



# Department of Justice

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**STATEMENT OF**

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U.S. DEPARTMENT OF JUSTICE**

**BEFORE THE**

**SUBCOMMITTEE ON BORDER SECURITY AND IMMIGRATION  
COMMITTEE ON THE JUDICIARY  
UNITED STATES SENATE**

**FOR A HEARING ENTITLED**

**“NARCOS: TRANSNATIONAL CARTELS AND BORDER SECURITY”**

**PRESENTED**

**DECEMBER 12, 2018**

**Statement of Paul E. Knierim**  
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**Drug Enforcement Administration**  
**Before the Subcommittee on Border Security and Immigration**  
**Committee on the Judiciary**  
**United States Senate**  
**December 12, 2018**

Mr. Chairman and distinguished Members of the subcommittee – on behalf of Acting Drug Enforcement Administrator Uttam Dhillon and the men and women of the Drug Enforcement Administration (DEA), thank you for holding this hearing on Mexican Cartels and Border Security, and for allowing DEA to share its views on this very important topic. It is an honor to be here to discuss an issue that is important to our country and its citizens, our system of justice. This issue is one to which I have dedicated my professional life to combatting, and about which I personally feel very strongly.

I joined the DEA in 1991 as a Special Agent and was initially assigned to Denver. It has been my privilege to enforce the Controlled Substances Act (CSA) on behalf of the American people for over 27 years. My perspective on Mexican Cartels is informed by my years of experience as a Special Agent in the trenches, as a Supervisor in Miami, as an Assistant Special Agent in Charge in Dallas, as Assistant Regional Director for the North and Central America Region, and now as the Deputy Chief of Operations for DEA.

As a career Special Agent, I have devoted my professional life to enforcing the law and keeping our communities safe and free from harmful illicit substances. Our fundamental responsibility is not simply to arrest individuals, win convictions, or send people to prison, but also to enforce the controlled substances laws and regulations of the United States. We work to bring to the criminal and civil justice system of the United States, or any other competent jurisdiction, those organizations and principal members of organizations, involved in the growing, manufacturing, or distribution of controlled substances appearing in or destined for illicit traffic in the United States. We also provide active advisory support for, and collaboration with, allied nations likewise battling illicit trafficking in their own jurisdictions internationally; and recommend and support non-enforcement programs aimed at reducing the availability of illicit controlled substances on the domestic and international markets. I believe, now more than ever in light of the current opioid epidemic, that law enforcement officers must remain steadfast in their pursuits of keeping harmful and often times deadly substances out of the United States, and holding accountable those who violate the laws of the United States.

## **OVERVIEW**

Today, we are here to discuss the United States drug threat, and the Mexican Transnational Criminal Organizations (TCOs) that contribute to this threat. Illicit drugs—ranging from marijuana to fentanyl—remain a significant threat to public health and safety. Undoubtedly, Mexican TCOs are one of the greatest criminal drug threats to the United States. As I will

explain in more detail, DEA has prioritized its resources and partnered with domestic and international entities to combat these threats. Ultimately, the fight against drug abuse is complex and far from being under control. Nonetheless, DEA will continue executing effective methods for eradicating the national drug threat and dismantling the criminal organizations that contribute to that threat.

## **UNITED STATES DRUG THREATS**

Illicit drugs, as well as the transnational and domestic criminal organizations that traffic them, continue to represent significant threats to public health, law enforcement, and national security in the United States. Drug overdose deaths are the leading cause of injury death in the United States, currently at their highest-ever recorded level and, every year since 2011, have outnumbered deaths by firearms, motor vehicle crashes, suicide, and homicide. In 2017, approximately 192 people died every day from drug overdoses.<sup>1</sup> The opioid threat (controlled prescription drugs, synthetic opioids, heroin, and other illicit substances) has reached epidemic levels, affecting large portions of the United States. Meanwhile, as the ongoing opioid crisis justly receives national attention, the methamphetamine threat remains prevalent; the cocaine threat has rebounded; New Psychoactive Substances (NPS) are still a challenge; and the domestic marijuana situation continues to evolve.

### **FENTANYL**

Fentanyl and fentanyl-related substances (analogues), primarily sourced from China and to a lesser extent Mexico, are now the most lethal category of opioids used in the United States. Traffickers, wittingly or unwittingly, are increasingly selling fentanyl and fentanyl-related substances to users without mixing it with any other controlled substances and are also increasingly selling fentanyl and fentanyl related-substances in the form of counterfeit prescription pills. Fentanyl suppliers continue to experiment with new fentanyl-related substances and adjust supplies in attempts to circumvent new regulations imposed by the United States, China, and Mexico. Highly pure and potent fentanyl is transported across the country through mail courier services. While significantly less pure, fentanyl is also smuggled across the Southwest border (SWB) in kilogram quantities and stored at stash houses, often with other drugs. It is transported and concealed in spare tires, gas tanks, and hidden compartments.

### **HEROIN**

There are four major heroin-producing regions in the world, but heroin bound for the U.S. market originates predominantly from Mexico and to a lesser degree, Colombia.<sup>2</sup> In addition to dominating traditional markets in the western United States, Mexican organizations are now the most prominent wholesale heroin traffickers in the DEA's Chicago, New Jersey, Philadelphia, and Washington, D.C. Field Division areas of responsibility, and have greatly expanded their

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<sup>1</sup> U.S. Department of Justice, Drug Enforcement Administration, 2018 National Drug Threat Assessment (NDTA), October 2, 2018, available at <https://www.dea.gov/documents/2018/10/02/2018-national-drug-threat-assessment-ndta>.

<sup>2</sup> *Id.*

presence in the New York City area. While heroin use continues to increase, the occurrence of heroin mixed with fentanyl is also increasing. Record levels of opium poppy cultivation and heroin production in Mexico allow Mexican TCOs to supply high-purity, low-cost heroin, even as U.S. use has continued to increase.

## **METHAMPHETAMINE**

Methamphetamine remains prevalent and widely available, with most of the methamphetamine available in the United States being produced in Mexico and smuggled across the SWB. Domestic production occurs at much lower levels than in Mexico, and seizures of domestic methamphetamine laboratories have declined steadily for many years, most likely due to the increasing availability of high-purity, high-potency Mexican methamphetamine, and sustained domestic counter-methamphetamine enforcement efforts.<sup>3</sup>

Although, methamphetamine is available throughout the United States, the highest availability is in the West and Midwest regions of the country. In recent years, methamphetamine has been increasing in prevalence in areas that have, historically, not been major markets for the drug, particularly the Northeast. The majority of DEA Field Divisions indicated methamphetamine availability was high throughout the United States. In 2017, 13 of 21 DEA Field Divisions surveyed reported that methamphetamine availability was high, while four other Field Divisions reported that methamphetamine availability was moderate. Six Field Divisions reported that methamphetamine was more available compared to the previous reporting period, and the remaining 15 Field Divisions reported stable availability in 2017.

## **COCAINE**

Cocaine availability and use in the United States have rebounded, due to the record levels of coca cultivation and cocaine production in Colombia. As a result, past-year cocaine initiates and cocaine-involved overdose deaths are exceeding 2007 benchmark levels.<sup>4</sup> According to the Centers for Disease Control and Prevention (CDC), there were 13,942 cocaine-involved overdose deaths during 2017.<sup>5</sup> Simultaneously, the increasing presence of fentanyl in the cocaine supply, is exacerbating the impact of the re-emerging cocaine threat, particularly the overdose rate.

## **CONTROLLED PRESCRIPTION DRUGS**

Controlled Prescription Drugs (CPDs) are the second most commonly abused substance in the United States.<sup>6</sup> As CPD abuse has increased significantly, traffickers are now disguising other opioids as CPDs in attempts to gain access to new users. Most individuals who report misuse of

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<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> See CDC, Provisional Counts Of Drug Overdose Deaths As Of 8/6/2017; see also National Institute on Drug Abuse, Overdose Death Rates (Revised September, 2017).

<sup>6</sup> *Id.* at 1.

prescription pain relievers cite physical pain as the most common reason for abuse; these misused pain relievers are most frequently obtained from a friend or relative.<sup>7</sup>

## **NEW PSYCHOACTIVE SUBSTANCES**

The number of NPS continues to increase worldwide, but remains a limited threat in the United States compared to other widely available illicit drugs. China remains the primary source for the synthetic cannabinoids and synthetic cathinones that are trafficked into the United States. The availability and popularity of specific NPS in the United States continues to change every year, as traffickers experiment with new and unregulated substances.

## **MARIJUANA**

Marijuana remains the most commonly used illicit drug in the United States. The overall landscape continues to evolve; although still illegal under Federal law, more states have passed legislation regarding the possession, use, and cultivation of marijuana and its associated products. Although seizure amounts coming across the SWB have decreased in recent years, Mexico remains the most significant foreign source for marijuana available in the United States. Domestic marijuana production continues to increase, as does the availability and production of marijuana-related products.<sup>8</sup>

## **THE OPIOID EPIDEMIC**

Drug overdoses, suffered by family, friends, neighbors, and colleagues, are now the leading cause of injury-related deaths in the United States, eclipsing those from motor vehicle crashes or firearms.<sup>9</sup> An in-depth analysis of 2016 U.S. drug overdose data shows that America's overdose epidemic is spreading geographically, and is increasing across demographic groups. The sharp increase in drug overdose deaths between 2015 and 2016 was fueled by a surge of overdoses involving fentanyl and fentanyl analogues.<sup>10,11</sup> Unfortunately, provisional drug overdose data from the CDC show that fentanyl use drove drug overdose deaths to a record high in 2017. Annual deaths from all drug overdoses in 2017 rose to 70,237, with a majority of those deaths involving opioids.

Under U.S. federal law, fentanyl is a Schedule II controlled substance, which is lawfully produced and distributed in the United States by manufacturers of prescription drugs approved by the Food and Drug Administration (FDA) and is widely used in medicine. It is an extremely potent analgesic, used for anesthesia and pain control in people with serious pain problems; in such cases, it is generally indicated only for use in people who have a high opioid tolerance.

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> Rose A. Rudd, Noah Aleshire, Jon E. Zibbell, & R. Matthew Gladden. Increases in Drug and Opioid Overdose Deaths – United States, 2000-2014 Morbidity and Mortality Weekly Report, 2016;64:1378-1382.

<sup>10</sup> <https://www.cdc.gov/media/releases/2018/p0329-drug-overdose-deaths.html>

<sup>11</sup> CDC WONDER data, retrieved from the National Institute of Health website; <http://www.drugabuse.gov> as reported on NIDA's website.

Illicit fentanyl, fentanyl-related substances, and their immediate precursors are often produced in China. From China, these substances are shipped primarily through express consignment carriers or international mail directly to the United States, or, alternatively, to (TCOs in Mexico, Canada, and the Caribbean. Once in the Western Hemisphere, fentanyl and fentanyl-related substances are prepared for mixing into the heroin supply, other non-opioid drugs, or pressed into a tablet form, and then moved into the illicit U.S. market, where demand for prescription opioids and heroin remain at epidemic proportions. In some instances, drug trafficking organizations have industrial pill presses shipped directly into the United States from China, which allows them to press fentanyl pills domestically. Mexican TCOs have seized upon this business opportunity because of the profit potential of synthetic opioids, and have invested in growing their share of this market. Because of its low dosage range and potency, one kilogram of fentanyl purchased in China for \$3,000 - \$5,000 can generate upwards of \$1.5 million in revenue on the illicit market. Such is the potency of fentanyl, that consumption of as little as 2 milligrams of fentanyl can result in a fatal overdose, meaning that a kilogram of fentanyl has the potential of causing lethal overdoses of 500,000 people.<sup>12</sup>

According to the National Forensic Laboratory Information System (NFLIS), since January 2013 through December 2017, there were roughly 120,000 fentanyl exhibits identified by federal, state, and local forensic laboratories.<sup>13</sup> During 2016, there were 37,259 fentanyl reports compared to 1,043 reports in 2013, an exponential increase over the past four years; and, since 2016, there have been 60,615 fentanyl reports identified in 2017, a 63 percent increase.<sup>14</sup> The consequences of fentanyl misuse are often fatal and occur amongst a diverse user base. For 2017, the CDC's National Vital Statistics System, the age-adjusted rate of drug overdose deaths involving synthetic opioids other than methadone (drugs such as fentanyl, fentanyl analogs, and tramadol) increased by 45 percent between 2016 and 2017, from 6.2 to 9.0 per 100,000.<sup>15</sup>

Even though fentanyl, fentanyl-related substances, and other NPS, have been controlled under Schedule I or II of the CSA, entrepreneurs procure/create new synthetic compounds with relative ease, by merely altering the chemical composition of the substances.<sup>16</sup> Over the past several years, DEA has identified numerous illicit fentanyl-class substances and hundreds of synthetic drugs from at least eight different drug classes, the vast majority of which are manufactured in China.

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<sup>12</sup> U.S. Department of Justice, Drug Enforcement Administration, 2017 National Drug Threat Assessment, October, 2017, pg. 57.

<sup>13</sup> U.S. Department of Justice, DEA, NFLIS, actual data queried on October 13, 2017.

<sup>14</sup> U.S. Department of Justice, DEA, NFLIS, actual data queried on October 18, 2018.

<sup>15</sup> Holly Hedegaard, M.D., Arialdi M. Miniño, M.P.H., and Margaret Warner, Ph.D. Drug Overdose Deaths in the United States, 1999–2018. <https://www.cdc.gov/nchs/products/databriefs/db329.htm>

<sup>16</sup> On February 6, 2018, DEA published a final order in the Federal Register scheduling all fentanyl-related substances (i.e., fentanyl analogues) in Schedule I on an emergency basis. The final order was made effective on the date of publication.

Using published data from the patent and scientific literature as their guide, clandestine chemists have continued to develop and synthesize new synthetic opioids, cannabinoids, and cathinones for the illicit market. Clandestine chemists can easily continue developing and synthesizing new synthetic opioids that do not appear on any schedule of controlled substances. Sadly, these substances are often first discovered when DEA receives reports from local hospitals and coroners in connection with a spate of overdoses. When DEA takes action to temporarily schedule a substance, traffickers begin selling new versions of their products made from new, non-controlled substances in as little as several weeks. Temporary scheduling alone is not enough to address this epidemic. The existing process to temporarily schedule a substance is reactionary, and not agile enough to keep up with bad actors engineering illicit substances for the express purpose of skirting our laws.

Illicit fentanyl, fentanyl analogues, and other NPS are relatively inexpensive, available via the Internet, and are often manufactured in China where they may be shipped (via the international postal system or express consignment couriers) to the United States; alternatively, they may be shipped directly to TCOs in Mexico, Canada, and the Caribbean. Once in the Western Hemisphere, fentanyl and fentanyl-related substances in particular are combined with heroin, cocaine, and other substances, and/or pressed into counterfeit pills made to look like controlled prescription drugs containing oxycodone or hydrocodone. They are then sold online on anonymous darknet markets, and even on overtly-operated websites. It is extremely difficult for the Department of Homeland Security (DHS), U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI), and the U.S. Postal Inspection Service (USPIS) to address the threat of illicit importation at ports of entry, due to the combination of: the questionable legal status of these substances, which are not specifically named in the CSA itself or by DEA through scheduling actions; the enormous volume of international parcel traffic by mail and express consignment couriers; and the technological and logistical challenges of detection and inspection. These challenges have paved the way for non-cartel-affiliated individuals to undertake fentanyl trafficking. DEA is working with CBP, HSI, and USPIS, to increase coordination on seized parcels.

## **MEXICAN TRANSNATIONAL CRIMINAL ORGANIZATIONS**

Mexican TCOs remain the greatest criminal drug threat to the United States as a whole. The Sinaloa Cartel maintains the most expansive footprint in the United States, while Cartel Jalisco Nueva Generacion's (CJNG) domestic presence has significantly expanded in the past few years. Although 2017 drug-related murders in Mexico surpassed previous levels of violence, U.S.-based Mexican TCO members generally refrain from extending inter-cartel conflicts into the United States.

Although offshoots from previously established TCOs continue to emerge, DEA assesses the following six Mexican TCOs as having the greatest drug trafficking impact on the United States: Sinaloa Cartel, CJNG, Juarez Cartel, Gulf Cartel, Los Zetas Cartel, and Beltran-Leyva Organization (BLO). Each of these TCOs maintains drug distribution cells in designated cities across the United States that either report directly to TCO leaders in Mexico or indirectly through intermediaries. The following is a background on each:

**Sinaloa Cartel** – The Sinaloa Cartel, based in the Mexican State of Sinaloa, is one of the oldest and more established drug trafficking organizations in Mexico. The Sinaloa Cartel controls drug trafficking activity in various regions in Mexico, particularly along the Pacific Coast. Additionally, it maintains the most expansive international footprint compared to other Mexican TCOs. The Sinaloa Cartel exports and distributes wholesale amounts of methamphetamine, marijuana, cocaine, heroin, and fentanyl in the United States by maintaining distribution hubs in cities that include Phoenix, Los Angeles, Denver, and Chicago. Illicit drugs distributed by the Sinaloa Cartel are primarily smuggled into the United States through crossing points located along Mexico’s border with California, Arizona, New Mexico, and West Texas.

**Jalisco New Generation Cartel** – CJNG, based in the city of Guadalajara in the Mexican state of Jalisco, is the most recently formed of the six TCOs. With drug distribution hubs in the U.S. cities of Los Angeles, New York, Chicago, and Atlanta, it is one of the most powerful and fastest growing cartels in Mexico and the United States. CJNG smuggles illicit drugs into the United States by accessing various trafficking corridors along the SWB to include Tijuana, Juarez, and Nuevo Laredo. CJNG’s rapid expansion of its drug trafficking activities is characterized by the organization’s willingness to engage in violent confrontations with Mexican Government security forces and rival cartels. Like most major Mexican TCOs, CJNG is a poly-drug trafficking group, manufacturing and/or distributing large amounts of cocaine, heroin, methamphetamine, and fentanyl. CJNG reportedly has a presence in 22 of 32 Mexican states.

**Juarez Cartel** – The Juarez Cartel is one of the older Mexican TCOs. The Mexican State of Chihuahua, south of West Texas and New Mexico, represents the traditional area of operation of the Juarez Cartel. The Juarez Cartel endured a multi-year turf war with the Sinaloa Cartel, which, at its height in mid- 2010, resulted in many drug-related murders in Chihuahua. Though not as expansive as its rival Sinaloa Cartel, the Juarez Cartel continues to impact United States drug consumer markets primarily in El Paso, Denver, Chicago, and Oklahoma City. The Juarez Cartel mainly traffics marijuana and cocaine though recently it has expanded to heroin and methamphetamine distribution in the United States. Recent law enforcement reporting indicates opium cultivation overseen by the Juarez Cartel has increased significantly in the State of Chihuahua since 2013, outpacing marijuana cultivation in some regions.

**Gulf Cartel** – The Gulf Cartel has been in operation for decades. With a traditional power base in the Mexican State of Tamaulipas, the Gulf Cartel concentrates primarily on marijuana and cocaine trafficking, but has also recently expanded into heroin and methamphetamine. Due to its influence over areas in northeast Mexico, the Gulf Cartel smuggles a majority of its drug shipments into South Texas through the border region between the Rio Grande Valley and South Padre Island. The Gulf Cartel maintains a presence in Atlanta, and holds key distribution hubs in Houston and Detroit.

**Los Zetas Cartel** – Los Zetas formed as an independent cartel in early 2010 when it officially splintered from the Gulf Cartel. At the time of the rupture, Los Zetas controlled drug trafficking in large parts of eastern, central, and southern Mexico. However, due to pressure from rival cartels, Mexican security forces, and internal conflicts, the influence of Los Zetas has lessened significantly in recent years. Los Zetas are currently divided into two rival factions – the



Northeast Cartel (Cartel del Noreste, or CDN), representing a rebranded form of mainstream Zetas, and the Old School Zetas (Escuela Vieja or EV), which is a breakaway group. Members of Los Zetas smuggle the majority of their illicit drugs through the border area between Del Rio and Falcon Lake, Texas, with a base of power in Nuevo Laredo, Mexico. Los Zetas' members currently traffic cocaine, heroin, methamphetamine, and marijuana through key distribution hubs in Laredo, Dallas, and New Orleans, and have a known presence in Atlanta.

**Beltran-Leyva Organization** – The BLO asserted its independence after the Beltran-Leyva brothers and their network of drug trafficking associates split from the Sinaloa Cartel in 2008. Though all the Beltran-Leyva brothers have now been killed or arrested, remnants of their organization continue to operate in various parts of Mexico, including the States of Guerrero, Morelos, Nayarit, and Sinaloa. While these splinter groups function autonomously, they are still regarded as being under the general umbrella of BLO. The most prominent of these subgroups, Los Guerreros Unidos, continues to operate independently thanks in large part to its role in the heroin trade. BLO subgroups rely on their loose alliances with CJNG, the Juarez Cartel, and Los Zetas for access to drug smuggling corridors along the SWB. BLO members primarily traffic marijuana, cocaine, heroin, and methamphetamine, and maintain distribution centers in Phoenix, Los Angeles, Chicago, and Atlanta.

## MONEY LAUNDERING

In 2017, U.S. law enforcement officials reported over 2,200 bulk cash seizure events, totaling more than \$193 million, according to the National Seizure System (NSS).<sup>17</sup> This is a 56 percent decrease from the previous year's \$437.9 million in reported bulk cash seizures. For Calendar Year 2017, California, Ohio, and Arizona reported the highest dollar amounts in bulk cash seizures for a combined total of \$138.8 million. This amount decreased by approximately 49 percent in comparison to the previous year's top three grossing states for seizures. Gross amount of bulk cash seized has steadily decreased since 2010.

Most bulk currency smuggled into California from other states is assessed to be suspected payments for drug shipments. The majority of bulk currency is moved from Northern California to Southern California and eventually transported across the border into Mexico using privately owned vehicles and commercial tractor trailers. Large amounts of cash continue to be interdicted along major highway corridors, with the cash typically concealed in hidden vehicle compartments or among legitimate cargo. Los Angeles remains a haven for drug trafficking organizations to launder their proceeds, due to the numerous banks, businesses with ties to Mexico, and check cashing centers present in the area.

International airports throughout California are also significant transit points for traffickers smuggling bulk cash derived from drug sales. In these instances, cash can be found in checked

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<sup>17</sup> The information reported to NSS by contributing agencies does not necessarily reflect total seizures nationwide. Federal law enforcement agencies are required to report seizures that are equal to \$10,000 USD and above, while report for state and local agencies is voluntary. NSS is a live database and the data can change from year to year.

or carry-on bags, either loose or in plastic heat or vacuum sealed bags, or else concealed on the passenger's person. In addition, numerous undeclared quantities of cash are detected at mail facilities within shipping boxes originating from other U.S. locations. These boxes, sometimes supplied by the mail service, delivery businesses or express consignment services are then shipped via ground and air to destinations in California.

**Figure 133. Top Three States for Bulk Currency Seizures (in USD), 2012-2017.**

Rank	2012	2013	2014	2015	2016	2017
1	New York \$212,038,936	California \$153,944,323	California \$124,323,437	California \$104,810,607	California \$57,110,462	California \$36,993,572
2	California \$130,694,737	New York \$113,815,107	New York \$48,727,482	Texas \$44,211,942	Florida \$45,682,687	Ohio \$20,807,872
3	Texas \$67,202,140	Texas \$45,571,571	Georgia \$36,425,523	Florida \$43,144,356	Texas \$36,087,822	Arizona \$13,444,481

Source: El Paso Intelligence Center/National Seizure System

Mexican TCOs are increasingly utilizing U.S.-based Asian money laundering organizations to facilitate drug money laundering. Regardless of the money laundering method – Trade Based Money Laundering (TBML), mirror (more commonly known as Hawala), or bulk cash movement – the participation of Asian money launderers has become more prominent in some areas. The shift towards Chinese and Asian money launderers is believed to be, in part, due to the natural relationship created by the large volume of both licit and illicit trade goods and chemicals imported from China. The use of an Asian money broker simplifies the money laundering process and streamlines the purchase of precursor chemicals and paraphernalia utilized in manufacturing drugs for street sales.

Aside from Asian money laundering organizations, other TCO networks maintain the capability across multiple states and jurisdictions to buy and sell commodities or services in the United States that assist in the movement of illicit proceeds in and through the United States. Federal, state, local, tribal, and territorial agencies routinely recover billions of dollars of illicit proceeds annually, a portion of which is attributable to TCOs. As an example from June 2017, 11 individuals were charged with laundering more than \$40 million in drug proceeds on behalf of Mexican TCOs. In exchange for kickbacks, managers, and employees of a number of Atlanta-area money remitters reportedly laundered purported drug proceeds to Mexico by breaking the transactions into thousands of smaller transactions and by listing fake sender information. Several of the money remitters allegedly served as the Bank Secrecy/Anti-Money Laundering Compliance Officers for their respective stores, and were responsible for detecting and reporting these types of illicit financial transactions.

### **MEXICIAN TCO STRUCTURE, METHOD, AND VIOLENCE**

Mexican TCO activity in the United States is mainly overseen by Mexican nationals or U.S. citizens of Mexican origin. U.S.-based TCO members of Mexican nationality enter the United

States legally and illegally, and often seek to conceal themselves within densely populated Mexican-American communities. Mexican TCO members operating in the United States often share familial ties with, or can be traced back to, the natal region of leading cartel figures in Mexico. U.S.-based TCO members may reside in the United States prior to being employed by a Mexican TCO. In some cases, U.S.-based TCO members are given high-ranking positions within the organization upon returning to Mexico after years of successful activity in the United States.

U.S.-based Mexican TCOs are composed of various compartmentalized cells assigned with specific functions, such as drug distribution or transportation, consolidation of drug proceeds, or money laundering. Mexican TCO operations in the United States typically function as a supply chain; operators in the chain are aware of their specific function, but are unaware of other aspects of an operation. In most cases, individuals hired to transport drug shipments within the United States are independent third-party “contractors” who may be working for multiple Mexican TCOs. There are increasing numbers of these transportation groups in some areas, and in many cases, they transport smaller shipments.

U.S.-based Mexican TCO members generally coordinate the transportation and distribution of bulk wholesale quantities of illicit drugs to U.S. markets while retail-level distribution is mainly handled by smaller local groups and street gangs not directly affiliated with Mexican TCOs. In some scenarios, Mexican TCOs collaborate with local criminal groups and gangs across the United States to distribute and transport drugs at the retail-level. Mexican TCOs transport the majority of illicit drugs into the United States across the SWB using a wide array of smuggling techniques. The most common method employed by these TCOs involves transporting illicit drugs through U.S. Ports of Entry (POEs) in passenger vehicles with concealed compartments or commingled with legitimate goods on tractor trailers.

Other cross-border smuggling techniques employed by Mexican TCOs include the use of subterranean tunnels, which originate in Mexico and lead into safe-houses on the U.S. side of the border. Underground tunnels are mainly used to smuggle ton quantities of marijuana, although there are instances of other illicit drugs commingled in shipments. Tunnels seized and destroyed by U.S. law enforcement authorities along the SWB are primarily found in California and Arizona, and are generally associated with the Sinaloa Cartel. Mexican TCOs also transport illicit drugs to the United States aboard commercial cargo trains and passenger buses. To a lesser extent, Mexican TCOs also use maritime vessels off the coast of California. Mexican TCOs also rely on traditional drug smuggling methods, such as the use of backpackers, or “mules,” on clandestine land trails to cross remote areas of the SWB into the United States.

Mexican TCOs exploit various aerial methods to transport illicit drugs across the SWB. These methods include the use of ultralight aircraft and unmanned aerial systems (UASs) and drones to conduct air drops. Ultralights are primarily used to transport marijuana shipments, depositing the drugs in close proximity to the SWB. Currently, UASs can only convey small multi-kilogram amounts of illicit drugs at a time and are therefore not commonly used, though there is potential for increased growth and use. Mexican TCOs also use UASs to monitor the activity of U.S. law enforcement along the SWB to identify cross-border vulnerabilities.

Drug-related murders in Mexico continue to reach epidemic proportions. U.S.-based Mexican TCO members, however, generally refrain from inter-cartel violence so as to avoid law enforcement detection and scrutiny, resulting in little spillover violence in the United States. Mexican TCO-related acts of violence do occur in parts of the United States, particularly along the SWB; however, they are less frequent and mainly associated with ‘trafficker-on-trafficker’ incidents.

## **DEA RESPONSE TO MEXICAN DRUG TRAFFICKING**

DEA is combating the threat both domestically and internationally. DEA prioritizes its resources by targeting Consolidated Priority Organization Targets (CPOTs) and Priority Target Organizations (PTOs), which are the most significant international and domestic drug trafficking and money laundering organizations. We partner with federal, state, local, tribal, and international entities to target these identified threats utilizing a range of programs.

### *Special Operations Division*

Established in 1994, the Special Operations Division (SOD) is a DEA-led multi-agency operations coordination center with participation from Federal law enforcement agencies, the Department of Defense (DOD), the Intelligence Community, and international law enforcement partners. SOD’s mission is to establish strategies and operations to dismantle national and international trafficking organizations by attacking their command and control communications. Special emphasis is placed on those major drug trafficking organizations that operate across jurisdictional boundaries on a regional, national, and international level.

### *Heroin-Fentanyl Enforcement Teams*

Utilizing the appropriations under the Consolidated Appropriations Act of 2017 (P.L. 115-31), DEA has created six new heroin-fentanyl enforcement teams to combat trafficking in heroin, fentanyl, and fentanyl analogues. The establishment of the teams began in January 2018, and they will be located in some of the regions hardest hit by the opioid epidemic: New Bedford, Massachusetts; Charleston, West Virginia; Cincinnati, Ohio; Cleveland, Ohio; Raleigh, North Carolina; and Long Island, New York. Thanks to the robust Consolidated Appropriations Act of 2018 (P.L. 115-141) appropriation, DEA will be creating six additional heroin-fentanyl teams. In determining the locations for these teams, DEA will consider multiple factors, including rates of opioid mortality, level of heroin and fentanyl seizures, and where additional resources would make the greatest impact in addressing the ongoing threat. While the teams will be based in specific cities, their investigations will not be geographically limited. DEA has always, and will continue, to pursue investigations wherever the evidence leads.

### *International Enforcement: Sensitive Investigative Units*

A significant component of DEA’s International Drug Enforcement Priorities is to support and expand a key element of DEA’s international efforts: the Sensitive Investigative Unit (SIU) program. DEA’s SIU program, nine of which are in the Western Hemisphere, including Mexico,

helps build effective and vetted host nation units capable of conducting complex investigations targeting major TCOs.

#### *International Enforcement: Bilateral Investigations Units*

Bilateral Investigations Units (BIUs) are one of DEA's most important tools for targeting, disrupting, and dismantling significant TCOs. The BIUs have used extra-territorial authorities to infiltrate, indict, arrest, and convict previously "untouchable" TCO leaders involved in drug trafficking.

#### *El Paso Intelligence Center*

The El Paso Intelligence Center (EPIC) is a national intelligence center focused on supporting law enforcement efforts in the Western Hemisphere, with a significant emphasis on the SWB. Through its 24-hour watch function, EPIC provides law enforcement officers, investigators, and analysts immediate access to participating agencies' databases. This function is critical in the dissemination of relevant information in support of tactical and investigative agencies, deconfliction, and officer safety. EPIC also provides significant intelligence support to state and local law enforcement agencies, especially in the areas of clandestine laboratory investigations and highway interdiction.

#### *Fentanyl Signature Profiling Program*

The overarching goal of the Fentanyl Signature Profiling Program (FSPP) is to provide new insights in support of ongoing DEA investigations. The FSPP does this by providing both real-time data from the in-depth analyses of seized samples and unique science-based forensic investigative leads on seizures where linkages were unknown or only suspected. For instance, examples from qualified seizures throughout DEA (e.g., exhibits containing a sufficient amount of fentanyl necessary for in-depth testing) are automatically submitted to DEA laboratories for FSPP testing; each profiled sample is then compared to all other such fentanyl submissions. If linkages between samples are identified, this information is communicated to the appropriate case agent to advance the investigation. Since the program's implementation, over 500 illicit fentanyl samples have been examined, resulting in the establishment of several sets of seizure linkages tying separate cases and seizures together.

### **UNITED STATES – MEXICO LAW ENFORCEMENT ENGAGEMENT**

The Department and DEA continue to expand the robust relationship between Mexico and the United States, particularly with regard to countering the threat from heroin and synthetic opioids. DEA has developed a U.S.-Mexico bilateral heroin strategy to increase intelligence sharing, coordination of investigations, training, sharing of forensic information, and the control of precursor chemicals. DEA's Mexico City Country Office has engaged the interagency within the U.S. Embassy through creation of a Heroin Fentanyl Working Group (HFWG). The HFWG, first convened in April 2015, meets on a monthly basis and synchronizes interagency efforts and capabilities. In early 2016, this forum became part of the Office of National Drug Control

Policy's (ONDCP) Heroin Availability Reduction Plan (HARP) implementation as a video teleconference, co-chaired by Mission Mexico and ONDCP and regularly attended by the National Security Council, DEA, DOD, and the Department of State Bureaus of Western Hemisphere Affairs and the Bureau of International Narcotics and Law Enforcement Affairs (INL). This one-hour monthly forum has become the most effective tool for synchronizing policy formulation and implementation between Mission Mexico and ONDCP. The HFWG has allowed the Federal government to speak with one voice and maintain critical security relationships with our Mexican partners. The HFWG has enabled close coordination on efforts to develop accurate Mexican heroin yield estimates, improve the Government of Mexico's poppy eradication efforts, support investigations of fentanyl seizures, track ongoing clandestine lab training, and reinforce interdiction efforts.

DEA also participates in the North American Drug Dialogue (NADD), a trilateral Assistant Secretary-level forum between the United States, Mexico, and Canada. Chaired by ONDCP and INL, the NADD provides a framework for expanding cooperation on the heroin and fentanyl problem-set across the entire continent. For example, as a result of the NADD, and with funding from INL, the Royal Canadian Mounted Police (RCMP) has provided fentanyl detection training to Mexican Federal Police (PF) and canine units affiliated with Mexico's Tax Administration Service (SAT), which performs a customs function.

The DEA's presence in Mexico represents our largest international footprint. The ability to have DEA Special Agents assigned to 11 different offices throughout Mexico is a reflection of the level of cooperation that we continue to enjoy with our Mexican counterparts. DEA supports bilateral investigations with the Government of Mexico by providing information and intelligence to develop investigations that target TCO Networks and leadership command and control elements throughout Mexico.

Perhaps the most notable example of the high-level of cooperation between the U.S. and Mexico in 2016, was the arrest of Sinaloa Cartel leader Joaquin Guzman Loera, known simply as "El Chapo." Such actions represent significant successes for both the United States and Mexico in our shared struggle against TCOs. These arrests strike at the heart of the leadership structure of the the Beltran-Leyva Organization, the Los Zetas Cartel, and the Sinaloa; and highlight the continuing cooperation between Mexican and U.S. law enforcement. The United States and Mexico have established a strong and successful bilateral security partnership in the last decade and, to that end, the DEA continues to work with our Mexican partners to provide any assistance, as requested, to build upon these successes.

## **CONCLUSION**

Mexican TCOs remain the greatest criminal drug threat to the United States. These Mexican poly-drug organizations traffic heroin, methamphetamine, cocaine, marijuana – and, now more than ever, fentanyl and fentanyl-related substances, which are responsible for so many deaths over the last several years throughout the United States – using established transportation routes and distribution networks. They control drug trafficking across the SWB and are moving to expand their share of U.S. illicit drug markets. Their influence up and down the supply chain,

their ability to enter into new markets, and their associations with domestic gangs, are of particular concern for the DEA. DEA will continue to address this threat domestically and abroad by attacking the crime and violence perpetrated by the Mexican-based TCOs, which have brought tremendous harm to our communities. Targeting the world's most prolific and dangerous drug traffickers is a dynamic and evolving mission, and with it comes myriad challenges. But throughout our history, DEA has met those challenges and produced impressive results.

The fight against drug abuse is a generations-long struggle; it will not be remediated overnight. DEA plays a critically important role in our country's holistic strategy of prevention, treatment and enforcement. DEA remains committed to bringing the "Most Wanted" drug traffickers and their entire networks to justice in cooperation with our law enforcement partners. By taking harmful drugs off of the street, dismantling major drug organizations, and seizing the profits associated with this trade, we are making our nation a safer place to live and do business.

We thank you for your consistent support. DEA looks forward to continuing to work with Congress to find solutions necessary to address the threats posed by TCOs and the harmful substances and illegal activity they are involved in, no matter where they may operate.