Entering the Void:

Chinese illicit networks in Mexico

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Content

Summary

- Mexico's macroeconomic stability and abundant natural resources have made the country into an attractive destination for Chinese businesses.
- The country still suffers from a lack of internal security, most of it stemming from the Mexican Drug War, an ongoing multilateral low-intensity conflict between the Mexican government and a large number of criminal organizations.
- In some of Mexico's states, pervasive violence and instability have resulted in a power vacuum. With the government being unable to guarantee security, non-state actors such as criminal organizations and/or civilian militias seize the opportunity to establish their own rule.
- When foreign companies operate in such troubled areas, they inevitably run into problems caused by Mexico's security issues.
- Within this trend of foreign companies operating in Mexico, some level of tacit cooperation has been observed between Chinese businesses and non-state actors. This cooperation is often an outcome of localized security vacuums that are exploited by alternative security providers, such as criminal organizations, that can fill them and provide operational safety for local businesses.
- A growing body of research has identified the existence of Chinese illicit networks and their involvement in the trafficking of people, narcotics, and contraband goods, as well as money laundering and illegal arms trade in Mexico.
- Concealed under the guise of legal commercial activity, networks of Mexican criminal organizations and their Chinese business partners exploit the dire security situation in some areas of Mexico.
- Despite attempts by the Chinese and the Mexican governments to regulate certain sectors that contribute to the existence of the illicit networks in Mexico, there are still substantial opportunities that are ripe for exploitation by the criminal group-legitimate business partnerships.

1 Introduction

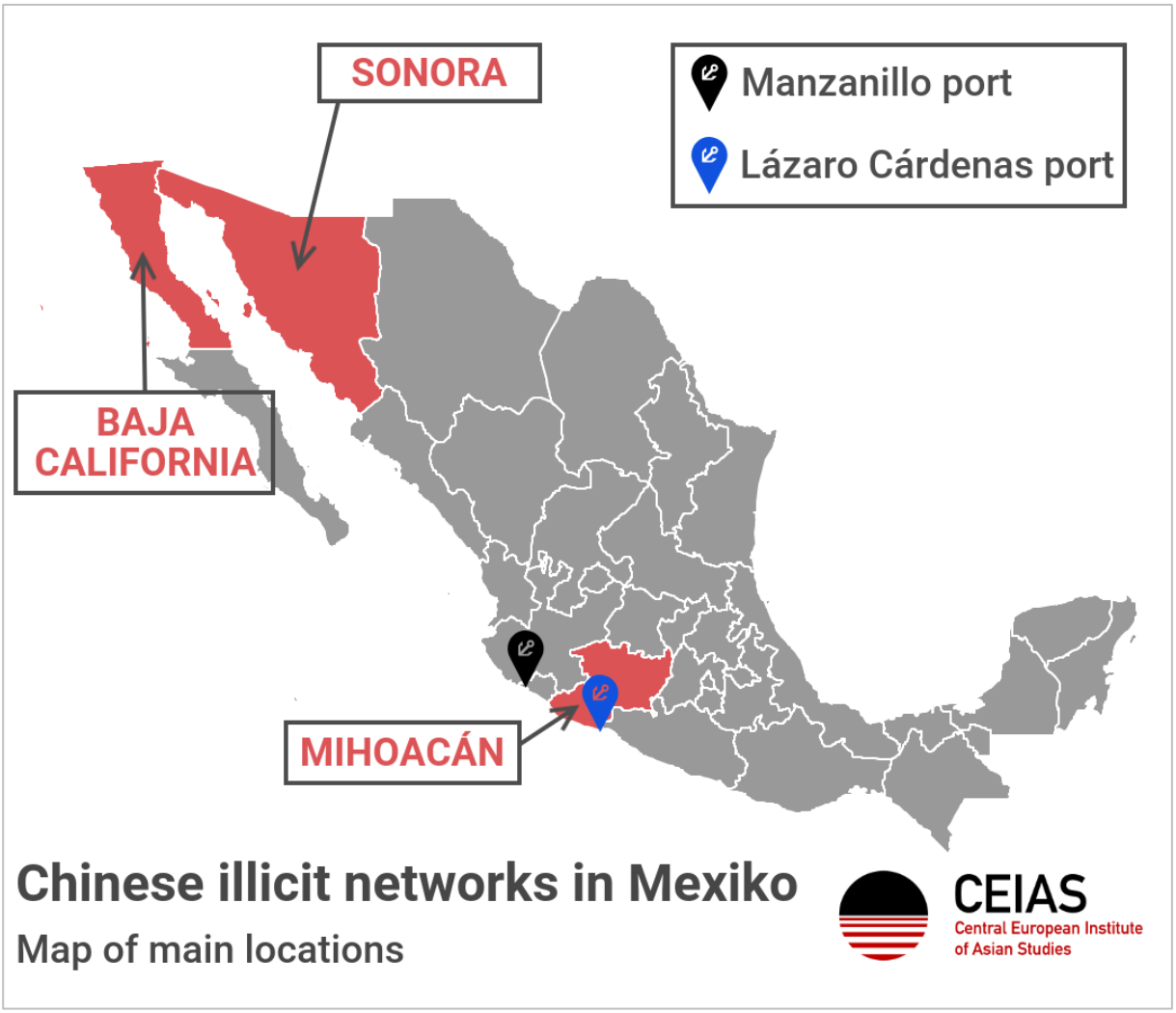
In 1991, Giovanni Falcone, an Italian judge who led the war against the Mafia in Italy, spoke about the potential evolution of crime towards a federation of vast dimensions.[1] This homogenized mode of criminal organizations would consist of Chinese triads in North America working with other criminal groups and moving together through traditional routes of human migration and international trade.

Almost 30 years later, this report tackles the same problem as globalization routes bring about a substantial expansion of commercial ties between China and Mexico. With the growing proliferation of Chinese weapons, drugs, and money in a country that has been torn by a sanguineous drug war for the past two decades, our research has looked into the most suspicious cases of cooperation between Chinese businesses and Mexican criminal groups. However, it is important to point out that this research does not implicate any involvement of the Chinese government and rather refers to informal networks forged as an outcome of expanding ties between two countries and its (business) communities. In addition, this paper does not claim that the operational tactics of these businesses/groups are a purpose-driven strategy, rather it tries to bring attention to structural problems in countries such as Mexico. In this sense, the establishment of international networks of illicit activity is enabled by countries' failure to address security and economic vacuum present in their regions.

The main scope of this publication is to map the extension of the presence and activity of Chinese illicit networks in Mexico. The case studies are divided into three parts, according to regional and sectoral focus - although, these often overlap as various networks are used interchangeably for different purposes. Lastly, it is important to notice that contemporary research on this topic is limited due to difficulty in obtaining valuable and timely sources. This is caused by a dire security environment which often prohibits crucial on-the-ground research, but also by the notorious secrecy of Mexican armed forces. For these reasons, local journalism and reports

[1] Giovanni Falcone & Marcelle Padovani, *Men of Honour: Truth about the Mafia* (London: Sphere, 1993).

are an important part of research inquiry. Moreover, this publication also draws on already existing research by other organizations, but also interviews and conversations with people working in the region, including a former member of the Mexican law enforcement.



2 The security situation in Mexico

In December 2006, at the behest of then newly-elected President Felipe Calderon, the Mexican government deployed the military in the fight against organized crime, dragging the country into a multilateral low-intensity armed conflict known as the Mexican Drug War.[2]

Since then, the country's security forces military and law enforcement alike have fought a difficult and bloody battle against some of the world's most powerful criminal organizations. While several important drug traffickers were either captured or killed during Calderon's presidency, their removal also resulted in the 'balkanization' of the criminal landscape; when centralized criminal empires lose their bosses, internal power struggles lead to organizational splintering, creating intense and violent rivalries between the formerly-allied groups.[3]

Since cocaine trafficking (the most lucrative earner by far) is a complex business that involves sophisticated logistics and networks, smaller criminal groups lack the means of facilitating this relatively non-violent source of illegal income, instead often resorting to more predatory crimes such as armed robberies, kidnapping, and extortion.[4] This is the reason why, despite decreasing their capacity for drug trafficking, the fracturing of Mexico's largest criminal organizations has exacerbated the suffering of the civilian population.

As a large number of criminal groups compete with one another for *plazas* (trafficking routes), turf, and resources, innocent people fall victim to the collateral violence. Since the beginning of the Drug War, Mexico has

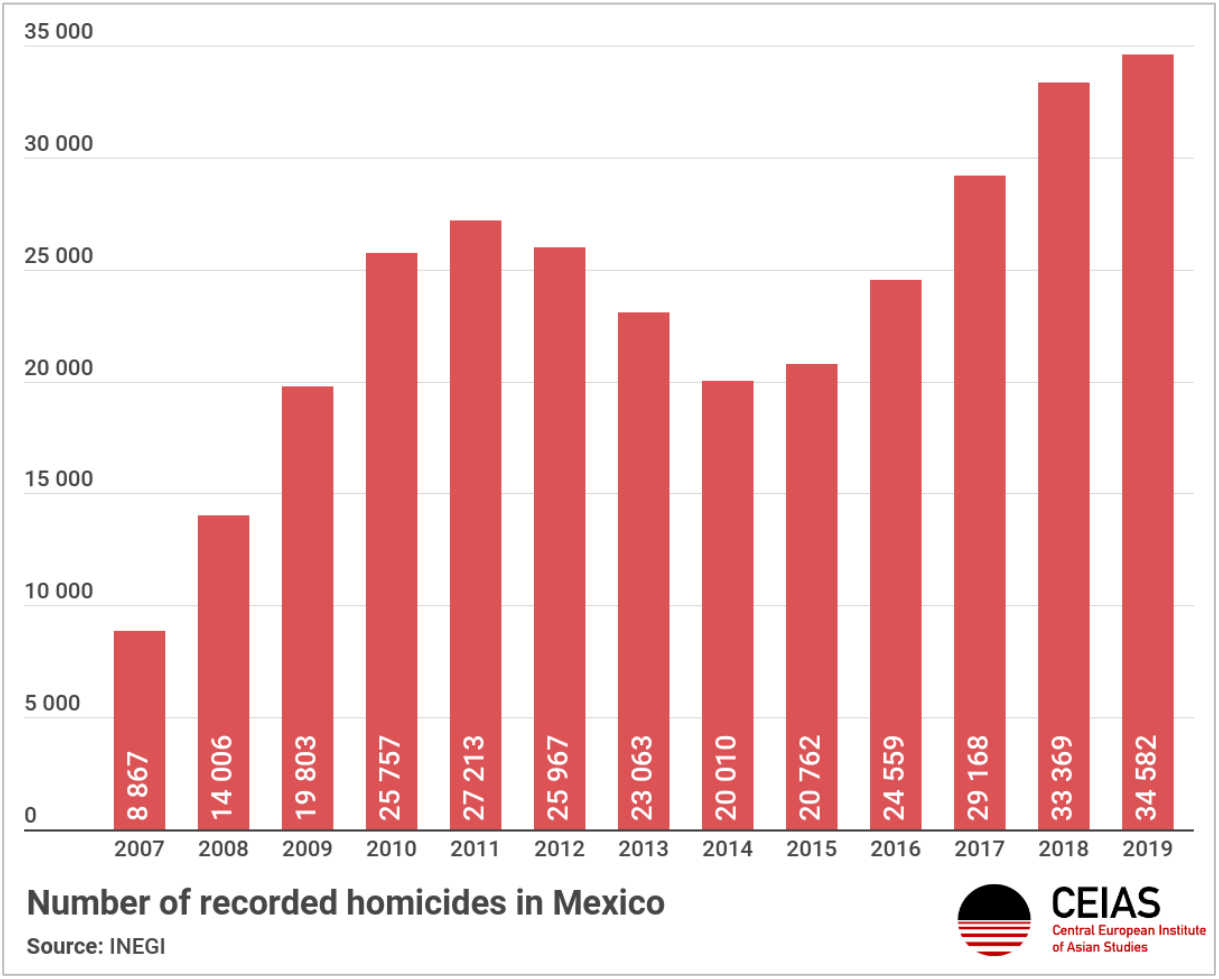
[2] Luis Gomez Romero, "A decade of murder and grief: Mexico's drug war turns ten", The Conversation, (December 11, 2016) https://theconversation.com/a-decade-of-murder-and-grief-mexicos-drug-war-turns-ten-70036.

[3] Tristan Reed, "Mexico's Drug War: Balkanization Leads to Regional Challenges", Stratfor, (April 18, 2013) https://worldview.stratfor.com/article/mexicos-drug-war-balkanization-leads-regional-challenges.

[4] Alejandro Hope, "Why Kidnapping, Extortion Boomed in Mexico", InSight Crime (November 19, 2015) https://www.insightcrime.org/news/analysis/why-kidnapping-extortion-boomed-in-mexico/

experienced two major multiannual waves of violence, with the country recording a total of 307,126 homicides between 2007 and 2019.[5]

The government's forces are not exempt from the violence. Mexican soldiers and police officers are constantly forced into choosing either the *plata o plomo* (bribe or bullet). They are regular targets for the criminal groups [6], and many among their ranks have chosen to betray the government, accepting bribes and secretly cooperating with the enemy.[7]



[5] INEGI, https://www.inegi.org.mx/sistemas/olap/proyectos/bd/continuas/mortalidad/defuncioneshom.asp?s=est

[6] Jo Tuckman, "'They were sent to the slaughter': Mexico mourns 13 police killed in cartel ambush", The Guardian (October 15, 2019)

[7] Daniel M. Sabet, "Corruption or Insecurity? Understanding Dissatisfaction with Mexico's Police." *Latin American Politics and Society* 55, no. 1 (2013): 22–45. doi:10.1111/j.1548-2456.2012.00182.x.

In the most affected areas, the government's inability to provide any kind of public security has led to the formation of armed civilian militias such as Michoacán's *autodefensas*.[8] While the government has since made an effort to bolster its garrisons in these states and incorporate the autodefensas into its chain of command[9], their very existence points to a very desperate state of affairs in contemporary Mexico.

However, Mexico remains to be a powerful economy and an important trading partner for both the United States and China, the world's number one and number two economies, respectively.[10] The gears of the global economy stop for no one, and despite the deteriorating security situation, transnational companies, including Chinese state-owned enterprises, continue to conduct business in this at-times hostile and chaotic environment.

[8] Congressional Research Service, "Mexico: Organized Crime and Drug Trafficking Organizations", CRS Report (December 2019) https://fas.org/sgp/crs/row/R41576.pdf pp. 24-5.

[9] Enrique Guerra Manzo. "Las autodefensas de Michoacán: Movimiento social, paramilitarismo y neocaciquismo." Política y cultura 44 (2015), pp. 7-9.

[10] As measured by their overall gross domestic product (GDP) in 2020. The World Bank, "GDP Ranking" (2020) https://databank.worldbank.org/data/download/GDP.pdf

3 Chinese connection: The nature of Chinese activities in Mexico

When the Mexican police raided the villa of Zhengli Ye Gon, a Chinese fixer in Mexico, they found two tons of cash worth 205 million USD, several fake passports, and his pictures with Mexican officials.

Ye Gon,[11] a Chinese national with Mexican citizenship, was accused of drug trafficking, importing chemicals (such as pseudoephedrine) from China that were used by local drug trafficking organizations (DTOs) to produce methamphetamine.[12] Court documents state that in 2004, his company, Unimed Pharm Chem, had become the third-largest importer of pseudoephedrine in Mexico. The chemical is commonly used as a nasal decongestant and can be used to manufacture methamphetamine.[13] Ye Gon has denied the claims about his membership in the Sinaloa cartel and, to this day, he awaits a trial.

This is one of the many cases that hint at a vast Chinese network intertwined into the illicit trade in Mexico. Over the past two decades, China has increased its foothold in the country, creating various channels of influence and connections that are now used for various purposes such as drug trafficking, arms sales, and business with raw materials. This process of network building was built upon the long history of the China-Mexican relationship that has its roots at the end of the 19th century. Back then, Mexico had become one of the main entry points for Chinese migration into the United States.[14] However, after the enforcement of the 1882 Chinese

[11] The name of Zhengli Ye Gon follows a Spanish naming custom rather than the Chinese one. Here Zhengli is the given name, Ye paternal surname, and Gon maternal surname.

[12] Joel Schectman & Mica Rosenberg, "Exclusive: Chinese-Mexican man at center of $205 milion seizure could be extradited to Mexico in days - layers" *Reuters* (August 25, 2016), https://www.reuters.com/article/us-usa-mexico-extradition/exclusive-chinese-mexican-man-at-center-of-205-million-seizure-could-be-extradited-to-mexico-in-days-lawyer-idUSKCN1102CC.

[13] "Zhenli Ye Gon, who had 2 tonnes of US$100 bills in his home, faces extradition to Mexico on drug charges", *South China Morning Post* (August 26, 2016), https://www.scmp.com/news/world/united-states-canada/article/2009179/chinese-mexican-man-accused-drug-trafficking-could

[14] "Chinese Immigartion and the Chinese in the United States", *National Archives in Washington, DC*, (accessed on January 23, 2019) https://www.archives.gov/research/chinese-americans/guide.

Exclusion Act, many Chinese migrant laborers began to settle directly in Mexico. Some of them found work in the local construction and infrastructure projects such as the railroad construction in Coxaca, mining, and railroad construction in Sonora and cotton plantations in Mexicali.[15] These places would then go on to become the main centers of Chinese communities in Mexico and remain important points of contact to this day.

Some previous studies have already suggested the existence of Chinese networks and their activity in the trafficking of people, narcotics, contraband goods, money laundering, and illegal arms trade in Mexico.[16] However, due to the lack of data to quantify this relationship, this study seeks to elaborate on some of these claims by presenting past examples of Chinese involvement with local crime groups and *autodefensas* movements. The argument in this chapter builds upon evidence collected through international and local reporting, studies by various organizations, and interviews with a member of the Mexican law enforcement and other professionals with the knowledge of the subject.

3.1 Michoacán: Los Caballeros Templarios, autodefensas and trade in raw materials

One of the most prominent examples of the Chinese connection to Mexican DTOs is the case of the Knights Templar in the state of Michoacán. The Knights Templar emerged in 2011 as a splinter group from the Michoacán family and was linked to various illegal activities spanning from drug trafficking to racketeering and money laundering. Despite their initial claims to protect society and preserve order, Templars ended up masking their vast criminal activities under the narrative of social work and religion.[17]

It was in 2014 when the Chinese connection to the Knights Templar emerged, shedding light on a larger problem of illegal mining in the country.

[15] Dong Jingsheng, "Chinese Emigration to Mexico and the Sino-Mexico Relations before 1910", *Estudios Internacionales* 38:152 (Enero - Marzo 2006), p.85.

[16] R. Evan Ellis, Chinese Organized Crime in Latin America, *PRISM*, Vol. 4, No. 1 (July 2014) p. 65; China Power Team, "How dominant is China in the global arms trade?", China Power (April 26, 2018) accessed from: https://chinapower.csis.org/china-global-arms-trade/.

[17] Daniel E. Welsh and Cabel N. Whorton, Net-Warlords: An Information Analysis of the Caballeros Templarios in Mexico" [Master's Thesis], Naval Postgraduate School (2014), p. 16.

Grey market coal mining was an activity that had already gained attention from the Zetas, a particularly adaptive and innovative Mexican criminal organization, to the point that the long-time leader of the group, Heriberto Lazcano Lazcano "owned his own coal pit in the region".[18] After the Knights Templar's expansion in the Michoacán state and its successful diversification of business, the group began exporting iron ore to China. According to Michoacán's governor at the time, Fausto Vallejo, the ore was leaving Mexico via the port of Lázaro Cárdenas, through customs on ships.[19]

Besides the Knights Templar's presence at the port of Lázaro Cárdenas, which will be discussed later in the paper, the group also exerted control over iron mining operations. Already in 2013, the Mexican authorities confirmed that the Templars were obtaining iron through extortion or robbery and then exporting it to Chinese factories.[20] Additionally, interviews conducted for the research of this article revealed that the group would also control in-country transportation and protected other producers while taking cuts from profits.[21] This shows how the Chinese companies were sustaining organized crime groups in Mexico, despite no direct links being ever confirmed. In 2014, the Channel 4 Latin America Correspondent, Guillermo Galdos, went to Michoacán to investigate the situation surrounding Knights Templar. In his interview with one of the workers at the port of Lázaro Cárdenas, the grim reality of laundering of minerals was confirmed.[22] The organized groups would first mine minerals through illegal companies that would later sell it to the legal ones. In this way, legal companies would be the ones exporting the minerals to China while providing 50-75% cuts to the organized crime groups. This system makes

[18] Marc Howe, "Mexico's drug barons make forays into coal mining" *Mining.com,* http://www.mining.com/mexicos-drug-barons-make-forays-into-coal-mining-90553/.

[19] Dave Graham, "Chinese iron trade fuels port clash with Mexican drug cartel", *Reuters* (January 1, 2014), https://www.reuters.com/article/us-mexico-drugs-port/chinese-iron-trade-fuels-port-clash-with-mexican-drug-cartel-idUSBREA000EG20140101.

[20] Mark Stevenson, "Mexican Drug Cartels Are Now Involved In Lucrative Illegal Mining Operations", *Business Insider* (November 29, 2013), https://www.businessinsider.com/mexican-drug-cartels-mining-2013-11?r=US&IR=T.

[21] Former member of the Mexican law enforcement, interview by Barbara Kelemen, February 18, 2020.

[22] Guillermo Galdos, "Knights Templar link to Mexico iron ore arrests", *Channel 4* (March 7, 2014) https://www.channel4.com/news/mexico-knights-templar-la-tuta-iron-ore-lazara-cardenas.

the majority of illegal businesses go undetected and makes it difficult to expose direct links between legal businesses and criminal groups. However, Galdos's interview with the leader of the Knights Templar, Servando "La Tuta" Gómez Martínez, concludes by the affirmation that his group did business with Chinese companies and a comment that seems to suggest that the companies were in return provided with some form of protection.

Despite the lack of definitive evidence, this case study nonetheless demonstrates the impunitive behavior of some Chinese companies and their influence on organized crime in Mexico. Since their ascension to power, the Knights Templar were able to grow stronger thanks in part to the profit they were making by selling ore to China. Ultimately, they were able to exert power over Lázaro Cárdenas until it was raided by the Mexican army in 2014 and the port authority was handed to the Navy. Tuta was captured in 2015 and the Knights Templar ceased to exist by the end of 2017.

Another example that depicts the challenges of a security-vacuum in Mexico is an ambiguous case of *autodefensas* movements (not only) in Michoacán. The story of *autodefensas* is essentially a reaction to the poor security environment, lawlessness in the territory, and brutal oppression of the local crime groups. However, while the story is often portrayed in a heroic light, there are various reports by people in the region presenting a much bleaker reality than the black and white narrative depicted by the media at the time.

According to a former member of the Mexican law enforcement interviewed for this study, many self-proclaimed *autodefensas* that appeared in the region around 2013-2014 had connections to local DTOs and used the banner of autodefensas to conceal some of their activities such as revenge killings. This narrative was also partially corroborated by Ioan Grillo, a journalist who has been reporting on Mexican drug wars since 2001. In an interview from February 2019, he describes his personal encounter with *autodefensas* in Michoacán around 2014. According to his depiction, members of the *autodefensa* movement with whom Grillo interacted were regular narcos armed with heavy weaponry such as grenade launchers and AK-47s. Grillo himself admits that what happened in the state at the time

was that a lot of regular "gangsters" began setting up *autodefensas* despite being obviously divorced from their purpose.[23]

Over time, the *autodefensas* came to be perceived with a certain degree of autonomy and started setting up roadblocks while engaging in illicit activities. According to officials who were present in the region at the time, some of the *autodefensas* groups began cooperating with the mines that exported ore to China. The groups would secure roads and enable transportation after getting paid by Chinese companies.[24] It is also important to notice that the phenomenon of *autodefensas* was a seasonal thing, which supports the theory that many of these movements ended up turning to the illegal activities themselves after realizing their profitability.

However, due to the nature of the conflict, lack of any written sources, and the secrecy associated with Mexican military institutions, the majority of these claims are difficult to verify. This leaves us with the option where the majority of claims rely on the testimonies of people present in the region and niche-reporting. To what extent those claims are true remains unclear and should be addressed by further research. However, these arguments present a powerful contra-narrative to the often oversimplified discourse around *autodefensas* and demonstrate existing complexity and nuances that have been so far disregarded when presenting the topic to the wider audience.

3.2 Baja California: Narcotrafficking through Lázaro Cárdenas & Manzanillo

Under the watch of the Knights Templar, iron exports to China almost quadrupled between 2008 and mid-2013, with the port of Lázaro Cárdenas accounting for almost half of all iron shipments. In this period, the port became the most important export point for the material.[25] However, it was

[23] Joe Rogan Experience #1253 - Ioan Grillo, *PowerfulJRE* (February 26, 2019) accessed at https://www.youtube.com/watch?v=edZR_nPp1l8.

[24] Former member of the Mexican law enforcement, interview by Barbara Kelemen, February 18, 2020.

[25] Natalie Southwick, "Knights Templar Controls Mexico Iron Mines Supplies", *Insight Crime* (December 4, 2013), https://www.insightcrime.org/news/brief/knights-templar-control-mexico-iron-mines-supplying-china/.

not only iron ore that kept flowing in and out, as narco-trafficking became the new front for Chinese companies.

In the past few years, Mexico has become a major transit point for the fentanyl and methamphetamine trade, often destined for distribution in the United States. In this chain, Chinese companies play the role of the precursor supplier, while Mexican DTOs act as producers and distributors. The position of Lázaro Cárdenas on the Pacific coastline and the port of Manzanillo in the state of Colima then acts as a natural gateway for all incoming ships from Asia. The 2019 report by the Mexico Institute and InSight Crime found that almost all fentanyl, as well as its precursors, are produced by China, which is also the main source of illicit fentanyl in the US.[26] The report sheds light on the extensive network of Chinese chemical companies and Chinese transnational criminal organizations, that together with other smaller criminal actors use diverted chemicals to manufacture fentanyl in clandestine rural labs.

Examining Chinese networks in Mexico, one notices that the population centers of Chinese legal migrants tend to focus in places with high cartel activity such as Tijuana and Mexicali, the two border towns that are very important for trafficking drugs into the United States. More specifically, they are also the two main parts of the state of Baja where fentanyl and methamphetamine precursors are being smuggled into the country and subsequently used in illegal drug production in local laboratories. Besides Mexican ports, some portion of fentanyl is shipped into the USA through the U.S. mail system and then smuggled into clandestine labs in Mexico. It seems that some laboratories often use Chinese-made equipment which could be an indication that some of the Chinese companies are involved in setting up the labs.[27]

The presence of Chinese communities in these places suggests that the relationship between Mexican DTOs and Chinese companies is not merely transactional, but more likely cooperational. The anecdotal case of Zhenli

[26] Steven Dudley, Deborah Bonello, Jaime Lopez-Aranda, Mario Moreno, Tristan Clavel, Bjorn Kjelstad & Juan Jose Restrepo, *Mexico's Role in the Deadly Rise of Fentanyl*, Mexico Institute & Insight Crime (February 2019).

[27] Former member of the Mexican law enforcement, interview by Barbara Kelemen, February 18, 2020.

Ye Gon is a good example of how an informal network can be mobilized and draw on its resources as a community. This causes a difficulty present in the whole Latin American region, where it becomes difficult to distinguish "Chinese mafia from the powerful but legitimate support structures of local Chinese communities."[28] Rather than pointing at a specific case, this represents the whole context of expanding relations between China and countries, where the presence of state structures is almost completely absent in some areas. The lack of state supervision allows alternative structures—such as criminal groups and Chinese organized networks—to thrive and fill the security and economic void. An example of these activities has been documented by R. Evan Ellis in his work about the expansion of Chinese organized crime in Latin America.[29] Other existing reports treating this topic also make claims of Chinese networks being involved in the smuggling of endangered animal species and other contraband.[30]

With Mexico becoming the most important gateway and production hub of fentanyl in the region, two DTOs, in particular, have emerged as the main players in terms of trafficking—The Cartel de Jalisco Nuova Generación (CJNG) and the Sinaloa Cartel. The latter has gone on record recently as the Covid-19 pandemic spread throughout the world and paralyzed global supply chains. The lingering economic effects of this disruption have created shortages in supplies for criminal organizations that rely on regular precursor shipments from China. According to a cartel operative, the price of meth was pushed up because of the scarcity of chemicals in China, the initial epicenter of the outbreak.[31]

What all of this demonstrates is that Chinese networks are very much present and intertwined with many of the illicit activities in the region. The example of various crime organizations shows that companies are very pragmatic and will cooperate with whatever groups exerts the most control, mirroring the approach of Chinese companies in places like Afghanistan,

[28] R. Evan Evan , Chinese Organized Crime in Latin America, p.67.

[29] Ibid.

[30] Hugo Ruvalcaba, "Asian Mafias in Baja California" *Insight Crime* (August 20, 2013) https://www.insightcrime.org/news/analysis/asian-mafia-in-mexico/.

[31] Deborah Bonello, 'Coronavirus is Leading to Shortages of Fentanyl and Meth", *VICE* (March 19, 2020) https://www.vice.com/en_ca/article/wxek4m/coronavirus-is-leading-to-shortages-of-fentanyl-and-meth.

where the evidence suggests that some of the Chinese businesses were engaged in deals with the Taliban.[32] In addition, a lot of illicit activity is an outcome of wider problems rather than just localized issues. In fact, illegal mining, which was a subject of our Knights Templar case study, seems to have become a new potential front for Chinese companies looking to exert their interest in a new region—Sonora.

3.3 Sonora: The new front for lithium reserves?

In 2018, the world's largest deposit of lithium was discovered in the northeast of Sonora, a Mexican state that borders the United States. Lithium is an alkali metal that is used in the production of lithium-ion (Li-ion) batteries. Its global supply is limited; only a dozen countries mine the metal (Argentina, Bolivia, Chile), yet it has a diverse range of uses, including electronics, batteries, steel production, rocket propellants, and medicine. Lithium is necessary in a large number of Chinese heavy industries, including its massive electronic vehicle (EV) industry, the world's largest by output.[33] Chinese companies have already made a concentrated effort to corner the market on cobalt, another relatively rare metal crucial in EV production. So far, it seems that the lithium market is the subject of the next Chinese takeover.

However, due to its shared border with Arizona, Sonora has been a major transit point for drugs moving northward into the American consumer markets, and organized crime has permeated much of public life. The recent country-wide surge in violence has been especially evident in Sonora. In 2019, the state was the site of 1,356 recorded homicides, a jump of almost 60% from the year before.[34] The Sonoran police are constantly faced with the choice of *plata o plomo* (bribe or bullet), either accepting bribes from criminals or risking assassination. Police murders are commonplace and it has deterred many honest officers from doing their job—in August 2019,

[32] Barbara Kelemen, "China & the Taliban: Pragmatic relationship", *Central European Institute of Asian Studies* (June 26, 2019) https://ceias.eu/china-the-taliban-pragmatic-relationship/.

[33] Nathaniel Bullard, "Electric Vehicle Markets So Far Belongs to China" *Bloomberg* (September 20, 2019) https://www.bloomberg.com/opinion/articles/2019-09-20/electric-vehicle-market-so-far-belongs-to-china.

[34] Kendal Blust & Murphy Woodhouse, "Rising Violence Tests Sonora", *KJZZ* (February 3, 2020) https://kjzz.org/content/1424256/murders-surge-rising-violence-tests-sonora-mexico.

Mexico's Defense Secretary, Luis Sandoval, stated that there was a 40% deficit of personnel in Sonora's police force.

Despite public security being highly compromised, the discovery of lithium deposits by the Canadian company Bacanora has renewed commercial interest in this region. Interestingly, only a few months after the discovery, Ganfeng Lithium, China's largest lithium compounds producer, was the first one to agree to a joint venture with Bacanora, cooperating on the development of Mexico's first lithium mine in Sonora.[35] Ganfeng investment in Bacanora accounts for a 29.9% stake in the company as such, but also includes 22.5% direct stake in the Sonora lithium project, potentially rising to 50%.[36] The onset of the production is currently set for the second half of 2021.

A challenging security environment combined with worries over the potential effects lithium mining could have on local water supplies suggests that if not managed properly, the project could have damaging effects for the whole region. As the case of Michoacán has revealed, Chinese companies' interests are secured through informal deals with criminal organizations. Since Sonora will become of crucial importance to Chinese industries, it will be interesting to observe whether we will see a repeat of the Michoacán scenario. An especially interesting detail is that the criminal group exerting the most power in Sonora is perceived to be a proxy to the Sinaloa Cartel, the aforementioned DTO that manages flows of the fentanyl into the US.

[35] Ann Deslandes, "Mexico's lithium discovery is a double-edged sword" *Dialogo Chino* (February 14, 2020) https://dialogochino.net/en/extractive-industries/33491-mexicos-lithium-discovery-is-a-double-edged-sword/.

[36] Philip Whiterow, "Bacanora Lithium has big plans for Sonora", *proactive* (March 6, 2020) https://www.proactiveinvestors.co.uk/companies/news/216967/bacanora-lithium-has-big-plans-for-sonora-216967.html

4 Conclusion

Chinese-Mexican illicit networks are not limited to a few isolated cases, but rather portray a wider picture of clandestine networks across the whole region. However, the case of Mexico is particularly important as it affects the U.S. and thus contributes to global geopolitical dynamics. The U.S.-China-Mexico triangle is complex and should be addressed by further inquiry on the topic. Nonetheless, it seems that Washington's antagonizing approach towards Mexico might hinder cooperation, which is crucial in tackling the majority of these challenges. While some of the problems discussed in this study have been partially addressed by initiatives of the Chinese government—such as fentanyl trade—the implementation has often proven difficult for various reasons, mainly a lack of sufficient resources.

The expanding collaboration between organized crime groups and businesses is a problem that needs to be tackled through international and multilateral channels. As the case studies demonstrate, the vicious cycle of the illicit economy is self-sustaining and unless structural changes occur, the system can continue uninterrupted, occasionally substituting old organizations with new ones. Until these companies will be held accountable for their ties to organized crime, the positive feedback loop of licit and illicit business will continue to manifest itself, raking in money to both parties, subverting governments and causing tremendous suffering to the civilians caught up in the middle.

Many of these challenges must be addressed in the wider context of expanding commercial ties between China and countries in Latin America. As it has been demonstrated in many studies on different topics, China — as a rising power — is now encountering the same challenges as many countries in the Western hemisphere. While the similarity of these two cases was not the focus of this study, it is safe to assume that both cases raise the same issue which is the need for proper due diligence, regulatory enforcement, and institutional multilateral approach when it comes to the business environment of countries with weak institutions. The rising presence of Chinese companies in Latin America will affect both the

economic and political dynamics of the region and is unlikely to be independent of the local developments. Besides all the benefits of this expanding cooperation, the expansion of greater criminal ties between the regions is what should be addressed in areas such as human and drug trafficking, as the countries are especially exposed and vulnerable to further exploitation of already existing trafficking routes, illicit economies, and other interest groups.

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