

The Sinaloa Cartel as a Form of External Regulation on the Free-Market Structure of Ciudad Juarez, Mexico

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Felipe Calderon's recent war on drugs has highlighted the Mexican government's lack of institutional control. Historically, Mexico has been plagued by conflict between national and state government. The inclusion of powerful drug cartels into this complex political context has only exacerbated the issues of corruption and violence in Mexican society. Nowhere is this conflict more apparent than in the city of Juarez, Mexico. International news headlines are constantly littered with stories of government officials working directly with drug cartels and the resulting societal devastation. The presence of the Sinaloa Cartel in Juarez has re-established the political socio-economic structure of Juarez. The free-market Juarez economy has fallen underneath the control of the Sinaloa Cartel. To demonstrate this concept, I will provide an analysis that determines the principles of economic liberalism to the growth and benefit of Juarez in contrast to the over-arching socio-economic constraints that have been established as a result of the illegal and deadly practices of the Sinaloa Cartel.

My primary point of analysis will be the Juarez economy and how it has been shaped by both free-market principles and presence of the Sinaloa Cartel. The social and political institutions of Mexico will also be closely utilized in order to fully examine the effects of the Sinaloa Cartel on the Juarez economy. Furthermore, I will showcase how the overall state of corruption in both Juarez and Mexico has contributed to the reign of the Sinaloa Cartel in Juarez. For the sake of specificity, I will limit my definition of corruption to the practices of collusion between governmental officials and drug cartels, extortion and threats of violence. My secondary actor will be the Sinaloa Cartel and how its illegal enterprises have impacted and created regulations in the Juarez economy.

The Sinaloa Cartel's Rise to Power and Historical Overview

To thoroughly explain the effect of the Sinaloa Cartel on the Juarez economy, one must understand the history of Juarez before its rise in the world of drug trafficking. A famous border town in the state of Chihuahua, Juarez has been known for its tremendous economic growth in recent years. In 2007, Juarez was described as, "absorbing more industrial real estate space than any other North American city, according to the El Paso Regional Economic Development Corporation" (*New York Times* 2007). To this day, Juarez represents a symbiotic economic relationship between both Mexico and the United States. Multinational corporations come to Juarez to establish manufacturing plants that emphasize assembly-component production. The significant majority of these products are exported to American consumers, ensuring a beneficial economic and social connection between Juarez and its neighbor to the North. However, the violent conflict that has resulted from rival cartel interactions and the military activity of the Mexican government has placed a significant hindrance the economic activity in Juarez. From 2008-2010, approximately 5,000 people were murdered in Juarez alone. More importantly, Juarez was described as the "most violent city on Earth," beating out cities in South Africa, Haiti, and Russia (*El Paso Times* 2010). This level of conflict has undoubtedly created a level of fear and control for both foreign investors and local economy. At the current moment, it is believed the Sinaloa Cartel has established itself as the dominant cartel of this transitional border town. Its

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reach is felt across Mexico, but particularly in Juarez. In this light, it is necessary to understand the history of what the US intelligence community deems “the most powerful drug trafficking organization in the world” (*cnsnews.com* 2010).

The Sinaloa Cartel has followed a dark path towards reaching the pinnacle of Mexican narco-trafficking. The Sinaloa Cartel was originally known as “La Alianza de Sangre” or Blood Alliance. Its leader, known as a first generation narco-trafficker, Pedro Avilez Perez was one of the first smugglers to utilize aircrafts to transport narcotics across the US border. However over time, 2nd generation leaders such as Joaquin “El-Chapo” Guzman were able to gain control after the Mexican government was able to imprison Perez. At the time of Perez’s elimination from the narco-trafficking world, the Blood Alliance split into 2 factions: the Tijuana Cartel and the Sinaloa Cartel. The Tijuana Cartel was headed by Arrellano Felix brothers, while the Sinaloa Cartel was led by Hector Luis Palma “El Guerro,” Adrian Gomez Gonzalez, and Joaquin Guzman. After Palma’s arrest by the Mexican Army, Guzman took full control over the Sinaloa Cartel. Guzman himself was arrested by Guatemalan officials and extradited back to Mexico in 1993. Nonetheless even in the 1990s, “according to one court opinion, the Sinaloa Cartel was believed to be as large as the Medellin Cartel [of Colombia] in its prime” (Lyman and Potter 2010, 293). While Guzman sat in a maximum security prison, the Cartel was still able to exert its force over the majority of Mexican narco-trafficking.

Guzman escaped in 2001 and by 2003 Guzman was able to establish himself as Mexico’s most powerful drug kingpins. However in 2008, the Sinaloa Cartel experienced internal turmoil, as a result of warring factions vying for power. To date, Guzman has solidified the central leadership of the Sinaloa Cartel, allowing the cartel to remain at the pinnacle of narco-trafficking in Mexico. The Sinaloa Cartel “claims the territory of Baja California, Sinaloa, Durango, Sonora, and Chihuahua” (Lyman and Potter 2010, 292). The Sinaloa Cartel has branched out its trafficking activities to both Europe and South America. Its distribution relies on the creating and trafficking of “Colombian cocaine, Mexican marijuana, methamphetamine, and Mexican and South Asian heroin” (Lyman and Potter 2010, 292). In relation to our context, the Sinaloa Cartel is believed to possess sole control over the highly lucrative border entry of Juarez, Mexico (*cnsnews.com* 2007). In this light, Juarez represents a major flow of drugs and narcotics into the United States. An unnamed US federal agent said, “If you control the city (Ciudad Juarez) you control the drugs” (*cnsnews.com* 2007). For this reason, the control of the Juarez smuggling route is a key component to the power and survival of the Sinaloa Cartel.

In addition, it is important to notice the governmental connections the Sinaloa Cartel has acquired in its criminal activities. The Sinaloa Cartel has been publicly connected with both the Mexican and US governments. This concept has been supported by the fact that while other cartels have been weakened by governmental pressure, the Sinaloa Cartel has managed to avoid major governmental interference. There have been suggestions that the “apparent lack of crackdown on the Sinaloa Cartel has spurred criticisms of Felipe Calderon’s administration: some critics contend that the Sinaloa Cartel has enjoyed protection from authorities” (Beith 2011, 787). This speculation has been supported by recent information found by the security analysis firm Stratfor which that both the US and Mexican governments favor a “minimizing-violence” approach which the Sinaloa Cartel is to some degree believed to embody (*Business Insider* 2011). In this regard, the Sinaloa Cartel has maintained a somewhat diplomatic approach in the narco-trafficking world, preferring the use of bribes and extortion, rather than brutal violence. This stance differs greatly from its rival Juarez and Los Zetas Cartel which are both well known for their pro-violence approach. Rather than apply brute force, the Sinaloa Cartel functions to build long term connections in government. The Sinaloa Cartel’s connection in both US and Mexican governments will later demonstrate its ability to serve as an over-arching body on the Juarez economy.

Juarez's Thriving Economy pre-Calderon's War on Drugs

In light of this background, it is important to understand the amount of economic growth Juarez experienced prior to the war on drugs. Juarez has been one of Mexico's most successful economies. President Clinton's NAFTA agreement allowed multinational companies to install assembly component factories (maquiladoras) that were both tariff-free and had significantly lower labor costs (*Daily Finance* 2010). Maquiladoras will be defined as assembly component factories established through the competition of the free-market. In this regard, I will examine the concept of the free-market through the perspective of economic liberalism and how it is defined through the tenets of capitalism found in the *Introduction to International Politics* (Balaam and Dillman 2011, 32). In the context of this study, I will define Juarez as a free-market economy based mainly on the concepts of competition and the state's role to protect the freedom of enterprise. These notions build the foundational theme of interdependence found in economic liberalism. Competition may be defined as the role of the market and the consumer determining and motivating economic activity, without outside constraint or regulation. Freedom of enterprise may be defined as the ability of the individual to initiate business activities without external permission and the right to collect the sum after revenue is subtracted from costs. In response to the above definitions, my research concludes that the Sinaloa Cartel has been able to establish an overarching rule over both of these fundamental concepts. In summation of this overview, it is necessary to examine the role of maquiladoras to the economic growth of Juarez.

As a result of foreign investment through the free-market, the presence of maquiladoras has caused Juarez to at one point enjoy the highest standard of living in all of Mexico. The close relationship between El Paso and Juarez only propagated the benefit of interdependence from both cities. At its peak, the region had 399 maquiladoras which provided employment for nearly 80% of the entire work-force, creating 1 billion dollars in revenue for the city (*Daily Finance* 2010). This statement demonstrates the ideal of freedom of enterprise, because without major external restrictions, foreign investment was allowed to enter and directly benefit Juarez society. The resulting increase in job creation provided a possibility of financial stability for Mexico's poor. Such maquiladoras provided free health care, transportation, and even free breakfast. It is important to highlight how important such maquiladoras are for the Mexican work-force in general, "As much as a third of the city's residents were born elsewhere, flocking to the border city seeking \$15 per day maquiladora jobs. 'If they come here it's because they had nothing there'" (*Daily Finance* 2010). This overall improvement of the Juarez socio-economic structure may be attributed to the presence in maquiladoras.

The Structuralist Interpretation of Juarez's Experiences of Globalization

In response, the structuralist school of thought would not examine maquiladoras in the same light. The structuralist perspective is defined as a, "the global capitalist system [economy] acting as an underlying system or order that is the driving force of society. It shapes society's economic, political, and social institutions and imposes constraints on what is possible" (Ballman and Dillman 2011, 82). In the Juarez context, structuralism defines the presence of maquiladoras as constraints of the elite class (1st world) on the development of the Mexican people (working class), rather than a beacon of economic and social opportunity. To understand this assessment of structuralism in Juarez, one must examine the purpose of the NAFTA agreement. Established in 1994, the North American Free Trade Area as an attempt, "to expand free-trade on a regional basis" (United States Trade Representative). In this sense, NAFTA opened the Mexican work-force to the benefit of foreign capital being directly invested into Juarez. Manufacturing, technology, and infrastructure that resulted from NAFTA have significantly improved life in Juarez. Yet, structuralism would deny this idea. Structuralism argues that only the US and Mexican elites benefit from NAFTA; the low to medium level Mexican work-force is simply contained in these

production factories. In this perspective, structuralists argue that NAFTA, “represents an effort to engineer Mexico’s entry into the North American market on unequal footing with the USA, providing the USA with a low wage region for the reduction of the costs of transnational firms and the articulation of these firms with domestic capital conglomerates in Mexico” (Maxwell and Aggarawal 1996, 983). Through this claim, it appears as if the Mexican citizenry is constrained by economic practices of the foreign investment combined with domestic business conglomerates. After all, one could claim that maquiladoras in Juarez to provide only the most basic level of financial sustenance; maquiladoras do not serve any higher social or economic purpose. And without this higher purpose, the “worker” is exploited by 1st world powers and limited to such a position.

However, the structuralist perspective in this research provides a claim that fails to account for overall lack of financial opportunity for the average Mexican worker. The citizens of Mexico are moving from across the nation to seek the financial stability found in Juarez. According to the University of Texas at El Paso, “growth of the maquiladora industry fueled an unprecedented increase in the area's population. This event offered job opportunities on the border which not only attracted many people from different parts of Chihuahua, but from many other parts of Mexico, as well” (UTEP Center for Interdisciplinary Health Research and Evaluation). Maquiladoras provide opportunities that have historically never been realized in Mexico. While multinational companies benefit from cheaper costs of production, local workers see in an increase in living standards in Juarez. This economic gain results in a net increase for city of Juarez. Put simply, everyone advances from the presence of maquiladoras. For this reason, I claim that structuralist’s perspective fallacy in this context is its inability to examine the notion of “mutual benefit” that results from the resulting advance in every actor’s self-interest. Maquiladoras pay approximately twice the minimum wage in Mexico (*El Paso Times* 2010). Thus, this is not a system of exploitation, but rather a means of financial advancement for Juarez citizens. In this context, economic liberalism applies, because the free-market of Juarez organizes and coordinates the society towards an area of mutual benefit. In a more general context, the manufacturing sector of Juarez plays the role of a 3rd world component economy in the free-market. Contrary to the perspective of structuralists, this relegation as a 3rd world production sector of the economy is not an imposition of the rights of workers, but rather an opportunity to be involved in the global economy. Leslie Sklair writes, “The Third World, thus, was to specialize in the low-medium skill and labor intensive operations. In this way, global production would be shared to the mutual benefit and satisfaction of all” (Sklair 1989, 8).

In addition, maquiladoras represent stability in Juarez. In this regard, the structuralist school of thought ignores the ideal that maquiladoras serve as economic and social barrier to drug cartel expansion. One must realize how high employment prevents drug cartels from expanding their operations in Juarez, and thus, strengthens the Juarez working class. Unemployed and impoverished citizens make perfect targets for cartel recruitment. Yet, the employment opportunities maquiladoras offer serve as a deterrent from cartel expansion, because it gives average a citizens a different option for financial survival. Financial necessity knows no moral bounds as shown by the recent drug war, and without the economic foundation of maquiladoras, one can only imagine how cartels will increase operations. According to Alejandro Junca, “So as the local economy sputters, more people in Juarez become involved with the cartels out of economic necessity, experts say. A recent poll of 4,600 students in the Chihuahua state revealed that 40% of them aspired to be *Sicarios*, hired killers” (*Daily Finance* 2007). In this claim, it becomes apparent that without any sort of economic foundation that maquiladoras represent, drug cartel operations would only expand. Also in this light, one can see how the idea of unrestricted economic competition serves the Juarez people. The low cost of production in Juarez allows foreign investment to advance and solidify the overall Juarez society.

I offer one last consideration of the structuralist perspective in this area of research. Instead of economic elites constraining the people of Juarez, I offer that the Sinaloa Cartel acts as this restricting force. Undoubtedly, the Sinaloa Cartel has influence in the corrupt governmental institutions that plague Mexico. With this connection to the state, the Sinaloa Cartel's criminal activities are able to create limitations in the economic liberalist concept of the economic competition. In this regard, the Sinaloa Cartel's presence may be described as the driving force of Juarez society. Its impact and connection on the Juarez economy and government has been noted, "Likewise, local state elites support current economic restructuring in maquiladoras to recompense investors for the high levels of crime and violence while retaining the benefits they receive from the financial structures of drug cartels" (Martinez 2010). In this statement, we see how the Sinaloa Cartel is able to affect and limit foreign investment in maquiladoras, as well as collude with forms of government. In complete summation of the structuralist perspective, I argue that the free-market system in Juarez does not constrain the rights and abilities of the Mexican worker; however, there can be significant evidence found that the actions of the Sinaloa Cartel limit the practice of the free-market, thus indirectly affecting and controlling the rights of the worker in Juarez.

The Sinaloa Cartel's Interaction with the Mexican State

To understand the Sinaloa's control over Juarez, one must further examine the context of Mexico through the concept of state-society conflict. Traditionally, the Mexican government has always had issues controlled its outer states. A noted example can be found in Chiapas Rebellion and in the current drug war. A state-society conflict can be established as "interactions between state institutions and societal groups to negotiate how public authority is exercised and how it can be influenced by people" (Government and Social Development Resource Centre). Both state and society share interactions that determine how power is exercised in the state. In this focus, the relationship between the Sinaloa Cartel and the Calderon Administration directly applies to Juarez context. In the drug war context, the Calderon administration's drug war efforts may be defined as state institutions, while the Sinaloa Cartel may be described as a criminal organization that functions as a governing societal group. Through this categorization of terms, it becomes apparent how the Sinaloa Cartel is able to control Juarez.

In 2006, the Calderon administration launched a major war against drug cartels seeking to regain the power of central government. President Calderon utilized state institutions to effectively combat narco-traffickers, "dispatched military troops and federal police to confront narco-violence in the Mexican states of Acapulco, Monterrey, and Michoacan followed by an additional 10,000 troops to Ciudad Juarez" (Council on Hemispheric Affairs 2012). In this manner, Calderon followed the policies of predecessors; maintain state power. On paper, Calderon's strategy appears to have been very costly, causing upwards 60,000 deaths in the 3 year official time-span. However, official figures estimate that the Mexican government "seized over 114 tons of cocaine, 11,000 tons of Marijuana, 75 tons of methamphetamine, 100,000 associated drug-associated vehicles, and 1 billion dollars cash. These figures represent a cost to the cartels equaling 14.4 billion USD" (Council on Hemispheric Affairs 2012). In this regard, it appears as if there have been numerous advances against the overall narco-trafficking trade. Despite these changes, the Sinaloa Cartel has remained in power in both Juarez and in Northern Mexico. For this reason, I argue that while on the surface there may be state-society conflict, I offer a different proposal: state institutions and the Sinaloa Cartel are working together. Thus rather than conflict there is a level of cooperation between the leadership of the Sinaloa Cartel and both the local and state governments of Mexico.

In this claim, it is necessary to understand how directly the Sinaloa Cartel influences the Mexican political structure. To date, "politics and violence have been inextricably linked"

(Valencia). In the state of Sinaloa, Joaquin Guzman and the Sinaloa Cartel share the “plata o plomo” (silver or lead) policy to local government (Stratfor 2012). Members of government are offered bribes; if they chose to refuse, they and their families are likely to face threats of violence. Through this constant risk of violence, the Sinaloa Cartel is able to build connections in government. Hence, rather than looking at a separation between the state institution and the Sinaloa Cartel, it may be more beneficial to analyze them through a combined perspective. In this regard, the traditional state-society conflict becomes blurred underneath the shared connection of the Mexican government and the Sinaloa Cartel. Historically, this perspective applies, “Historical research in the Mexican case does not support the assumption of two separate fields: drug trafficking and its agents, on one side, and the State on the other” (Nieto 2012). This statement supports the notion that there is a solidified connection between both actors. However in this light, it is important to understand how this unified relationship occurs in the streets of Juarez.

The reach of the Sinaloa has permeated the fiber of the Juarez society. In recent years, politicians, police officials, and journalists have all been assassinated by cartel violence. The level of cartel violence combined with their collusion with local government and newly formed street gangs have nullified the “effects of social programs, haphazard urbanization, poverty, and unemployment” (*Latin American Herald Tribune*). In addition, the Sinaloa Cartel’s dominance is most vividly seen through its ability to maintain impunity for its actions in Juarez. The large majority of crimes in Juarez go without any serious legal investigation or conviction. From 2008-2010, the impunity level was above 97% (*Latin American Herald Tribune*). Without effective law enforcement, societal stability is unable to exist. More so, my research concludes that this level of impunity demonstrates the level of connection between the Sinaloa Cartel and the state institution. The Sinaloa Cartel does not necessarily strive to work against government, but rather with government. Moreover, it appears as the Sinaloa Cartel is the one that dictates policy. Thus in city of Juarez and in the general Mexican context, the concept of state- society conflicts appears as a highly connected relationship, where the Sinaloa Cartel effectively determines how public authority is exercised.

For these reasons, I conclude the city of Juarez has undergone a level of “state criminalization” established by the Sinaloa Cartel. State criminalization can be defined as a systematic corruption of government that links members of organized crime with government (Campbell 2009, 276). In this context, state involvement in drug-trafficking activities is clearly apparent in what Campbell describes as the “failed city” government of Juarez, Mexico. This stance is most supported by the lack of significant legal recourse demonstrates this level of corruption in Juarez. The law enforcement and governmental capacity have been effectively compromised by the Sinaloa Cartel presence. In October of 2009, the mayor of Juarez fired 300 of the 1,600 police force, all of whom were strongly suspected of corruption in Juarez (*Newspaper Tree* 2009). This example demonstrates how apparent the Sinaloa Cartel’s influence is the local government of Juarez. Furthermore, lack of legal enforcement in state of criminalization that is defined in Juarez concept will later prove to be vital in understanding the Sinaloa Cartel’s impact on the Juarez free-market economy.

The Sinaloa Cartel’s Illicit Economy of Narco-trafficking on Juarez

In 1994, NAFTA was established to, “create the world largest free trade area” (United States Trade Representative). A positive economic relationship, steeped in free-market practices, was meant to build an economy based on the foundations of market competition and freedom of enterprise. International tariffs and regulations were disbanded for the sake of a purer version of capitalism. Despite these actions, my research argues that the emergence of the Sinaloa Cartel working with institutional corruption has built a form of economic and social regulation. In theory,

Juarez may possess a free-market economy, but in reality the Sinaloa Cartel's violence and presence have shaped the market.

The legitimate market activity of Juarez, Mexico has been based on the values of economic liberalism. Foreign investment in maquiladoras demonstrates how free enterprise has yielded benefits in Juarez. Between 1996 and 2006, the average manufacturing wage doubled in Juarez (King 2007, 60). Yet alongside this economic growth, narco-trafficking has thrived, creating an illicit global economy through supply-side distribution. Such an economy can be defined as a "shadow" market where illicit actors are able to smuggle narcotics transnationally and pose a challenge to legitimate state and business actors (Balaam and Dillman 2011, 383). In the Juarez context, drug cartels seek profit through a separate form of market competition, which directly and indirectly weakens the Juarez socio-economic structure. Unlike legitimate actors, drug cartels can partake in illegal activities in order to minimize production and maximize profit. In this regard, the actions of drug cartels in this shadow market create difficulties within the legitimate Juarez free-market structure. This is seen through the rampant violence and corruption that has been seen in recent years. The question remains: are the Sinaloa Cartel's illicit economic practices powerful to truly create over-arching forms of Juarez's free-market structure?

My research concludes that the Sinaloa Cartel and its activities have caused regulations that have impeded economic growth in Juarez. These regulations may be described as the resulting effects of violence, collusion with government officials, and extortionary practices that directly impede economic activity in Juarez, Mexico. The state of criminalization concept defined earlier lends credence to this idea, because it demonstrates how the Sinaloa Cartel's acts of violence go unpunished and thus, continue to affect the market. In this regard, violence serves as a negative reminder to outside investors about the Juarez region. The redefined concept of state-society conflict demonstrates how the inextricable link between government and the Sinaloa Cartel creates barriers that prevent the state from fulfilling its duty to promote commerce and economic competition in the city of Juarez. Lastly, the practices of extortion and corruption that the Sinaloa Cartel have stunted Mexican economic growth, by creating external drains of revenue from multinational corporations and businesses alike. This assessment concludes that the Sinaloa Cartel has produced regulations of free-market economy that is Juarez, Mexico.

It is important to note the impact of the Sinaloa Cartel's violent tactics on the image of Juarez as an economic beacon. In this regard, violence not only constrains economic activity, but also creates a negative public opinion that dissuades foreign investors. This second point demonstrates how the spirit of economic competition propagated by NAFTA has been hindered by violence. Foreign investor sentiment towards maquiladoras decreases after direct threats of violence against assembly production plants. Felipe Calderon said, "drug cartels threaten growth and development and called them "an obstacle to prosperity because they attack companies large and small" (*Daily Mail* 2012). To expand on this claim, there have been acts on violence on maquiladoras in Northern Mexico. A recent example is a shooting in a maquiladora in the Juarez region that left 4 workers dead and 15 injured at the Eagle Ottawa Co. Factory (*El Paso Times* 2010). The economic repercussions of this shooting go beyond the tragic loss of life; they portray the Juarez region as dangerous to enterprise; hence, a risk to the multinational corporation. In regards to the Sinaloa Cartel, its constant presence reinforces this idea, because the cartel itself is mainly responsible for the state of criminalization that allows for such violence to continue. For this reason, I argue the violence of the Sinaloa Cartel creates a regulation of fear and danger to economic activities both present and future in Juarez. Put simply, maquiladoras and businesses must always be wary of cartel violence in Juarez and are prevented from reaching their full economic potential.

In relation to cartel violence, it is necessary to consider how the concept of state criminalization prevents the local Juarez government from fulfilling its duty to protect economic competition in

Juarez. The national government has never had the sway to ensure elected local officials conduct themselves in the proper manner, “Mexican state has historically lacked the checks or autonomous sources of power necessary for its representative to behave according to the rules” (Morris 1999, 627). For this reason, the concept of state criminalization becomes apparent in the institutional corruption that plagues Juarez. Mexico City’s inability to control local government has allowed the Sinaloa Cartel to plant its own influence in local government. According to the intelligence and forecasting firm Stratfor, “Guzman and the Sinaloa cartel have had police and military officers, politicians, journalists and judges on their payroll for years and even decades” (Stratfor 2012). In this light, the Cartel’s control of government is able focus the state’s role towards ensuring narco-trafficking and potentially away from economic commerce. A claim of opposition could be produced that argues the government can still promote and protect economic enterprise, while being influenced by the Sinaloa Cartel. This statement provides an interesting comparative perspective, but one must consider how an illicit economy will undoubtedly intersect with the legitimate economic practices. As a result of Sinaloa Cartel infiltration, the role of the state will protect the interests of the Cartel above those of legal enterprise. This idea conflicts with the fundamental ideal of economic liberalism where it clearly defines the state as the primary protector of economic enterprise. If the state cannot fully protect and promote the legitimate economy of a region, there is an inherent regulation placed on that economy.

In light of violence and governmental corruption, it is easy to see how extortion is prevalent in the Juarez socio-economic structure. Continuing further with this analysis, it is interesting to understand how extortionary practices relate to the purpose of NAFTA established in 1994. NAFTA was established to eliminate a wide range of tariffs, and encourage policies of deregulation and privatization. It was thought that the market would be able to cater to the desires of the consumer. In addition, the influx of foreign investment would inevitably lead to local job creation in Juarez. Yet, the practice of extortion has sharply risen as a result of the Sinaloa Cartel’s implementation of a state of criminalization. Extortion may be defined as a form of payment for which violence will not be committed. In Juarez and Mexico, extortion has reached all levels of society. Genaro Garcia Luna, the nation’s public safety secretary head of the federal police, said “his officers have investigated 238,000 extortion attempts since the drug war started in 2006” (Los Angeles Times 2012). Moreover, I argue that these extortion attempts represent a form of economic regulation over Juarez. Producers and consumers alike are controlled through fear to pay cartel protection. Thus, the freedom of enterprise is limited by extortion practices. In a similar manner, the economic liberalist ideal of a producer keeping profit from business ventures is also compromised.

In consideration of these concepts, one must consider the question of whether these problems are on a large enough scale to pose as a regulation on the Juarez economy. Recent data is showing that money and investments are moving north across the border in order to avoid threats of extortion and violence. A study by the Bank of Mexico showed that over 60% of all Mexican businesses have been impacted by the “climate of lawlessness” established by cartel violence and extortion practices, which has resulted in a 1.2% decrease in GDP (Los Angeles Times 2012). In the context of Juarez, this is evidenced by lowest number of maquiladoras permits issued in 2011 with only 22, a 30% decrease from 2010. This is the lowest permit allocation in the past 7 years (El-Paso Regional Economic Development Corporation). Thus, it appears as if there is a definite causation between the Sinaloa Cartel in Juarez and economic regulation. However, to fully examine this statement, I conclude that the Sinaloa Cartel is truly the strongest actor in Juarez. My argument relies on the assumption that the strongest organization in a particular area, serves as the governing body that can enact regulations on the labor-force. To examine this argument, I will analyze a political economic model established by Ethan Bueno De Mesquita and Catherine Hafer. This study “analyze[s] the strategic interaction between a firm, an extortionary mafia, and

a potentially corrupt government”(Mesquita and Hafer 2008, 1). In this model, every actor is assumed to follow self-interest.

Theoretical Model Application to Juarez

For the sake of argument, I will define the firm as a multinational corporation's maquiladora factory in Juarez. The Sinaloa Cartel will resemble the extortionary mafia, and the potentially corrupt government will be defined as the Mexican national government. The Sinaloa Cartel and its establishment of a state of criminalization is demanding payment from the firm in return for protection (extortion). In turn, the firm (multinational corporations) appeals to the government for aid. In regards to model, the study does not address the question of separation between government and mafia. Furthermore, the study concludes a number of possibilities, two of which are applicable to defining Sinaloa Cartel as truly in the main control of Juarez. The first states, “When the mafia [Cartel] is strong in equilibrium (i.e. pervasive and extorting large fees), the government is not very corrupt” (Mesquita, and Hafer 2008, 3). In this statement, the mafia is able to hold control of society, while the government avoids conflict for the sake of survival. This account does not adequately describe the overall Juarez context, because the government is deeply linked with the Sinaloa Cartel. However, this result does demonstrate how a powerful mafia can control a society, because of its physical force intimidates government. In this regard, the model does apply to Juarez, because the Sinaloa Cartel's power can rival that of the local police and government. Thus, police and government in Juarez must act in self-interest in order to survive, and thus, avoid the threat of the Sinaloa Cartel. In this regard, the Sinaloa Cartel is determined to be the strongest actor. With little to no police force and a weakened state government, it appears as the Sinaloa Cartel may possess the capacity to regulate the Juarez economy. However in summation of this model, this analysis is not enough conclude the Sinaloa Cartel as truly regulating the Juarez economy, because it does not fully examine government's ruling capacity.

Furthermore, the model provides another result: “Although the firm wants the government to challenge and defeat the mafia (indeed, it uses the threat of electoral sanctions to do so), in equilibrium, the firm does not appeal directly to government for protection even though it is extorted. As a result, if the government cannot detect mafia behavior on its own, the mafia completely dominates the political economy” (Mesquita and Hafer 2008, 3). The ability of the government to detect and respond to the Sinaloa Cartel presence and extortion practices depends on an independent investigative capacity defined as law enforcement. Felipe Calderon dispatched thousands of federal police to Juarez over the course of his war on drugs, but Sinaloa Cartel leadership has been able to successfully avoid capture for years. Ironically, it was recently discovered that Joaquin Guzman had numerous connections in the federal police force. On November 15th, 2012, Jose Salinas, head of Mexico's organized crime unit stepped down after it was found out members of his unit were passing information to Guzman about government raids and investigations (*Reuters* 2012). The Sinaloa Cartel influence in government prevents the government's ability to fully detect cartel activity. This idea is supported by the low level of impunity recognized in Juarez over recent years. Due to this governmental weakness, the Sinaloa Cartel is able to continue its operations without significant impact from governmental intervention. In this regard, I would like to further explain the quotation's phrase, “[the] mafia completely dominates the political economy.” I argue that since the government cannot effectively control the Sinaloa Cartel and the Sinaloa Cartel's capacity to control government, it is the actions of the superior Sinaloa Cartel that control the Juarez economy. The Sinaloa Cartel is a stronger and more adept force in Juarez in terms of social, political, and economic structures. As the strongest actor in the entire context, its criminal activities represent the over-arching regulations of the Sinaloa Cartel on the Juarez economy.

Conclusion and Prognosis

Through this model, it becomes apparent how the Sinaloa Cartel can control the institutional flow of failure to detect the “mafia” demonstrates how the Sinaloa Cartel can maintain control of the market, both in terms of individual citizens and to a major degree the manufacturing maquiladoras. In this perspective, the economic liberal perspective of “competition” shifts from the self-interest of the consumers to the self-interest of the producers. With the constant threat of extortion and violence, producers must switch their focus from competing in the market to simply surviving the reign of the Sinaloa Cartel. This change in economic practice has caused negative economic consequences that range from impacting maquiladoras recruitment to forcing small-business owners to leave Juarez. As of today, the Sinaloa Cartel through its illegal operations has placed restraints and controls on the Juarez economy that have damaged its weakened free-market structure.

In November 2011, Felipe Calderon issued a proclamation that by the end of his tenure in December 2012, he would have rid the Mexican governmental institution of the corruption that has plagued it historically. Calderson said, “My commitment is to end my term with federal institutions of police and prosecutors completely renovated, trustworthy, honest and well trained” (*Huffington Post* 2011). This statement displays the Calderon’s administration aggressive war on drugs, as well as the corruption that has plagued the city of Juarez. On the surface, it appears that Calderon may have been successful in his intentions. The legitimate police presence has increased and the murder rate in Juarez has dropped 42% since 2010 (*Al Jazeera* 2012). Police forces working alongside concerned citizens have made a significant impact on the narco-trafficking routes that have long been cemented in Juarez. Without question, the Juarez society has recently been able to rebound from the violence that has controlled the city’s populace for years.

Yet this decrease in crime and the murder rate may be attributed to a reason outside the scope and power of government. In this regard, it appears as if the Sinaloa Cartel has effectively established its dominance in Juarez. Circa 2008, the Sinaloa Cartel partook in a civil war which for the most part has played itself out in the streets of Juarez. At this current moment, it is widely believed that the Sinaloa Cartel has re-established solidified leadership in its internal structure. Furthermore, the Sinaloa Cartel has been noted by both the US and Mexican governments for its relatively (in the Mexican drug war context) peaceful behaviors. For this reason, it is speculated the Sinaloa Cartel has collaborated with the both governments to establish its reign in Juarez. Leaked emails for the security firm Stratfor have claimed that the US government “has sided with the Sinaloa cartel in an attempt to limit the violence in Mexico” (*Business Insider* 2012). The US government is believed to have financed and armed the Sinaloa Cartel. In this line of thought, it appears as if the influence of the US government has allowed the Sinaloa Cartel to eliminate rival cartels, and thus, establish complete control over the narco-trafficking in Juarez. This belief has been corroborated by a spokesman from the Chihuahua state government. He said, “They [US government] don’t fight the drug trade, instead they try to manage it” (*Al Jazeera* 2012). Hence, it appears as if the Sinaloa Cartel has been strengthened by the US government to control Juarez.

Moreover, this sentiment on Sinaloa Cartel dominance has been echoed by the local state government. Guillerimo Villanueva, a spokesman for the Chihuahua state government said, “The apparent dominance of the Sinaloa cartel, coupled with more effective local policing, has reduced these sorts of crimes” (*Al Jazeera* 2012). Although there has been a decrease in institutional corruption, it appears as if the Sinaloa Cartel is still in effective rule of Juarez. In relation to the Calderon’s statement, there may have been a reduction in the level of corruption in Juarez. However, its impact has not resulted in a significant change in socio-economic structure. Rather than Sinaloa Cartel’s return to complete power may be primary cause in the drop in

violence in corruption. This belief is important, because it demonstrates how powerful and overarching the Sinaloa Cartel is in Juarez. The fact that the Sinaloa Cartel's internal violence may enact such sweeping consequences over Juarez and Mexico attests to its control over the city. In summation of Calderon's statement, a reduction in governmental and police corruption may have played a role in Juarez's slight level of stability. Nonetheless, the Sinaloa Cartel still remains as the primary form of power in Juarez.

I offer a two part prognosis for the Juarez economy. With US support, the Sinaloa Cartel will be able to outmaneuver any major contentions, from government as well as rival cartels, for control of Juarez. Furthermore, despite the efforts of the Mexican national government, the historically corrupt institutional structure will still have effects in the country for years to come. To eliminate hundreds of years of corruption in a 5 year process is a highly ambitious and overly optimistic belief. Extortion practices and violence may be decreased, but they will nonetheless remain. This idea is supported by the fact that although Juarez experienced a 42% in the murder rate, over 952 murders were committed just last year. Experts also believe the Sinaloa Cartel has been able to eliminate rival cartels and establish local connections with police (*Reuters* 2012). Thus, the Sinaloa Cartel will be able to maintain its ties to government, both locally and nationally. In this regard, the state of criminalization in Juarez will continue, albeit, possibly on a smaller spectrum. For this reason, I conclude the Sinaloa Cartel's control over Juarez will continue in the future.

In final consideration, I argue that US influence may allow the Sinaloa Cartel to peacefully co-exist with the maquiladoras and free-trade practices that survive in Juarez. Without question, the US-Mexico border economy is a highly vested interest of the US government. For this reason, US cooperation with the Sinaloa Cartel may result in an improvement in practices of economic liberalism on which the city of Juarez depends upon. This belief is supported by a leaked email from to Stratfor vice-president Fred Burton, "Also note that [Ciudad Juarez] is very important to us, as is the whole border. In this light, please talk amongst yourselves and let's get back to business"(*Business Insider* 2011). This email published in the *Business Insider* demonstrates the US approval of the Sinaloa Cartel and how the US government is striving to preserve and to some degree increase the number of maquiladoras that fuel both the Juarez and US economies. In this regard, there is a mutual interest between the US government and the Sinaloa Cartel to preserve Sinaloa Cartel dominance and protect the free-market practices of the Juarez economy. In this regard, foreign support from the US may recreate the state of criminalization in Juarez into one that protects the capitalist Juarez economy. After all, the Sinaloa Cartel greatly benefits from US approval. Thus in conclusion, I end with the prognosis that the Juarez free-market may continue to fall under the control of the Sinaloa Cartel, but the cartel may allow its economic structure to function in such a way that promotes the tendencies of economic liberalism in such a way that fosters the economic interdependence between Juarez and the US.

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