

By Ben West and Fred Burton

In an indictment handed down Nov. 20, the U.S. Federal District Court for the Northern District of Illinois accused 15 individuals of being involved in the trafficking of cocaine and other narcotics in the Chicago area. The 15 were arrested in a nationwide counter-narcotics operation led by the U.S. Drug Enforcement Administration (DEA) dubbed "Project Coronado," which was aimed at dismantling the drug trafficking network of La Familia Michoacana (LFM), a mid-sized and relatively new drug cartel based in Michoacan state in southwestern Mexico.

The U.S. investigation of LFM has revealed many details about the operation of the group in the United States and answered some important questions about the nature of Mexican drug trafficking and distribution north of the border.

LFM stands out among the various drug cartels that operate throughout Mexico for several reasons. Unlike other drug trafficking organizations (DTOs) that have always been focused on drug trafficking, LFM first arose in Michoacan several years ago as a vigilante response to kidnappers and drug gangs. Before long, however, LFM members were themselves accused of conducting the very crimes they had opposed, including kidnapping for ransom, cocaine and marijuana trafficking and, eventually, methamphetamine production. The group is now the largest and most powerful criminal organization in Michoacan — a largely rural state located on Mexico's southwestern Pacific coast — and maintains a significant presence in several surrounding states.

Beyond its vigilante origins, LFM has also set itself apart from other criminal groups in Mexico by its almost cult-like ideology. LFM leaders are known to distribute documents to the group's members that include codes of conduct and pseudo-religious quotations from Nazario Moreno Gonzalez, also known as "El Mas Loco" ("the craziest one"), who appears to serve as a sort of inspirational leader of the group.

Unanswered questions

In April 2009, STRATFOR published a report on the dynamics of narcotics distribution in the United States. It laid out the differences between trafficking (transporting large quantities of drugs from the suppliers to the buyers over the most efficient routes possible) and distribution (the smaller scale, retail sale of small quantities of drugs over a broader geographic area) as well as the various gangs on the U.S. side that are involved in drug trafficking. The report outlined the differences in the resources and skills required to transport tons of narcotics hundreds of miles through Mexico versus picking up those loads at the border and managing the U.S. retail networks that distribute narcotics to the individual buyers on the street.

In our April analysis, we identified several intelligence gaps in the interface between the Mexican-based drug traffickers (such as the Sinaloa Cartel, the Beltran-Leyva Organization [BLO] and Los Zetas) and the U.S.-based drug distributors (such as MS-13, Barrio Azteca and the Mexican Mafia). One question we were left with was: How deeply involved are the Mexican

DTOs in the U.S. distribution network? While it appeared that narcotics changed hands at the border, it wasn't clear how or even whether the relationships between gangs and drug traffickers had an effect on the distribution of narcotics within the United States. Although we suspected it, there was little evidence that showed cartel involvement in the downstream or retail distribution of narcotics in the U.S. market.

Command and control in Chicago

Now there is evidence. The indictment handed down Nov. 20 in Chicago clearly alleges that a criminal group in Chicago was directly conspiring with the drug trafficking organization LFM to distribute shipments of cocaine. The indictment specifically links the criminal group in Chicago to LFM and labels it a "command and control group" run by someone in Michoacan. While the indictment only referred to this person as "individual A," we suspect that the unidentified person was LFM operational manager Servando Gomez Martinez, the second in command of LFM. The manager of the Chicago command and control group, Jorge Luis Torres-Galvan, and the distribution supervisor, Jose Gonzalez-Zavala, were allegedly in regular contact with their manager in Mexico, updating him on accounting issues and relying on him to authorize which wholesale distributors the group could do business with in the United States.

These wholesale distributors also appear to have had close ties to the command and control group. According to the indictment, they were allowed to sell cocaine on consignment — they could wait to pay Zavala once the entire load was sold — an agreement that indicates a great deal of trust between the supplier and the retail distributor. It was likely a matter of the LFM commander in Mexico authorizing their involvement and probably was based on an existing business or extended-family relationship. Due to LFM's ideological basis, its members should be thought of more as adherents than employees. The group does not operate using the same business objectives as most other major DTOs, so we would expect personal relationships to be more valued than strictly business relationships among LFM members.

Another member of the group, Jorge Guadalupe Ayala-German, allegedly operated stash houses in the Chicago area where deliveries of narcotics would come in and shipments of cash would leave. The indictment says Ezequel Hernandez-Patino was responsible for physically delivering the shipments of cocaine to the wholesale distributors, and Ismail Flores with Oscar Bueno were responsible for transporting money south to Dallas, where they would deliver cash proceeds from the sale of cocaine and pick up more cocaine to sell. The indictment does not indicate that Flores or Bueno supplied any other markets between Dallas and Chicago, which suggests that the Chicago-based LFM members were fairly compartmentalized.

Project Coronado

The larger operation from which the Chicago indictment emerged, the DEA-led Project Coronado, was a joint operation with the FBI, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) and numerous other agencies. It followed several similar nationwide sweeps such as Operation Xcellerator, a multi-year effort to dismantle the Sinaloa cartel's connections in the United States, and Project Reckoning, which went after a Gulf cartel network in the United States that was trafficking cocaine to Italy. Under Project Coronado, the DEA, FBI

and ATF, along with other federal, state and local law enforcement agencies, have made a total of almost 1,200 arrests, seized \$32.8 million in U.S. currency and seized 11.7 tons of marijuana, methamphetamines, cocaine and heroin since the operation began in 2005. Dozens of other indictments and criminal complaints (in addition to the Chicago indictment) have been unsealed against associates of the group across the country since Oct. 22, the official culmination of Project Coronado.

The other cases revealed more details about LFM's operations in the United States: how it trafficked methamphetamines and cocaine from Mexico to Dallas, how a cell in Nashville was supplied by a distribution hub in Atlanta, and how a group in New York had obtained automatic assault rifles, high-caliber pistols and ammunition with the intent to smuggle those weapons back to Mexico to supply LFM. LFM has been responsible for a substantial level of violence in southwestern Mexico, and former Mexican Attorney General Eduardo Morina Mora recently called it the most dangerous cartel in Mexico.

The Northern District of Texas had the most cases as a result of Project Coronado. It appears that Dallas was a major U.S. hub for LFM, where it managed drug shipments from Mexico to other regions (Chicago and Arkansas were specifically mentioned) and the collection of cash from those distributors before shipping the cash back to Mexico. Dallas is a logical hub for such activity because of its proximity to Mexico and its location along Interstate 35 and Interstate 20, which link Dallas to the rest of the United States as well as points to the south. In at least one case, an individual attempting to smuggle four kilograms of methamphetamines to Dallas passed through the McAllen, Texas, border crossing on a passenger bus but was interdicted by police.

Most indictments (including the one in Chicago) pointed out that LFM groups in the United States conducted countersurveillance while moving drug shipments. On one occasion, accused Dallas drug distributor Soto Cervantes changed the location of a meet-up point when he learned that the person he was meeting suspected that he was being followed. The change in location caused the police (who were indeed following the transporter) to call off the surveillance mission in order to not compromise their investigation. As a result, authorities relied primarily on electronic surveillance of the suspects' communications through wiretaps on home and cellular phones — of which the suspects had many and which they changed frequently.

There were other cases when police were unable to follow suspects due to such surveillance detection tactics, when targeted traffickers called off meetings and changed vehicles in an effort to confuse police. While seemingly simple, these tactics indicate a higher degree of tradecraft and professionalism among the suspects linked to LFM, who don't appear to be members of run-of-the-mill street gangs. It is unclear if these tactics have been institutionalized in the LFM network, but judging by the frequency that police encountered them in various U.S. cities during Project Coronado, they appear to be a standard practice for many if not all LFM members.

Implications

The details released in the Nov. 20 indictment provide solid evidence that drug trafficking organizations in Mexico (specifically LFM) have established command and control groups inside

the United States that report to and receive orders from commanders in Mexico. And this shows that LFM has had an international presence far beyond what we originally suspected and is not just a small-time trafficking group in southwestern Mexico.

Whereas most drug distribution in the United States is carried out by individual gangs serving their own interests and operating on their own familiar turf, the criminal group in Chicago working for LFM was carrying out orders issued by a drug trafficking organization some 3,000 miles away. And based on the interaction the Chicago group had with its contact in Mexico, the use of such tactics as countersurveillance measures, the coordination among groups in different cities and reports from STRATFOR sources within U.S. counternarcotics agencies, it is likely that the individual in Mexico was managing several groups throughout the United States.

Most criminal enterprises avoid this kind of command and control structure for two reasons. First, distribution in a foreign country is not typically in a Mexican-based drug trafficker's area of expertise. Their interests tend to focus on their own territory, which they can control much more easily due to their familiarity with and proximity to it. Second, as seen in these latest arrests, U.S. law enforcement agencies are much more proficient at thwarting drug distribution operations than Mexican law enforcement agencies are. (LFM has recently proved very proficient indeed at challenging Mexican security forces.) By passing the drugs off to gangs in the United States, major cartels are also able to avoid a great deal of liability at the hands of U.S. law enforcement. In a way, LFM's efforts to move downstream, farther from the source of the cocaine, mirror those of other, larger Mexican DTOs that are expanding their control over the supply of cocaine in South America as they move upstream, closer to the source.

And this raises the question: Why would LFM want to expand its operations so deeply into the United States when other Mexican DTOs maintain a more superficial presence there? One possible answer is that LFM is much smaller than Sinaloa, Los Zetas and BLO, controls much less territory and gets a smaller share of the narcotics being trafficked through Mexico. By expanding business into the United States, LFM is able to leverage what little control it does have in order to gain access to the highly lucrative retail market. And then there is LFM's ideological bent, which makes it behave at times more like a cult than a purely pragmatic business.

Our answer to the above question is only conjecture. What is certain, at this point, is that there is now a precedent for Mexican DTOs to have a greater influence over their lower-level supply-chain operations in the United States. The details released in the Chicago indictment provide a better understanding of how Mexican-based drug traffickers impact the drug distribution network inside the United States and prove that at least one, "La Familia," is taking a very hands-on approach.

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