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Energy and Security in Mexico
The Real Winners of a Drug War

Guadalupe Correa-Cabrera

The rapid growth of organized crime in Mexico and the government’s response have driven an unprecedented rise in violence and impelled major structural economic changes, including the recent passage of energy reform. My latest book entitled *Los Zetas Inc.* asserts that these phenomena are a direct and intended result of the emergence of the brutal Zetas criminal organization and the corporate business model they have advanced in Mexico. Because the Zetas share some characteristics with legal transnational businesses that operate in the energy and private security industries, the criminal corporation is compared in the book with ExxonMobil, Halliburton, and Blackwater (renamed “Academi” and now a Constellis company).

Combining vivid interview commentary with in-depth analysis of organized crime as a transnational and corporate phenomenon, I propose a new theoretical framework for understanding the emerging face, new structure, and economic implications of organized crime in Mexico. Arguing that the armed conflict between criminal corporations (like the Zetas) and the Mexican state resembles a civil war, I identify the key winners and losers of this episode in Mexico’s most recent history. The groups that seem to have benefited — or will potentially benefit — the most (directly or indirectly) from the novel criminal scheme introduced by the Zetas, the Mexican government’s reaction to it, and the resulting brutality appear to be corporate actors in the energy sector, transnational financial companies, private security firms (including private prison companies), and the United States border-security/military-industrial complex.

**WINNERS OF MEXICO’S “WAR ON DRUGS”**

As with all armed conflicts, Mexico’s so-called drug war has benefited specific groups or actors at the national, foreign, and transnational levels. Overall, the biggest winners of Mexico’s recent armed conflict appear to be transnational actors that operate in different areas — particularly transnational security and energy firms. Many of these companies are headquartered in the United States. What is more, as Dawn Paley asserts in his book *Drug War Capitalism*, “dominant factions in the [Mexican] state apparatus stand to benefit. State military power, policing, and the prison system are strengthened through increased aid and cooperation with [the United States].” The militarization of security in Mexico — supported by U.S.-backed initiatives that promote a military strategy against drug production like the Merida Initiative — has benefited U.S. arms producing companies and private security contractors. In fact, Mexico’s northern neighbor has profited from the so-called drug war through its border-security/military-industrial complex.

Mexico’s violent downward spiral has had positive effects on U.S. border security and the United States border economy. Crime rates in U.S. border counties have decreased significantly in the past few years due to enhanced border enforcement. At the same time, forced displacements in Mexico have modified, to some extent, migration patterns from Mexico to the United States. In fact, the extreme violence “that has pervaded Mexico’s border states has produced a marked change in immigration dynamics between the two countries as a greater number of relatively more skilled and wealthier Mexicans [have been] legally emigrating from afflicted border areas in Mexico to the United States in search of a better and more peaceful life.” Hence, the effects of the war on Mexico-U.S. migration dynamics seem to be positive for the United States economy.

**Arms Producing Companies**

Among the major winners of Mexico’s armed conflict are U.S. arms producing companies. In fact, the United States sells more weapons to Mexico than any other country in the world. Mexico’s drug war has provided significant business for U.S. arms manufacturers and intermediaries since former Mexican President Felipe Calderón drastically elevated his country’s purchases of arms and military equipment to fight a war against...
organized crime. Criminal groups were forced to do the same in order to respond effectively to the government’s offensive. The paramilitarization of organized crime and the growing conflicts among different criminal groups for control of Mexico’s key territories significantly increased illegal imports of arms and military equipment into Mexico. Hence, a vast amount of legal and illegal arms has arrived to Mexico in the framework of its most current security conflict.

According to *Washington Post* correspondent in Mexico Joshua Partlow, arms buying is “a sign of the intensity of the war against [drugs].” He also notes that “the Mexican military has aggressive operations ongoing in several states such as Tamaulipas, on the Texas border, and Jalisco,” and that “these operations have driven a rapid increase in defense spending over much of the past decade.” He reported that from 2006—2015, spending “tripled, from $2.6 billion to $7.9 billion” and that more than $1 billion of U.S. military equipment was sold to Mexico between 2013—2014. According to Íñigo Guevara, a Mexican defense consultant based in Washington, since the end of the Calderón administration in 2012 until 2015, Mexico “purchased about $1.5 billion in equipment through the government’s military sales program, plus $2 billion more through U.S. companies.” Additionally, he noted that defense spending also increased sharply under Felipe Calderón, reflecting the “maturing military-to-military relationship at the institutional level, regardless of who is in power.”

### Security Contractors

Mexico’s war promotes private security businesses and is part of a set of contract schemes that include consulting services, training, and the massive sale of weapons. These services can be offered to criminal groups as well as to law enforcement agencies. In this sense, the recent Mexican drug war can be compared to the wars in Iraq and Afghanistan, which are considered to be two important promoters of private security contractors. In such conflicts, these specialized private companies have been hired by the United States government or by other transnational private businesses to protect their facilities, personnel, and interests in areas of extreme violence. The privatization of security — including the privatization of the prison system — seems to be a worldwide trend.

After the most violent years of the war in Mexico and in the context of energy reform, the situation in some areas of the country remains delicate. The consolidation of energy reform and the development of key energy projects require visible improvements with regards to security in strategic and still very violent regions. Alternatively, those private transnational energy firms eyeing Mexico’s energy markets might end up hiring private security. However, Mexico’s legislation is currently unclear regarding the participation of foreign security contractors. Currently, as Rodriguez and Nuche
recognize, “security implementation [has been] provided by the state,” which has “retained the monopoly of the industry which fell under the responsibility of the Armed Forces as it was seen as a matter of national security.” With new players in the industry, private investors might pressure the government for the approval of new legislation that would allow for the participation of foreign private security firms in the conflict.

**The Transnational Corporate Sector**

An additional key actor that has visibly benefited from Mexico’s security policies is the transnational corporate sector. As Paley observes, this sector has experienced “improved conditions for investment thanks to reforms as well as an increasingly paramilitarized and repressive social context that allows a freer hand to pursue . . . controversial mega projects.” These policies and reforms have been supported by the Mérida Initiative, which was designed to disrupt drug trafficking “while transforming Mexico in three key ways: introducing a new legal system and promoting structural reforms, increasing levels of militarization, and as a by-product of the latter, encouraging the formation of paramilitary groups.” According to this view, the main aim of this initiative is “the creation of more welcoming investment policies and legal regulations.”

The application of this set of policies to combat organized crime, according to Paley has “more to do with improving the conditions for foreign direct investment and encouraging the expansion of capitalism than it does with stemming the flow of drugs.” More specifically, in the case of Mexico, the militarization of security as a response to the presence of groups like the Zetas, seems to have more to do with protecting transnational economic interests — mainly in the energy sector — than with fighting organized crime. In several regions of Mexico, the militarization of security seems to have contributed to further natural resource exploitation by multinational companies. Hence, extractive industries — many of them based in the United States — are the big winners in this new security strategy supported by Mexico’s northern neighbor.

It is worth noting that forced displacements, disappearances, and depreciation of land values in key areas of Mexico have not halted investment in energy and commercial infrastructure. Energy contractors have not stopped working, and the expansion of large investment projects continues despite the high risk posed by organized crime and the large number of disappearances. It is also interesting to observe that while Los Zetas and other groups following the same criminal paramilitary model have affected small and medium entrepreneurs in the hydrocarbon industry, they have hardly touched transnational interests. This might make possible the oligopolization of all the energy stages by specific corporate players.

In other words, it is plausible that in the future some key transnational firms will control the extraction,
transportation, commercialization, and distribution in Mexico of most resources essential for energy generation, such as oil, natural gas, coal, iron, and other fuels. Controlling most energy production processes would give these companies further market power and thus a greater capacity to exercise control in prices. Los Zetas and similar groups might have “unintentionally” helped these companies to augment their influence in world energy markets.

LOSERS OF A MODERN WAR

Overall, the main losers from Mexico’s drug war seem to be the national oil industry and the country’s most vulnerable people — those who did not have the resources to flee or defend themselves against extortion, kidnappings, and other forms of brutality by criminal groups, paramilitaries, and government forces. Their spaces might be occupied (or are being occupied) by private companies — mostly transnational and very powerful. Forced displacements, massive disappearances, and militarization in key parts of the country have emptied strategic lands and left them available for future investments, mainly in the energy sector. At the same time, the war in Mexico has become a big business for private actors who provide security services to the government, entrepreneurs, and even criminal groups.

Hydrocarbon theft and related activities perpetrated by groups following the Zetas criminal model have mainly harmed Mexico’s oil state-owned company, Pemex. The current security strategy has not been effective in preventing these crimes. On the contrary, during the years of the drug war, looting grew exponentially and the image of Pemex greatly deteriorated due to alleged corrupt practices that allowed the large-scale occurrence of these illegal activities. At the same time, criminal organizations needed additional resources to wage a war against government forces; stealing oil and gas from the state company facilitated them such a task. In the end, Pemex’s poor image would favor the entrance of new, private players into the hydrocarbon industry. Pemex’s severe problems could further public support for potential private investors, which, compared to Pemex, might appear more efficient, more effective at containing crime, and less corrupt.

In sum, this does not seem to be a war on drugs, but a war for natural resources and energy production. It is important to change the narrative to reflect accurately what has happened in Mexico in the past few years. Mexico’s recent armed conflict has not been a war against narco (drug lords), but against Mexico’s state-owned oil company and against the people that possess land rich in hydrocarbons and other resources that are key for energy generation. All in all, criminal corporations and transnational businesses win, while the most vulnerable elements of the Mexican population lose.

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