

TRANSNATIONAL CRIME, LOCAL CRIMINALS

Rethinking the size and shape of Mexican organized crime

December 2011



Instituto Mexicano para la Competitividad A.C.

DTO revenues: USG estimates

USG estimates of Mexican DTO revenues (USD bn)

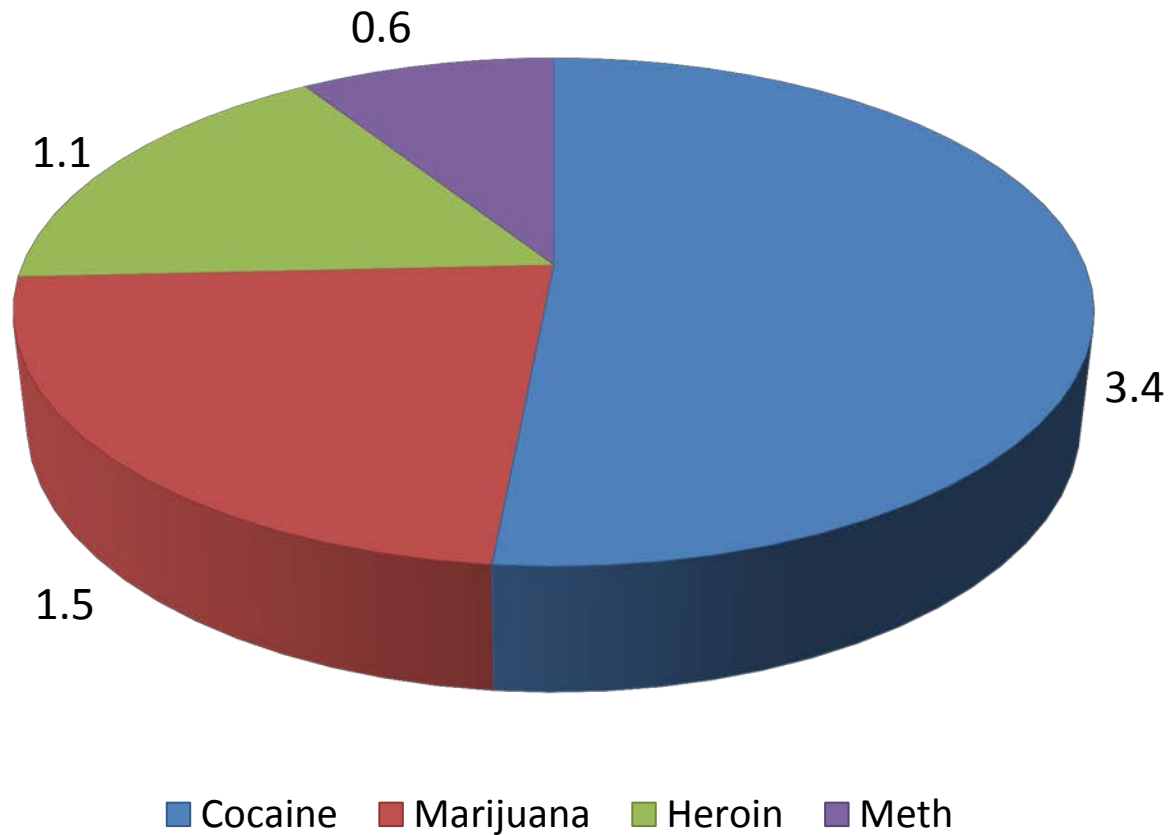
Agency	Date	Low	High
ONDCP	2006	13.8	13.8
NDIC */	2009	18	39
ICE	2010	19	29

Source: ONDCP, NDIC, ICE

*/ Includes revenues accruing to Colombian DTOs

DTO export revenues: RAND estimate (2010)

Mexican DTOs: Best estimate of gross export revenues, 2010 (USD bn)



Source: Kilmer *et al* 2010

DTO export revenues: Our estimate (2011)

Mexican DTOs: Estimates of gross export revenues, 2011 (USD bn)

Drug	Low	Best	High
Marijuana	1.4	1.9	2.5
Cocaine	2.1	2.8	3.6
Meth	0.5	0.6	0.8
Heroin	0.7	0.9	1.2
Total	4.7	6.2	8.1

Source: IMCO / México Evalúa (2011, unpublished)

Note: estimates within 90% confidence interval

DTO income: missing pieces

GROSS EXPORT REVENUES

- COST OF DRUGS

= NET DRUG EXPORT REVENUES

+ NET DOMESTIC DRUG REVENUES

+ **US DOMESTIC DISTRIBUTION REVENUES**

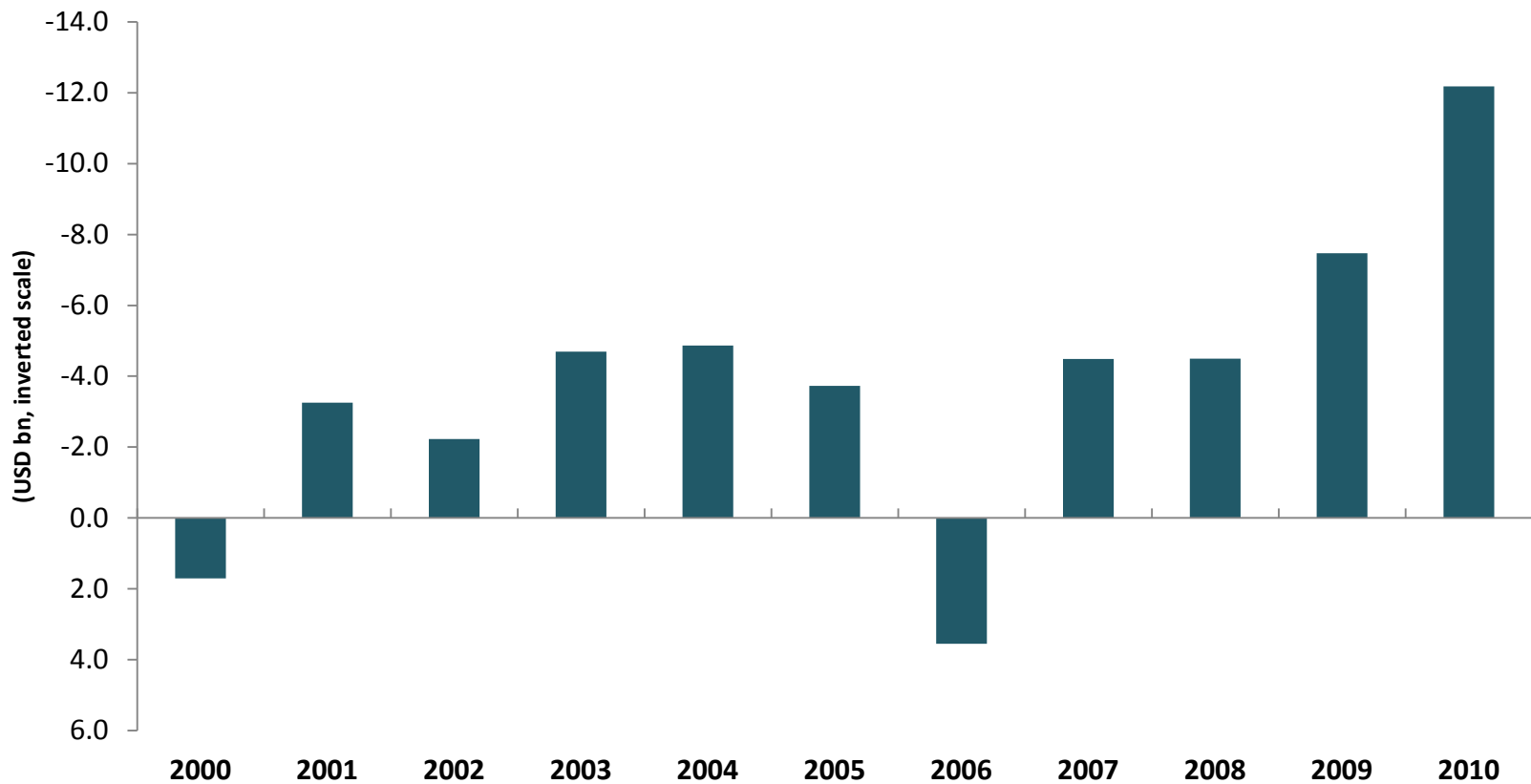
= TOTAL DRUG INCOME

+ NON-DRUG INCOME

= TOTAL INCOME

Evidence from BOP?

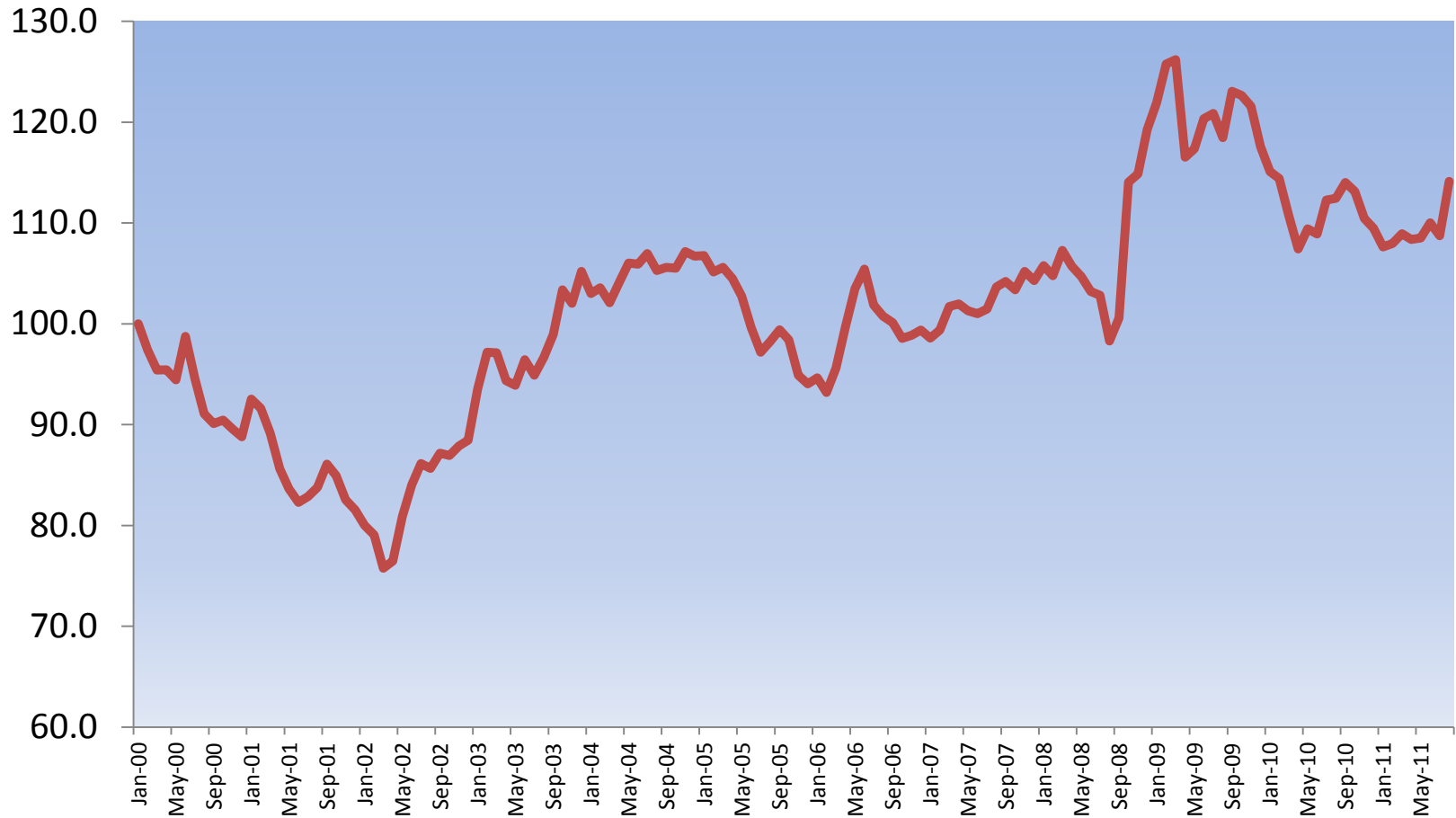
Mexico: Errors and omissions account , 2000-2010 (USD bn)



Source: INEGI

Evidence of "Dutch disease"?

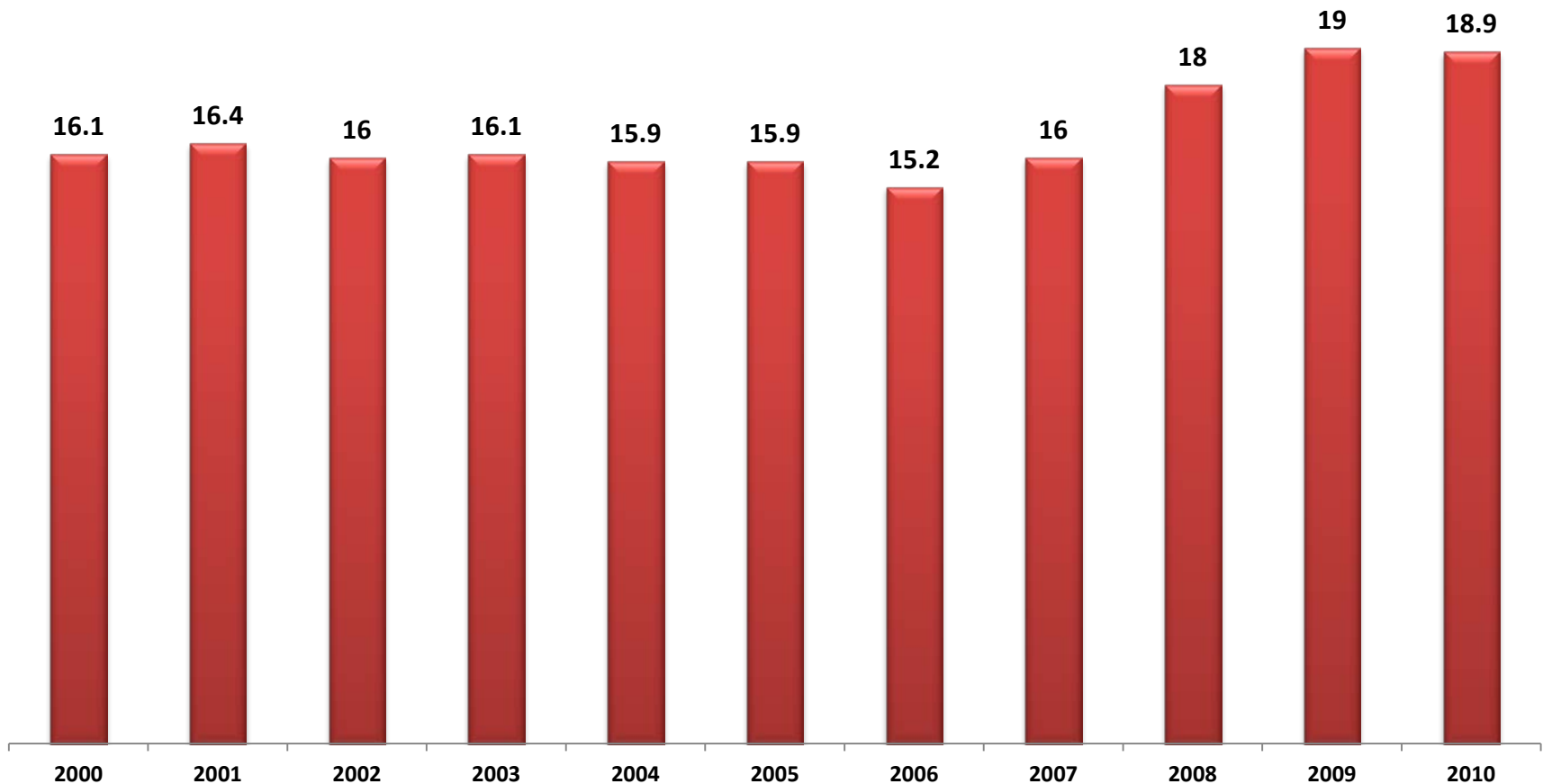
MX Peso: Trade-weighted exchange index, 2000-2011
(100=Jan. 2000)



Source: Banxico

Evidence in banking system?

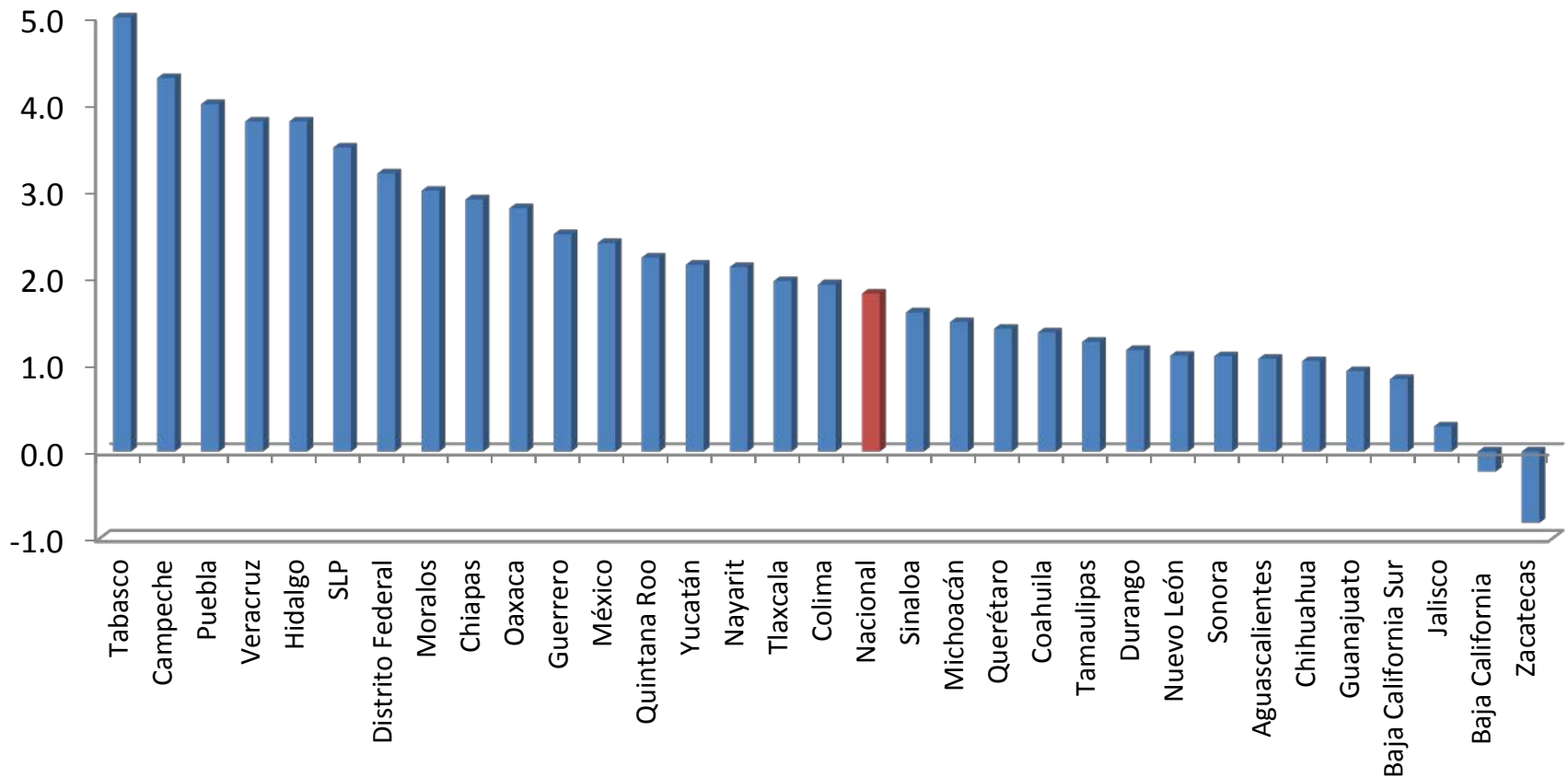
Mexico: Commercial bank deposits, 2000-2010
(% GDP)



Source: CNBV, BBVA-Bancomer

Evidence in housing market?

Mexico: Real housing price index by state, 2005-2010
(average annual real growth)



Source: SHF, Banxico

Evidence in stock market?

Selected LATAM stock markets, 2000-2011

MERVAL BUENOS AIRES (^MERY)

Dec 6: 2,615.58 0.00 (0.00%)

Enter Symbol GET CHART COMPARE EVENTS TECHNICAL INDICATORS CHART SETTINGS RESET

Week of Jan 24, 2011 : ^MERY 3,583.1101 ^MXB 36,839.71 ^BVSP 66,698 ^IPSA 4,672.33



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1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max FROM: Mar 6 2000 TO: Feb 7 2011

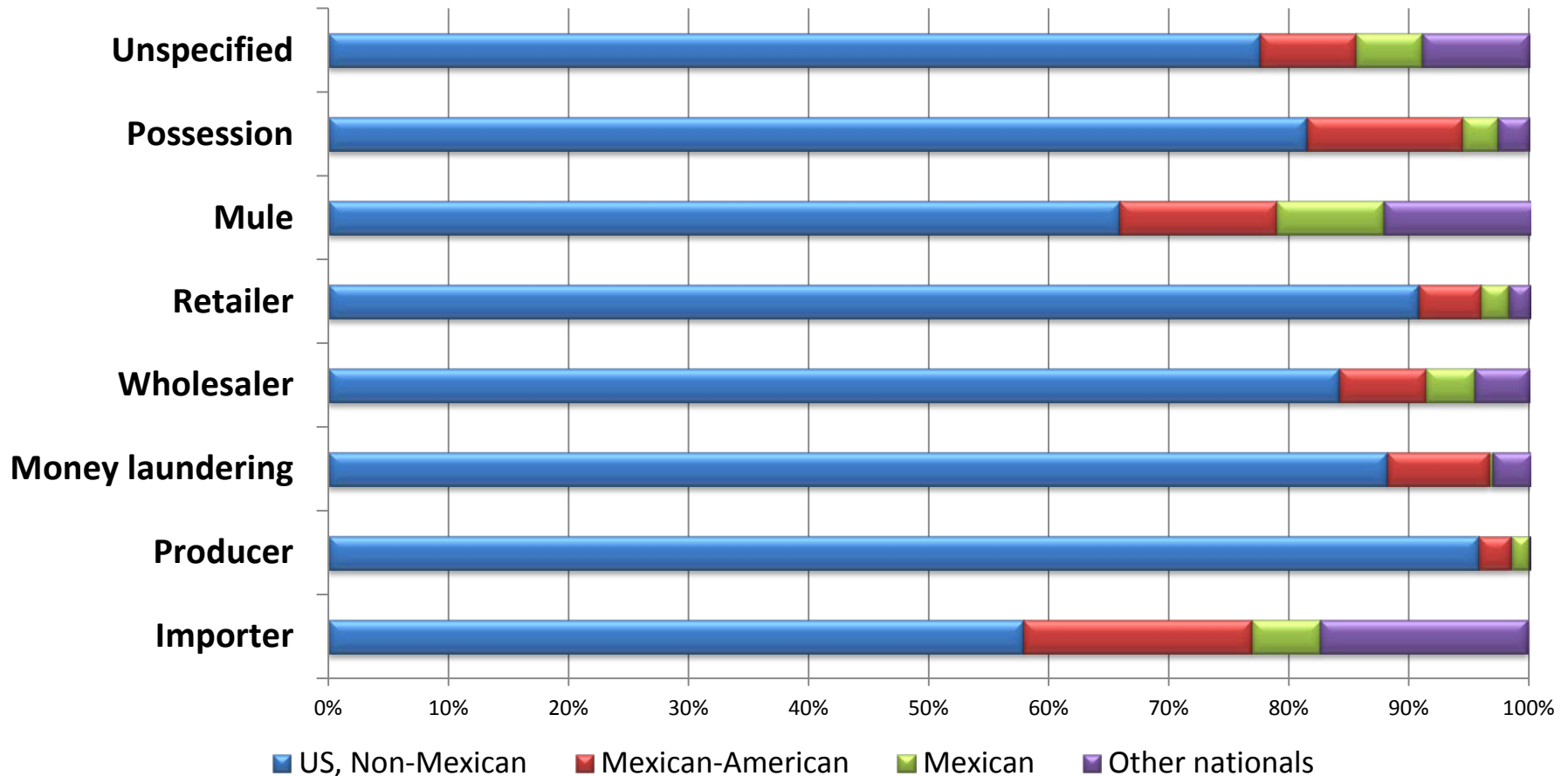
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Source: Bloomberg

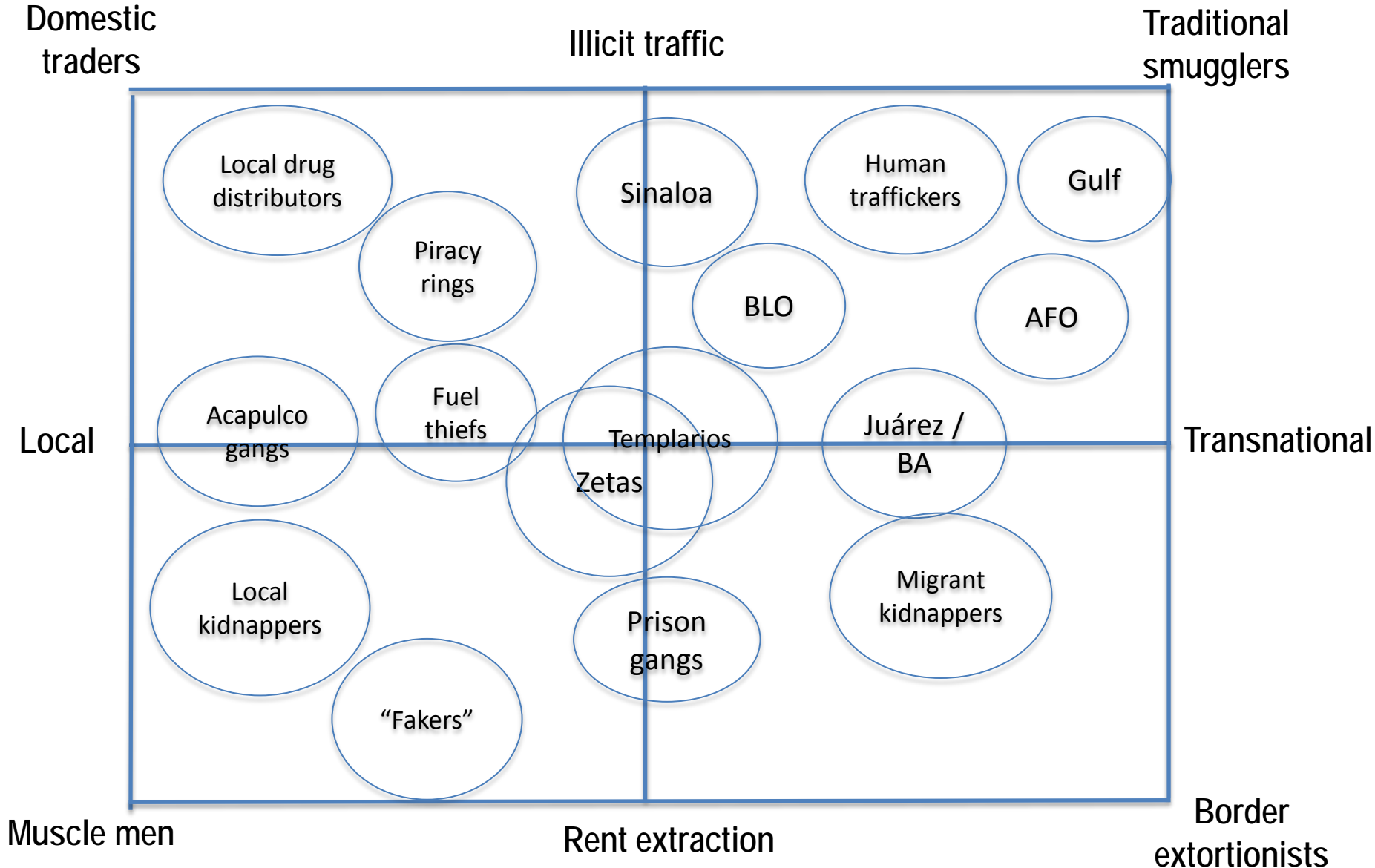
Vertical integration?

Drug-related state and federal inmates by self-specified role and national/ethnic origin, 2004 (%)



Source: Caulkins/Sevigny 2010, with data from Survey of Inmates in State and Federal Correctional Facilities (2004)

A taxonomy of criminal groups



Three conclusions and some implications

Conclusions CW about size, most likely wrong

Network, not vertically-integrated structure

Highly diversified criminal forms: TCO denomination obscures the issue!

Implications No long-term threat to Mexican national security

Key issue: law and order

Need for local responses (while leveraging federal + US resources)



Thank you

Alejandro Hope

Proyecto MC2 (Menos Crimen, Menos Castigo)

Blog: <http://www.animalpolitico.com/blogueros-plata-o-plomo>

Twitter: @ahope71



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