



### The Dying Elephant: Prelude to a Failed State

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# The Dying Elephant: Prelude to a Failed State

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*Michael Lauderdale*

## **Why A Dying Elephant?**

For decades the nation of Mexico has been barely on the radar screen of the United States. But in recent years attention has begun to be paid to the border of Mexico. Part of the reason for the attention is the cascading violence that began in the northern cities of Mexico and now has clearly spread throughout Mexico. Less recognized is the “fall out or spillover” occurring in the United States from conditions in Mexico. The violence has reached such a crescendo that discussions have begun about whether or not Mexico is a failing state or, most serious, a failed state. Failed states exist when the control of the central government collapses and smaller units such as tribes, regions and families become the paramount institutions. Current illustrations are Somalia on the Horn of Africa and Yemen near the oil fiefdoms. History is filled with examples as in time all states failed and among the prominent in our intellectual history is France in the late 1770’s, the Chinese under Chaing Kai-shek when faced with the Maoist Revolution and the Soviet Union in 1991. We examine the conditions that exist that lead to state failure as well as the markers of a failed state in Mexico.

The title of the presentation, “The Dying Elephant”, comes from conversations held over the years by Americans that work with Mexico, most frequently from the State Department. When relations with Mexico would reach a frustrating extreme, a seasoned employee, “an old hand” would caution walking away and would note that the alternative is a “dying elephant” left on the American doorstep. That is the consequence of a failed state in Mexico for the United States.

## ***Prospects for Mexico***

Several facts at the start will help to understand each country and why tensions arise. America is

the world’s largest economy both in terms of production and consumption. Its economic activity affects the whole globe and its interests and military presence have become those of an empire. Mexico has grown into a large economy, as well, ranking as the 12th or 13th largest in the world and in the whole of North and South America. The United States, Mexico and Brazil are far and away the largest economies with the most advanced communications and transportation systems.

## **Mexico: The Hidden View**

There is another Mexico emerging from economic growth, more democracy with the appearance of the vestiges of a middle class. But it is a country of singular monopolistic institutions, powerful regressive unions, authoritarian leaders, extremes of wealth and grinding poverty and exploding passions. Long the dominant and autocratic Mexican political party, the Party of the Institutionalized Revolution, the PRI, lost its hold on Mexico at the end of the 20th century and genuine democracy began to appear in such persons as Vicente Fox and the National Action Party, the PAN electing in 2000 the first Mexican President in modern times that was not a creation of the PRI. (Fuentes 1996)

While corruption and organized crime have long been a feature of Mexico, what was less known or popularly acknowledged in the rest of the world was the complex intertwining of the corruption with the agents of the Mexican State, itself. From the local cop who required “mordita” to fix a traffic ticket to arrangements for regulated alcohol, prostitution and drugs in certain restaurants, bars and clubs of the town to the cabal that choose the nominee for the PRI every 6 years for the Presidency were all an enduring feature of

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Mexico and the PRI since the 1920's.

**The Soul of 20th Century Mexico:  
The Party of the Institutionalized Revolution**

However the breakdown of the control of the single national party provided an opportunity for organized crime, the Mexican Cartels, to grow explosively. To understand the cartels of today we must examine the history of Mexican politics. For decades the PRI maintained a vertical grip from remote villages to Los Pinos, the Mexican White House. At the local level towns would have a designated "red light district" where contraband was available including prostitutes, drugs and gambling. Operators would "license" the business through the local PRI representative or in some cases, law officer. The law and the PRI were often indistinguishable. To get almost anything accomplished in Mexico required somehow including the PRI. Larger businesses such as the telephone, television, energy and water utilities, railroads and airlines were simply government-owned enterprises. The most profitable then and still today is PEMEX, the oil production, refining and retailing monopoly. The service fields including teaching, health care, hotel and restaurant workers are controlled by unions and part of the PRI structure.

This control of the state began in the 1930's and reached its zenith in the 1980's. However several forces began to demand change and to lessen the control of the centralized Mexican government. One was simply the need to make the society more productive and innovative. A second was the increased awareness of the Mexican population, especially the emerging middle class, that the United States, Europe and Japan, all with higher standards of living accomplished some of those standards via a more open marketplace of ideas than could occur than in the fixed political arrangements of Mexico. Mexico was also influenced by the collapse of the Berlin Wall and then the Soviet Union in 1991, a paradigm of a command and control economy much as Mexico was. The appearance of the PAN election, the decline of the PRI was also the beginning of an increase in private groups creating enterprises not the Mexican State, not the PRI.

***The First Democratic Current Since the 1910 Revolution***

Visible political change began to occur in northern Mexico in border cities like Juarez during the 1980's and 1990's. The city long closely tied to El Paso began to develop political practices influenced by American thought. The mayor in 1983 Francisco Barrio was the first PAN mayor in Juarez and of any major Mexican city and later became the Governor of the state of Chihuahua. Other large landowners in border cities became attracted to the changing regulatory relationships between Mexico and the United States and began to build maquilas (assembly plants) that could use cheap Mexican labor to assemble items for duty-free export into the United States. Jaime Burmudez, one of those landowners became a leader in building these plants and served as Juarez Mayor after Barrio. Though he was aligned with the PRI, his ties in El Paso accelerated an electoral process in Mexico that drew from American culture of some level of competition among candidates and parties as well as a far larger private as compared to a public sector.

By 2000 the climate in Mexico had moved strongly away from the appointed Presidential candidate of ten decades of the PRI rule and for the first time an alternative party, the PAN, mounted a strong campaign and elected the President, Vicente Fox. This Presidency then followed by a second PAN, Presidency, Felipe Calderon, would break the old arrangements of petty crime, organized crime and perhaps, in time, political ties with the wealthy oligarchy of Mexico.

The result of the PAN election was part of a civic revolution in Mexico, a revolution long delayed and thwarted. (Krauze 1990; Preston and Dillon 2004) It began with the 1810 Revolution that overthrew Spanish control but failed to establish a democracy as Mexican patriots looked to the United States as a model. European powers, Spain and France, large property owners and the Roman Catholic Church thwarted the Revolution and reasserted a Mexico as a powerless, peasant regime. Electoral reform came again in mid-century with the election of the only Mexican President from the indigenous population, the Indian, Benito Juarez. For a few succeeding elec-

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tions democracy flourished but with Porfirio Diaz, it retreated into a dictatorship with the Church and a few large landowners partners again in total control. By the start of the 20th Century 90 percent of the population was in dire poverty existing as peons on lands owned generations ago by their forebears but now by less than a hundred families and the Catholic Church. Yet, again the 1910 Revolution again was thwarted by the PRI that under the label of being a continuation of the Revolution restored the dictatorship by a few and the impoverished and control of the Mexican population. The PAN victory in 2000 was a renewed attempt for a culture trying to break free from dictatorial control. The victory inevitable came into conflict with many of the structures of the iron hand of the PRI and that included corruption in the government as well as criminal gangs in many areas of Mexico but greatly in the northern cities near the American border.

### *Unintended Consequences of a Democratic Mexico: The Rise of the Cartels*

The efforts to break with the past have come quickly and in many dimensions with frightening effects. In 2007 Mexican President Felipe Calderon declared war on the Cartels and from 2007 to 2010 there were over 35,000 violent deaths in the war against and among the Cartels.

To understand the growing waves of violence in Mexico and the implications for the United States we must look at three factors in Mexico and the United States. These are the economies, demographic features, and cultures of each, but with the focus on Mexico. Unlike in all of the decades of the past, Mexico's economy is integrated with the world. Thus Mexico will be affected more than

ever in its history by events in the United States, Europe, Asia and the Middle East.

### **Major Mexican Economic Engines**

Mexico is the third largest economy in the Americas behind Brazil and the United States. It is rich in agricultural, fishing and mining potentials with a young but not highly educated workforce. There are five major engines that vary in terms of the numbers employed, gross revenues, percentage of profits and source of control of the sector. Below are the major engines and the Table below outlines the economic impact of each.

1. Export of Crude Oil Primarily from the Bay of Campeche
2. Export of Temporary Workers 10 to 30 Million
3. Tourism and Services More than 70 Percent of Employment
4. Assembly Manufacturing (Maquilas)
5. Drugs, Human Trafficking and Extortion

### **The Mexican Oil Boom**

Mexico's natural resources have long been a dominant feature of the country. Silver mines about two hundred miles north of the capital in the Sierra Oriental have been worked for more than 500 years and prominent fisheries on both coasts have supported great populations for more than a thousand years. Trading routes in turquoise, coral, gold, silver, seashells, birds and animals have been traced from the Pacific Northwest, the American Southwest, through the Valley of Mexico to Highlands of Guatemala and El Salvador since 2000 B.C. The most recent natural resource wealth was the discovery in the late 70's of vast offshore oil deposits near Veracruz. This

### **Probable Profits from Major Engines**

Export Item	Dollar Amount	Profit Percentage	Profit
1. Petroleum	\$130 billion	10%	\$13 B
2. Tourism	\$185 billion	8%	\$12 B
Visiting Workers 20 million people	\$300 billion	10%	\$30 B
Manufacture and Assembly	\$100 billion	15%	\$15 B
5. Narcotics	\$50 billion	80%	\$40 B

oil that is owned and controlled by the state monopoly, PEMEX, created the first middle class in Mexico starting with the employees of PEMEX providing salaries multiples of what other sectors earned and including retirement and health benefits with free or low cost housing. The PEMEX employees set a pattern, a goal for the middle class of Mexico.

#### ***Using Oil Wealth to Grow the Population***

These oil riches caused an explosion in the wealth of many Mexicans and the Mexican State. Part of the state's response from the oil export earnings was to increase the subsidies on basic agricultural items such as beans, rice and corn. It used the earnings to lower the cost of food and enlarged a policy began in the 1930's to encourage population growth in Mexico as well as ensuring the support of the poor for the ruling political classes.

For centuries Mexico has feared invasion and domination by an external enemy, a fear based on an event that had been repeated many times. In the 20th Century this became fear of the United States and the concern that Americans would annex the largely vacant areas of northern Mexico as part of a Manifest Destiny to expand America. The evidence was there as the United States had done that in the 1800's. Mexico's response was to encourage big families with the assumption that large populations in the northern states of Mexico would be a barrier to American annexations. A large and young population has become an important feature of modern Mexico.

#### ***Mexico Becomes Urban***

Modern Mexico is characterized by the changing population distribution in the country. For centuries it was a rural land with only one large population center, Mexico City, always being less than 100,000 people. However, through the last 30 years the Mexican population has moved to urban areas growing the Mexican Federal District to more than 25 million and several cities along the border with the United States to a million or more. Mexico, always a rural nation, now has become one where only 20 to 30 percent of the population live on and are supported by the land!

The Mexican rural population was self-sufficient in food, housing and utilities. Housing was rudimentary; water came from streams or hand-dug wells and waste disposed in dry toilets. Gardens and domestic animals provided the food supply and maintaining all of this was the definition of work for the rural residents.

#### ***The Search for Jobs***

Urban populations participate much more fully in specialization and an exchange economy and require jobs with food imported from the countryside. Thus, job growth became by 1980 a desperate need for Mexico in response to where the population lived. So desperate that Mexico did two things, one irresponsible and one heretical. The irresponsible was to urge Mexicans to leave Mexico but send money back to support families. Leave they did with more than 10 and as many as 20 million going to the United States by late 2010. The heretical was to reverse the policy of forbidding foreign interests to own properties in Mexico as what was first a border assembly plant in Juarez became an all-out effort to get foreign manufacturers to locate plants in Mexico. These plants, at first, did not do major manufacturing but rather completed labor intensive assembly of parts manufactured elsewhere in the world and were called maquilas.

#### ***Industrialization Via The Maquilas***

The maquilas provided three desperately needed resources for Mexico. One was capital investment that built physical plants, provided sophisticated manufacturing tools and created a tax base to extend utilities and transportation to the factories. This was an important gain for Mexico as estimates in those years was that it required a dollar capital investment of \$250,000 to create each factory job. The second resource was the job, itself, and the earnings it provided for an urban worker. The job was what one must have to survive if one is not living in rural Mexico. These jobs also provided much better wages and a standard of living than was available in the rural areas. These attractive jobs would have another unanticipated effect and that was to accelerate the movement of rural labor to the cities. The third

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resource was the training and education that a foreign manufacturer brought to the Mexican worker. Workers learned how to operate and maintain a variety of mechanical and electronic machines, the routines required of factory work, being supervised and learning to supervise; all of the complex of knowledge, attitudes and skills for successful performance in a modern workplace. For many with only about 6 years of education and environments with little technological features it was a cultural transformation.

### *Mexicans Working in the States*

Working in the United States, where almost all of the surplus workers, went was a similar transformation. Food processing, construction and service work absorbed most of these 10 to 20 million workers as the agricultural worker pipeline was already full. From 1980 until 2007 the United States was booming and the Mexican workers spread out far beyond Texas and California settling in cities and small towns all across the United States. Most of the workers were males and would send money back to wives and/or parents in Mexico and make treks back each year or so to visit families. While they often lived in proximity to other Mexicans they were influenced by the American culture and language and like the factory worker in the maquilas were a different sort of person than the humble, conservative, religious and cautious Mexican farmer. Most developed some facility in English and increasing reluctance to return as well as fewer ties with homes and relatives in Mexico.

The females that made the journey changed more than the males. The rights of women are far less in Mexico and the young Mexican women rapidly incorporated views of American women and their relative independence of males in where to live, shopping and entertainment. If they had children, they found that the American school system with children in school for 8 hours rather than 4 as would often occur in Mexico, meant the ability to create and sustain an identity beyond a mother at home. Like other American women, they would develop dual identities of workplace and home. (Castenada, 2011)

### *Working in Tourism*

The expanded labor force in tourism in Mexico changed the worker far less than those working in oil or the middle class professions made possible by the oil wealth. Being a waiter, maid or maintenance worker in a hotel provided cash income but not the margin of income or the skills to change the worker.

### *Roots of the Cartels*

The sixth area of significant income for Mexico is activities associated with the movement of illegal drugs increasingly controlled by organized crime, the cartels, and rapidly growing ancillary crimes of kidnapping, extortion, cybercrime and theft. Most of these activities had their initial greatest growth in cities near the American border.

Tijuana and Juarez were the early most prominent. The two cities, in both cases, had organized crime units that went back to the era of American alcohol prohibition and supplied illegal alcohol as legal drink in their bars and as a source of shipping alcohol into California and Texas. Heroin was also available as Chinese immigrants grew opium poppies in the western Mexican states of Sinaloa, Michoacán and Guerrero during the 1940's to supply American medical needs when the war in the Pacific interrupted supplies from south Asia. From the 1920's until 2000's this illegal activity existed under the control and likely franchise-like arrangements with the PRI including local government officials. However by the late 1990's drug consumption in the United States was drawing greater production in Mexico and young farm workers were learning that they could undertake the risks of smuggling marijuana and cocaine and make more in a trip than in ten years of farm work. As efforts to curtail the movement of cocaine in the Caribbean succeeded, much greater opportunities emerged for Mexicans to smuggle drugs across Mexico and then at the key border cities into the United States.

The business influenced the popular culture. A new form of music developed from the country corridos or cowboy ballads in the ranch culture and was called narcocorridos. Bands appeared with popular records that recorded some of the

"daring do" tales of the young smugglers, their sudden riches which they used to purchase new pickups and SUVs and the much desired silver-plated .45 ACP as well as more formidable automatic weapons. The romantic ballads and bands began to serve as a recruitment vehicle for the growing cartels that were organizing the individual entrepreneurs into more focused and skillful smuggling operations.

#### ***Open Efforts by the Mexican Government to Curtail Cartels***

By the 2000 elections the environment of the cartels began to change. The franchise arrangements that existed in some areas with law enforcement and in all cases with the approval of the PRI became unpredictable. The PAN presidency viewed those arrangements as both law violations and as a fund flow to PRI operatives and a threat to democratic institutions. By 2006 a second PAN President, Felipe Calderon declared open war on the cartels and initially focused force on Juarez. At the same time a struggle had begun between the long dominant Juarez cartel and a new force appearing from the west, part of the Sinaloa cartel. (Brands and Army War College (U.S.). Strategic Studies Institute. 2009; National Gang Intelligence Center (U.S.) and National Drug Intelligence Center (U.S.) 2009)

For the cartels, control of key cities and sites in the cities is like a fast food business such as McDonald's or Burger King seeking a key corner location or near an exit and entry ramp on an Interstate Highway. Location is nearly everything and it is for drug smugglers, too. Drugs, unlike the five other major sources of wealth in Mexico, have an astonishing ratio of cost of product relative to what it brings on the market and to those that sell. Estimates run between 50 and 90 percent profit! This means the business including the plazas are extremely lucrative and the cartels will and can spend heavily to seize and defend them against all comers, the Mexican authorities, rival cartels and the Americans. They will use a variety of tactics including psychological warfare such as brutally torturing, murdering and dismembering opponents. They offer bribes to police and judges with the bribe and the warning of death if the per-

son refuses.

Since Mexico City started the effort to shut down the cartels at least 40,000 have died. Most are said to be deaths among cartel members but thousands are innocent people and those that were criminals are not enough deaths in all likelihood to deplete the cartels. More than half the Mexican population is in its earning years and jobs are difficult to find. Much of the population is young, unemployed, limited in education and skills, and willing to take risks. That is the advantage that a large youthful age cohort, a weak economy and an urban population provide the cartels in recruiting new persons to fill their ranks.

#### **Oil Not Cartels -The Greatest Security Risk**

But the cartels are not the most major security risk to either Mexico or the United States. For the United States the greatest risk is the loss of oil imports from Mexico. America imports 70 percent or more of the petroleum consumed and the trend increases as the economy grows and in-country reserves are naturally depleted. The largest source for imports is Canada from its oil sands, but an expensive source. The second source is Mexico. As the following table illustrates the other major sources are countries with high stability problems or countries not friendly to the United States.

The fragility of the Mexican supply, and it is very, very fragile, is not the disruptions posed by cartel violence but the fact that Mexico is suffering rapid depletion of its largest oil producer, the Cantarell field.(Malkin 2010, March 8) When it was originally mapped, it was thought to be similar to one of the great Saudi Arabian fields such as Ghawar that has lasted for decades. While the Mexican oil is similar in quality to low sulfur, high quality oil from Texas, the field has proven to be shallow and Mexico is thought to lose its ability to export oil by 2014 to 2015. There may be other fields especially offshore to explore but PEMEX holds the monopoly and is notoriously incompetent and corrupt. If oil exports stop and they seem sure to do so, it removes the foundation of the middle class professions: medicine, nursing, teaching and higher education that have been built since the oil boom years of the 1980's.

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This creates a two-horned dilemma for the United States. Oil prices will likely rise and Mexico will grow more un-stable with much greater attempts of Mexicans to migrate to the United States and cartels will use the chaos to strengthen. Moreover without oil export earnings Mexico will lose its major source of funds to import food to feed an urban population as well as to underwrite the middle class professions. Such forces only produce a more chaotic environment for the drug cartels to ply their trade.

### Darkness along the Border

Texas shares a 1,200-mile border with Mexico that has a dozen legal border crossing points and a thousand that only the locals know. Trade is an important part of the crossings and has many old patterns and several newer. Among the older patterns are cow-calf outfits that move young animals born and raised on Mexican ranches across the border to be fattened and slaughtered for urban markets in Texas and then to the West and Midwest. Cheaper land and labor costs in Mexico makes this a viable business. Mexico does not have substantial grain harvests to “fat finish” cattle thus a few months in a feedlot in the grain-growing areas of Texas and the Midwest materially improves the meat for the American market. A less known aspect of the business is the trade back into Mexico of raw hides from Texas feedlots into states such as Leon in central Mexico where large leather processing industries turn the hides into items like shoes, belts, jackets and purses for French and Italian high-dollar brands that sell in the most exclu-

### Major Security Risks

United States	Mexico
Must Import 70 Percent of Oil	History of Revolutions
Has Major Empire Interests and Attendant Enemies Susceptible to Fragmented Border	Great Wealth Disparities with Unemployment as High as 50 percent
Needs Secure Neighbor on the South and North	Potential Food Shortages in Urban Areas
	Failure of Oil Exports
	Cartel Violence and Breakdown of Civil Order

### Pattern of Development of the Most Significant Security Risk

Not Drugs But Interruption of the Flow of Oil
Next, the Decline of Mexican Oil Fields
This causes the collapse of the Mexican middle class paid by oil exports from PEMEX
These are police, government workers, teachers, physicians and nurses

### Crude Oil Imports for U.S. (Top 6 Countries)

Country (Thousand Barrels per Day)	YTD 2010	YTD 2009
CANADA	1,972	1,943
MEXICO	1,140	1,092
SAUDI ARABIA	1,080	980
NIGERIA	986	776
VENEZUELA	912	951
IRAQ	414	449



sive stores in Rome, Paris, Tokyo, New York City, Dallas and San Francisco.

Field labor, as it has for decades, crosses from Mexico in the lower Valley to work citrus, onion, peppers and tomato fields and then north into the Midwest for other agricultural harvests including berries and apples. This is seasonable labor with migrants returning to Mexican farms and villages in the winter. Invariably some stay in the United States working in meat processing, restaurants, hotels, yard care and other occupations with low skill levels or no or limited union rules to restrict immigrant employment. These are the 10 to 12 million Mexicans that become Mexican Americans.

Several factors began to change this rhythm of trade between Mexico and Texas starting in the 1980's. One derived from the creation of OPEC in the 1970's as the United States moved from a net oil exporter to an importer. It was the first worldwide warning of Peak Oil and the slow shift from a century of dropping prices for all natural re-sources including food and water to one of rising prices. Coupled with this awareness of growing scarcity of oil was the discovery of a very large oil field in the Bay of Campeche off Veracruz in the Gulf of Mexico. While oil had been produced in Mexico since the 1920's, this new discovery was a giant and appeared to rank Mexico with Saudi Arabia in terms of promising oil reserves; reserves that could fuel prosperity in Mexico for generations.

The final change of great consequence was the opening of political process with the timid initiation of a civic space to discuss alternatives in political leaders and parties (Castenada, 2011; Fuentes, 1996). Since the late 1920's there has been only one political party in Mexico, The Party of the Institutionalized Revolution, the PRI. There were local, state and national elections. But at the national level the PRI candidate always won. That candidate for the Presidency and for many other offices was selected every six years in a highly opaque process within the PRI. The PRI and the state were the same and the state owned everything including large businesses such as oil production, railroads, airlines, telephones, utilities, television and controlled the unions in all

sectors. The political change that occurred was the capture of the Presidency by Vicente Fox of the PAN. PAN, the National Action Party, traces back to the Cristeros Revolt in the 1920's, who sought to reverse the 1910 Revolution and long reviled by the PRI as a predatory Catholic machine intended to return the Mexican middle class to peasants requiring priests and caudillos to lead them. The campaign of 2000 and the loss of the Presidency from the PRI was the first experience of electoral choice in more than a hundred years!

This brewing mix of Mexican events exploded in late 2007 with the international economic collapse. Oil prices dropped but more ominously so did oil production in Mexico. The bursting of the real estate bubble in the United States removed a huge source of jobs for Mexican men. The recession in the United States meant both fewer tourists coming to Mexico and far fewer purchases of the assembled goods in America that had engendered the Mexican boom in factory jobs. True unemployment has surged in Mexico reaching 50 percent in many areas.

Mexico is no longer a nation of small villages and farms where people stay home and tend gardens, chickens, goats and cows providing food for themselves. This is an urban Mexico where jobs are survival. The worldwide economic collapse has created a fundamental threat to the continuation of the Mexican state.

#### *Economic Disasters Feed the Cartels*

In this growing mire there remains one source of employment and that is associated with the illegal movement of drugs and people from Mexico into the United States. Here is a source of potential wealth that does not require extensive education, ownership of arable land or expensive equipment. To get started in the illegal drug business requires daring, ingenuity, the ability to make contacts in informal networks and a willingness to use brutality against one's competitors and the police. And here is rough and tumble capitalism at its coarsest as young men, working solo and in gangs, compete to control the trade in moving drugs and people into the United States. What happened in Juarez from 2006 to 2010 illustrates this. "The Chihuahua prosecutor general

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said Tuesday that within the Juárez region there are more than 9,000 active drug cartel members. It is the first time a Mexican official has quantified the warring drug cartel organizations' membership. Carlos Manuel Salas, the state's chief prosecutor, provided the figures and other information in a statement...

'What happened is that the cartels entered into a conflict, and then organized crime began to get involved in common crimes. What happened when we confronted this is that the Juárez cartel, which then had 500 people who controlled (their operations) throughout the state, added 5,000 gang members to its force," Duarte said, "and they brought weapons from the United States and began to fight the Sinaloa cartel that got hold of other gangs. In less than 60 days, this (Sinaloa) group had 4,000 armed members, and this is the challenge that the governor was faced with, but we are working each day to restore the peace to our state.' " (Valdez, 2011)

There are several major dimensions of this drug trade in Mexico. One is either growing the drugs including marijuana and heroin poppies, or importing meth feeder chemicals from China or transporting cocaine from Columbia, Peru, Brazil and Venezuela by land and sea in Mexico and along its coasts. The second dimension is staging the drugs or people to get them into the United States, and each requires securing control and monopolies of areas (plazas) in cities like Tijuana, Juarez and Matamoros where the bulk goods are assembled, American authorities are overwhelmed, tricked or bought off and then people and drugs are smuggled across. The third dimension is securing trading partners in the United States to receive these imported goods. This may be individual dealers, unscrupulous employers, street gangs and, in some instances, members of Mexican cartels that have set up shop in the United States.

This market of illegal drugs and smuggled people is a huge market and the most profitable business in all of Mexico. It likely generates, annually, 40 billion dollars of profits and the profits are used to buy law officers, military personnel, judges and politicians. With these dollars military grade weapons are purchased including automatic rifles, grenades and combat vehicles. The profits are used to

employ gunmen to protect the supply lines and eliminate competition. Gangs, termed cartels, have developed over the last 30 years that control the corruption in each region and yet compete with each other at the points of access to the American market. That is the reason that Juarez as an example has become one of the world's most dangerous cities with 10 people killed daily in 2010. These are a few of the dimensions of a failed/failing state on the southern border of the country. This is an existential event for Mexico and one with growing implications for the United States.

### Mexico in Summary

It is improbable that the United States can stop the actions of the drug cartels in Mexico. That is a Mexican problem made difficult because there is so much money available to the criminal organizations via moving drugs, kid-napping, extortion and burglary. With a ready supply of young recruits into the cartels, often corrupt officials and most importantly a citizenry that does not believe that honest government is possible mean the actions of the cartels will continue for some years. The demand for drugs from the United States provides a river of money that in many ways exceeds what either country has available to fight the problem.

There are serious shortcomings with many of the proposed solutions to the violence in Mexico. Among the more unrealistic is closing the border. With Mexico as the U.S. 3rd Trading Partner and with the U.S. being Mexico's 1st Trading Partner, the border will not be closed. Closing the border destroys the Mexican economy and wounds an already wounded American economy. As long as American drug consumption is high, money from drugs will fuel the Cartels. Violence will migrate increasingly into the United States coming first to Texas and California as Cartels work on vertical integration of manufacture, transport, distribution and sales. In most instances local gangs in American cities will be the local franchiser. More corruption will appear in U.S. law enforcement particularly in jurisdictions where law officers are poorly paid as well as the fact that in many jurisdictions, law enforcement, prosecution and the

judiciary are part of the political process and more open to bribes. The map below based on highways alone provides a view to the complex trade relations via transportation of the two countries.

Cartel violence will be episodic with drug lords achieving some hegemony and then losing it through competition with rivals and government efforts. The pull of the cartels only recedes when good paying jobs are developed and greater public revulsion against drugs and violence develops. Mexican cartels will continue incursions into Texas, Arizona and California. Most efforts will consist of partnerships with hardened gangs such as the Texas Syndicate, the Mexican Mafia in the Southwest and groups like the Latin Kings in the Midwest and Chicago. To the extent old style Italian mobs exist in the eastern cities, they may look to the cartels for supply. Border gangs in cities like El Paso where a 20 year old gang, Barrio Azteca, will serve as muscle and hired killers. Certainly major cartel figures may migrate to the United States as consumer products are more readily available and they may simply be safer. There are already some reports as well of Mexican youth gangs migrating to Houston as opportunities for theft are better than in Mexico City.

The continuing Mexican collapse will take this pattern. Violence will continue to rise in parts of Mexico beyond those cities along the border. That has begun in Monterrey, Cuernavaca, Acapulco and other Mexican cities. If local authorities cannot contain the violence, the central government will use either the Army or the Navy to match the heavy weapons the cartels have. When cartel hegemony is contained, the Federal government will use the Federal police to replace state and municipal police.

This will have mixed results as corruption has existed in the Army and the Federal police and the central government must purge those entities. The Navy has long been free of corruption and has not suffered taints under Calderon, but force cannot replace honest local authorities including the judiciary and the most critical, citizens that will support the rule of law. This will be a less successful strategy as the 2012 election approaches. The PRI may recapture the Presidency and if

this occurs, there will be renewed efforts to restore the cronyism and corruption associated with the PRI.

Two events not under the control of the Mexican government will be more significant than any action that can be taken by government. One event is when and how completely the decline of Mexican oil exports occurs. This will undercut the middle class and the promise of a progressive, civic-minded bloc to build a modern state. The other event is the course of the economic decline in the United States. The Mexican economy is deeply intertwined with it and the promise of Mexican manufacturing depends on a prosperous American economy.

Migration out of Mexico will continue to take two forms. One is economic refugees but that will decline if the American economy is weak and antipathy toward immigrants continues to grow. As American conditions grow harsher Hispanic communities in the United States will be less welcoming toward Mexicans much as Mexicans are hostile toward immigration into their country from Guatemala and El Salvador. The second form of immigration is persons with sufficient wealth to purchase Resident Visas. Already the major cities in Texas see "little Monterreys" where the Mexican economic and educated elite have fled. While economic refugees are a relief valve for Mexico, these wealthy immigrants leave with scarce physical and intellectual talent from Mexico. If this continues, it will deepen the poverty and violence in Mexico. It may also serve to promote an effort in the United States to intervene militarily in Mexico. Such an event occurred with Cuba and a similar pattern may develop with Mexico. A failing state follows this sequence.

#### **Markers of a Failing State**

- Citizens Lose Respect for the State
  - Inability to maintain civic order
  - Failure to protect citizens
  - Little trust in state's institutions including police, courts and currency
- Failure To Maintain Geographical Integrity
- State loses the monopoly on controlled violence

## The Dying Elephant: Prelude to a Failed State

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- People Migrate Out- For example Texas Could Go From 3 to 10 million Mexican Migrants

### Last Remarks

How these are met and solved will be part of the equation of how Mexico, in turn, addresses its national agenda. Mexico with its young, poorly educated population provides continuous recruits to organized crime until its economy recovers and that recovery waits on the American one. One priority for Mexico is to control the power of the cartels and not cede regions to their control as exist now. American resources can play a careful, helping role but the responsibility is a Mexican responsibility.

Mexico's largest challenge is to secure its people's belief in being able to change and having an honest and transparent state. That is an enduring puzzle for Mexico. For five hundred years heroes have emerged, reforms achieved and then heroes failed. Between these failed revolutions and the long effort of the Mexican people to reconcile the Indian past and European colonialism, there is a tendency to view the outside world with caution and distrust. That psychological inclination thwarts building the sort of civic trust and vigor that Mexico needs and rather lets the country repeatedly revert to its authoritarian past. (Paz, 1994; Krause, 1990; Preston and Dillon, 2004; Joseph, 2002; Meyer, et al 2010; Castenada; 2011)

The elections in Mexico in the last two decades have offered that promise of a democratic, transparent and non-authoritarian Mexico, but it can be reversed in 2012. Events next year will be critical as will all of these choices in this decade.

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