

## *The Dying Elephant*

Michael Lauderdale

**T**here are four economic pillars of today's Mexican state that earn foreign currency critical to the survival of the Mexican economy and society. Today, unlike all previous years Mexico must import about 20 percent of its food including grains, much of its technology, and thus export earnings are critical. If those pillars fall, then the third largest economy in the Americas fails and that failure is on America's doorstep with 110 million people, Texas' largest import customer and the third ranking source of foreign oil for the United States.

**Oil** is foremost among the pillars with export earnings providing the most basic source of income to run the Mexican government from the President's salary to pay of teachers, doctors, police and soldiers. Mexico's largest fields are declining rapidly and estimates are that by mid-decade Mexico will not have sufficient oil production to meet internal consumption and provide exports.

Second is income from **tourism**. Mexican resorts on the south side of the Yucatan and north from Acapulco to Tijuana feature some of the finest beaches in the world and are readily accessible in a few hours by air from all of North America. Oil riches in the last two decades have provided the infrastructure of roads, utilities and airports to substantially increase tourism. But since 2005 tourism is down sharply because of fear of violence.

Third is export earnings from **maquila** manufacturing. Here are the large numbers of light manufacturing and assembly plants, particularly in the north of Mexico, that feed the American market providing components for example for Ford, General Motors, BMW and Volkswagen. The advantage of Mexico is its cheaper labor perhaps as low as ten dollars a day as compared to fifty dollars in the United States. But the globalization of labor has meant that the Mexican workers must compete with others such as China and India where daily rates may be as low as two dollars.

Fourth is "**loaned workers**" that reside in the United States and send remittances back to families in Mexico. The American recession and the busts in home construction and large bank financing schemes have sharply curtailed the availability of jobs in the States for Mexican workers.

### **Juarez-El Paso: The Canary in the Mine**

No community in North America provides a better warning of the potential chaos that can come from a failed nation state and the market for illegal drugs, trafficked persons, kidnappings, violence and dirty money than this twin city of 1.5 million on the Mexican side and 700,000 on the American side. Since 1950 Juarez has doubled in size each decade and was one of the early innovators in the maquila concept of duty-free assembly work. The promise of jobs and the hope of a Mexico more like America drew tens of thousands for work in these factories. But with the collapse of real estate and the decline of the American economy much of the promise has vanished. Early in the last decade there were warnings as young women, many working in the maquilas, began to disappear and later surfaced as brutally murdered with perhaps 1,000 killed in the last decade. Added to that misery is now an open war between two cartels, La Linea-the Juarez Car-

tel and the Sinaloa Cartel for the control of the city plaza that moves drugs and other contraband back and forth between Mexico and the United States.

In an effort to control the cartels and with recognition of a highly corrupt municipal and state police, President Calderon in 2008 sent 7,000 Federal troops to patrol the town and establish order. That failed miserably and in the last 2 years 4,200 people have been killed with 500 already in January and February of this year. With such accelerating violence Juarez is the most dangerous city in the world. While many of those killed were cartel members others were soldiers, police and, importantly, civilians. The war against civilians took a more ominous turn on Saturday, March 13 2010 when three civilian employees of the American consulate were killed in the afternoon in Juarez in two events in what some saw as coordinated. Two of those killed were a couple with their young children returning from a morning child's birthday party. Mexican authorities joined by the FBI and the DEA suspect that a home grown street and prison gang, the Aztecas may have done the contract killing for one of the cartels. On the El Paso side this group is known as the Barrio Aztecas and formed in the Texas prison system two decades ago.

### **The New Front In the Cartels War**

This alliance represents a new front in the war with the cartels where American gangs work in contract relations with the Mexican cartels. Though cartel death rates are steep, high unemployment on both sides of the border assures a steady supply of foot soldiers eager for the wealth, women, danger, excitement, drugs, cars and glamour of cartel life. Current estimates are that the amount of money flowing into Mexico from this cartel trade is greater annually than all of the money earned by Mexicans working in the United States and sending money back. Drug money is replacing one of the fundamental four pillars of the Mexican economy.

The impact of this violence has recently been estimated to have forced 400,000 residents of Juarez to flee the city. Since 2005, 10,600 businesses—roughly 40% of Juarez's businesses—have closed their doors and maybe 10,000 homes abandoned. People with means have fled to El Paso with the Juarez mayor keeping a home there. With the average household income in Juarez about one fourth of that in El Paso, there is a huge increase in the poverty population of El Paso with an attendant demand on public services such as education, health, police protection and public housing. The El Paso Police Chief has grown so concerned about being outgunned by the cartels that he sought and received support this January from the El Paso City Council to provide over 1,000 military-style combat rifles to his police force.

### **A Warning for All Texas Cities**

In Juarez people have lost faith in the government and are fleeing to the United States, initially El Paso, and in some cases calling for an American takeover to protect them from the cartels. Between ten and twenty million people (ten near the border and twenty totaling about 100 miles south) reside in northern Mexican states that border on Texas, and if Juarez-El Paso is a pattern that repeats, then the waves of refugees coming in the days ahead to Texas will far exceed the experiences with any Gulf hurricane. Every city in Texas will be directly affected with tens of thousands of refugees. Ethnic contact and violence will rise in neighborhoods and schools. This will be coupled with a growing presence of armed gangs involved in the control, distribution, sales and violence of the products of the cartels.

### **Four alternative scenarios are possible for Mexico.**

Mexico has arrived at a crisis point. Events are deteriorating rapidly. At this juncture all four scenarios have about equal probabilities. Which scenario will be the final result will come from decisions made in the next two years. Texans will start to see these facts during this election year as well as all Americans with the mid-term Congressional elections. Obama will be in his final year in two years and Mexico will vote for a new President in 2012.

#### *Reprive*

World economy rebounds. Oil prices rise to \$200 a barrel, Mexico permits foreign investments and spins off PEMEX which modernizes engineering, refining and exploration. Corruption is curtailed and profits soar. With job growth fewer young men are lured into the cartels. Situation stabilizes to a significant degree.

#### *Collapse in progress*

Oil plays out in Mexico's top producing fields, Mexico cedes control over the south and north of the country as the capital is consumed with providing services and order to the 25 million in Mexico City, and 20 million refugees head to the northern cities and the United States. Millions will come to Texas alone. Mexico is a failed state with guerilla bands controlling much of the countryside and several of the larger low-income neighborhoods in Mexico City. Cartels use tactics like *narcobloqueos* of stealing 18 wheelers and stopping them on streets to create traffic jams and undermine civic trust. Staged attacks on American border cities occur with regular frequency and local police are overwhelmed facing cartels that are better organized, funded and equipped. American border cities are inundated with refugees and violent gangs. Residents in all Texas cities as well as Kansas City, Atlanta, Chicago and most southern Californian cities now like Mexico City fear kidnapping and ransom.

#### *American Protectorate*

Cartels use hit squads (Mexican *sicarios*) to attack American law enforcement in border cities on both sides. The United States intervenes with military forces as it has done in Haiti and creates a protectorate for the Mexican Federal government south to Monterrey, Saltillo and Durango. The traditional northern antipathy toward the *chilangos* of Mexico City grows and a process of tying the northern Mexican states closely to the American Southwest accelerates. Many in northern Mexico openly call for the U. S. to annex them with Monterrey as the capital of the Mexican states seeking admission to the Union. Leftist and nationalistic mobs burn and sack the American Embassy in Mexico City.

#### *Revival of Pax Americana*

American economy revives and joint American and Mexican efforts suppress cartel activity with attendant boosts in tourism, maquilas and domestic growth. America sharply reduces illegal drug consumption. Mexico increases its historical ties with Central America and opens the region to the south to economic growth and channels American technological knowhow through all of Latin America. Mexican migration returns to Mexico and both Mexicans and Americans increase investment and ties throughout Latin America.

---

<sup>i</sup> Excerpt from On the Doorstep provided to the Greater Austin Crime Commission on March 24 of 2010. The full essay examines the American consequences of a failed Mexican state, public safety imperatives for American cities

---

and directions Mexico will need to take to restore economic viability and civil order. The title of this excerpt, *The Dying Elephant*, is a term often used within the U.S. State Department to reflect its concerns for the failure of a viable Mexican state.

Michael Lauderdale is Professor of Social Work, University of Texas at Austin, Board Member of the Greater Austin Crime Commission and Chairs the City of Austin's Public Safety Commission. He joined the faculty at the University in 1970 having previously taught at New Mexico State University, the University of Texas at El Paso and the University of Oklahoma. He has conducted research in Mexico with the Mexican government and chaired the State of Texas' Good Neighbor Commission from 1984 to 1990. His research on organizational effectiveness with the State of Texas began in 1979 and is the most comprehensive effort in the United States on such activities.