organizations control the production of many forms of narcotics, including methamphetamine, marijuana, and heroin. They corrupt officials on both sides of the border to move their commodities and launder their proceeds. Mexico is the largest source of foreign marijuana **bound for the** United States. It is also the largest source of methamphetanunes, particularly those bound for the western United States. It is a major transit point for the movement of potassium permanganate, which is used in the purification of cocaine. Although Mexico produces only 2% of the world's opium, nearly its entire harvested crop is converted into heroin and shipped to the United States (Gomez-Cespedes, 1999).

Access to the large illicit markets of the United States has resulted in more diversified crime groups in Mexico than in Colombia. Although these groups are most recognized for their lucrative narcotics trade, many smaller groups also traffic in human beings, waste, weapons, endangered species, and art. In 1999, according to Immigration and Naturalization Service statistics, 1.8 million individuals were apprehended on the U.S.-Mexican border (personal communication, Ben Bell, director of the analytical division, 2000). Many of these crossings were facilitated by professional human smugglers. The murder in late March 2001 of Saul Antonio Martinez Gutierrez, deputy editor of the daily, *El Imparcial,* in Tamaulipas near the Texas border was possibly tied to his investigations of immigrant smuggling and official c6rruption (Committee to Protect Journalists, 2001). Trafficking for sexual exploitation also goes on, as evidenced by the Cadena case, in which young girls and women from Veracruz were brought to the southeastern United States to work in brothels (U.S. v. *Roegerio Cadena et al.,* 1999). The Cadena case is not an exception. The Mexican government representative on migratory matters in Central America recognized in early 2001 that Mexico is one of the top countries in the trafficking of children for sexual exploitation (Drug Enforcement Administration, 2001).

The geographic advantage that Mexican drug traffickers enjoy because of their proximity to the United States has contributed significantly to their rapid growth and the concomitant rise in corruption of the law enforcement and legal system. Law enforcement corruption is entrenched and is particularly acute in regions of the country where organized crime organizations are the dominant economic force (Gomez-Cespedes, 1999). The corruption of the federal police was infamous, but many had more faith in the procuraduria and the military. This faith was shattered by the arrest in 1997 of General Gutierrez Rebollo, Commissioner of the Attorney General's National Institute to Combat Drugs (the equivalent of the American drug czar) on charges of being on the payroll of the drug traffickers (Gomez-Cespedes, 1999).

The problems have not ceased under President Fox's administration. In January 2001, the drug kingpin Joaquin Guzman Loera escaped from Puente Grand Federal Penitentiary. The prison warden and more than 70 other individuals were placed under house arrest while the federal procuracy initiated an investigation. The escape was allegedly planned a year in advance and involved $2.5 million in payoffs to prison officials, employees as well as officials in the Interior Ministry, according to sources in the Interior Ministry and the agency charged with federal prosecutions ("El Chapo Paid," 2001). The release in January 2001 of the six suspects in the mob killing of television comedian Francisco Stanley in June 1999 has given great visibility to the problems of the Mexican investigatory process and the administration of justice (Leovy, 2001).

Long-term efforts by the Mexican government to address the criminalization of law enforcement have been stymied by inadequate vetting, training, and salaries for law enforcement officials. The Mexican government has established several programs to improve the quality of policing. The National Public Safety System has established a national police registry to prevent police who are dismissed for corruption from being hired by another law enforcement entity. In addition, background checks and polygraphs are being conducted on all federal prosecutors, police agents, forensic experts, and pilots assigned to counter-drug duties. These are major-steps toward reducing corruption, but President Fox faces serious challenges in ensuring integrity in the enforcement of Mexican laws.

CIVIL SOCIETY PROTECTIONS AGAINST CORRUPTION ARE MUTED

During the period of PRI domination, the forces of civil society were not strong enough to combat the rise of organized crime and corruption. Intellectuals expressed their concern but were not a major force to effect change. Labor unions had been co-opted by the PRI. Few members of the church have criticized the rising power of the drug traffickers, with the exception of the archbishop of Guadalajara, who was subsequently assassinated. Educators did not focus on these issues in school curricula (Godson, 1998).

The major media, although they were able to discuss openly many aspects of Mexican society, have been muted in discussing the domestic problems of organized crime and corruption. The intimidation and **execution of journal**ists and whistleblowers have resulted in limited frank discussion because many journalists engage in self-censorship. Moreover, publishers, **fearing repri**sals, often do not give their staff members the opportunity to pursue articles on these topics.

The late 1990s was a very difficult period for journalists. Attacks on journalists increased in 1998 over 1997, although the number of journalists killed declined. The *Comision Nacional de los Derechos Humanos* (National Human Rights Commission) recorded 32 complaints concerning attacks on journalists, whereas the Manuel Buendia Foundation reported 57 incidents in the same period. The most serious case reported was the killing of a reporter for the Mexican City daily, *La Tarde,* who had reported on corruption in the federal prosecutorial agency, charging that its officials were collaborating with drug traffickers. Witnesses implicated agency employees in the reporter's killing (U.S. Department of State, 1998).

Despite the serious harassment and intimidation of members of the Mexican journalism community, a few journalists have been brave enough to write on these subjects. In 1997, journalists mobilized to provide greater selfdefense. The *Socieded de Periodistas* began operating in 1998. According to the international watchdog body, the Committee to Protect Journalists (1998), the society has had an impact by pressuring the government for fuller investigations into attacks and assassination of journalists. Their pressure is important because those who expose corruption are not provided adequate legal protection by the Mexican state.

The situation of journalists has become even more precarious in the period since the Fox election. The Committee to Protect Journalists has expressed its concern about the previously mentioned killing of an investigative reporter in Tamaulipas in early 2001, but the committee's analyst points out that this is not an isolated incident but part of a larger system of threats and killings of journalists in border areas. Journalists are reflecting a new sense that it is possible to address crime and corruption, but their investigations of those who traffic in drugs and human beings have prompted heightened intimidation and reprisals.

Mobilization of civil society has been one of the most effective forces to combat corruption and organized crime in other countries. Palermo women organized the "Committee of the Sheets" movement by hanging slogan-filled sheets from their windows following Mafia killings. They proved to be an important force in restoring civic pride and helped reclaim the city from the domination of organized crime (Schneider, 1998). No such massive movement has arisen in Mexico to address the serious organized crime and corruption problems. Instead, the majority of the middle-class and educated urban citizens surprised the political pundits in summer 2000 and voted **against the PRI candidate** in the national as well as many regional elections.

Impeding the rise of a civil society in opposition to organized crime have been the institutionalization and glorification of the traffickers within the society. Particularly in the northern states, such as Sinaloa, Sonora, Monterrey, and of course Tijuana, musicians such as the corridos or *La Tambora* glorify drug traffickers. Movies, art, and literature also extol the virtues of the drug traffickers without depicting the larger costs of their activity for Mexican society (Abadinsky, 2000, p. 476).

As in Sicily, which has also given birth to major organized crime groups, the societal focus in Mexico has been on the interests of the immediate and the extended family rather than on the larger interests of a more impersonal societal good. The declining power of **the PRI** and the rise of an educated urban population concerned with political reform may provide the opening for a more developed civil society ready to address the issues of organized crime and corruption.

STRENGTHS OF MEXICO

Mexico has many internal strengths to deal with the problems of corruption and the increasingly serious problem of organized crime. The long-term commitment of Mexico in the 20th century to the development of its citizens has meant significant investment in education. Rapid population growth in the past century and the presence of a wealthy elite have not precluded the development of a significant educated middle class. The internal strife over the strike that closed UNAM (the national university in Mexico City) in 1999-2000 is emblematic of the enormous national attention paid to education and the possibility of social advancement through affordable higher education.

Many in Mexico speak of the passivity of the Mexican population, particularly before the most recent elections. But Mexicans can mobilize to address problems that concern them, and Mexico has seen increasing activism on issues that affect the individual: education and the rights of women and indigenous groups. Women's groups have united in large numbers to address issues of concern such as violence against women and sexual discrimination. Moreover, many have organized to protect indigenous rights in Chiapas.

There has been less willingness to engage on more abstract issues such as justice and corruption. Until the 1990s, such issues were not seen as serious threats to Mexican society and governance. For many years, internationally respected economists wrote that corruption aids economic development by greasing the wheels of a heavily bureaucratized society. Yet, many Mexicans learned to the contrary during successive currency crises in the 1990s. The

corruption of the banking system, the absence of **transparency in financial institutions, and the** failure of **the government** to explain to its citizens that there was a fiscal crisis resulted in huge losses for citizens during massive peso devaluations. Many lost their life savings because of the government's failure to provide adequate oversight of financial institutions and because of the cozy relationship that existed between many leading financial figures and the ruling political party.

Many Mexicans passively observed the rise of drug trafficking organizations; they saw the drug problem as external to Mexico. They **did not under**stand that the rise of the drug trade would weaken the fabric of Mexican society through increased drug use and violence and promote the acceptance of a criminal culture. The killing of Archbishop Juan Jesus Posadas Ocampo in Guadalajara in 1993 (Catholic World News Service, 1997), the ambush of the police chief of Tijuana, the revelations concerning Raul Salinas's links to drug traffickers, and the highly public assassination of Jose Francisco Massieu (Smith, 1999) were a rude awakening to many Mexicans that there were enormous domestic costs to key institutions of Mexican society-the church and the political system-from the activities of drug organizations.

Mexican society has yet to address in a sustained manner the grand corruption that affects the political and economic system, but it has made much more progress in addressing the low level corruption that affects daily life. Oversight institutions have been established in the 1990s to promote improved administration of government and to address some of the more glaring cases of corruption. Independent watchdog bodies have been established to oversee World Bank projects to ensure that loan money is used for its intended purpose.

Highly significant has been the establishment of the National Human Rights Commission in 1990 and subsequently the establishment of such a commission at the level of Mexico City (Americas Watch, 1991). These bodies not only listen to citizen complaints but also perform serious investigative functions and demand changes. Improvements in prison conditions and the reduction of corruption in penal institutions have been achieved as a result of direct intervention by the Mexican National Human Rights Commission (see, e.g., Galindo, 1990; Villegas, 1991).

Low level corruption has also been addressed in the area of traffic tickets. Women, who are generally less active in corruption circles, have been hired to write parking tickets. Initial reports indicate that this innovation is a success because revenues have gone up and abuses associated with ticketing have gone down. Some might suggest that this policy change is a recognition by the government that it could not combat corruption. Anticorruption strategists, however, point out that it is important to diminish the opportunities for corruption. By reserving the criminal law only for the most serious violations and using the administrative law exclusively for more minor offenses, there are fewer possibilities for corrupt exchanges.

THE POLITICAL COSTS

The political costs of corruption and organized crime are high for Mexico. Among these costs is the negative impact on bilateral relations with the United States. In fact, the drug war has become one of the major sources of tension between the two countries (del Alizal,1991; Villegas, 1991). Increasingly, the U.S.-Mexico relationship is defined in terms of counter-narcotics efforts, and much American reporting on Mexico in the press and television concerns the drug trade and trafficking organizations.' The annual drug certification process, in which Congress determines whether Mexico is paying enough heed to drug trafficking, reduces the highly complex Mexican American relationship to a single dimension (Gomez-Cespedes, 1999). Critics of the drug certification process state that Mexican efforts to control drugs accelerate in the period leading up to the congressional review, suggesting that they serve political rather than control processes. Those that focus on the drug control process criticize certification of Mexico as a rubber stamp because free trade under NAFTA and concerns over illegal immigration take precedence over the drug issue.

Mexican efforts to prove compliance result in an expensive national policy (National Drug Control Program, 1996), drug raids, and other publicitygarnering measures designed to impress the U.S. Congress. These efforts funnel Mexican resources to highly visible drug operations and away from social and development programs that might have more success in combating the overall drug trade.

Drug-related corruption has also affected Mexico's image in the international arena. The costs of this have been especially severe because many countries embraced President Salinas as a reformer only to have their "new image" of Mexico visibly shattered by the high level corruption of his administration. The ongoing international money laundering investigation involving Raul Salinas and the self-exile of former President Salinas have undermined Mexico's political standing in the world by showing that corruption and organized crime reached the very top of the Mexican political structure (Smith, 1999). The recent election of President Fox and the end of the PRI monopoly on the presidency have gone a long way to reverse this negative image of Mexico.

Americans blame Mexicans for corrupting the American system without acknowledging that American conditions-our demand for drugs-helped give rise to the drug trade.' Corruption of American law enforcement on our borders facilitates both the trade in drugs and human trafficking. Furthermore, American financial institutions play a key role in the Mexican drug trade by helping to launder money.

The financial services provided to those associated with the drug trade are not limited to small-scale exchange operations or questionable banks. As the Senate hearings in Fall 1999 revealed, major American institutions such as Citibank allowed Raul Salinas to launder his money. Citibank's private banking services, which remained outside the scrutiny of its money-laundering controls, allowed Salinas to move millions through the American banking system without due diligence investigations on the source of his funds ("Private Banking," 1999). Without the legitimizing effect of major American financial institutions such as Citibank, it would have been harder for Raul Salinas to move such significant sums to Switzerland and other locales.

Despite these revelations of high-level American complicity in Mexican money laundering, the problem is viewed as exclusively Mexican, and no responsibility is accepted on the other side of the border. In the highly publicized American anti-money laundering operation, Casa Blanca, American law enforcement investigated drug-related money laundering by Mexican banks. Interviews conducted by the author with American law enforcers close to the investigation revealed that the parameters of the investigation were established at the outset. The focus of the investigation was money laundering by Mexican institutions. American institutions that might be complicit in this money laundering were outside the scope of the investigation. Yet, several American money-laundering specialists interviewed suggested that a comprehensive investigation of money laundering by Mexican drug traffickers could not fail to implicate financial institutions on the American side of the Mexican-U.S. border.'

The high-level political costs of operation Casa Blanca are clear. Mexican sovereignty was violated, and only Mexican institutions paid fines and had their financial integrity discredited. Law enforcement issues related to crime and corruption took precedence over the powerful value of national sovereignty.

BILATERAL STRATEGIES

The terms of engagement between the United States and Mexico may change with new presidents in both countries. The emphasis that President Fox is putting on the need to open borders and increase investment and economic growth in Mexico is different from the policy of his predecessors.

The laundering of drug-related assets in the United States means that the profits of much of Mexico's trade remain in the United States. Under the terms of the Vienna Convention governing drug trade, the country where the drug proceeds are laundered has the legal right to confiscate the illegal proceeds.$ In recent years, millions in drug profits have been seized in the United States and Switzerland. The money has gone into the government treasuries and, in the American case, has increased the money allocated for law enforcement efforts (Shelley, 2000). Now may be the time to think of joint strategies to use some of this money for prevention and development rather than merely crime control.

Weapons smuggling from the United States to Mexico increases violence and public insecurity. The availability of guns in the United States and the constitutional right to bear arms means that guns are readily available in border areas. Increased cooperation is needed where the legal and constitutional order of Mexico and the United States is so different (The Mexico Project, 2001).

The illegal movement of millions of Mexican citizens across the U.S.Mexico border poses unique problems. Small-scale traffickers extract payments from Mexican citizens to help them cross the U.S. border. In a smaller number of human smuggling cases, there are severe violations of human rights. In recent years, American courts have heard cases of handicapped Mexicans trafficked to the United States to peddle and, in the previously mentioned Cadena case, Mexican minor girls were forced to serve as prostitutes for migrant workers in the United States ("Insiders Tell," 1997; "Lead Defendant," 1999). In both these cases, the victims were awarded reparations by the court, but actual payments to the victims did not occur because the assets of the perpetrators were located in Mexico and cooperative measures for victim compensation had not been established with the Mexican government. Problems of international victimization and protection and aid for these cross-border victims need to be made priorities in the Mexico-U.S. relationship.

The pressure that the United States places on Mexico to deal with organized crime and corruption is primarily accomplished through a law enforcement strategy rather than a more holistic approach. Training programs, provision of equipment, and pressure to adopt particular legislation all raise potential human rights problems within the Mexican context. The development of an effective antidrug strategy that is beneficial to both the United States and Mexico needs to focus on economic development, repatriation of seized drug assets, public education, and awareness on both sides of the border. The funds seized in the United States linked to organized crime activity could be used to aid victims of traffickers and to promote economic development. This process of engagement to find development solutions and give assistance to victims would move away from the almost exclusively repressive approach that now characterizes the bilateral strategy.

The internationalization of Mexican business has contributed to the rise of corruption. International companies engage in corruption to obtain desired contracts, obtain competitive **advantage, and overcome obstacles posed by the cumbersome Mexican** bureaucracy. Many foreign-owned *maquiladores* (small assembly plants) are located in the north, a region already suffering from high levels of drug-related corruption. This corporate corruption in the north and border areas has a direct impact on Mexican society, as bribes are often offered to evade environmental and labor regulations. The globalization of trade has contributed to this problem as bribery has become a central means of obtaining contracts and pursuing business objectives in an increasingly competitive and regulated business environment. The Organization of American States is now taking steps to address this serious problem (Zagaris & Ohri, 1999).

CONCLUSION

Mexico is at a crossroads. After 70 years under one-party rule, the citizenry unexpectedly voted out the ruling political party and elected President Fox, who vowed to address crime and corruption. The primacy of this issue is a testament to the severity of the problem and the public recognition that Mexico's democracy and economy cannot progress unless the society tackles these problems.

The situation of Mexico is different from that of Colombia to the south, where drug-trafficking organizations have likewise acquired enormous wealth and political power. President Fox emerged from the ranching and multinational business community, he does not have ties to the drug traffickers, and they did not subsidize his campaign. There is limited civil conflict in Mexico outside of Chiapas, no guerilla movement, and a significant middle class that seeks a different future for the country. The challenges for Mexico are severe, but President Fox seeks to address these problems without resorting to authoritarian solutions and massive military force such as Colombian leaders have used.

Addressing the dual problems of crime and corruption poses a formidable challenge because these problems are deeply ingrained in Mexico. The consequences of one-party rule, the failure to accord the rule of law primacy in society, and the institutionalized corruption of the police and other parts of the justice system limit the state's capacity to act against crime and corruption. The press's role has been circumscribed through intimidation, and a strong civil society has not developed to counteract these forces.

Despite these factors, Mexico has certain important strengths. Its investment in education since the revolution has resulted in an urban population that seriously thinks about the problems the country faces. The strong Mexican national identity makes many Mexicans committed to the improvement of their society. Many of those who worked for Fox's election were young

Mexicans, often educated abroad, who **returned to their** country to make a difference. Moreover, the PAN party, whose ticket Fox led, includes many members of the business community, who seek an alternative future for Mexico and a more open, competitive economy to foster growth.

Mexico cannot address its crime and corruption problems by itself. The long border that Mexico shares with the United States is a major determinant of its economy and has a major impact on its economy. The United States provides a large and constant market for illicit goods from Mexico. Therefore, new means of engagement of the two countries and new bilateral strategies must be developed if these dual problems are to be tackled.

President Fox has focused on a development perspective, suggesting that crime and corruption can only be attacked if the economic disparities between the United States and Mexico are reduced. This approach contrasts sharply with the law enforcement and control strategies that were emphasized in the past. Although the new strategy cannot be expected to yield immediate results, it is an important step in addressing the conditions that give rise to organized crime. Fox's emphasis on greater transparency and better governmental administration is aimed at addressing the deep-seated corruption.

There are limits to what one man can achieve. The institutionalized corruption and the penetration of crime groups into the state provide formidable obstacles to reform. The new government is committed to face the future rather than de4l with the abuses of the past. But its opportunity to forge a new future may be limited by its legacy of the past.

NOTES

1. The author taught there on several occasions in the 1990s including as a Fulbright scholar.

2. For example, see the interview with Rudi Dornbusch on *Murder, Money, and Mexico,* the Frontline documentary coproduced in 1997 with the Canadian Broadcasting Corporation and Documentary Consortium, Lowell Bergman, producer.

3. For example, the arrest of a Polish mob boss, Ryszard Bogucki, in January in Cancun was reported in *Reforma* and *El Norte* on January 15 and 16, 2001. Interviews with American law enforcement officials indicate other instances in which Eastern European and former Soviet criminals are under investigation for their activities in Mexico and across the U.S.-Mexico border.

4. For an analysis of U.S. drug policy, see Andreas, 1996; Bagley and Walker, 1994.

5. Illustrative of this is the Mexico section of the *International Narcotics Control Strategy Report* released each year by the U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs.

6. Testimony before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, November 9-10, 1999.

7. For a history of Mexican money laundering regulations, see Schekaiban,1999.

8. For a discussion of the dimensions and the character of the problem, see Blum, Levi, Naylor, & Williams, 1998.

REFERENCES

Abadinsky, H. (2000). *Organized crime* (6th ed.). Belmont, CA: Wadsworth.

Americas Watch. (1991, September). *Unceasing abuses: Human rights in Mexico one year after the introduction of reform.* Washington, DC: Author.

Andreas, P. (1996). The retreat and resurgence of the state: Liberalizing and criminalizing flows across the U.S.-Mexican border. *Foreign* Policy, No. 103.

Andreas, P (1999). When politics collide: Market reform, market prohibition, and the narcotization of the Mexican economy. In H. R. Friman & P. Andreas (Eds.), *The illicit global economy and state power (pp.* 125-141). Lanham, MD: Rowman & Littlefield.

Bagley, B., & Walker, W. O., I11(Eds.). (1994). *Drug trafficking in theAmericas.* New Brunswick, NJ: Transaction.

Billington, J. (1970). *The icon and the axe: An interpretive history ofRussian culture.* New York: Vintage.

Blum, J. A., Levi, M., Naylor, T., & Williams, P (1998). Financial havens, banking secrecy, and money laundering. *Bulletin of the Prevention of Crime and Penal Justice,* Nos. 34 and 35.

Catholic World News Service. (1997). *The murder of Mexican cardinal still unsolved* [On-line]. Available: http://www.catholic.org/media/news/featurearticles/feat012799.htm

Committee to Protect Journalists. (1998). *Country report: Mexico* [On-line]. Available: http://www.cpj.org/counLrystatus/1998/Americas/mexico.html

Committee to Protect Journalists. (2001, March 27). *Mexico: Journalist murdered* [On-line]. Available: www.cpj.org.

del Alizal, L. (1991). El narcotrafico: Fuente en las relaciones Mexico-Estados Unidos [Drug trafficking: Point in U.S.-Mexico relations]. In A. J. Alvarez Gomez (Ed.), *Trafzco y consumo de drogas: Una vision alternativa* [Traffic and consumption of drugs: An alternative vision] (pp. 181-192). Mexico: Universidad Nacional Autonoma de Mexico.

del Ponte, C. (1999, September 21 and 22). Statement to the Committee on Banking and Financial Services of the U.S. House of Representatives for the Hearing on Russian Money Laundering.

de Olloqui, J. J. (1998). On the formulation of U.S. policy toward Mexico. In S. K. Purcell (Ed.), *Mexico in transition.* New York: Council on Foreign Relations.

Doig, A. (1984). *Corruption and misconduct in contemporary British politics.* Hammondsworth, UK: Penguin.

Drug Enforcement Administration. (1998, November 30). *Mexico Weekly Report,* 2(42).

Drug Enforcement Administration. (1999, **January 18).** Mexico Weekly Report, 3(2).

Drug Enforcement Administration. (2001, March 11). El Orbe, Tapachula Chiapas, Mexico.

El Chapo paid 2.5 million dollars to walkout. (2001, January 22). El Universal, p.1.

Galindo, A. S. (1990). Manual de conocimientos basicos para el personal de centros penitenciarios Mexico [Basic manual for personnel of correctional institutions in Mexico]. Mexico City: Comisidn Nacional de los Derechos Humanos.

Gambetta, D. (1993). The Sicilian Mafia: The business *of* private protection. Cambridge, MA: Harvard University Press.

Godson, R. (1998). Enhancing democratic society through a culture of lawfulness. Trends in Organized Crime, 4(2), 4-7.

Gomez-Cespedes, A. (1999). The federal law enforcement agencies: An obstacle in the fight against organized crime in Mexico. Journal *of* Contemporary Criminal Justice, 15, 352-369.

Insiders tell of complex economy built on deaf peddlers' backs. (1997, July 27). Dallas Morning News, p. A1.

Johnston, M. (1997). Public officials and private interests, and sustainable democracy: When politics and corruption meet. In K. A. Elliott (Ed.), Corruption and the global economy. Washington, DC: Institute of International Economics.

Lead defendant in prostitution ring pleads guilty. (1999). Regulatory Intelligence Industry Group, 92, 1-15.

Leovy, J. (2001, January 26). Mexico judge frees six suspected of killing TV star. *Los* Angeles Times, p. A4.

Manzetti, L., & Blake, C. (1996). Market reforms and corruption in Latin America. Review *of* International Political Economy, No. 3, 671-682.

The Mexico Project, Georgetown University. (2001). Public security and democratic governance [Online]. Available: www.georgetown.edu/sfs/programs/clas/ Mexico

National Drug Control Program, 1995-2000. (1996). Trends in Organized Crime, 1(4), 17-27.

Oppenheimer, A. (1996). Bordering on chaos. New York: Little, Brown.

Pimental, S. (1999). Mexico. Trends in Organized Crime, 4(3), 9-28.

Private banking: Raul Salinas, Citibank, and alleged money laundering. (1999). Trends in Organized Crime, 4(4), 104-110.

Schekaiban, M. N. (1999). The future of Mexican financial services including money laundering regulations. United States-Mexico *Law* Journal, 159-168.

Schneider, J. (1998). Educating against the Mafia: A report from Sicily. Trends in Organized Crime, 4(2), 7-9.

Shelley, L. (2000). Transnational organized crime and seized assets: Moral dilemmas concerning the disposition of the fruits of crime. Maastricht Journal *of* European and Comparative *Law,* 7(1), 45-57.

Smith, P H. (1999). Semiorganized international crime: Drug trafficking in Mexico. In T. Farer (Ed.), Transnational crime in the Americas. New York and London: Routledge.

e w

U.S. Department of State (1998). *Mexico country report on human rights practices for 1998* [Online]. Available: htttp://www.state.gov/www/global/human_ rights/ 1998_hrp_report/mexico.html

U.S. v. Roegerio Cadena et al., Case No. 98-14015-CR-Ryskamp (S.D.E 1999).

Villegas, F. G. (1991). El problema del narcotrafico en las relaciones Mexico-Estados Unidos: Realismo a interedependencia [The problem of drug trafficking in U.S.-Mexico relations: Reality and interdependence] In A. J. Alvarez Gomez (Ed.), *Trafico y consumo de drogas: Una vision alternativa* [Traffic and consumption of drugs: An alternative vision] (pp. 193-206). Mexico: Universidad Nacional Autonoma de Mexico.

Weyland, K. (1998). The politics of corruption in Latin America. *Journal of Democracy, 9(2),* 108.

Winer, T. (2001, May 26). Ex-Mexico governor arrested and linked to cocaine traffic. *The New York Times,* p. A4.

Zagaris, B., & Ohri, S. L. (1999). The emergence of an international enforcement regime on transnational corruption in the Americas. Law *and Policy in International Business, 53, 168-173.*

Louise Shelley is a professor in the Department of Justice, Law, and Society and the School of International Service atAmerican University. She is also the founder and the director of the Center for Transnational Crime and Corruption at American University. The center conducts research. on organized crime and maintains partnerships with research centers in the former Soviet Union. She held a Fit [bright fellowship in Mexico in 1993 and taught at the Instituto de Ciencias Penales.