



U.S. Immigration and Customs Enforcement

STATEMENT

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REGARDING A HEARING ON

A DANGEROUS AND SOPHISTICATED ADVERSARY: THE THREAT TO THE
HOMELAND POSED BY CARTEL OPERATIONS

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON BORDER AND MARITIME SECURITY

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210 Capitol Visitor Center

Chairman McSally, Ranking Member Vela, and distinguished members:

Thank you for the opportunity to appear before you today to discuss threats posed by Transnational Criminal Organizations (TCOs) and the efforts of U.S. Immigration and Customs Enforcement (ICE) to identify, target, investigate, disrupt, dismantle and bring to justice these criminal elements.

ICE Homeland Security Investigations (HSI) leverages its broad authority, unique investigative tools and global footprint to secure our borders. We work in close coordination with U.S. Customs and Border Protection (CBP), the U.S. Coast Guard (USCG) and many other domestic and international law enforcement and customs partners to target TCOs. Today, I will provide ICE's perspective on the sophisticated smuggling threats that we face on our Southwest Border, the approaches that lead up to our border and some of what we do to address TCOs and their smuggling activities before contraband arrives at our borders, and even in the interior of the United States.

The Cartels along the Southwest Border

The primary TCOs that threaten the Southwest Border of the United States are Mexican Drug Cartels (the Cartels). Over the last decade the United States, working with our Mexican law enforcement and military counterparts, has had sustained success in attacking Cartel leaders, as evidenced by the recent extradition of Joaquin Guzman Loera, aka "El Chapo", to face prosecution in the United States. However, every law enforcement success against the Cartels is challenged by the fact that the Cartels are highly networked organizations with built in redundancies that adapt on a daily basis based on *their* intelligence about U.S. border security and law enforcement.

I have brought with me today a troubling graphic that represents the interagency assessment of where the various Cartels in Mexico operate and the "approaches" or "corridors" that each controls along the U.S. Southwest Border. Mexican cartels, notably Sinaloa, Jalisco New Generation, Los Zetas and the Gulf Cartels, stretch across and beyond the Southwest Border, operating through networks and loose affiliations with smaller organizations in cities across the United States. The areas controlled by each Cartel have evolved over time, often as a result of U.S. or Mexican law enforcement successes that have weakened Cartel influence in certain areas, and as alliances between cartel leadership shifts over time.

In addition to drug smuggling, another criminal threat that we face along our Southwest border is human smuggling. One of the questions we are often asked is whether human smuggling organizations are part of the Cartels or operate as distinct criminal enterprises. Based on HSI investigations and intelligence, it is our opinion that, although alien smuggling organizations pay taxes and fees to the Cartels to smuggle in a specific geographic area, they are generally run as distinct criminal enterprises in both Mexico and the United States. Certain members of these criminal enterprises control the major drug markets and others control a portion of the border on behalf of their cartel. We believe that these drug Cartel leaders and associates play a coordinating role in the immediate border areas, dictating when and where human smugglers will be allowed to cross the border. This coordination ensures human

smugglers and their human cargo do not bring unwanted law enforcement attention, particularly in the United States, to their smuggling efforts. Our investigations have shown that when human smugglers do not heed warnings from drug smuggling organizations about where and when they smuggle, they can be targeted for physical violence, including murder, by Cartel members.

Smuggling Trends along the Southwest Border

As many of the members of this Subcommittee know firsthand, the Southwest Border is a very diverse environment, starting with a maritime border in the Gulf of Mexico and on the Pacific Ocean that transitions to vast land border areas that include rivers, rural agricultural lands and densely populated urban areas along the nearly 2,000 miles of our border. In response to these vastly different areas, the Cartels adapt their methods and cargo to the smuggling environment. From an operational point of view, this means that there is not a single strategy, tactic or technology that will succeed in eliminating the smuggling threat on every part of the Southwest Border.

Mexico is a major source and transit country for illicit drugs destined for the United States, including marijuana, cocaine, methamphetamine, heroin and, more recently, fentanyl. Intelligence reports indicate that Mexico is not only a source country for the production of fentanyl, it is also a transit country for fentanyl originating from Asia. Finally, in the last two decades, Mexico has also become the largest transit country for South American sourced cocaine destined for the United States.

As a result of Mexico's dominant role as either a source or transit point for illicit drugs destined for the United States, it has also become a primary destination for the illicit proceeds that the Cartels earn from the distribution networks in the United States. Mexican cartels use a variety of techniques to repatriate illicit proceeds, from bulk cash smuggling to sophisticated trade-based money laundering schemes. Many of the more complex techniques rely on third party money launderers and corrupt financial institutions.

To give you a sense of the variety of smuggling challenges that we collectively face, it is important to start by talking about the specific drug threats, smuggling methods and modes used across the spectrum of the Southwest Border.

Heroin

Mexico has become the most significant source of heroin consumed in the United States, and according to the 2016 National Drug Threat Assessment Summary, the U.S. government estimated that Mexican Cartels' potential production of heroin was 70 metric tons in 2015, a 66 percent increase from 2014. The purity of Mexican-produced heroin has also increased over time, making it more marketable because it can be smoked or snorted as well as injected intravenously.

Fentanyl

The Mexican Cartels have quickly added fentanyl to their smuggled drugs in response to the explosion of opiate abuse in the United States. Based on recent seizures it has been learned that smugglers are mixing fentanyl in contraband loads also containing heroin and/or

methamphetamine, reinforcing the poly-drug nature of the Cartels. While U.S. law enforcement continues to assess how much of the fentanyl market in the United States is supported by Mexican-sourced fentanyl, the size of individual seizures and the proximity of Mexico to the U.S. drug market is a troubling sign.

Cocaine

Mexico is a transit country for South American-sourced cocaine. Cocaine is almost exclusively seized at Ports of Entry (POEs) in non-factory compartments of privately owned vehicles (POVs). Alternatively, the cocaine may be deeply concealed within commercial conveyances and cargo shipments.

Methamphetamine

The majority of methamphetamine consumed in the United States is now produced in Mexico using precursor chemicals from Asia. Methamphetamine is almost exclusively seized in non-factory compartments of POVs. The second most common method of smuggling methamphetamine is by pedestrians who secrete it on their bodies or within body cavities. Methamphetamine is seized in both crystalline and liquid forms.

Marijuana

As I mentioned earlier, the Mexican Cartels cultivate marijuana, with Mexico being the largest foreign supplier of marijuana to the U.S. drug market. The majority of the marijuana seized by DHS agencies is seized as it is being smuggled between the POEs. When marijuana is seized at U.S. POEs it is most often found concealed among commercial cargo shipments.

Southwest Border Smuggling Methods and Related Challenges

Recognizing that the border in Southern California is different than the border in Arizona, New Mexico, and Texas, the Cartels adapt their smuggling methods to suit a specific area. The unifying goal of all smugglers is to try to blend into normal traffic in a given area in order to avoid law enforcement attention. On a daily basis the Cartels conduct surveillance of law enforcement operations along the border, principally focusing on CBP operations at and between the POEs. As the Department changes its tactics and techniques, or introduces new technology and infrastructure, the Cartels adapt their operations and probe our border security to determine the best way to accomplish their goals.

Land Ports of Entry

At POEs along the Southwest land border, smugglers use a wide variety of tactics and techniques for concealing drugs. Our special agents work every day with CBP officers from the Office of Field Operations to identify, seize, and investigate drug smuggling organizations that attempt to exploit POEs to introduce drugs into the United States. Within the POE environment there are three distinct threat areas exploited by the Cartels: Pedestrians; POVs; and Commercial Cargo. Pedestrians are primarily used to smuggle cocaine, heroin and methamphetamine on or within their bodies. POVs are used to smuggle cocaine, heroin, fentanyl, methamphetamine, and marijuana, often using deep concealment methods like non-factory compartments, gas tanks and other voids. At Commercial POEs, the Cartels utilize commercial tractor trailers to commingle

narcotics with legitimate commercial goods or to conceal the narcotics within the tractor trailers themselves.

The Cartels also attempt to exploit CBP programs that facilitate the expedited entry of travelers and cargo into the United States. CBP seizures and ICE investigations have documented smuggling organizations' attempts to exploit the Secure Electronic Network for Travelers Rapid Inspection (SENTRI) and Free and Secure Trade (FAST) Programs.

The Cartels also use spotters/scouts and counter-surveillance techniques both at and between the POEs in order to increase their chances of success in smuggling ventures. Spotters/scouts watch and report on border law enforcement activities.

Between the Ports of Entry

The Cartels use the areas between the POEs primarily to smuggle marijuana in bulk. In these areas, the Cartels use a variety of techniques that are tailored to the terrain and other environmental factors. In Texas, the Rio Grande River creates a natural barrier that poses unique challenges for the U.S. Border Patrol.

Outside of urban areas along the land border, one tactic used by the Cartels is vehicle incursions, or "drive-throughs," whereby smugglers breach the border by either going over or through border fences. Smugglers move vehicles over the fence using ramps or, on more rare occasions, lift vehicles over the fence using cranes. Going through the fence involves cutting fence panels and lifting them up or creating a gate in the fence allowing a vehicle to pass through. Vehicle incursions often rely on networks of scouts that are staged on the area's highest points to warn them of U.S. Border Patrol or other law enforcement presence.

In areas where the Cartels cannot conduct vehicle incursions, they have experimented with ways to throw or launch marijuana bundles over the fence to co-conspirators waiting in the United States. Recently, we have seen Cartel attempts to use air or propane cannons to launch bundles of marijuana weighing more than a hundred pounds over the border fence.

Another tactic Cartels use in remote areas between the POEs is to have backpackers carry bundles of marijuana on their backs using improvised backpacks made of burlap or other materials. Backpackers often travel in groups and have been known to travel for days before getting to pre-designated locations where they are picked up by other members of the organization in the United States.

Smuggling by general aviation aircraft from Mexico has not been a significant threat since the late 1990's. However, in the last decade we have seen the Cartels experiment with the use of ultralight aircraft to smuggle marijuana in Arizona and eastern California. More recently we have also seen the Cartels experiment with the use of small recreational drones to smuggle very small quantities of drugs, often just a couple of pounds.

In 1990 the first cross-border tunnel was discovered in Douglas, Arizona. Since that time a total of 194 tunnels (both completed and in progress) have been located along the Southwest

Border, primarily in Arizona and Southern California. The discovery of illicit subterranean tunnels is evidence that smugglers are moving away from traditional smuggling techniques due to enhanced law enforcement efforts. In recognition of the significant smuggling threat present in Arizona and San Diego, ICE leads two Tunnel Task Forces in San Diego and Nogales under the auspices of the Border Enforcement Security Task Force (BEST) Program, described in more detail below.

Maritime Smuggling

As infrastructure, technology and staffing have been added to the border in the San Diego area, we have seen an increase in maritime smuggling of marijuana from Mexico to California coastal areas north of San Diego. The Cartels use pleasure boats or small commercial fishing vessels known as “Pangas” that are able to achieve relatively high speeds under the cover of darkness to attempt to evade detection by CBP and USCG surface patrol vessels and patrol aircraft. Bulk quantities of cocaine are seized along the maritime approaches to our border during the transportation phase through either the Eastern Pacific Ocean or the Caribbean Sea prior to being broken down into much smaller loads for transport along land routes through Central America and Mexico.

Corruption

One of the major factors allowing the Cartels to sustain their existence and proliferate is public corruption in both Mexico and the United States. In Mexico, the Cartels rely on corrupt Mexican law enforcement and other public officials at every level of government to operate. U.S. law enforcement is not immune to corruption by the Cartels, who have used corrupt law enforcement officers from CBP, ICE and other Federal, State and local law enforcement agencies to avoid seizures and arrests.

Attacking Transnational Criminal Organizations (TCOs)

In response to the smuggling threat along the Southwest Border, we have assigned more than 1,500 special agents and almost 150 intelligence research specialists to our Southwest border offices.

In fiscal year (FY) 2016, HSI drug smuggling investigations conducted by the five HSI Special Agent in Charge Southwest border offices resulted in 5,659 criminal arrests, 3,941 indictments, 3,383 convictions and 330 administrative immigration arrests. We have continued to collaborate with our partners in Federal, State and local law enforcement agencies to identify, target, investigate, disrupt, and dismantle the Cartels. The following is a list of the various initiatives we use to combat TCOs:

DHS Joint Task Forces

In 2015 the Secretary of DHS created three Joint Task Forces (JTFs) to address the smuggling threats identified in the Southern Border and Approaches Campaign Plan. Two of the JTFs, JTF East (JTF-E) and JTF West (JTF-W), are geographically focused task forces that concentrate on the southern land and maritime border of the United States and the approaches to our border all the way to Central and South America. HSI has provided Senior Executives to

serve as the Deputy Directors of JTF-E and JTF-W, as well as staff-level support in the JTF-E and JTF-W Joint Staffs.

ICE has been designated as the executive agent for the third Joint Task Force, Joint Task Force Investigations (JTF-I), with other DHS components supporting. JTF-I is a joint, integrated, “functional” task force that has the responsibility of targeting top-tier criminal investigations and supporting JTF-E and JTF-W. The success of JTF-I in these diverse environments depends upon a high level of cooperation among HSI and our Federal, State, local, and foreign partners in consolidating resources and leveraging unique international maritime authorities in combating TCOs.

Border Enforcement Security Task Forces (BEST)

Our BEST units employ a threat-based/risk mitigation investigative task force model that recognizes the unique resources and capabilities of all participating law enforcement partners. This model enables each unit to apply a comprehensive approach to combating TCOs, while recognizing the distinctive circumstances and threats facing the various border environments, be it land borders, seaports or airports. Additionally, BEST units are designed to incorporate other DHS-partner agencies, including CBP and the Transportation Security Administration, and are vehicles for establishing unity of effort, the cornerstone of a successful DHS mission. BEST units further solidify HSI’s role as the primary investigative entity for DHS.

We continue to expand the BEST program, which currently operates in 44 locations throughout the United States. BEST leverages more than 1,000 Federal, State, local, and foreign law enforcement agents and officers representing over 100 law enforcement agencies. BEST also provides a co-located space that allows for collaboration in conducting intelligence-driven investigations aimed at identifying, disrupting, and dismantling TCOs that operate in the air, land, and sea environments. In FY 2016, the BEST program accounted for 3,710 criminal arrests, 991 administrative arrests, and prosecutors obtained 2,248 indictments and 1,923 convictions.

Money Laundering Efforts

The Cartels move illicit proceeds, hide assets, and conduct transactions globally. Among the various methods Cartels use to transfer and launder their illicit proceeds are bulk cash smuggling, Trade Based Money Laundering, funnel accounts and professional money launderers, and misuse of Money Service Businesses (MSB) and emerging payment systems. The Cartels exploit vulnerabilities in the financial system and conduct layered financial transactions to circumvent regulatory scrutiny, which presents difficulties for authorities attempting to distinguish between licit and illicit use of the financial system. HSI has refined our ability to target money laundering and financial violations through various techniques, to include interagency investigations, training and capacity-building, targeted financial sanctions, and direct engagement with at-risk financial institutions and jurisdictions.

U.S. Anti-Money Laundering laws and regulations impose customer identification, recordkeeping, and reporting obligations on covered financial institutions that help deter criminals from moving illicit proceeds through the financial system. These preventive measures

also create valuable evidentiary trails for law enforcement to employ during an investigation. As such, HSI has an abundance of investigative tools in our arsenal to disrupt and dismantle Cartel money laundering operations as well as to discourage new actors from engaging in illicit activity.

Our National Bulk Cash Smuggling Center (BCSC), located in Burlington, Vermont, generates long-term, multi-jurisdictional bulk cash investigations by analyzing incident reports and conducting intelligence-driven operational support to field offices. When contacted by Federal, State, and local law enforcement for support, the BCSC assists that jurisdiction as much as possible by engaging the full scope of its law enforcement intelligence data sources and referring requests for assistance to local HSI field offices for immediate response. Since its inception in August 2009, the BCSC has initiated or substantially contributed to over 1,428 investigative leads, which have yielded 1,182 criminal arrests, 747 indictments, 546 state or federal convictions, and seizures of bulk cash totaling over \$326.5 million.

HIDTA - High Intensity Drug Trafficking Area Task Forces

The High Intensity Drug Trafficking Area (HIDTA) Program was initiated in 1990 by the Office of National Drug Control Policy (ONDCP) in order to designate certain geographical areas as having especially high concentrations of drug trafficking activities such as distribution, transportation and smuggling. The HIDTA Program provides these areas with federal funding, which supports coordinated law enforcement counter drug efforts.

The ONDCP designates geographic areas as HIDTAs and allocates federal resources to establish formal cooperative law enforcement efforts between local, State, and Federal drug enforcement agencies. HSI, using its combined immigration and customs authorities, leads several HIDTA initiatives along the Southwest Border.

The OCDETF Program allows our Special Agents to partner and collaborate in investigations using our unique and far reaching authorities to enforce and regulate the movement of carriers, persons, and commodities between the United States and other nations. We have dedicated personnel on all eleven OCDETF co-located Strike Forces. These Strike Forces logically extend the OCDETF program beyond the creation of prosecutor-led task forces that join together on case-specific efforts and then disband at the end of the investigation. Now, permanent task force teams work together to conduct intelligence-driven, multi-jurisdictional operations against the continuum of priority targets. We also participate in the OCDETF Fusion Center, which support investigations of TCOs through interagency coordination.

International Partners and Cooperation

ICE HSI works closely with our Federal law enforcement and international partners to disrupt and dismantle TCOs. We have 63 offices in 47 countries and are uniquely positioned to utilize established relationships with host country law enforcement, to include the engagement of Transnational Criminal Investigative Units (TCIUs). These TCIUs are composed of DHS-trained host country counterparts who have the authority to investigate and enforce violations of law in their respective countries. Since our law enforcement officers working overseas do not possess general law enforcement or investigative authority in most host countries, the use of

these TCIUs enables ICE to promote direct action in its investigative leads while respecting the sovereignty of the host country and cultivating international partnerships. These efforts, often thousands of miles from the U.S.-Mexico border in countries like Colombia and Panama, essentially act as an outer layer of security for our Southwest Border.

Working with Mexican Authorities

Mexico has proven to be an outstanding partner in the fight against TCOs, taking down the Cartels' top leadership and helping in efforts to dismantle these organizations. ICE's Attaché Office in Mexico City is the largest ICE presence outside of the United States. ICE has coordinated the establishment of TCIUs in Mexico comprised of Mexican law enforcement officers. Through our Attaché in Mexico City and associated sub-offices, HSI assists in efforts to combat transnational drug trafficking, weapons smuggling, human smuggling, and money laundering syndicates in Mexico. ICE Attaché personnel work daily with Mexican authorities to combat these transnational threats. Additionally, ICE—along with other DHS components—actively works through the Department of State to provide training and technical assistance to our Mexican counterparts. The spirit of collaboration and joint effort between DHS components and our counterparts in Mexico is unprecedented.

CONCLUSION

Thank you again for the opportunity to appear before you today and for your continued support of ICE and its law enforcement mission. ICE is committed to stemming cross-border criminal organizations through the various efforts I have discussed today. I appreciate your interest in these important issues.

I would be pleased to answer any questions you may have.