

MEXICAN CARTELS: THE COUNTER-GLOBALIZED NETWORK?

Monday AP published a fascinating article reporting that Mexican drug cartels are altering an earlier organizational approach – which outsourced the distribution of drugs to and within the US to others, thereby insulating the core members. Now, it reports, cartels are actually putting their own operatives into US suburbs, who oversee (and retain control) of distribution from within the country.

Now, as a few of the AP's sources note, domestic cops have a big incentive to claim the people they arrest are actual members of a cartel, rather than a subcontractor, because it makes convictions easier. So it may be (and I suspect) the trend is overstated.

Nevertheless, the AP does report several examples where cartels have installed their own middlemen outside US cities.

They describe it, in part, as a means to retain more of the profits from drugs.

As their organizations grew more sophisticated, the cartels began scheming to keep more profits for themselves. So leaders sought to cut out middlemen and assume more direct control, pushing aside American traffickers, he said.

Beginning two or three years ago, authorities noticed that cartels were putting "deputies on the ground here," Bilek said. "Chicago became such a massive market ... it was critical that they had firm control."

[snip]

Because cartels accumulate houses full of cash, they run the constant risk

associates will skim off the top.

But perhaps a more interesting advantage, for the cartels, is that they can exercise discipline by using fear of reprisals back in Mexico for any cooperation with US authorities.

Cartels can exert more control on their operatives than on middlemen, often by threatening to torture or kill loved ones back home.

Danny Porter, chief prosecutor in Gwinnett County, Ga., said he has tried to entice dozens of suspected cartel members to cooperate with American authorities. Nearly all declined. Some laughed in his face.

"They say, 'We are more scared of them (the cartels) than we are of you. We talk and they'll boil our family in acid,'" Porter said. "Their families are essentially hostages."

Now, I raise this just because the move seems to counter the trend we see both in other illicit networks (like terrorist organizations) and licit organizations are doing. If the trend is real, is this an isolated example where maintaining organization continuity across borders offers an advantage, or is it something other networked organizations might adopt?

In any case, consider what is happening to another globalized organization, WalMart. There is increasing evidence that it has cut its margins so far that it can no longer fulfill its chief service, putting things people want to buy on its shelves.

Wal-Mart customers from Hawaii to Florida and from Texas to Vermont wrote to express their frustration after Bloomberg News reported March 26 that there aren't enough workers in the stores to keep shelves stocked, cash

registers manned and shoppers' questions answered.

[snip]

Wal-Mart's restocking challenges stem from a thinly spread labor force struggling to keep up with all the work that needs to be done, said Colin McGranahan, an analyst at Sanford C. Bernstein & Co. in New York. The Bentonville, Arkansas-based retailer's workforce at its namesake and Sam's Club warehouse chains in the U.S. fell by about 120,000 employees between 2008 and Jan. 31, according to a securities filing on March 26. The company now has about 1.3 million U.S. workers. In the same period, it has added about 455 U.S. Wal-Mart stores, bringing its total to 4,005.

McGranahan said he has talked to workers who say they're being asked to do more than they can accomplish in a shift.

"Stuff gets backed up, and they're forced to respond as best they can," said McGranahan, who rates Wal-Mart market perform, the equivalent of a hold. "The result is an increasing amount of customer-encountered out-of-stocks."

Mind you, this has nothing to do with WalMart's global network: the stuff is still getting to the stores. It's just not getting to the shelves. And that's because WalMart's profit demands are cutting into its very ability to serve its customers.

Still, I think there are hints the economic crash is beginning to alter the patterns we see in globalized networks, licit and illicit. So it's worth watching both developments.