

**STATEMENT FOR THE RECORD OF  
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BEFORE THE  
WESTERN HEMISPHERE SUBCOMMITTEE  
COMMITTEE ON FOREIGN AFFAIRS  
AND THE  
OVERSIGHT, INVESTIGATIONS, AND MANAGEMENT SUBCOMMITTEE  
COMMITTEE ON HOMELAND SECURITY  
UNITED STATES HOUSE OF REPRESENTATIVES  
ENTITLED**

**“Is Merida Antiquated? Part Two: Updating US Policy to Counter Threats of Insurgency and  
Narco-Terrorism”  
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**INTRODUCTION**

Chairman Mack and Chairman McCaul, Ranking Member Engel and Ranking Member Keating, and distinguished Members of the Subcommittees: On behalf of Drug Enforcement Administration (DEA) Administrator, Michele M. Leonhart, I want to thank you for your continued support of the men and women of DEA and the opportunity to testify about the evolution of drug cartels and the threat to Mexico’s governance. I will outline the scope of the problem; the joint initiatives among the DEA, other agencies of the United States Government (USG), and the Government of Mexico (GOM) to tackle the problem; the successes we are realizing; and the challenges that remain.

**BACKGROUND**

Drug trafficking and abuse exacts a significant toll on the American public. Almost 38,000 Americans die each year as a direct result of drug abuse. In 2009, an estimated 23 million Americans had an active substance use disorder. Many of these addicts abuse or neglect their children and commit a variety of crimes under the influence of, or in an attempt to obtain, illicit drugs. Tens of millions more suffer from this erstwhile “victimless” crime, as law-abiding citizens are forced to share the roads with drugged drivers, pay to clean up toxic wastes from clandestine laboratories, rehabilitate addicts, and put together the pieces of shattered lives. However, in order to calculate the true cost of this threat, we must go further and examine the impact that drug crime plays in corrupting government institutions, undermining public confidence in the rule of law, fostering violence, and fueling instability.

Drug trafficking is a global enterprise generating an estimated \$322 billion per year<sup>1</sup>. This figure dwarfs the proceeds from other forms of organized criminal activity and provides a revenue stream for insurgents, terrorists, and other nefarious activity. To put this sum in perspective, the proceeds of the global drug trade exceed the gross domestic product of many national governments and provide ample motivation to those who peddle poison for profit. Some argue that legalization and regulation – even at the cost of untold human suffering and misery – would strip the traffickers of these enormous profits. Both common sense and history have taught that those who are displaced from the drug trade migrate into other areas of criminality. We face an ongoing effort to mitigate the damage done by criminals who put personal profit above all else.

### **THE SCOPE OF DRUG TRAFFICKING THROUGH MEXICO**

The United States and Mexico are committed to cooperative action to reduce the drug threat from which both nations suffer. Drugs are produced and consumed in Mexico and are also transited through Mexico as a result of its strategic location between South America and the United States. The Government of Mexico is confronting the entrenched, cross-border smuggling operations and the diversified, poly-drug, profit-minded Drug Trafficking Organizations (DTOs) within that country. The single objective of those who ply the drug trade is profit. For these reasons, the U.S. and Mexican governments share the responsibility to defeat the threat of drug trafficking.

The drug trade in Mexico has been rife with violence for decades. Without minimizing the severity of the problems we are confronted with today, it is nonetheless critical to understand the background of the “culture of violence” associated with Mexican DTOs and the cyclical nature of the “violence epidemics” with which Mexico is periodically beset. Though no previous “epidemic” has exacted as grisly a toll as the violence seen in recent years, we do not have to go back very far in history to recall the cross-border killing spree conducted by Gulf Cartel Zeta operatives in the Laredo-Nuevo Laredo area during 2004-2005.

However, one thing must remain clear in any discussion of violence in Mexico: DTOs are inherently violent, and this is especially true in Mexico today, where Wild West-style shootouts between drug traffickers against their rivals and law enforcement are far too common. In fact, according to open source reporting and the Mexican Attorney General’s Office over 90 percent of the homicides in the past few years have been of drug cartel members or associates vying for market shares and trafficking routes.

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<sup>1</sup> United Nations Office on Drugs and Crime. “2007 World Drug Report,” p 170.

*Cocaine:* Mexico's importance in the cocaine trade cannot be overstated. Since the 1980s, Mexico has served as a primary transportation corridor for cocaine destined to the United States. While Mexico is not a coca-producing country and therefore cannot control the trade from beginning to end, traffickers in Mexico have managed nonetheless to exert increasing control over the trade in exchange for shouldering the risk inherent in transporting the cocaine and ensuring its distribution in the United States. In recent years, Mexican trafficking organizations have extended their reach deep into South America to augment – or personally facilitate – cooperation with Colombian sources of supply, or to develop relationships with alternate sources of supply in other cocaine-producing countries, particularly Peru. Demonstrating an even further reach into global cocaine markets, Mexican drug traffickers have evolved into intermediate sources of supply for cocaine markets in Europe, Australia, Asia, and the Middle East. In addition, Mexican DTOs dominate the wholesale distribution of cocaine and other drugs of abuse throughout the United States.

The current Interagency Assessment of Cocaine Movement (IACM) estimates that 95 percent of the cocaine leaving South America for the United States moves through Mexico. Of the cocaine moving through Mexico, an increasing amount – nearly 80 percent according to IACM estimates – stops first in a Central American country before onward shipment to Mexico. This trend suggests that the Calderón Administration's initiatives, particularly those related to port security and the tracking of suspicious aircraft, are having an impact on how the cartels do business, requiring them to take the extra – and ostensibly more costly and vulnerable – step of arranging multi-stage transportation systems.

Changes in cocaine movement patterns are not the only measurable trend. Beginning in January of 2007 – immediately after the Calderón government came to power – the price per gram of cocaine in the United States began to rise with a correlative drop in cocaine purity. Since January of 2007 to March of 2011, purity has declined 27 percent from 67 percent to 49 percent. During this same period, we have seen prices increase over 87 percent, from \$101.10 to \$189.24 per gram. Declining purity and increasing price can be seen in nearly every major cocaine market in the United States.

*Heroin:* Mexico is an opium poppy-cultivating/heroin-producing country. While Mexico accounts for only about 13 percent of the world's opium poppy cultivation, it is a major supplier of heroin to abusers in the United States, particularly in regions west of the Mississippi River. Mexican black tar and brown heroin continue to make in-roads in eastern-U.S. drug markets. According to DEA's Heroin Signature Program (HSP), Mexico was identified as the source country for 33 percent of the samples classified

under the HSP during 2010. We assess that Mexican cartels are seeking to maximize revenues from an industry that they control from production through distribution.

*Marijuana:* Mexico is the number one foreign supplier of marijuana abused in the United States. The profits derived from marijuana trafficking – an industry with minimal overhead costs controlled entirely by the traffickers – are used not only to finance other drug enterprises by Mexico’s poly-drug cartels, but also to pay recurring “business” expenses, purchase weapons, and bribe corrupt officials. Though the GOM has an eradication program, many of the military personnel traditionally assigned to eradicate marijuana and opium poppy have been diverted to the offensive against the cartels.

*Methamphetamine:* Mexico is also the number-one foreign supplier of methamphetamine to the United States. Although the Mexican government has made enormous strides in controlling – even banning – the importation of methamphetamine precursor chemicals such as ephedrine, pseudoephedrine, and phenyl acetic acid, Mexican methamphetamine-producing and trafficking organizations are proving to be extremely resourceful in circumventing the strict regulatory measures put in place by the Calderón Administration. As with heroin, there is considerable financial incentive for the Mexican DTOs to sustain a trade they control from manufacture to distribution.

## **MEXICAN DRUG TRAFFICKING ORGANIZATIONS**

The major Mexican drug cartels are complex and highly compartmentalized organizations that manage and control various criminal operations within specific areas of operation in Mexico. Currently, the seven most prominent cartels operating in Mexico include the Sinaloa Cartel, Gulf Cartel, Los Zetas, Juarez Cartel, La Familia Michoacána (LFM), as well as the weakening Beltran-Leyva Organization and Tijuana Cartel. These organizations violently compete for drug entry points into Mexico and the lucrative drug smuggling corridors leading into the United States by routinely threatening, bribing, kidnapping and/or murdering rival drug traffickers, military and law enforcement officials involved in enforcement activities, and “disloyal” officials. While individually unique in many regards, Mexican DTOs share the common characteristics of perpetuating violence, corrupting government officials, acting as poly-drug trafficking organizations, and adapting to a constantly changing environment.

*The Sinaloa Cartel:* With roots dating back many decades, the Sinaloa Cartel is a powerful consortium of independent Mexican DTOs, which operate as an alliance to share resources for the common goal of trafficking multi-ton quantities of cocaine from South America into the United States. The group is composed of many independent leaders, most notably Joaquin Guzman-Loera, Ismael Zambada-Garcia, and Juan Jose Esparragoza-Moreno, each operating his own trafficking organization. Ignacio Coronel-Villarreal was also a member until his death in July 2010. Together, they wield the greatest influence in the western and southwestern regions of Mexico but also maintain

strongholds in Baja California, Sonora, the Yucatan Peninsula, portions of Chihuahua, and within central Mexico. Of the Mexican DTOs, the Sinaloa Cartel has the broadest reach into Europe, Asia, and Australia.

*Gulf Cartel:* Osiel Cardenas-Guillen had been the powerful head of the Gulf Cartel, a DTO that controls large-scale marijuana and cocaine trafficking through smuggling corridors in northeastern Mexico. In March 2003, Cardenas-Guillen was arrested but maintained control of the organization until his extradition to the United States on January 19, 2007. Following his extradition, the Gulf Cartel continued to function under the dual direction of Jorge Eduardo Costilla-Sanchez and Ezequiel Cardenas-Guillen (Osiel's brother). Currently, the greater part of the Gulf Cartel's dominance lies in the state of Tamaulipas, though its influence extends to Nuevo Leon, San Luis Potosi, and Veracruz. On November 5, 2010, members of the Mexican Navy (SEMAR) launched a capture operation in Matamoros, Mexico against Ezequiel Cárdenas-Guillen, aka Tony Tormenta, which ultimately ended in his death. Led solely by Jorge Eduardo Costilla-Sanchez, the Gulf Cartel has entered into a greater alliance with the Sinaloa Cartel and LFM in recent years in its attempt to target Los Zetas.

*Los Zetas:* With Osiel Cardenas-Guillen's rise to power as head of the Gulf Cartel in the late 1990's came the formation of a security and enforcement team made up of former Mexican Special Forces (GAFES) members dubbed "Los Zetas." The Zetas quickly gained notoriety for being brutal enforcers and having an uncanny ability to corrupt local government and law enforcement officials to further the Gulf Cartel's drug trafficking activities. Through the years, the Zetas evolved from their traditional role as personal security for Gulf Cartel leaders to obtain a share in leadership roles, plaza control, and full organizational enforcement. Moreover, the Zetas expanded the Gulf Cartel's business model by adding new ventures to the organization's illicit portfolio. These new ventures included the extortion of local businesses, prostitution, murder-for-hire, kidnapping, media piracy, and the theft of oil. As a result of their persistence and brutal nature, the Zetas were able to expand the Gulf Cartel's, and as it turned out, their own influence throughout most of central and southern Mexico.

Currently, the Zetas are led by Heriberto Lazcano-Lazcano and Miguel Treviño-Morales. In early 2008, evidence began mounting that Los Zetas had separated from the Gulf Cartel and had become an independent organization. The separation was amicable until conflict erupted between the two groups in early 2010, heralding the final split of the two organizations. The end of the cohesion between the two organizations revealed the extent of power and territorial influence the Zetas had achieved in Mexico in preceding years. While several areas in the state of Tamaulipas quickly fell under Gulf Cartel control, Los Zetas began to control plazas formerly associated with the Gulf Cartel in central and southern Mexico.

*La Familia Michoacána:* La Familia, also known as La Familia Michoacána (LFM), is a prominent DTO based in the state of Michoacán, Mexico. The cartel originated in the 1980s as a primarily marijuana production and distribution organization led by Carlos Rosales-Mendoza. Upon Rosales-Mendoza's arrest in 2004, Jesus "Chango" Mendez-Chavez and Nazario "Chayo" Moreno-Gonzalez assumed joint leadership of the cartel, officially designating it with its current name in 2006. Although LFM ended its alliance with the Gulf/Zetas in late 2007, it has since resumed an alliance with the Gulf Cartel, along with the Sinaloa Cartel, in opposition to Los Zetas. LFM is heavily involved in the production of methamphetamine in Michoacán for transit to the United States, as well as the transportation of cocaine and marijuana to the United States. The Government of Mexico has had several high-level successes against LFM, including the presumed December 2010 death of co-leader Nazario Moreno-Gonzalez and the June 21, 2011 arrest of co-leader Jesus Mendez Vargas.

*Juárez Cartel:* Since the early 1990s, the Carrillo Fuentes DTO, aka the Juárez Cartel, has controlled the Juárez-El Paso corridor in Chihuahua, Mexico. The late Amado Carrillo Fuentes ran the organization at the height of its power and earned the Juárez Cartel the distinction of being one of the most powerful DTOs in Mexico. After Amado's death in 1997, the Juarez Cartel's influence became reduced to the state of Chihuahua. By the mid-2000s, in an effort to regain its former glory, the Juarez Cartel launched a campaign to consolidate exclusive control over drug trafficking activities in Chihuahua by instituting a piso (operating fee) and exerting pressure on Sinaloa Cartel-aligned traffickers who had recently established themselves in the state. In January 2008, the Sinaloa Cartel commenced the war by targeting Juarez Cartel-aligned police officers in Ciudad Juarez, and the number of drug-related homicides surged in the region. Despite years of fighting, the Juarez Cartel has demonstrated adaptability and perseverance in the face of conflict. While the Sinaloa Cartel has established a foothold in southeastern Chihuahua, the Juarez Cartel remains dominant throughout the western and central portions of the state. The areas to the northeast of the state, which include Ciudad Juarez and the Juarez Valley, remain in dispute and account for a large percentage of Mexico's drug-related murders.

*Beltran Leyva Organization:* After the death of Arturo Beltran Leyva (ABL) in December 2009, the Beltran Leyva Organization fragmented under the leadership of Hector Beltran Leyva to the point that they could no longer compete with other cartels. By mid-March 2010, Hector's right-hand man Sergio Villarreal Barragan was fighting off a power challenge from former fellow ABL lieutenant Edgar Valdez Villarreal. On August 30, 2010, Mexican authorities arrested Edgar Valdez Villarreal. Sergio Villarreal Barragan was then arrested on September 12, 2010, as were several of their Colombian cocaine suppliers, including Victor and Dario Valencia Espinosa (September 10, 2010) and Harold Mauricio Poveda-Ortega (November 4, 2010). Currently, the struggle for

control of territory continues between what remains of the Hector Beltran Leyva Organization and the Cartel Independiente de Acapulco (CIDA), remnants of Valdez Villarreal's faction of the cartel.

*Tijuana Cartel:* From the mid-1980s through the 1990s, the Arellano Felix DTO, also known as the Tijuana Cartel, was one of the most powerful poly-drug trafficking organizations in Mexico. This DTO operated not only in Tijuana but also in parts of Sinaloa, Sonora, Jalisco, and Nuevo Leon. Since the early 1990s, the Arellano Felix DTO has been engaged in a bitter feud with other Mexican cartels and has been slowly dismantled by Mexican authorities through the arrest and death of the organization's key leaders. Currently, Fernando Sanchez Arellano leads the much weakened DTO. Infighting within the Tijuana Cartel has allowed for encroachment by the Sinaloa Cartel and La Familia Michoacána into its territory with little to no resistance.

As these DTOs and their splintered factions compete for access to sources of supply and trafficking routes, while simultaneously attempting to defend themselves against GOM offensives, there has been an unprecedented amount of violence in Mexico. Since President Calderón took office in December 2006, there have been a total of nearly 43,000 drug-related deaths. The vast majority of the more than 15,200 drug-related homicides in Mexico in 2010 were concentrated in the states of Chihuahua, Sinaloa, Guerrero, and Tamaulipas.

### **THE THREAT TO GOVERNANCE**

Those who organize, finance, direct, and control drug trafficking thrive in areas where government control is weak. While the drug trade fuels corruption worldwide, it is no coincidence that the so-called "kingpins" who run this global drug trade enterprise do not reside in the U.S. Here, they would be exposed to our highly effective criminal justice system. Rather, they operate from locations that they perceive to be safe havens and direct the activity of subordinates and surrogates who supply drugs to the U.S. market. This model is intended not only to frustrate attempts to successfully prosecute these criminals, but also to maximize the autonomy of these organizations in the countries where they are headquartered.

A stable and secure Mexico is in the best interests of both the U.S. and Mexico, but the violent actions and corruptive influence of DTOs threatens that security. Since President Calderón took office in December 2006 and immediately set out to break the power and impunity of these cartels, his government has deployed tens of thousands of military troops to assist police in combating cartel influence and related violence. More troubling is the fact that many of these brutal murders were committed with the specific intent to intimidate the public and influence the government to suspend action against the cartels. Fortunately, the Calderón Administration has been resolute and steadfast in its commitment to break the power and influence of these cartels.

The Calderón Administration also has aggressively investigated allegations of corruption within the government, arresting hundreds of officials for taking bribes from the cartels. Even the Deputy Attorney General responsible for prosecuting traffickers was allegedly protecting them – for a fee of \$450,000 per month. The problems uncovered in Mexico during the past few years reflect increasing threats to the rule of law. The concept of “*plata o plomo*” (bribes in silver or lead bullets) is well-documented in Mexican drug trafficker culture and refers to the choice public and police officials must make when first confronted by this powerful criminal element. The confluence of brutal violence and corruption makes it difficult to enforce drug laws and undermines public confidence in government. Left unchecked, the power and impunity of these DTOs could grow and become an even greater threat to the national security of Mexico. An additional challenge affecting the Western Hemisphere is the rise in the number of areas which becoming havens for traffickers to pursue illicit activities, largely undeterred by law enforcement or the local government. This is why our partnership with Mexico under the Merida Initiative and its following initiatives – The Caribbean Basin Security Initiative and the Central America Regional Security Initiative, and our shared responsibility are vital to contend with this threat.

### **COOPERATIVE INITIATIVES WITH THE GOVERNMENT OF MEXICO**

The United States engages in cooperative efforts with our Mexican law enforcement partners to provide information, training, and equipment that will allow Mexican authorities to apprehend, prosecute, and convict drug traffickers. The Calderón Administration is taking the fight directly to the cartels. The quantifiable impact of huge drug, weapons, and money seizures presents part of the picture. Although equally important, the psychological impact of high-level arrests and the record numbers of extraditions to the United States is difficult to measure, it is nonetheless an extremely powerful tool. No other action by the Government of Mexico strikes so deeply at cartel fears than an arrest and extradition to the United States. On January 19, 2007, only weeks after his inauguration, President Calderón took the politically courageous step of extraditing 15 individuals to stand trial in the United States, including the notorious Gulf Cartel leader and Consolidated Priority Organizational Target (CPOT) Osiel Cardenas Guillen. Since then, the GOM has extradited a total of 422 criminals to the United States, as of June 25, 2011.

DEA believes the Merida Initiative serves as a solid foundation for our law enforcement partnerships throughout the region. Our timely support to our partners in funding and aggressive action on our side of the border has created the best opportunity we have had in years to make serious inroads in dismantling these criminal organizations. Continued funding of the Merida Initiative will continue to strengthen DEA’s partnerships in Mexico, allowing enhanced cooperation and information sharing as we target the drug trafficking organizations threatening the people of both our nations. Continuing these efforts will not only assist DEA operations along the Southwest border, but increased law enforcement capacity in Mexico and Central America will strengthen US efforts and operations across the board.



In addition to extradition, training, and intelligence sharing partnerships, the DEA facilitates several additional cooperative initiatives with the GOM, including:

- The ***Sensitive Investigative Unit (SIU) Program*** is the foundation for building an effective and trustworthy partner nation unit capable of conducting complex investigations targeting major Mexican DTOs. The program provides DEA with a controlled and focused investigative force multiplier that allows DEA access to a global transnational enforcement and intelligence network that directly supports DEA's Drug Flow Attack Strategy (DFAS). The Mexican Secretary of Public Security, Genaro Garcia Luna, has routinely noted that the SIU program is one of the most effective bilateral programs in Mexico.

The SIU attained a number of noteworthy enforcement successes during CY 2010 and 2011. These successes included the arrests of the following high-value targets—CPOT Carlos Ramon Castro-Rocha in May 2010; PTO Edgar Valdez Villarreal (La Barbie), CPOT Harold Mauricio Poveda-Ortega (El Conejo) in November 2010; CPOT Nazario Moreno Gonzalez (Chayo) in December 2010; CPOT Jose de Jesus Mendez Vargas (Chango) in June 2011 and the arrest of La Linea hit-man Jose Antonio Acosta-Hernandez (Diego) in July 2011. Acosta-Hernandez was responsible for ordering daily executions, kidnappings, car bomb attacks, extortions, and other types of attacks against Sinaloa Cartel members, civilians, and law enforcement officers in the state of Chihuahua. Acosta was also responsible for ordering the placement of several narco-banners in Ciudad Juarez and Ciudad Chihuahua that threatened DEA for assisting Mexican law enforcement agencies in targeting La Linea. Additional programs funded by the Merida Initiative will facilitate anti-corruption and federal police professionalization efforts in a broader context.

### **U.S. GOVERNMENT INTER-AGENCY INITIATIVES**

In addition to a robust partnership between the USG and the GOM, there are also several USG interagency initiatives designed to stem the flow of drug trafficking, including:

- The ***Organized Crime Drug Enforcement Task Force (OCDETF) Fusion Center*** provides investigative and operational support to OCDETF investigations through the development of organizational target profiles and the development of specific investigative leads. These leads and intelligence products are disseminated to the appropriate field elements of the OCDETF agencies through the Special Operation Division (SOD). Intelligence and leads relating to other criminal activities, including terrorism, are disseminated through SOD to the appropriate agencies.
- The ***DEA led, multi-agency SOD*** mission is to establish seamless law enforcement strategies and operations aimed at dismantling national and international trafficking organizations by attacking their command and control communications. SOD is able to facilitate coordination and communication among law enforcement entities with overlapping investigations and

ensure tactical and operational intelligence is shared and that enforcement operations and investigations are fully coordinated among law enforcement agencies.

- The **DEA's Drug Flow Attack Strategy (DFAS)** is an innovative, multi-agency strategy designed to significantly disrupt the flow of drugs, money, and chemicals between source zones and the United States by attacking vulnerabilities in the supply chains, transportation systems, and financial infrastructures of major DTOs. DFAS calls for aggressive, well-planned, and coordinated enforcement operations in cooperation with host-nation counterparts in global source and transit zones. Operation All Inclusive (OAI) is the primary DFAS enforcement component in the source and transit zones. Iterations of OAI have been staged annually since 2005.

A crucial partner in DEA's DFAS is the Joint Interagency Task Force South (JIATFS). JIATFS provides operational and intelligence fusion support to DEA by coordinating the use of Department of Defense, Department of Homeland Security (DHS), and partner nation air and maritime assets in joint operations.

- The **El Paso Intelligence Center (EPIC)** is a national tactical intelligence center that focuses its efforts on supporting law enforcement efforts in the Western Hemisphere with a significant emphasis on the Southwest Border. Through its 24-hour watch function, EPIC provides immediate access to participating agencies' database to law enforcement agents, investigators, and analysts. 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, direct tactical intelligence support to state and local law enforcement agencies, especially in the areas of clandestine laboratory investigations and highway interdiction. Prominent efforts include:

- EPIC's **Gatekeeper Project** is a comprehensive, multi-source assessment of trafficking organizations involved in and controlling movement of illegal contraband through "entry corridors" along the Southwest Border. The analysis of Gatekeeper organizations not only provides a better understanding of command and control, organizational structure, and methods of operation, but also serves as a guide for policymakers to initiate and prioritize operations by U.S. anti-drug elements.
- Implementation of **License Plate Readers (LPRs)** along the Southwest Border by the Department of Justice and DHS has provided a surveillance method that uses optical character recognition on images that read vehicle license plates. The purpose of the LPR Initiative is to combine existing DEA and other law enforcement database capabilities with new technology to identify and interdict conveyances being used to transport bulk cash, drugs, weapons, and other illegal contraband.

- The ***Border Intelligence Fusion Section (BIFS)*** was established at EPIC. This section provides collection and analysis of data from EPIC National Seizure System (NSS) and IC data points. The section provides support to the Alliance to Combat Transnational Threats (ACTTs), law enforcement and interdiction assets along the Southwest Border.
- The ***Rail Fusion Unit*** was established at EPIC in September 2011. The unit will provide tactical intelligence in support of law enforcement operations involving U.S. rail carriers.
- ***Bulk Cash Seizures*** represent the cash proceeds obtained from the illegal trafficking of drugs, weapons, and persons and are targeted by DEA, the Federal Bureau of Investigation (FBI), the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), Homeland Security Investigations (HSI), and other federal, state, and local law enforcement partners for use in obtaining valuable investigative leads and intelligence data.

Going forward, information regarding bulk cash seizures will be simultaneously shared between HSI's Bulk Cash Smuggling Center in Vermont and the National Seizure System (NSS) at EPIC. EPIC-NSS functions as a repository for detailed bulk currency seizure information from both domestic and foreign law enforcement agencies. NSS analyzes volumes of bulk currency seizure data and develops investigative lead reports. The EPIC Bulk Currency Unit and the HSI Bulk Cash Smuggling Center are combining efforts and establishing a Bulk Currency Section at EPIC. This will be an integrated DEA/HSI unit leveraging both the NSS and the Bulk Cash Smuggling Center's database.

- DEA is an integral participant in the multi-agency **Organized Crime and Drug Enforcement Task Force (OCDETF) Co-located Strike Forces**, which are a primary platform for implementation of the USG's strategy for targeting and dismantling the highest level drug trafficking and money laundering organizations. These Co-located Strike Forces operate all across the Southwest Border, including San Diego, Phoenix/Tucson, El Paso/New Mexico, and Houston/San Antonio/Laredo/McAllen, as well as in other key transshipment and distribution hubs across the United States. The OCDETF Co-located Strike Forces leverage the expertise and authorities of multiple federal, state and local law enforcement agencies, together with experienced federal drug prosecutors, in co-located task forces that have elevated to new levels of effectiveness the investigation and prosecution of the most notorious Mexican DTOs.
- DEA is a member of the DHS ***Border Enforcement Security Task Force (BEST)***, an HSI-led initiative designed to increase the flow of information between participating agencies regarding DTOs and violent gangs operating along our shared borders. In particular, BESTs target the underlying source of cross border violence along the Southwest Border: weapons smuggling, narcotics smuggling, human smuggling, and bulk cash smuggling.

- DEA implemented *DEA-wide Intelligence Collection Plans (ICPs)* in 2010. All domestic and foreign offices will have collection plans in effect by the beginning of fiscal year 2011. These plans are designed to allow the offices to define their intelligence gaps and priorities and then monitor the collection of information that satisfies those intelligence needs. The collection plans provide operational, tactical, strategic, and policy-level intelligence used to support investigations, regional planning, and resource decision-making. Intelligence gathered under the guidance of the ICP is shared with the Intelligence Community and other federal, state, and local law enforcement agencies. For DEA offices along the Southwest Border, the ICPs provide a structured mechanism to collect information needed to assess counter-drug measures and security threats along the U.S.-Mexico border.

## CHALLENGES

The daily challenges posed by Mexican DTOs are significant, but are overshadowed of late by a very specific set of challenges: reducing the rampant violence in Mexico; closely monitoring the security situation in Mexico; and, perhaps most importantly, lending our assistance and support to the Calderón Administration to ensure its continued success against the ruthless and powerful cartels. The GOM has realized significant gains in re-establishing the rule of law in Mexico and in breaking the power and impunity of the DTOs who threaten the national security of both Mexico and the United States. The Calderón Administration's gains translate to an unparalleled positive impact on the U.S. drug market as well: from January 2007 through March 2011, the price per gram of cocaine increased 87.2 percent from \$101.10 to \$189.24, while the average purity decreased by 27 percent. These statistics paint a clear picture of restricted drug flow into the United States and decreased availability. While spikes – upward or downward – in price and purity have been observed in the past, these indicators typically normalize within a few months. Unlike in the past, we are now in the midst of a four-year period of escalating prices and decreasing purity. Investigative intelligence from around the country—including intercepted communications of the traffickers themselves, corroborates the fact that President Calderón's efforts are making it more difficult for traffickers to supply the U.S. market with illicit drugs.

## CONCLUSION

DEA recognizes that interagency and international collaboration and coordination are fundamental to our success. It is imperative that we sustain the positive momentum by supporting President Calderón's heroic efforts against Mexico's powerful DTOs. We must recognize that we are witnessing acts of true desperation: the actions of wounded, vulnerable, and dangerous criminal organizations. We remain committed to working with our U.S. law enforcement and intelligence partners as well as to stemming the flow of bulk cash and weapons south, while also working to sustain the disruption of drug transportation routes northward. Bringing to the criminal and civil justice systems of the United States, or any other competent jurisdiction, those organizations and principal members of organizations involved in the

cultivation, manufacture, and distribution of controlled substances appearing in or destined for illicit trafficking in the United States remains the core of our focus.

Thank you for the opportunity to appear before you today to discuss this important issue. I am happy to answer any questions you may have.