

SPECIAL REPORT

A S P I

‘Santa Muerte’, are the Mexican cartels really coming?



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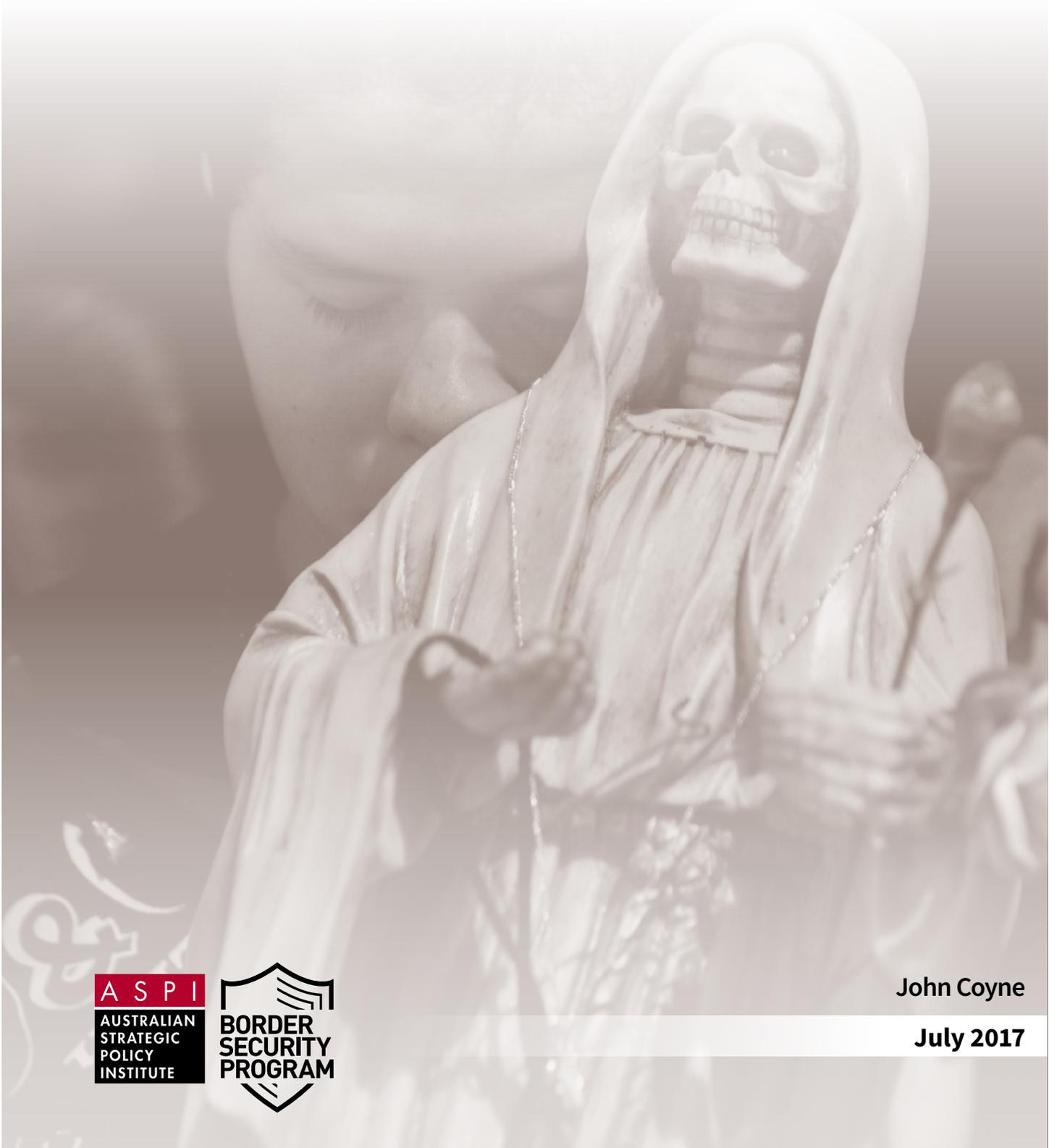
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Cover image: In this April 1, 2009 photo, a man holds a skeletal figure representing the folk saint known in Mexico as Santa Muerte, or Death Saint, during a ceremony in Mexico City. In a new front against organised crime, Mexican authorities are destroying altars to the Santa Muerte, worshipped by drug dealers who pray for protection in their dangerous line of work © AP via AAP/ Eduardo Verdugo.

‘Santa Muerte’, are the Mexican cartels really coming?



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CONTENTS

EXECUTIVE SUMMARY	4
INTRODUCTION	6
MEXICAN CARTELS IN ASEAN AND CHINA	13
AUSTRALIA OR BUST	15
CONCLUSIONS	17
RECOMMENDATIONS	18
NOTES	21
ACRONYMS AND ABBREVIATIONS	24

EXECUTIVE SUMMARY

Whether in Mexico, the US or Australia, the image of the transnational serious and organised crime (OC) threat from ‘Mexican cartels’ used to construct policy doesn’t appear to engage with the reality that there’s no homogeneous Mexican cartel, cartels or OC group.¹ In popular culture, the labels ‘Mexican cartel’ and ‘street gang’ conjure an image of a highly organised, hierarchically commanded and ultraviolent crime group.² Even Mexico’s infamous Sinaloa cartel, rumoured to have an increasingly ominous presence in Australia, is more an alliance of criminal figures than a hierarchical organisation.³ There should be little doubt that these groups, as a collective phenomenon, have consistently demonstrated a propensity to regularly use breathtakingly barbaric violence for revenge and intimidation. Unfortunately, popular characterisations of the structure and organisation of these groups does little justice to the complexity of the threat that they pose.⁴ These generalisations lack the necessary granularity to be useful in the development of disruption- and mitigation-focused strategies.

For policymakers, it’s convenient to conflate well-known US-based Mexican street gangs, transnational street gangs such as the ‘Mexican Mafia’ and transnational OC groups such as the ‘Mexican cartels’ into a singular homogeneous threat grouping or strategy: ‘the cartels’.⁵ It’s equally convenient to link all Mexican OC activity together with the cartel thread. With this kind of conflation, the seriousness of the threat at hand can clearly and concisely be communicated to government decision-makers in terms that will ensure funding and strategy responses.⁶ Frustration with the inability of law enforcement arrest and seizure strategies to undermine the drug trade and its associated OC has further complicated the policy decision-making in this space.⁷ In the US and Mexican governments’ cases, it’s likely that this frustration has underpinned government policy, thereby expanding the role of the military and intelligence agencies in the ‘war on drugs’.⁸

Unfortunately, conflating these groups doesn’t produce the kinds of policies and strategies that will result in operational activity that has long-term disruption impacts on the groups involved. Moreover, the current understanding arguably does not allow for the involvement and integration of enforcement operations with other whole-of-government social, economic and development strategies.

This report argues that, for Australia and Asia, the menace of Mexican OC is no longer looming on the horizon; it has already arrived. However, the nature of the Mexican OC problem in Australia and Asia is not likely to be the same as that found in either the US or Mexico. To fully understand the implications of this development for Australia and the region, this threat needs to be viewed in context.

First and foremost, Mexican OC needs to be viewed as globally significant, but that perspective must be tempered by acknowledgement that the success of Mexican OC is related to the permissive environment in Mexico, and its proximity to coca-growing regions as well as the US drug market. Second, Australia and Southeast Asia already have a large number of well-entrenched and active criminal groups.⁹ While Mexican OC may be ascending or expanding, it's neither the most pervasive nor the most problematic form of transnational organised and serious criminality in the Asia-Pacific region. Nor is it likely to ascend to such a position for some time, if at all. That said, Mexican cartel's, as opposed to the broader category of Mexican OC's, dominance of the global cocaine trade ensures that it will have pervasive connections to the region.

This report argues that, to respond effectively to this rising threat, Australian policymakers need to approach the issue with a more informed perspective that engages with the complex nature of the various groups that collectively form what's broadly considered to be Mexican OC.¹⁰ Furthermore, the policy response to Mexican OC will need to be more agile than the measures contained in Australia's current National Organised Crime Response Plan.¹¹

INTRODUCTION

On 2 January 2010, Hugo Hernandez—a local street gang member—was kidnapped in the state of Sonora in Mexico.¹² Seven days later, his body, cut into seven pieces, was found across a number of locations in the town of Los Mochis.¹³ Hernandez's face, removed from his head and sewn onto a soccer ball, was later discarded outside the town's city hall with a message that read 'Happy New Year, because this will be your last.'¹⁴ This violence was an act of revenge that would later be linked to a Mexican drug cartel. This kind of extreme and barbaric violence is part of a deliberate, and ongoing, cartel campaign with a key message that the state is incapable of stopping criminal groups in Mexico.

This is just one of the many acts of extreme violence that have become synonymous with Mexican organised crime (OC) groups such as the *la familia*, or cartels.¹⁵ While Mexico is not yet a fully-fledged narco-state,¹⁶ its government is engaged in an asymmetric conflict with various drug cartels. In the process, Mexico's cartels have become an existential threat to the nation's sovereignty.¹⁷ For other countries, including Australia, Mexican OC groups', including Mexican cartels', expansion beyond national and regional geographical boundaries brings with it significant domestic, national and regional security risks. However, the nuanced point here is that there's much more to the Mexican OC threat than cartels.

Before exploring Mexican OC, it's worth considering the law enforcement and criminal environment that has allowed it to flourish. Mexico has enjoyed substantial economic growth in its modern history, as well as an almost boundless demand for unskilled labour from its northern neighbour. However, the distribution of economic benefits from this growth has been uneven. The application of the rule of law has also been patchy at best. Low wages, widespread poverty and limited accountability have made Mexico particularly vulnerable to corruption. While Mexico, like any country, has never been short of criminals, the arrival of the Colombian cartels saw a rapid expansion of what was in the early 2000s a burgeoning illicit drug trade. In time, local Mexican OC ascended to take control of the market after the disruption and destruction of Colombian cartels by the US authorities' war on drugs.

Mexican OC, in all its various shapes, has come a long way in terms of global reach. There should be little doubt that its control of the global cocaine trade is increasing. Furthermore, it continues to expand its presence, if not its criminal influence, in Asia and Australia.

This report explores the Mexican OC threat before providing analysis of its future evolution in Asia and Australia. The research that supports the report is underpinned by an interpretivist theoretical perspective, which allowed for the use of an explorative approach. Multiple data collection methods (a literature review, unstructured interviews, panel discussions and subject-matter expert reviews) allowed for the use of inductive reasoning in the development of the findings. The research involved unstructured interviews with Australian and US law enforcement authorities—Australian Federal Police (AFP); US sheriffs; US state police, Border Patrol, Drug Enforcement Agency and Department of Homeland Security officials—and past and present Mexican gang members and OC figures.

The ‘who’ of Mexican organised crime

Latin America is a diverse region comprising the countries of Central and Southern America and the Caribbean where the national language is either Spanish or Portuguese.

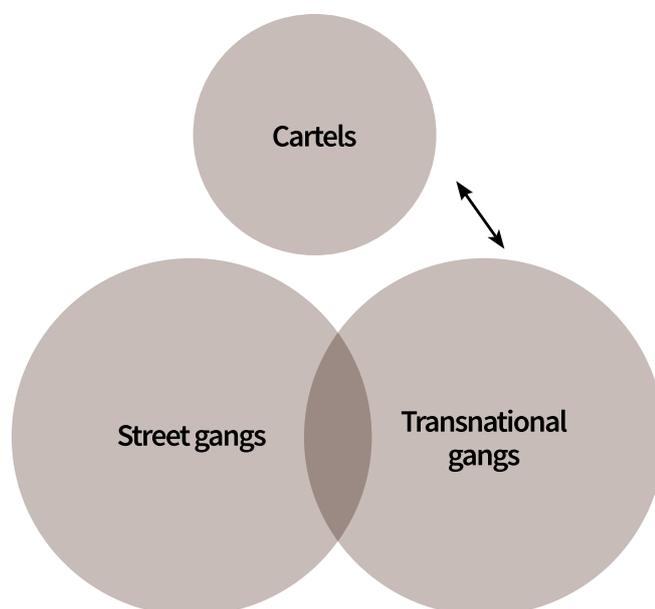
When examining the challenge of Mexican OC, it’s important not to conflate all Latin American criminality. Mexican OC is unique in its cultural and organisational diversity.

It’s equally critical to closely scrutinise the assumptions that underpin popular conceptions of its size, nature and activities. The groups that constitute this threat, whether general OC, cartels, transnational street gangs or plain street gangs, have a vested interest in perpetuating popular culture myths regarding its power and influence.¹⁸ Mexican criminals have even gone as far as to adopt the deity *Nuestra Señora de la Santa Muerte*, or Our Lady of the Holy Death, as their patron saint. This kind of popular imagery further complicates policymaking.

The groups that are so often labelled as ‘Mexican cartels’ in popular media and some policy circles fall into one of three broad OC categories: street gangs, transnational gangs and cartels (Figure 1). In this framework, a street gang is defined as:

a self-formed association of peers, united by mutual interests, with identifiable leadership and internal organization, who act collectively or as individuals to achieve specific purposes, including the conduct of illegal activity and control of a particular territory, facility, or enterprise.¹⁹

Figure 1: A conceptual framework for Mexican organised crime



Transnational gangs are those street gangs that, as the name suggests, have an organisational framework or cultural ties that extend across an international border. In comparison, cartels, as defined by the US Justice Department, are:

‘large, highly sophisticated organizations composed of multiple drug trafficking organizations and cells with specific assignments such as drug transportation, security/enforcement, or money laundering.’²⁰

To be clear, this framework does not support any argument that membership of one category excludes membership of another, or that organisations within each category are strictly hierarchical or homogeneous. Furthermore, even within a specific category there’s a great deal of variance in the level of organisation and integration between

different gangs and cartels. To understand the threat posed by these groups, it's necessary to analyse and explore the complexity of their 'disorganised' OC structures.

When examining the Mexican OC threat outside North and Central America, the field research that underpins this report supports the use of the term 'Mexican OC'. In this context, that term allows for the consideration of a spectrum of levels of complexity that extends from centrally controlled Mexican cartel activity, to collective or individual cartel member activity, to non-cartel transnational Mexican OC. The term is not meant to indicate any degree of homogeneity, but rather a sense of a diverse spectrum of threat.

Street gangs

While it's true to say that Mexican OC groups are Latin American, they are unique in their cultural and organisational identity. The first category of Mexican OC groups comprises Mexican US street gangs. The US has a strong street-gang culture dating back to at least the 1950s, especially in Los Angeles, California.²¹ This history brings with it additional challenges, including the familial gang bonds created by multigenerational membership.

US street gangs tend to adopt a cultural or ethnic identity, such as African-American, Latino American, Hispanic American or Mexican-American.²² Like outlaw motorcycle gangs in Australia, US street gangs comprised a series of localised, semi-autonomous chapters that over recent years have increasingly affiliated with a larger collective identity. Each local street-gang chapter operates within a defined geographical territory that it controls. Within that territory, controls illicit markets, such as the retail distribution of illicit drugs.

Membership of Mexican street gangs in the US is dictated not by nationality but by identity. These street gangs recruit their members mainly from local Mexican migrant and expatriate communities: for the most part, formal citizenship is irrelevant to the gangs. One research participant reported that there are an increasing number of examples in Los Angeles in which non-Mexicans have gained membership of what had once been considered Mexican street gangs. Such reporting should serve as a warning for countries that believe they are protected from Mexican street gangs because they have small Mexican migrant or diaspora populations.

Note that the nature and culture of these gangs is, like the rest of society, experiencing continuous change. That change is particularly evident in the motivation of individuals to join gangs. During research interviews, older gang members argued that gang life is concerned with belonging and loyalty, while younger members talked about money and adventure.

Membership of Mexican street gangs is internally regulated within each gang chapter and granted only after an individual has undergone a lengthy period of service or their loyalty has been tested. This initiation process creates a ready source of expendable labour for gangs and other OC groups.

As local street gangs in the US have become increasingly nationally and internationally integrated, the 'right to membership' and the associated 'service' have become a hotly contested issue in gang culture. Research participants reported that, on many occasions, membership decisions by local chapters have been questioned—resulting in the forced removal of gang tattoos, assaults and murders.

In the case of Mexican street gangs, local chapters tend to be established on a model not too dissimilar to a business franchise. While a gang in El Paso, Texas, might carry the name of a Los Angeles based group, it's for all intents and purposes an independent group. In this franchise model, the responsibility of local street-gang chapters is twofold:

- First, local chapters must pass money back to senior gang members. In the case of notorious street gangs, such as 'MS-13', this involves the movement of money to Los Angeles.
- Second, local chapters are responsible for maintaining the integrity of the gang brand. They meet this responsibility through careful membership selection, continued 'testing' of potential members and maintaining the gang's public image within the territory they control.

Should a specific chapter fail to meet these responsibilities, it will be sanctioned by senior national gang members. Such sanctions can vary from a warning to the ‘deployment’ of gang enforcers to apply physical pressure on the local chapter to comply. During field research, interviewees reported that such sanctions often involve the relocation of gang members, as well as assaults and, at times, murders.

Street gangs, for the most part, are involved in a range of criminal activities that are geographically focused. It would be wrong, however, to consider those activities as homogeneous criminal enterprises. Rather, street gang activity tends to involve a combination of individual opportunism and gang business. At times, individual opportunism exposes local gang chapters to wider risks. During the research, numerous examples of young gang members killing or injuring rival gang members without permission (a ‘greenlight’) in the name of achieving status were cited. Often such mistakes would be followed by inter-gang revenge, or negotiated financial settlements.

There should be little doubt that at times street gangs work with Mexican cartels to distribute, ship or tranship illicit products, including guns, people or drugs.²³ However, those kinds of activities involve street gangs acting as subcontractors for the cartels, as opposed to participating in joint criminal ventures with them. One point made all too clear by interview subjects was that many Mexican street gang members have been murdered by cartels for breaking the terms of their informal contracts.

For communities, gang activities can be associated with up to three different waves of violence.

- Wave 1: acts of violence associated with street-gang competition for territory or status
- Wave 2: conflict between local chapters and national structures over finances and branding
- Wave 3: conflict between gangs and cartels.

For law enforcers, local street gangs present a particularly pervasive challenge. First, law enforcement’s traditional strategy approach to OC is focused on removing senior gang figures. The franchised, entrepreneurial model of Mexican street gangs diminishes law enforcement’s disruption effect on the continued criminal activities of street gangs, as a collective, or their members. Second, law enforcement operations often create new opportunities for less risk-averse gang members to seize senior positions in the wake of arrests. Under such conditions, police operations can have an unintended consequence of increasing the rate of violent street crime or criminal competition.

National and transnational gangs

Trying to identify the precise points at which a street gang becomes a national or transnational OC group is inherently difficult. The problem is exacerbated by a strong desire among policymakers and law enforcement officials to perceive all OC and gang activity in terms of hierarchical structures.²⁴ It’s further exacerbated in the US by the methodological challenges in clearly defining gang typologies and ethnicity. As this report has been underpinned by an explorative research methodology, gangs’ ethnic status is based on their members’ identification with being Mexican. This doesn’t mean that their members are predominantly Mexican or that the gangs don’t have other ethnic Latin American affiliations.

The research, underpinned by law enforcement and literature contributions, has given rise to the creation of a conceptual model for Mexican national and transnational street gangs. The aim of this model is not to provide a conclusive argument for stratification, but to set out a mechanism to understand the complexity of organisational structure. When it comes to Mexican national and transnational street gangs, there are arguably three dominant and inter-related organisational structures, which can be best described in relation to the main gangs that use each structure.

Mara Salvatrucha, or MS-13, was founded in the poor Mexican migrant suburbs of Los Angeles in the late 1980s.²⁵ In the early years of that decade, civil wars in El Salvador, Guatemala and Nicaragua resulted in refugees flooding northward to the US. Many of them ended up in Los Angeles, living among the mostly Mexican barrios of East Los Angeles. In the 1980s, Mexican gangs reigned in the LA underworld. However, the war-hardened immigrants from

Central America quickly organised themselves into competing groups, the strongest of which was Mara Salvatrucha. The gang was initially composed of refugees from El Salvador in the Pico Union neighbourhood, which is where the name comes from: *mara* is a Central American term for 'gang'; *salva* refers to El Salvador; *trucha* means 'trout'. The slang term Mara Salvatrucha roughly translates to 'clever' or 'sharp.' Aided by the concentration of Spanish speakers in Los Angeles, the gang expanded into other nationalities and then into other cities.

In ensuing years, the deportation of many MS-13 members by US authorities had unintended consequences. Much to the displeasure of El Salvador, Guatemala and Nicaragua, the US deportations ensured MS-13's status as a transnational OC group. To be clear: MS-13 is not a predominantly Mexican OC group; however, it does have an extensive Mexican membership in its US chapters.²⁶ Moreover, it has reportedly been affiliated in the Mexican Mafia's alliance: Sureños.

Since its early days, the gang has grown, but not as a singular entity. MS-13's influence is transnational, but it doesn't appear to operate a formal or centralised transnational hierarchical structure. Instead, it's a transnationally franchised gang in which the brand, and the 'brotherhood' of shared cultural systems, binds it together. So, while MS-13 street-gang chapters hold territory from Central America to the US and beyond—especially after its alleged infiltration of the US military—there's a shared identity but no central command structure. Furthermore, MS-13 capabilities vary greatly across the various international chapters. While some MS-13 chapters in the US are extremely well armed with a range of small arms, chapters in Central America are more inclined to use bats and machetes.²⁷

For all MS-13 members, its brand and reputation are sacrosanct and must be protected. The pernicious culture of MS-13 is one of the key factors that bind individuals and chapters. For them, the merciless application of spectacular violence for revenge and intimidation is central to MS-13's continued operation.

Law enforcers shouldn't view MS-13's lack of a central hierarchical command structure as a weakness. This franchise operating model allows for far more opportunistic and entrepreneurial approaches that permit the leveraging of opportunities with other chapters. Similarly, the cellular model and the mixed methods of operation mean that MS-13, as a system of systems, is far more resilient to the disruption of multiple chapters by law enforcement.

In contrast, the 'Mexican Mafia' (MM), or 'La eMe', finds its origins in the late 1950s in the Californian corrections system.²⁸ The MM was formed to provide incarcerated Mexican gang members with protection from other gangs. As a result, the MM comprises members from across a number of different national street gangs and street-gang chapters. Membership is earned by undertaking 'operations' in jail against enemies of the MM, including the assault and murder of other inmates.

Since its early days, the MM has extended its core business to include drug distribution inside and outside the US corrections system. MM connections allow different street gangs to work together in the wholesale and retail distribution of illicit drugs across the US. Rather than being part of a centralised hierarchical command system, MM members have a high degree of autonomy to operate, especially when considering the use of violence.

During the conduct of the field research, law enforcement participants expressed much disagreement over the power and influence of the MM, but there can be little doubt that MM membership commands a great deal of respect and influence among young gang members. At the street-gang level, the MM has been able to resolve a number of inter-gang conflicts. Reportedly, in the pyramid financial schema that is US drug distribution, a percentage of street-gang drug profits is passed on to senior MM figures.

Sureños, Sur 13 or Sureños X3 exemplify the final structure. These groups of loosely affiliated street gangs pay tribute to the MM while in US state and federal correctional facilities.²⁹ Sureños members can also be members of other street gangs. Within the corrections system, the Sureños tend to perform the role of foot soldier for the MM. When they leave the prison system, they take with them connections to other gangs that they would otherwise be in conflict with. With these connections, Sureños are able to draw upon inter-street-gang linkages to exploit criminal opportunities.

Cartels

Mexican OC groups have a long historical association with the smuggling of contraband into the US, starting with alcohol during prohibition in the 1920s. In the years that followed the end of prohibition in 1932, Mexican smugglers shifted their operations to the trade in black tar heroin and marijuana. By the late 1980s, American law enforcement pressure on Colombian cartels forced a major shift in cocaine smuggling routes from Florida to the Mexico–US border.³⁰ At first, the Mexican OC groups operated as smugglers, but later, with the demise of the Colombian cartels, they became cartels in their own right, moving their own cocaine, heroin and marijuana across the border and into their own distribution networks provided by the MM, Sureños and street gangs such as MS-13.³¹

Mexican cartels aren't a homogeneous grouping of criminals or OC groups. The size, nature and strength of each Mexican cartel is continuously changing as a result of any number of environmental factors, including law enforcement operations and competition. Therefore, while the Sinaloa cartel may be the prominent problem for Australia now, that may change quickly.

By the early 2000s, the US cocaine market, including the market for crack cocaine, was rapidly approaching a point of oversupply by the cartels.³² While there were some price drops for users, the net result was an increase in competition between cartels for market share. Some groups, such as the Sinaloa cartel, sought to consolidate their position through the hostile takeover of their competition, while others sought to further diversify their operations to include human smuggling and trafficking.³³ Still others sought to globalise their drug trafficking networks by expanding into European markets. In the process, many cartel members were able to establish extensive networks across Africa and Europe.³⁴

The industrial nature of this trade, as well as cartel members' people-smuggling and human-trafficking activities, necessitated a permissive operating environment. It was at this point that the cartels became an existential threat to the Mexican Government. Through intimidation and corruption, the cartels created an environment in Mexico in which they could act with impunity. But Mexican cartel violence was just as much about eradicating competition as it was about undermining the rule of law.

By 2011, efforts by the US and Colombian governments to restrict the chemical precursors for the processing of cocaine started to affect the drug's manufacture in Colombia. Unfortunately, this successful law enforcement strategy created an opportunity for Mexican cartels to reinforce their central role in the global supply of cocaine by becoming manufacturers, thus further cementing the position of many Mexican OC groups as cartels.

Over the past 10 years, the Mexican cartels have employed a takeover model in the domestic distribution of drugs in the US.³⁵ In this model, they have initially worked with regional wholesalers and retailers. Over time, the cartels, through their connections with groups such as the MM and MS-13, have controlled local distribution more closely: in doing so, they have turned street gangs into subcontractors. Given the diverse nature of OC in Australia, and the rather small Mexican-Australian population, the likelihood of such takeovers here is low.

Over the past several years, Mexican cartels have entered the methylamphetamine ('meth' or 'ice') production and distribution markets.³⁶ In the process, many cartel members were able to establish further international links with Chinese OC groups. Some Australian law enforcement officers report that the Mexican cartels offer the Chinese groups cocaine in exchange for methylamphetamine precursors. But even the North American meth market has rapidly reached supply saturation.³⁷ Although the growing US heroin market may allow for some cartel expansion, these groups' only substantive means of achieving growth is through new markets or further hostile takeovers.

The cartels have demonstrated a consistent commitment to pushing the limit of criminality. Interviews with US law enforcers revealed that the cartels' criminality has extended to barbaric violence and the use of children as young as 14 years in smuggling operations. Street-gang members, including MM and MS-13 members who participated in this research, reported being particularly wary of the cartels because of their violent nature.

The high profits in the global drug market—especially the cocaine and meth markets—and limited barriers to market entry ensure that any law enforcement success in disrupting cartel supply chains through arrests is fleeting. The cartels' complex organisational structures and international logistic chains provide them with redundancy and resilience to law enforcement disruptions.

The threat

In Mexico, street gangs, transnational gangs and cartels constitute existential threats to the rule of law. The propensity of these groups to use extreme violence with little or no provocation makes them dangerous. The danger can be causally linked to two major drivers: opportunistic efforts of individual members for status, and deliberate measures aimed at achieving profits. The latter driver results in attacks against competitors, the punishment of deviant associates or the eradication of problematic law enforcement and community figures. While some street-gang members maintain a thin veneer of ideological fraternal identity as motivation, for the most part Mexican OC groups, whether street gangs, transnational groups or cartels, are focused primarily on profit.

In addition to their kinetic capabilities, Mexican OC groups have consistently demonstrated their capacity to undermine and corrupt law enforcement on both sides of the Mexico–US border.³⁸ This constant 'insider' threat ensures that operational security is difficult to maintain for government authorities, whether in Mexico or the US. This brings with it great challenges for one of the key strategies in contemporary work to counter OC: international police-to-police cooperation.

In a general sense, Mexico's OC groups have a networked structure that encourages opportunism and entrepreneurship.³⁹ At the same time, there remains substantial stratification in their organisational structure and function. For example, while a person may be a senior gang member in MS-13 and a member of Sureños, their role may be limited to one of foot soldier in the movement and sale of drugs. Indeed, it's this organisational complexity that makes Mexican OC so resistant to law enforcement disruption.

As can be seen from this cursory analysis, the current discourse on Mexican cartels and Mexican street gangs doesn't do justice to the nature of their organisation and capabilities. It's for this reason that so many law enforcement, paramilitary and military strategies have failed to restrict or disrupt the supply of drugs from Mexico to the US. Nor have any of those measures been entirely effective at dismantling the networks of gangs and organisations that make this possible. Armed with substantial financial means, a seemingly endless recruitment base and limited barriers to illicit market entry, Mexican OC is resilient.

MEXICAN CARTELS IN ASEAN AND CHINA

Mexican OC groups have been operating in many ASEAN member states and China for at least 10 years. During the research, law enforcement officials suggested that some of Mexico's cartels⁴⁰ have been purchasing chemical precursors for the production of methylamphetamine from mainland China for many years. Some Australian authorities have suggested that, more recently, those purchases have been done on a terms-of-trade basis in which the oversupply of cocaine in North America is traded with the Chinese for precursors. If that's true, it further underscores the complexity of the problem at hand.

The ASEAN drug market provides ample opportunity for Mexican OC, including cartels, to expand its cocaine and meth markets. Demand for cocaine in ASEAN is comparatively lower than in the US, but the continued expansion of the region's middle class will ensure further growth. In contrast with the ASEAN cocaine market, there's a large demand for illicit synthetic drugs such as methylamphetamine.⁴¹ While the profit margins for meth and cocaine wholesale sales in most ASEAN countries are likely to be significantly lower than those found in North America, the market potential in terms of overall volumes of trade is substantial. On balance, ASEAN arguably provides Mexican OC with a much more permissive operating environment than that found in Europe or Australia.

In December 2013, Philippines authorities disrupted a criminal syndicate involving Chinese and Mexican nationals with links to a Mexican cartel.⁴² Those involved were collaborating on the production of methylamphetamine destined for the Philippines market. This incident was far from isolated: over the past 10 years, Filipino officials have disrupted several meth superlabs connected with Mexican cartels. The Philippines Government's current 'war on drugs' has led to a far less permissive environment for Mexican OC to operate in, but this is only likely to have moved their operations elsewhere in the region.

During the research, officials from some international and government organisations and regional authorities suggested that Mexican OC operations may now be present in both Myanmar and Laos.⁴³ During several other interviews, regional law enforcement officials reported that cartels⁴⁴ were connected with the production of large quantities of methylamphetamine in both countries. The current law enforcement environment in Laos and Myanmar offers Mexican OC a number of regions where government control is largely non-existent or permissive. This problem is further exacerbated by the level of corruption in the greater Mekong subregion.

ASEAN and China are still new operating environments for Mexican OC. There's no large regional Mexican diaspora, without which the presence of Mexican OC is difficult to conceal. Unlike Mexican OC's expansion into the US illicit drug market, its expansion into ASEAN countries isn't likely to provide for the same level of control of retail illicit drug distribution.

In the past, Mexican OC has shown the capacity to work with others—first with Americans in the time of prohibition, then with Colombians, and finally with African-American and white street gangs across the contiguous US. Its capacity to work with others in a regional sense has expanded to a globalised level over the past 10 years to include cooperation with OC in Africa, Europe and China. Regardless, it will take time for Mexican OC to fully integrate its supply chains in the ASEAN region.

It's unlikely that MS-13, the MM or Sureños will be able to establish franchises in the ASEAN region without completely turning their backs on their own ethnic dimensions and origins. The presence of various gangs in Indonesia and Timor-Leste does suggest that the establishment of further street gangs is possible: therefore, this potential can't be rejected out of hand. Mexican OC expansion in ASEAN countries is likely to have a different appearance from that in the US. With significant profits at stake, it's unlikely that Mexican OC groups, especially those associated with cartels, will turn their backs on the use of corruption, violence and intimidation in the ASEAN region.

The arrival of Mexican OC in ASEAN presents regional stability risks. Over time, the Mexican OC groups are likely to seek to maintain their freedom of movement in the region through influence and the use of force. It's also likely that Mexican OC, especially that involving Mexican cartels, will seek to undermine the rule of law in countries such as Laos, Myanmar and Cambodia through bribery and corruption.

AUSTRALIA OR BUST

It's likely that Mexican cartels have been supplying Australia's cocaine market since at least the late 2000s. In August 2014, the Australian Crime Commission revealed that it had intelligence suggesting that Mexican cartels were singling out Australia as a particularly profitable destination to smuggle illegal drugs.⁴⁵ Then, in September 2014, the commission's chief executive, Chris Dawson, stated that 'recently we've seen the emergence of Mexican cartel activity within Australia'.⁴⁶ By February 2016, Australian authorities had arrested eight men with alleged connections to Mexican cartels on charges related to drug importation.

In the Australian illicit drug market, Mexican OC groups are in unfamiliar territory. They don't have their own, or an allied, distribution network and so must work with local and regional OC groups for the foreseeable future. Over recent years, Mexican criminals, in the absence of their gang affiliates, have shown a willingness to work with any and all local OC groups. In 2016, the dangers of this 'open for business' wholesaler approach were spelled out particularly clearly by Dr Anthea McCarthy-Jones in *Mexican drug cartels and dark-networks: an emerging threat to Australia's national security*.⁴⁷ She highlighted that the cartels will increase the supply of illicit drugs in Australia, which may encourage violent competition among Australia's existing domestic OC groups, including outlaw motorcycle gangs.

Since 2015, the AFP has found that Mexican OC has adopted a hands-off approach to operating in Australia and Asia, particularly Japan. In this operating model, Mexican OC groups importing methylamphetamine into Sydney and Melbourne have used the services of West African OC networks. The West African OC groups provide people on the ground in Sydney and Melbourne to collect drug importations and distribute them to Australia's outlaw motorcycle gangs, which operate domestic illicit drug distribution networks. In essence, Mexican OC has moved into the wholesale-to-wholesale illicit drug market, which provides distance from law enforcement risk.

To be clear, while the Mexican OC problem has links with Australia's problem with street gangs and domestic OC, they aren't the same problem. The problem Australia faces with Mexican OC has a number of different dimensions. The first is that the Mexican business models present real risks to Australia's strategies for reducing illicit drug supply.

Australia's law enforcement strategies are targeted on supply reduction under the National Drug Strategy. They are focused on seizing large quantities of illicit drugs and disrupting OC syndicates. Prices for illicit drugs in Australia ensure that the potential profits are a significant 'pull' factor. Combined with what appear to be rather limited barriers to entry into the drug importation, wholesale and distribution market, this ensures that voids created by law enforcement disruption will be filled rapidly.⁴⁸

In the early 2000s, Colombian cartels were under pressure from US law enforcement. In response to that pressure, they moved supply chains to Mexico. In time, Mexican cartels were paid in drugs for smuggling cocaine. At times, 25% to 50% of the drugs being moved by the Mexicans were their own product.⁴⁹ Yet Colombian cartels continued to make large profits in the drug trade selling only 50% of the products that they had produced. Fast-forward to now, when the Australian cocaine market is far more profitable than that in the US, meaning that individual Mexican OC groups could potentially make large profits even if they lose 50% of the drugs that they are moving into Australia to

law enforcement disruptions. Similarly, as wholesalers, Mexican cartels may shift their risk by paying smugglers in product rather than cash. Either way, Australian law enforcement agencies will need to find new ways to disrupt this market, as traditional seizures are unlikely reduce supply in Australia under these models.

Given Mexican cartels' increasing control of the global cocaine market, it's likely that Mexican OC in Asia and Australia will continue to play a high-level organiser role in the global cocaine supply chain. When it comes to methylamphetamine, the story appears to be somewhat different. Cases in the Philippines and China over the past several years reveal greater Mexican OC involvement in the regional production process. It's possible that efforts to secure a greater market share in meth markets will place Mexican OC in competition with a number of other ethnically based OC groups, including Chinese groups.

Mexican OC has shown a propensity in its operating model to corrupt and exploit law enforcement officials, be they police or border officials. This threat is likely to extend to all those people in the public and private sectors who have Australian maritime or aviation security identity cards. The threat to law enforcement and border security integrity is significant.

Accurately establishing the exact threat level posed by Mexican OC is inherently difficult for academics and policymakers alike. That said, a number of points should be taken into consideration when developing future policy:

- 'Large-scale methylamphetamine manufacture continues to be reported in Mexico, largely supplying the US and Canada.'⁵⁰
- 'In 2015 Mexico was a top ten embarkation point for MDMA ['ecstasy'] seized at the Australian border.'⁵¹
- 'The most frequently mentioned Latin American countries of origin, departure and transit for cocaine shipments to Asia in the period 2009–2014 were Brazil, followed by Colombia, Peru, the Plurinational State of Bolivia, Argentina and Mexico.'⁵²
- In Mexico and Central America, most of the seized precursor chemicals for the production of methylamphetamine were sourced from China.'⁵³
- Asia is one of the fastest growing cocaine markets, while the Philippines and other countries in the region already have some of the highest amphetamine user rates in the world.
- Law enforcement officials have also established links between Mexican traffickers and drug rings in India, Malaysia and other parts of Southeast Asia.'⁵⁴
- Japanese authorities have noted an increase in methamphetamine trafficking, primarily from Mexico via Africa and Iran.

In contrast, there's a small possibility that MS-13 and Sureños may seek to establish gang chapters or gang influence in Australia. To do so, they'll need to make some concessions about ethnicity, but that has already occurred in their Los Angeles home ground. Aside from the scourge of methamphetamine, the issue of gang franchises produces the most significant risks for local Australian communities. First and foremost, with the gangs' arrival in Australia comes a requirement to adhere to the franchise brand. Second, it's likely that the arrival of MS-13 would be seen less than favourably by Australia's existing street gangs and OC groups. Therefore, the arrival may also contribute to inter-gang rivalry and conflict. During one research interview with one senior MM member in Texas, it was posited that when MS-13 arrives in Australia it will be followed by a spike in street violence.

CONCLUSIONS

A report of the Australian Criminal Intelligence Commission (ACIC), *Organised crime in Australia 2015*, argued that ‘serious and organised crime is growing in sophistication.’ The ACIC also reported that OC groups already in Australia pose a ‘high threat to the Australian way of life’. While Mexican OC is increasing its activities and influence, it remains a relatively lower threat than many other well-entrenched criminal syndicates and networks.

The Mexican OC crime threat to Australia is a complex and amorphous phenomenon. Discussing this threat in terms of ‘a cartel’ or ‘cartels’ doesn’t grant enough weight to the policy challenge.⁵⁵ Both push and pull factors are in play, contributing to the rise of the Mexican OC threat level in Australia. While in these early stages the supply of illicit drugs will be of particular interest to law enforcers, the second-order impacts of Mexican OC activities will bring enduring community and regional security and stability challenges.

The challenge with the emergent Mexican OC threat is how to coordinate Australian policy measures to ensure that they have a strategic impact. While this report argues that it’s difficult to deal with the issue without homogenising the threat of Mexican OC, that should be avoided. The other dilemma is whether to deal with this issue using a strategy that focuses on the OC or the illicit drug perspective. In the National Organised Crime Response Plan and the National Drug Strategy, there is of course broad strategic guidance that the focus of law enforcement efforts should be on reducing the supply of illicit drugs in the Australian community. However, the amorphous nature of the problem may require a different approach.

The question is whether targeting law enforcement operations without a strategic focus will mitigate or ameliorate the Mexican OC threat in the medium to long term. Examining the specifics of what is, or isn’t, working in law enforcement operations against illicit drugs and OC is well out of the scope of this paper, but it’s fair to say that the limited impact of law enforcement on drug availability within Australian communities, and the continued cost of OC, reveal that operational success to date is not achieving the desired strategic intent.

With this in mind, the following section offers recommendations that are focused on:

- reducing the available permissive environments for Mexican OC to operate in the ASEAN region
- increasing the costs in the illicit drug trade by making importation through onshore parties and cooperation with collaborators in transit countries more difficult
- proactively constricting access to precursors, and in the process increasing the cost of doing business in the ASEAN and Australian illicit drug markets
- filling jurisdictional gaps, which to date have been exploited by Mexican OC, by strategically coordinating enforcement cooperation across ASEAN
- restricting the freedom of movement of Mexican OC across ASEAN through further cooperation.

RECOMMENDATIONS

Mexican OC is a significant threat to law and order in the ASEAN region, and in some cases that threat could be considered existential, especially in the greater Mekong region. The threat is globalised, so the possibility of a regionalised disruption strategy, focused on restricting the spread of Mexican criminal influence, needs to be considered. While such global strategies have been considered under the banner of the Five Eyes law enforcement group, Australia needs to consider an alternative approach that seeks to bring together the relevant ASEAN member state agencies.

Recommendation 1: The Australian Government should encourage the ASEAN Ministerial Meeting on Drug Matters and the ASEAN Ministerial Meeting on Transnational Crime to discuss the emerging Mexican OC threat in the region and consider releasing a joint communique:

- committing to disrupting Mexican OC activities and expansion in the ASEAN region
- establishing a ministerial-level working group on Mexican OC.

Recommendation 2: The ASEAN Chiefs of Police should consider establishing an analytical team within ASEANAPOL to assess and share information in relation to Mexican OC.

While it's unlikely that Mexican OC is an existential threat to law and order Australia, its activities in the greater Mekong region are likely to present, at the very least, a threat to the rule of law and stability in the region. When developing responses to this threat, Australia's policymakers can't afford to engage with overgeneralised or simplistic assessments of Mexican OC.

While a full analysis of current Australian policy and strategy on illicit drug supply reduction is well outside of the scope of this paper, it's fair to say that both the US and Australian governments operate a plethora of national strategies focused on the reduction of the supply and availability of illicit drugs. A similar number of strategies and plans are focused on combating OC. Moreover, for the most part, law enforcement performance measures show a high level of operational success in terms of arrests and seizures.

While the AFP and the Australian Border Force (ABF) have achieved outstanding operational results, the fact remains that the Australian Government's strategic policy intents of reducing the availability of illicit drugs and reducing the impact of OC are not being achieved. In October 2015, Australia's National Ice Taskforce said as much, when it stated that 'despite the efforts of law enforcement agencies, the market for methylamphetamine remains strong. Methylamphetamine is still easy to get and its price remains stable.' In June 2016, the ACIC estimated that serious and organised crime cost Australia \$36 billion in the 2013–14 financial year, which hardly supports a conclusion that current strategies are enjoying any great strategic success. In making such assessments, it's important to note that, as highlighted by Australia's National Drug Strategy, there's more to harm reduction than law enforcement.⁵⁶

While Australia's National Organised Crime Response Plan incorporates enforcement activity across the nation, it doesn't necessarily draw together the non-law-enforcement components in its strategy. Unfortunately, traditional law-enforcement strategies focused on drug seizures, finding the 'Mr Bigs', or both, are likely to have little or no

impact on Mexican OC. In developing disruption strategies, policymakers will need to look beyond arrests. Instead, policymakers and law enforcement strategists will need to look for levers that will:

- increase the relative costs for Mexican OC to operate in Australia, making the market less attractive
- deny Mexican OC access to the necessary precursors, regionally or globally, for large-scale methylamphetamine or cocaine production
- reduce the freedom of movement of Mexican OC groups in ‘safe zones’ in Laos and Myanmar
- disrupt Mexican OC groups’ access to transshipment points in which they can hide illicit commodities.

Recommendation 3: To deal with the Mexican OC threat, Australian policymakers should draw together holistic whole-of-government strategies that are also integrated with the enforcement measures already being used against other OC threats. These strategies could include the following:

- The Department of Immigration and Border Protection, in conjunction with the AFP and ABF, takes the lead on developing border security measures that deny West African OC the ability to put ‘boots on the ground’ in Australia, thereby disrupting Mexican OC syndicates’ global supply-chain reach into the domestic market.
- The ABF, in conjunction with the AFP and the Department of Immigration and Border Protection, takes the lead on developing capacity and international engagement in Laos and Myanmar to strengthen border control measures in those countries to disrupt the flow of illicit drugs.

In one particular research interview, a senior Australian law enforcement official highlighted how Australia’s Operation Sovereign Borders had successfully disrupted people-smuggling networks by coordinating all government policy measures into a single strategy. Established in September 2013, this military-led operation is a ‘whole-of-government initiative, supported by a wide range of federal government agencies’.⁵⁷ Operation Sovereign Borders consists of three operational task groups:

- Disruption and Deterrence Task Group—led by the AFP
- Detection, Interception and Transfer Task Group—led by the ABF, which includes Maritime Border Command
- Detention and Removals Task Group—led by the ABF.

The success of Operation Sovereign Borders can be attributed to its central policy basis, which drew in a range of policy perspectives and operational activities in the development of a cohesive and coordinated national strategy aimed at disrupting the people-smuggling business model. Unfortunately, similar levels of coordination on Mexican OC, or OC more broadly, are not occurring in Australia.

Australia’s Foreign Policy White Paper, which is currently under development, will ‘define our economic, security and foreign policy interests’. Reportedly, it has paid scant attention to the coordination of police diplomacy, including law enforcement capacity development and police-to-police cooperation. That’s despite the fact that both issues are integral to Australia’s strategies to combat OC.

Recommendation 4: The Law, Crime and Community Safety Council should establish a national working group to consider how the scope of the National Organised Crime Response Plan can be developed further to ensure whole-of-government responses to OC. This group will need to consider the whole spectrum of OC problems in the scope of its work, from state-sponsored OC, to transnational OC, to street gangs. The policy initiatives developed by the group ought to concentrate on the achievement of impacts rather than on more quantitative performance measures, such as the number of arrests.

It appears likely that there are a number of strong connections between Mexican and Chinese OC groups, especially involving cocaine, methylamphetamine and methylamphetamine precursors. Any strategy to disrupt the operations of Mexican OC, to mitigate the risk that they pose to Australia and the ASEAN region, or both, must be intelligence led and risk based. Moreover, it’s likely that cooperation between Australian, ASEAN and Chinese authorities will be crucial.

Given the pivotal role that Chinese chemical precursors play in Asia's illicit drug trade, that seems a logical place to focus efforts on reducing Mexican OC activity. This work would need to be targeted towards restricting Mexican OC's freedom of movement and access. Operation Blaze, a joint AFP and Chinese Public Security Ministry drug enforcement cooperation strategy, has already demonstrated significant operational successes in disrupting OC syndicates.⁵⁸

Recommendation 5. The AFP and the Chinese Public Security Ministry should establish a joint assessment team within the Operation Blaze framework to disrupt Mexican OC activities of mutual interest in China.

There's limited evidence to indicate the presence of Mexican OC and Mexican-inspired street-gang activity in any Australian jurisdiction.⁵⁹ To remain alert to possible developments in this area, Australian law enforcement policymakers need warning of changes in the scope and nature of the Mexican OC problem. An indicator and warning framework,⁶⁰ to provide policymakers with early warning of changing illicit drug market and OC dynamics, could be highly valuable:

Recommendation 6: The ACIC should establish an indicator and warning solution for:

- changes in the level of Mexican OC influence in Australian street gangs
- changes in the level of Mexican OC influence in domestic or regional illicit drug markets
- the creation of illicit drug market vacuums in Australia or ASEAN by police disruption operations.

When dealing with a clearly ethnically and geographically defined criminal threat such as Mexican OC, it's easy to provide recommendations to increase international police-to-police liaison through measures such as increased funding of offshore police officers. Such oversimplistic strategies fail to engage with the complexities of international police-to-police liaison. In the case of Mexico and the US, both are busy areas of police operations and capacity development. Increasing effective liaison efficiently is no easy task, and only a small amount of crime in those regions has a nexus with China, ASEAN or Australia. Therefore, Australia's international law enforcement engagement strategy needs to be set with a clear view on how engagement will contribute to the Australian Government's criminal intelligence support for decision-making, or to the National Organised Crime Response Plan.

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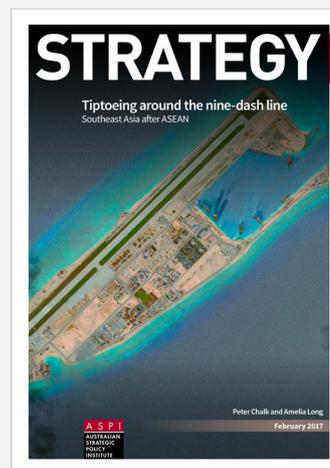
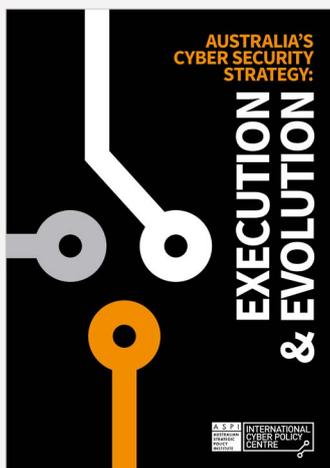
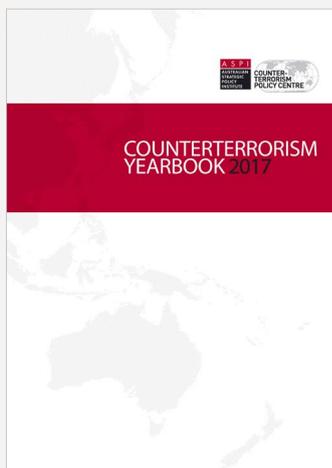
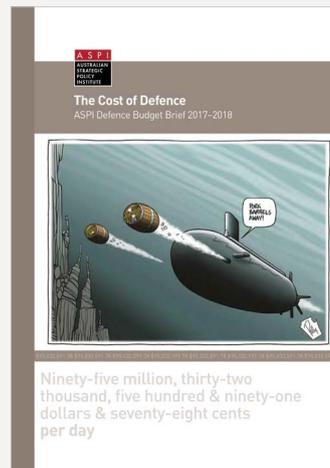
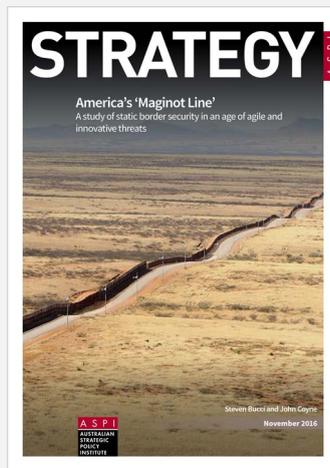
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ACRONYMS AND ABBREVIATIONS

ABF	Australian Border Force
ACIC	Australian Criminal Intelligence Commission
AFP	Australian Federal Police
ASEAN	Association of Southeast Asian Nations
MM	Mexican Mafia
MS-13	Mara Salvatrucha
OC	organised crime

Some previous ASPI publications



'Santa Muerte', are the Mexican cartels really coming?