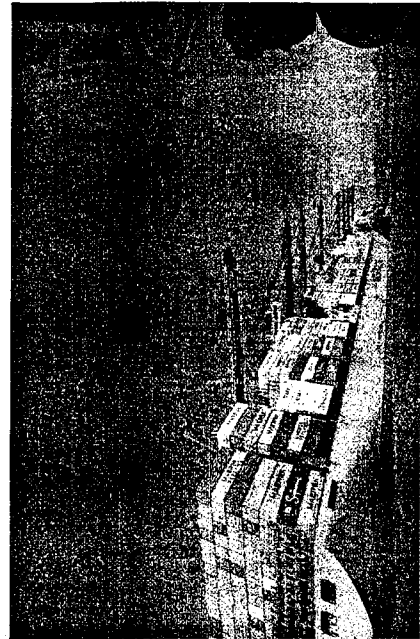


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Chinese iron trade fuels port clash with Mexican drug cartel

Mexico, Jan 1: When the leaders of Michoacan Chinmeo last summer, there was much talk of the methuopen trade between their nations. Down on Mexico's Pacific coast, a drug gang was already in the process of...



LAZARO CARDENAS HAS BECOME ONE OF THE MAIN CASH GENERATORS FOR THE KNIGHTS TEMPLAR CARTEL, WITH THOSE BARRING TO TALK OPENLY PAYING DEARLY IN APRIL. AN OFFICIAL AT MAKER ARCELORMITTAL WHO LOCAL BUSINESSMEN SAID HAD REPORTED LEGAL MINING TO AUTHORITIES WAS SHOT DEAD IN EARLY AUGUST. ABOUT HALF THE MINERS IN THE AREA WERE WITHOUT PROPER PERMITS THIS YEAR. MOST OF THE GROUPS MINING ARE KNIGHTS TEMPLAR OR BELONG TO THEM. THEY HAVE THE WHOLE CHAIN

though signs posted in Michoacan accused a small rival gang of staging the attack. The navy took over the port authority and reinforced Lazaro Cardenas shortly afterwards. All the local police and customs officials were initially suspended and the caravans of trucks carrying ore started to thin out. But the hulls are unlikely to last unless the government can regain control of the city beyond the port gates and open up mining to legitimate prospectors not controlled by the gang.

Miners complain that the main concession-holders such as ArcelorMittal, which did not respond to requests for comment, has only a fraction of their land rights. The Knights have turned that into money. They have moved in, state government Valdez said. Criminals have surrounded Lazaro Cardenas could be worth up to \$2 billion a year — or about half Michoacan's 2012 budget. Some involved in the mining industry say the area has become safer since the Knights Templar started to take control.

But the facts suggest otherwise. Successful Chinese firms are growing quickly in the region. Since setting up in 2008, Desarrollo Minero Unificado de Mexico (DMU), a Chinese iron mining company in Lazaro Cardenas, has got to three employees in 800 Mexicans, nearly all of them in Lazaro. The director general Luis Valdez told Reuters. With more than 30 concessions, he said, the company mineral all of its own iron and had not had any trouble with organised crime. He said he could not say how other Chinese fared.

Still, Chinese success in Michoacan has not been without friction with the Knights Templar. In the August YouTube video, gang leader Gomez had some strong words for them. "We have an excessive invasion of Chinese. An excess of Chinese," he said, surrounded by armed men. "It may suit the interests of various corporations, I don't know. But they're here with us now and these people have their mafias too."

Some residents say they are not squeezed by the cartel, and big companies say they can operate without fear of extortion. "We don't pay a cent to anyone," said Jose Zozaya, head of Kansas

data shows. But 80% is accounted for by Chinese exports to Mexico, most of it goods such as computers and component parts. Much of that trade goes directly through Lazaro Cardenas. In 2012, it had the biggest rise in container ports, handling 1.2 million, 20-foot equivalent units, or TEUs. Most of the port is still a dusty plain above which birds of prey soar in stifling heat. In a few years, though, projects started by Mexican President Xi Jinping and his ties with China. Valdez has been in office only since March, but Pena Nieto has already welcomed Xi to Mexico, starting a string of economic cooperation deals. But at the top of the state was how to narrow the massive trade imbalance between the two nations. Felipe Calderon began a national wide crackdown on organised crime in Michoacan, sending in

Because the Knights Templar control much of the local iron supply, the gang has pressured Chinese buyers to purchase ore from them or face reprisals, said a Mexican government security official who spoke on condition of anonymity. The combination of organised crime and Chinese buying of Mexican iron ore poses a problem for President Enrique Pena Nieto, who has gone out of his way to cultivate ties with China. China's President Xi Jinping has been in office only since March, but Pena Nieto has already welcomed Xi to Mexico, starting a string of economic cooperation deals. But at the top of the state was how to narrow the massive trade imbalance between the two nations. Felipe Calderon began a national wide crackdown on organised crime in Michoacan, sending in

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