



MONEY LAUNDERING IN TIJUANA, MEXICO (2000-2020)

Lavagem de dinheiro em Tijuana, México (2000 - 2020)

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ABSTRACT

The article reviews how organized crime is structured in Tijuana, Mexico, and produced a geography of criminal power through the local real estate. Criminals seep illicit money into the real estate sector in its whole, and more specifically to residential and non-residential buildings, concealing the origin of the resource and, at the same time, increasing wealth and criminal means of production. Therefore, this manuscript analyzes some of the characteristics of the properties bought by transnational organized crime members through money laundering. The research-based mix methods through qualitative, quantitative, cartographic, and historical techniques provide a comprehensive analysis of the situation.

Keywords: Tijuana, Mexico, Illicit Money, Real Estate, Organized Crime

RESUMO

O artigo analisa como o crime organizado está estruturado em Tijuana, México, e produziu uma geografia de poder criminoso através dos bens imobiliários locais. Os criminosos infiltram dinheiro ilícito no setor imobiliário em seu conjunto, e mais especificamente em edifícios residenciais e não residenciais, ocultando a origem do recurso e, ao mesmo tempo, aumentando a riqueza e os meios de produção criminosos. Portanto, este manuscrito analisa algumas das características das propriedades adquiridas pelos membros do crime organizado transnacional através da lavagem de dinheiro. Os métodos mistos baseados em pesquisa através de técnicas qualitativas, quantitativas, cartográficas e históricas fornecem uma análise abrangente da situação.

Palavras-chave: Tijuana, México, Dinheiro Ilícito, Imóveis, Crime Organizado

RESUMEN

En el artículo se analiza cómo el crimen organizado transnacional se estructuró en Tijuana, México, y luego produjo una geografía del poder criminal a través del mercado inmobiliario. Los delincuentes filtran el dinero ilícito al sector inmobiliario, y específicamente a edificios residenciales y comerciales, ocultando la procedencia del recurso y, al mismo tiempo, aumentando su riqueza y medios de producción criminal. Por lo tanto, en el manuscrito se analizan algunas de las características de las propiedades adquiridas por criminales a través de lavado de dinero. La investigación, basada en un método mixto, entrelaza técnicas cuantitativas, cualitativas, cartográficas e históricas proveyendo un análisis integral de la situación.

Palabras clave: Tijuana, México, Recursos Ilícitos, Inmuebles, Crimen Organizado



1. INTRODUCTION

In the 1970s, when no cartel endured in Mexico, the Cuban Alberto Sicilia Falcón and the Mexican Rogelio Buelna Reyes distributed cocaine from Colombia —through Mexico— to the United States using small airplanes (Arredondo Sánchez et al., 2018). However, the murder of Sicilia Falcón in the 1980s by Miguel Ángel Félix Gallardo, of the latter known Arellano Félix family, produced relevant changes, breaking the criminal *status quo* in Tijuana for the first time. With Félix Gallardo's presence in the border city, a new era began in Tijuana and the rest of Mexico.

Since the 1980s, there has been a bitter rivalry between criminal groups, including the Sinaloa and Tijuana criminal organizations. Some researchers identify the origin of this conflict in a leadership dispute between the former Arellano Félix lieutenant, Teodoro García Simental (who allied himself with the Sinaloa Cartel), and Luis Fernando "El Ingeniero" Sánchez Arellano (Jones, 2011; Jones et al., 2018). However, what sparked these deadly confrontations were three critical events in 1989, ordered by Félix Gallardo and later supposedly executed by his relatives, the Arellano Félix brothers:

- a) the kidnapping and murder of Hector Palma Salazar's two children,
- b) the kidnapping, murder, and beheading of Palma's wife Guadalupe Leija, and,
- c) the murder of Joaquín "El Chapo" Guzmán's best friend and partner, Armando López.

The bitterness continued for years until Guzmán and Palma, with support from Ismael Zambada (all members of the Sinaloa Cartel), counterattacked at the Christine Discotheque (1993) in Puerto Vallarta, Mexico. Likewise, in 1994, there was a shootout between the Guzmán and the Arellano Félix organizations at the Guadalajara airport, where Archbishop Juan Jesús Posadas Ocampo was confused with Guzmán and killed by the Arellano Félix organization (Cobián, 1992). That confrontation expanded the conflict from a personal dispute to the actual national interest.

The clash eventually enhanced into a violent and destructive bloody footprint. From 2008 to 2010, crime and violence soared to almost unprecedented levels in Baja California and even nationwide. Both criminal organizations carried out brutal attacks causing panic among the population due to kidnappings, extortion, and a massive wave of murders, through decapitations, executions, and heartlessly, by dissolving the bodies in lye (Arredondo Sánchez et al., 2018).

After the spiraling violence of 2008-2010, the homicide rate dropped until 2015, mainly because key members of the Arellano Félix organization were detained



or murdered, while Guzman and Zambada, from the Sinaloa Cartel, oppressed the territory. Nevertheless, the generational feud between the criminal groups remains to the present day, immediately after Guzman's third arrest (2016), and, before his extradition to the United States (2018) and life sentence (2019), the Arellano Félix organization joined with the relatively new criminal group called Cartel de Jalisco Nueva Generación (CJNG for the Spanish acronym).

The Jalisco and Tijuana criminal organizations alliance produced the Tijuana Nueva Generación Cartel (CTNG for the Spanish acronym), which carried a brief criminal *status quo* by diminishing the Sinaloa Cartel in Tijuana. However, in 2018, Tijuana started a third and most extended period of criminal violence, taking away the lives of more than 6,100 homicide victims between 2018 and 2020 (Guardia Estatal de Seguridad e Investigación, 2021).

Therefore, this article reviews how organized crime networks have structured thru time in the border city of Tijuana to produce a geography of criminal power through the acquisition of several properties that increased the criminal capital. Indeed, criminals seep illicit money into the real estate market, concealing its origin and, at the same time, increasing wealth and means of production. Therefore, this manuscript analyzes the characteristics of some of the properties (e.g., houses, barns, apartments, offices, commercial buildings, industrial buildings, undeveloped land, sports complexes, among others) bought by transnational organized crime members through money laundering. The research-based mix methods through qualitative, quantitative, cartographic, and historical techniques provide a rounded analysis of the situation.

The article is structured as follows: Section 2 examines the frameworks proposed by Brigitte Unger, David Harvey, and Lilian Bobea. Unger is a pioneer in anti-money laundering studies. In addition, the specialist conducts studies applied to the real estate sector in Europe. On the other hand, Harvey provides a detailed philosophy -as a structural framework- of the geography of power and wealth accumulation. Finally, regarding Bobea, we mainly study the criminogenic violence concept and develop it through the manuscript.

Then, section 3 describes the mixed-methods methodology used in this research, the time frame of the study, and the process of how the geography of criminal power was traced with the generous support of multiple key actors that participated in in-depth interviews while by themselves tagged in Google Earth those properties involved with criminal activities or criminals. Finally, it is worth noting that the final output of the collaborative work shaped exclusively by local residents who had experienced the 2008-2010 spiral of violence in the border city of Tijuana was a map that outlined a route of properties purchased with illicit money.

Section 4 displays the research results, where quantitative, qualitative, historical, and cartographic data can be appreciated comprehensively. First, there is the qualitative data through in-depth interviews and desk research. Subsequently, the reader will view cartography that contains the geography of criminal power and the typology of real estate linked to dirty money in Tijuana. Subsequently, some statistical data related to the subject are displayed, and finally, from the historical perspective, the following are analyzed some of the repercussions of criminal violence in the city's



social space. Finally, the manuscript ends with final considerations, which, among other things, addresses the issue of profit in the real estate market during times of crisis resulting from criminal violence.

2. RESEARCH FRAMEWORK

This study recovers the theoretical frameworks of Brigitte Unger, David Harvey, and Lilian Bobea. It draws on Unger's comprehensive understanding of money laundering applied in case studies in the real estate sector (Unger, 2007; Unger & Ferwerda, 2011). About David Harvey, the problematization retaken, mainly carried out on the geography of inequality and power (Harvey, 2001), from where we propose the concept of geography of criminal power.

Money laundering is a multi-level and multi-actor process that involves placement, layering, and integration of illicit resources into the international financial system through various financial instruments of public and private banking (Unger, 2007). The real estate market is and will always be attractive to those who seek to launder money because significant resources are placed at different points in the financial system with the collaboration of tax lawyers and accountants that do financial engineering and by the use of practical *know-how* in the dynamics of the market (Unger & Ferwerda, 2011). Therefore, there is a prominent and secure financial return (Reuter & Truman, 2004; Unger, 2007; Unger & Ferwerda, 2011).

According to the specialist, three corporations are ideal for laundering illicit money. However, the challenge starts with the different ways these companies are named and classified, since there is no standardized translation as such, as it varies from language to language. The first is a shell corporation that is legally incorporated but non-existent in practice. The second is the corporate façade, which is legally constituted but not complying with its stated objective; these mix illicit resources with legal money flows (Reuter & Truman, 2004; Unger, 2007). A third is the screen corporations, which usually operate but under —or over— reports their legal income; these are sophisticated and carry out legal objectives.

Unfortunately, these are the most difficult to detect (Unger, 2007).

Money laundering is closely associated with active members of organized crime (Unger 2007; L. Astorga, personal communication, January 1, 2015). Likewise, organized crime has historically been an underdeveloped legal and hermeneutical category in Mexico (and very likely worldwide), defined as an organization of three or more persons who engage in constant or repeated criminal behavior



(Secretaría de Gobernación, 2021). Moreover, organized crime is not limited to drug trafficking (L. Astorga, personal communication, 1 January 2015); it also traffics in weapons, wildlife animals, human beings, minerals, jewels, oil, art, natural resources, currencies, and any other profitable good or service of illicit origin (Unger, 2007; Beittel, 2018).

Krohn (1986) states that organized crime is structured through networks, as it happens in Tijuana and other cities worldwide. For its part, Tittle (1995) argues that delinquency may operate within the framework of the Control – Balance theory. Although every context has a

“control balance desirability,” some individuals provoke imbalance thru deviant behavior as they perceive, first, an opportunity, and second, an advantage to gain control on the situation. Nevertheless, governments with an efficient rule of law will sooner or later counter-control the situation.

With the government’s approval, the United Nations Office on Drugs and Crime (2014) states that organized crime in Latin America is responsible for the deadly violence burst in the last decades. In this context and as a dynamic, young, and metropolitan border city, Tijuana has experienced its share of this deadly phenomenon. To address the situation of violence, we will use Lilian Bobea’s framework.

In this regard, Bobea (2015) suggests “criminogenic violence” as a concept whose characteristics are emphasized (or not) due to the city’s geopolitical location. According to the specialist, there are four key factors to ponder as a criminogenic violence environment.

- a) Accelerated and disorganized urban development;
- b) Development within the transnational criminal structure;
- c) New illicit field(s) and income; and
- d) Governments incapable of providing preventive and reactive comprehensive security

and justice strategies.

Of course, these are factors are found in other cities worldwide with drug trafficking and high homicide rates (e.g., Manchester, Sao Paulo, Atlanta, Praia, Santo Domingo); however, in the case study of Tijuana, Mexico, it should be noted as well the following:

- e) A historical abandonment by the central government;
- f) Very high rates of national and international immigration;
- g) A criminal structure on both sides of the international border;
- i) Civilian access to firearms; and
- j) Foreigners participating in local criminal activities.

In that sense, Tijuana fits nicely into the criminogenic violence framework (Bobea, 2015), though the symptoms exacerbate by the five aspects mentioned above. Another border city that



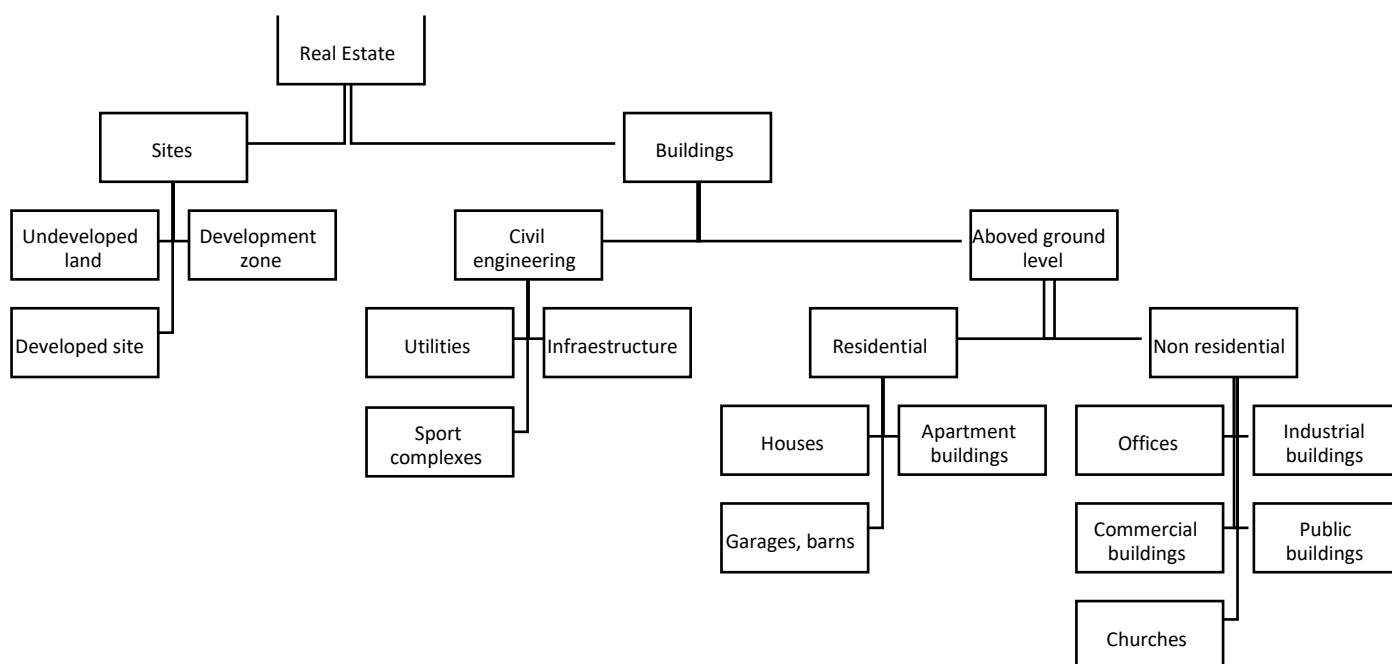
shares symmetry -in its fair dimension- concerning the characteristics appealed above is, precisely, Ciudad Juarez (Chihuahua), one of the most violent cities in the world. In that sense, both Juarez and Tijuana share a strategic location as cities positioned on the border strip between Mexico and the United States. That is to say, unlike many other Mexican cities, these medium-sized cities are industrial due to the existence of trade agreements between Mexico, the United States, and Canada inviting massive immigration of workers with primary education. In such a way that Tijuana and Juarez materialize par excellence neoliberalism, some specialists would point out even gore capitalism (Valencia, 2016).

However, unlike Ciudad Juarez, Tijuana is an essential part of the Los Angeles Metropolitan Area. Indeed, it is Tijuana part of the CaliBaja corridor and part of the Los Angeles Metropolis; therefore, Tijuana appeals to national and international immigrants as well as Californian tourists, whereas the urban vehicle interconnection favors over any other border city in northern Mexico. Communications and transportation connectivity is prime for ordinary citizens and, of course, criminals who extend their illicit businesses on both sides of the border.

In the context mentioned above, criminals seep illicit money into the real estate market. Unlike other financial investment fields, laundering money through real estate produces noteworthy proceeds for these actors. Buying real estate with illicit money has at least two direct consequences: first, it conceals the illicit origin of the resource, and, second, it increases the wealth and criminal means of production that can be later used to expand their illicit activities (e.g., safe houses, meth labs, brothels).

Figure 1. The conception of real estate in Unger (2011).





Source: (Unger & Ferwerda, 2011, p. 8).

Again, the challenge lies in the term (real estate market) conceptual homologation since not all countries have the same criteria. For this research, the real estate market will be understood as the framework in which economic transactions develop, with the immediate objective of ownership or enjoyment of a real estate property. Unger's (2011) real estate concept materializes into two main categories: sites and buildings.

The concept of sites includes vacant urban parcels, either as "undeveloped land, development zone[s], or developed site[s]," while buildings include two subclasses: "civil engineering" and "above-ground level." The former consists of buildings dedicated to "utilities, infrastructure (e.g., auditoriums), and sports complexes (e.g., stadiums)." The latter is subdivided into residential, including "houses, apartments, [and] garages," and nonresidential, including "offices, industrial buildings, commercial buildings, public buildings, and churches" (Unger & Ferwerda, 2011).

It is important to note that owners of capital and means of production, who, of course, make decisions about the product's availability, strongly influence the city's urban planning and development since these key actors must provide significant financial investments and *create needs*. They have a strategic position and a nearly unlimited ability to accumulate properties. Paraphrasing Harvey (2001), the capitalist's investment determines the orientation of urban and social development and the wellbeing of society.

Indeed, the capitalist financial system favors unequal geographical development since the system has strengthened capital accumulation by those who already have wealth. It exacerbates the lack of opportunities, especially for the vulnerable population, while it widens gentrification, segregation, dislocation. Harvey (2001) argues that capital accumulation has always been a profoundly geographical issue: the favored classes and the vulnerable classes are subject to cycles of virtue and vice, respectively, concerning development opportunities. The concepts of unequal geographic development and the geography of class power have an intrinsic relationship to the real estate market, the spatialization of poverty, and the concentration of power throughout the city.

Harvey (2001) calls the geographical space occupied by the power elites a “geography of class power”; however, he does not question the legitimacy of capital accumulation. In that sense, our proposal expands the concept to “geography of criminal power” derived from Harvey’s proposal, while it concentrates on illicit money invested in Tijuana’s real estate until 2020. Indeed, the more criminal structure in society, the greater opportunity to impact the real estate market, and therefore, produce a substantial unequal geographical development and geography of criminal power (Orozco & Lorenzen, 2018).

It is worth mentioning that none of the above categories (real estate market, geography of criminal power, buildings, unequal geographical development, and more) cannot be understood without considering the social space. Bourdieu (1989) understands social space and symbolic space as those reproduced by its inhabitants in a given time and space. In this space, its inhabitants reflect their different value loads through social positions (relational), dispositions (habitus), and position-taking depending on the field they will deal. Under this concept, social space is the container of the things we do and those we stop doing while naming them. Indeed, social space comprises both public and private spaces because privatization exists as long as there is a time and territorial dimension (Soja, 2010; Ramírez Kuri, 2013).

3. RESEARCH METHODOLOGY



The study is based on a mixed-methods methodology and provides different data, such as: qualitative, quantitative, cartographic, and historical. Qualitative data is supported by 15 in-depth interviews, while quantitative data is taken from official statistics and reports integrated into the qualitative section. In addition, we present thematic maps as part of the cartographic method with the support of Google Earth, whereas the historical records demonstrate the city's changes over time due to the accumulative illicit money invested in the city's real estate market.

It is worth mentioning, the collection of life experiences described by Tijuana residents themselves —either as victims or victimizers— was essential to this study. The work recovers life experiences in that specific time and space to paraphrase Bordieu. In such a way, this scientific research technique avoids the loss of historical memory. So, even though individuals forget, migrate, or pass away, and the city's historical memory with them, the in-depth interviews were a helpful tool in this close collaboration between researcher and residents. Consequently, this research does not have an extractive approach, but rather the contrary, the storyline has been validated by all-local participants to express their own story through their lenses.

It should be noted that interviewees were chosen for their critical social roles and practical knowledge of the subject. Therefore, during 2017 and 2018, they described before, during, and after the 2008 - 2010 spiral of violence context, as well as the criminal dynamics in the neighborhood, what they did at that time, their perception of state actors (police, army), their perception of insecurity, their perception of the security strategies employed by municipal president Jorge Ramos (2007- 2010), their experience with criminal violence and in some cases, organized crime. Last but not least, real estate properties are presumably associated with organized crime.

To safeguard the identity and safety of all interviewees, they were intentionally assigned pseudonyms. Likewise, semi-structured in-depth interviews were conducted with attorneys, architects, surgeons, journalists, bookkeepers, active members of organized crime, kidnapping victims, casino employees, performers, public bureaucrats, executives, among others. These interviews generated a historical narrative, socially legitimated and validated by the residents, who brought together their multidisciplinary and real-world knowledge expressed in the interviews and the thematic map described below.

During the in-depth interview and with the aid of Google Earth, participants volunteered to make a virtual tour in order to provide sensible cartographic data by pointing out those properties that —to their knowledge and life experience— were bought or occupied by claimed organized crime members, either as safe houses, residences or as spaces for conducting criminal activities.



As a result, interviewees explain in detail how, when, where, and whom they knew about such and such real estate associated with illicit money. That is, the selection of the properties was made under two main circumstances: 1) because either they were neighbors or acquaintances —at some point in their life— of the criminal, or 2) because they read multiple news in the local media outlets regarding the issue. In other words, to participate, at a minimum standard, it was necessary that the interviewees were informed by local media about an arrest or seizure of a property. Moreover, in most cases, they knew someone linked to organized crime and were also aware of seizures in different boroughs.

The outcome of the process was over 150 properties (e.g., houses, warehouses, gyms, apartment towers, and more) individually tagged in Google Earth, as a first phase, as part of the cartographic methodology. This allowed our understanding of the real estate diversity involved within an illicit economy and to distinguish the geography of criminal power throughout the border city that has expanded over time. Afterward, the information was systematized in Excel by categories such as neighborhoods, postal codes, type of buildings, levels above the ground, towers or units, market price, square meters of construction, square meters of garden, among others. This enriched data was vital for our investigation.

Finally, with the information organized, we proceed to trace —in polygonal shape— through Google Earth, those boroughs where real estate correlated to illicit money was pointed out by both victims and victimizers, that had lived in border city since 2000, and that had also experienced the spiral of violence of 2008-2010. Also, we took satellite photographs from the Google Earth program in order to identify, among others, the characteristics of the front of the buildings.

Regarding historical information, it was retrieved mainly from local media archives specialized in urban violence from 1980 to 2015, as well as limited bibliographies written on the matter by city residents (e.g., key journalists and academics) during the early 2000s, along with academic discussions with local history specialists on both sides of the border. The research results will be discussed below, mainly those related to the qualitative and historical methodology.

4. ORGANIZED CRIME, ILLICIT MONEY & REAL ESTATE



As mentioned earlier, the manuscript analyzes the characteristics of some of the properties bought by transnational organized crime members through money laundering, which as unintended consequences, have produced geography of criminal power around the border city through the local real estate. It is worth mentioning that all participants' names used in the following section are deliberately designated to protect the interviewees' true identities.

Roxana N. (interviewed in Tijuana, June 17, 2016) was an associate of one of the city's prestigious architectural firms that designed residential projects for criminals in 2008-2010. *Roxana N.* said that such residential projects generally had a "Californian [style], with high multi-pitched roofs of red and orange tile. In addition, they use expensive materials, like marble floors, onyx or granite kitchens, marble bathrooms."

According to her, in 2010, "those houses priced between 4 and 5 million pesos. The average middle-class house [in Tijuana] was 2 million, but most of the population [lived] in houses from 500,000 to 800,000 pesos. The upper class [invested up to] approximately 3 million pesos." (The exchange rate in 2010 was 12 pesos per U.S. dollar). Therefore, there was a standard deviation when the property's value at that time exceeded the market value of 3 million pesos.

Another interviewee, *Luis N.*, confirmed *Roxana's* observations. *Luis N.*, the son of a wellknown criminal whose whereabouts are unknown, had also been kidnapped by corrupt state police officers allied to organized crime. In that sense, *Luis N.* noted: "their houses were built very quickly."

"You had 30 people working on a large two-story house. Then, in three months, they built a house on 250 square meters of land, with good finishing's, trucks arriving, and outside a hot tub on the patio, in neighborhoods that middle-class or lower-middle-class people could not afford" (interview, Tijuana, March 21, 2016).

Luis N. described the financial liquidity necessary to carry out such projects:

"The finished house cost 250,000 dollars, about 3 million pesos, which they built in three months. In addition, there would be sports cars, Mercedes Benz, and Suburbans there with Mexican license plates. Businesspeople could build those houses, but not with that kind of liquidity. Maybe a house could be bought for 3 million pesos and pay monthly fees of 25,000, but with a job as a maquiladora executive, there is no such salary. With that kind of job, in three months you could not buy land, build, and finish the house, plus the cars with Mexican plates (at that time, it was not easy to buy that type of car because they did not give credit; you had to pay cash)".

While properties associated with the organized crime were predominately California style in the 2000s, some were also Minimalist in style, with high ceilings and flat concrete surfaces, as shown in Figure 2. There were also apartments linked to organized crime, although fewer in number. Through



2010, these were generally well located but simple. However, the number has likely increased since the study, as vertical, luxury real estate development grew in Tijuana in 2018 (Martínez, 2018).

Figure 2. Luxury residences of organized crime members. California (left) and Minimalist style (right) architectural style.



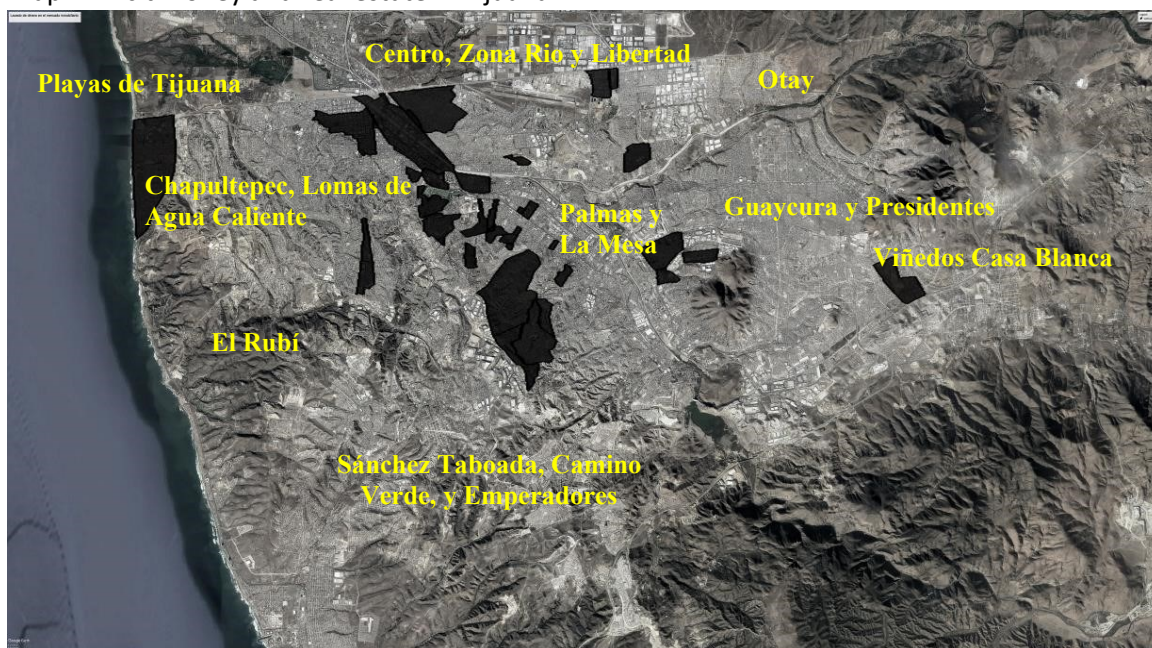
Source: U.S. Treasury Department. Office of Foreign Asset Control (2010).

As mentioned before, the information collected from all interviewees in our study identified the properties linked to organized crime. Moreover, it helped construct a thematic map that shows residential and commercial buildings as the most common type of property, with land and civil engineering buildings the least common. Regarding commercial buildings, the specific economic purposes of these properties included: hotels and motels, bars, restaurants, homes, apartments, residential subdivisions, warehouses, shopping malls, hospitals, funeral homes, gymnasiums, and furniture stores (Orozco, 2018).

The sum of these residential and commercial properties shows the geography of criminal power in the border city of Tijuana, formed by the cumulative acquirement of real estate through illicit money. It should be noted that for this research, mixed zones are a concept that incorporates residential and commercial real estate. Likewise, the data collected in our study displays that organized crime capitalizes in the next districts: Playas de Tijuana, Otay,

Guaycura, Viñedos Casa Blanca, and El Rubí, as well as in the multi-district corridors of Centro–Zona Río–Libertad, Chapultepec–Lomas de Agua Caliente–Hipódromo, Palmas–La Mesa, and Sánchez Taboada–Camino Verde–Emperadores.

Map 1. Illicit money and real estate in Tijuana.



Map 2. Commercial and residential buildings associated with illicit money.



Source: Own elaboration

As can be seen in Map 2, the zones containing commercial and residential real estate (*mix zones*) associated with organized crime are concentrated in Playas de Tijuana, Zona Río, Libertad, La Mesa, Sánchez Taboada, and Camino Verde. Most of the commercial real estate is in the Centro,

Palmas, 20 de Noviembre, and Otay neighborhoods, and the residential properties are in Chapultepec, Lomas de Agua Caliente, Murúa, Guaycura, Emperadores, and El Rubí.

Commercial buildings connected to illicit money significantly impact the city's social space. They have diverse characteristics, representing a range of sizes, fonts, colors, materials, economic activities, and investments. A common thing between all properties is their location on the main boulevard that crosses the city.

According to our interviewees, along with media and the U.S. Office of Foreign Assets Control, over 150 properties, including houses and luxury residential buildings, and apartment complexes (each with three or more towers), are connected to organized crime in the city. Considering the 423,987 officially computed households in Tijuana by 2010, it might give the imprint to be an irrelevant share of the 150 properties enlisted above (Instituto Nacional de Estadística y Geografía, 2010). However, the readers must consider two substantial facts.

First, properties registered in the research are considered a whole, and therefore, the final number would have to multiply considering the towers of apartments. Second, with the limited support of 15 in-depth interviews, news-related residential seizures, and limited U.S. OFAC reports, around 150 properties were registered during the research. Thus, as participants point out, the chances of increasing the number are exponential. That is to say, from the controlled sampling carried out, each individual knows of 10 properties linked to dirty money from drug trafficking. This data provides a starting point for illicit money tracing in residential buildings. An unexpected result consequential from the investigation was the acknowledgment of four corridors, where organized crime members' homes concentrate: a) Chapultepec-Lomas de Agua Caliente, b) Emperadores, c) Murúa - Presidentes, and d) El Rubí.

Likewise, considering the over 17,000 commercial units registered in the city in 2008, the 95 business units connected to organized crime registered in this research might seem slightest. Nevertheless, the readers must consider the three abovementioned facts applied to commercial buildings. According to the research, non-residential real estate associated with illicit money is mainly in the following districts: Centro, Otay, and Palmas. However, it is essential to consider the *mixed zones*, which merge residential and commercial assets. As can be seen in Map 2, these are located all over the city through corridors: a) Playas de Tijuana, b) La Mesa, c) Sánchez Taboada-Camino Verde, and d) Zona Río-Libertad.

Indeed, the study lets us examine illicit money and the geography of criminal power with two different approaches. The first is for dwelling reasons, while the second is related to a financial



investment; both cases are related to real estate. Additionally, criminals have learned the necessary techniques to take financial advantage out of the institutional vacuums to favor their illicit investments through money laundering in the real estate market.

Furthermore, it is essential to note the multiple social and economic impacts and the unintended consequences of commercial buildings connected to illicit money in the city. The study has found that as a direct consequence of violence due to criminal syndicates, the border city of Tijuana gradually experienced a forced displacement of its business class. Indeed, over 5,000 business-related families moved to San Diego County only between 2008 and 2010. During the intermittent peace in 2011-2012, two out of five victims voluntarily returned to the city (Sandoval Alarcón, 2012).

Because of the spiral of violence, some victims determined to sell their homes, while a few others could keep them and acquired new homes in San Diego (Fundación MEPI, 2011). However, according to our interviewees, those who chose to stay also changed the driving routine (the roads they would use to travel to work). They also embraced discreet lifestyles, on a few occasions crossed to the U.S. for Friday night recreation, or had parties at home with guests sleeping over to avoid returning home at night. If that was not enough, they also installed high walls and security technology in homes and businesses and trained attack dogs (Orozco, 2018).

Likewise, the surge of violence temporarily affected the local industry, specifically maquiladoras. According to the state authorities, there was an unprecedented foreign direct investment of USD 866.9 million in the first three quarters of 2007 (Secretaría de Economía, 2017). However, the figure cut down to \$566 million in 2008 and plunged severely in 2009 to \$174 million. In 2010, the figure rebounded to \$518 million in a violent year. However, the worst year for foreign investment was not 2009, but instead 2012, a year that registered a significant decrease in homicides (Secretaría de Economía, 2017).

Even though the foreign direct investment in the industrial sector recovered, there was a notable decrease in the number of commercial establishments in Tijuana due to the extortion and kidnapping of property owners (Instituto Nacional de Estadística y Geografía, 2009; Fundación MEPI, 2011). Nevertheless, criminogenic violence reaches everyone, including larger enterprises (figure 1).

For example, Grupo Caliente, the leading sports recreation corporation in the nation with its main office in Tijuana, The year 2009 was complicated for the civil engineering establishment we analyzed had 26 million pesos in the bank during the first quarter of that year. However, a few months later, the account dropped to 16 million in June. When the economy stabilized in the city during September, the figure again dropped to 14 million pesos. Still, the worst period recorded was a year



later, in June 2010, when Grupo Caliente –according to official documents- had only 6 million pesos in the bank (Dirección General de Juegos y Sorteos, n.d.).

Other unintended urban consequences became visible relatively quickly. For example, the border city of Tijuana was stigmatized and became an object of discrimination by foreigners and Mexicans. However, stigmatization began to decline in 2011 due to a decrease in criminal violence, active efforts by the Mexican gastronomic sector on both sides of the border, publicity aimed at recognizing Tijuana as a city of opportunities, and young people establishing creative and successful businesses like artisanal brewing and the manufacture of drones (Spagat, 2010; Ramos & Martínez, 2010; Orozco, 2018).

FINAL CONSIDERATIONS

Because of the multiple juicy benefits, criminals regularly introduce illicit money into the real estate market. Although there are regulations and several mechanisms to detect illicit money insertion in both the real estate sector and private banking, experience shows that these are not enough to contain the damage. That is because, with technical aid from professionals, criminals move around and get the best out of the formal and informal financial system. Furthermore, it is essential to point out that this problem is not located exclusively in Tijuana, Mexico, but worldwide, as Unger demonstrated in her studies.

Indeed, like any other city in the world (in the end, capital is global as criminal networks) and with a few techniques, criminals achieve –with due diligence of their accountants and tax lawyers- to conceal the origin of the illicit resource and, at the same time, increase their wealth accumulation capacity, and therefore, means for criminal production.

For example, a house and, even more, a warehouse can hold captive multiple kidnapping victims; they can also be used to produce illegal substances or as an illicit firearm warehouse. In addition, local media has declared that some city motels are used for human trafficking, prostitution, and modern slavery. Indeed, for criminal activity, real estate is not only a secure investment -since it increases its value over time- but rather a significant meaning that assists the criminal reproduction of insecurity and fear.

Along with the manuscript, the reader can witness how organized crime networks have structured –thru real estate– in the border city of Tijuana, Mexico. The accumulation of properties has produced a geography of criminal power along the city employing illicit money. One of the most interesting lessons learned from the research was recognizing that criminals invest in real estate during periods of peace and violence; however, they may find an outstanding financial opportunity during



stressful and chaotic situations. Indeed, in terms of real estate investment, these actors benefit from the waves of violence in ordinary contexts where justice and security are not prevailing as a norm.

It is a crucial point because, even though criminals could buy massively real estate in Tijuana—or any other given city of the country—with illicit money, if the Mexican criminal justice system was strong enough, it could be capable of seizing such properties, and therefore, limit the growth of illicit wealth. Authorities indirectly control criminal networks' reach by controlling the criminal wealth materialized in a private property.

Similarly, the problem can be analyzed with a bilateral approach since some forced displacement victims by criminal violence have moved to San Diego, United States.

Nevertheless, in the context of globalization, capital is also international, so that just as victims can acquire a home in the U.S. bound, criminals can also produce residential boroughs through illicit money. Therefore, here it would be worthwhile to question the co-responsibility of the U.S. authorities, particularly the Californian authorities, in containing possible irregularities related to criminals ranging from acquisition and residency in the United States to significant capital investments.

Nowadays, Tijuana is entangled in the third and most prolonged peak of violence in a continuum that has lasted for decades. However, from the past spirals, this last is very different because it involves more and diverse criminal actors, knowledge, and a vast experience on both authorities and criminals regarding the judicial system, firearms handling, and political process on both sides of the border.

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