

Statement of

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on

**“Global Illicit Networks and their Facilitators in the Americas:
Countering the Threat from Mexican Cartels and the Opioid Epidemic”**

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“The Traffickers’ Roadmap: How Bad Actors Exploit Financial Systems to Facilitate the
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¹ The views expressed in this testimony are that of the author and do not necessarily reflect the views of the William J. Perry Center for Hemispheric Defense Studies, National Defense University, or the Department of Defense. Testimony is drawn from the author’s recent publication, “Countering the Evolving Drug Trade in the Americas,” The Woodrow Wilson Center, January 2020, https://www.wilsoncenter.org/sites/default/files/countering_the_evolutioning_drug_trade_in_the_americas.pdf

Thank you Chairman Cleaver, Ranking Member Hill, and members of the House Financial Services Subcommittee on National Security, International Development and Monetary Policy for the opportunity to appear before you today to testify on the threats posed by global illicit networks to U.S. national security. Illicit networks are comprised of terrorists, insurgents, criminals, rogue states, and their facilitators; they are engaged in diversified illegal activities that include drug, human, arms, gold and wildlife trafficking, kidnapping, extortion, theft, and money laundering. These nefarious networks share operating areas in the land, air, maritime and cyber domains, tactics, techniques, and procedures, and financial facilitators around the world. While the crimes illicit networks commit are not new, globalization has supercharged criminality in terms of geographic reach, magnitude, velocity, income and the violence that accompany it. In some parts of the world, global illicit networks are outgunning, corrupting, or even displacing government security forces responsible for countering them.

While these actors are global in nature, I will focus on threats closer to home. From drug overdose deaths in the U.S. and record cocaine production in Colombia to the unprecedented political and humanitarian crisis in Venezuela, global illicit networks are threatening the prosperity and security of the Western Hemisphere. External actors like Cuba, Russia, Iran, Turkey, and Colombian armed groups and the illegal oil, gold, and narcotics trade are propping up Nicolas Maduro's authoritarian regime in Venezuela that had led to some five million Venezuelans fleeing the country. Meanwhile, Mexican transnational criminal organizations are fueling the opioid epidemic in the U.S. and exacerbating the migration crisis on our southern border that impact the public health, economy, and national security of the United States. I will specifically examine how Mexican cartels, their wealth and power, and the evolving drug trade on the Darknet threaten our country, and I will review our efforts to counter them.

The Threat from Mexican Transnational Criminal Organizations

Mexican transnational criminal organizations (TCOs) have become the most infamous and formidable illicit traffickers in the world with tentacles as far-reaching as Europe and Asia. They operate like multinational corporations, assessing market supply

and demand for goods and services, securing supply chains by land, air, and sea well beyond their borders, and financing their operations and recycling their profits. The cartels are engaged in all types of trafficking, including drugs, migrants, guns, gasoline, and avocados; they are highly adaptive and quickly respond to countermeasures undertaken by U.S. and Mexican security forces. Just as they diversify their criminal activities, the cartels launder their proceeds through banks, money services businesses, bulk cash smuggling, trade-based money laundering, front companies, store of value vehicles and in cyberspace. The cartels thrive due a culture of corruption and impunity and weak government institutions responsible for confronting them in Mexico. These extremely well-armed groups use violence and the threat of violence to empower and enrich themselves, resulting in a record 35,588 homicides in Mexico in 2019.²

For decades, Mexican TCOs have taken advantage of Mexico's proximity to the U.S. as a destination country for migrants and for illegal drugs, traditionally marijuana and cocaine and now heroin and synthetics. The Drug Enforcement Administration considers Mexican TCOs the greatest criminal drug threat to the United States. They have dominated the drug trade and confronted the Mexican municipal, state, and the federal government for decades and are engaged in a new opium war. Mexican TCOs continue to control lucrative smuggling corridors, primarily across the southwest border, and maintain the greatest drug trafficking influence in the United States, with continued signs of growth. They expand their criminal influence by engaging in business alliances with other TCOs, including independent TCOs, and work in conjunction with transnational gangs, U.S.-based street gangs, prison gangs, and Asian money laundering organizations.³

Mexican cartels have evolved over the past 15 years. In 2006, there were four dominant Mexican drug trafficking organizations: the Tijuana/Arellano Felix organization (AFO), the Sinaloa cartel, the Juárez/Vicente Carrillo Fuentes organization (CFO), and the Gulf cartel. Aggressive government operations to decapitate cartel

² Mary Beth Sheridan, "Homicides in Mexico Hit Record Highs in 2019," *The Washington Post*, January 21, 2020, https://www.washingtonpost.com/world/the_americas/homicides-in-mexico-hit-record-highs-in-2019/2020/01/21/a9c5276a-3c5e-11ea-afe2-090eb37b60b1_story.html

³ DEA 2018 National Drug Threat Assessment (NDTA), <https://www.dea.gov/sites/default/files/2018-11/DIR-032-18%202018%20NDTA%20%5Bfinal%5D%20low%20resolution11-20.pdf>

leadership resulted in significant instability, continued violence and a fracturing of the large cartels into seven significant trafficking organizations: Sinaloa, Los Zetas, Tijuana/AFO, Juárez/CFO, Beltrán Leyva, Gulf, and La Familia Michoacana. In more recent years, it appears there is even more fragmentation into as many as 20 major organizations. A new transnational criminal organization, Cartel Jalisco-New Generation, which split from Sinaloa in 2010, has sought to become dominant with brutally violent techniques and is the most threatening.⁴ Despite the a high-prolife extradition and U.S. trial of its leader “El Chapo” Guzman, the Sinaloa Cartel remains formidable and has gone global. It reportedly distributes drugs to over 50 countries as far as Australia and engages with Russian arms dealers and Chinese money launderers to support its operations.

Mexican TCOs capitalize on America’s voracious appetite for illegal drugs such as cocaine, heroin, fentanyl, cocaine, and methamphetamines. According to the Center for Disease Control and Prevention (CDC), an average of 130 Americans died daily due to opioid overdoses in 2018. The national opioid epidemic fueled by heroin and fentanyl from Mexico is significantly impacting the public health, economy, social welfare and national security of the United States. Drug demand changes are impacting the U.S. and Mexican security in different but equally concerning ways. As cocaine production in Colombia reaches its highest levels in history but consumption in the U.S. falls, cocaine traffickers are seeking new markets as far away as Asia and Europe. Meanwhile, heroin use in the U.S. has spread across suburban and rural communities and socioeconomic classes with over 90% of heroin in the U.S. originating from Mexico. Potent synthetic opioids like fentanyl have become more prevalent and popular in the U.S. that has a resulted in the tragic opioid crisis. Mexican cartels through their control of the supply routes are dominating heroin, fentanyl and methamphetamine trafficking into the U.S. and becoming increasingly powerful.

The Fentanyl-Fueled Opioid Epidemic in the U.S.

⁴ June S. Beittel, Mexico: Organized Crime and Drug Trafficking Organizations, Congressional Research Service, July 3, 2018, <https://fas.org/sgp/crs/row/R41576.pdf>

Fentanyl is a potent synthetic opioid that produces effects such as relaxation, euphoria, and pain relief similar to morphine, oxycodone, methadone, and heroin but is some 50 times more potent. It can be used legally with a prescription, but illicit fentanyl is smuggled into the United States primarily in powder or counterfeit pill form that can be deadly in very small doses of as little as 0.25 milligrams.⁵ China is the principal source country of illicit fentanyl and fentanyl-related compounds in the U.S., according to U.S. Customs and Border Protection. Fentanyl analogs and precursor chemicals used to make fentanyl are illicitly manufactured in Chinese labs and then sold on the Darknet and shipped in bulk to the U.S. and Mexico. Similarly, non-pharmaceutical fentanyl is increasingly being manufactured in Mexico and transported into the United States via well-established drug trafficking routes across the southwest border.

Fentanyl trafficking into the United States generally follows one of two pathways:

1. direct purchase of fentanyl from China by U.S. individuals for personal consumption or domestic distribution and
2. cross-border trafficking of fentanyl from Mexico by transnational criminal organizations and smaller criminal networks.

How does the illicit fentanyl trade work? Orders and purchases from China are brokered over the internet. The predominant funding mechanisms associated with fentanyl trafficking patterns include:

1. purchases from a foreign source of supply made using money services businesses (MSBs), bank transfers, or online payment processors;
2. purchases from a foreign source of supply made using convertible virtual currency (CVC) such as bitcoin, bitcoin cash, ethereum, or monero;
3. purchases from a U.S. source of supply made using an MSB, online payment processor, CVC, or person-to-person sales; and

⁵ American Addictions Center, "Fentanyl vs. Heroin: The Similarities and Differences Between Two Powerful Opioids," September 2019, <https://americanaddictioncenters.org/fentanyl-treatment/similarities>

4. other, more general money laundering mechanisms like bulk cash smuggling associated with procurement and distribution.⁶

China has been accused of fueling the opioid crisis by exporting fentanyl and exploiting the U.S. Postal Service and international express mail carriers to ship fentanyl directly into the United States. According to a federal investigation, Chinese fentanyl dealers warned their U.S.-based customers via email that private delivery companies like FedEx electronically tracked packages, that would allow the easy identification of mail from suspect addresses and create a trail connecting sellers and buyers of illegal fentanyl, and they advised American fentanyl buyers they would send shipments by regular mail through the U.S. Postal Service to avoid detection.⁷

The U.S. Postal Service (USPS) has stepped up tracking, detection and interdiction efforts to curb the fentanyl trafficking into the U.S. through the mail. Congress has ordered the agency get advanced electronic data on 100% of inbound shipments by December 2020, with an urgent emphasis on parcels coming from China. By requiring data on the sender, recipient and the contents of an international parcel and incorporating new technology to scan packages, the postal service witnessed a 1,000% increase in the number of parcels seized containing synthetic opioids between 2016 and 2018. USPS saw the number of opioid parcel seizures increase by 750% domestically in the same timeframe.⁸ Enhanced surveillance of the postal service has resulted in increased cross-border fentanyl trafficking from Mexico by the Mexican TCOs.

The Drug Trade Further Empowered by the Darknet

⁶ FinCEN Advisory to Financial Institutions on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids, August 21, 2019, <https://www.fincen.gov/sites/default/files/advisory/2019-08-21/Fentanyl%20Advisory%20FINAL%20508.pdf>

⁷ Sari Horwitz and Scott Higham, "The flow of fentanyl: In the mail, over the border," *The Washington Post*, AUGUST 23, 2019, <https://www.washingtonpost.com/investigations/2019/08/23/fentanyl-flowed-through-us-postal-service-vehicles-crossing-southern-border/?arc404=true>

⁸ Leandra Bernstein, Most fentanyl is now trafficked across US-Mexico border, not from China," *WJLA News*, July 16, 2019, <https://wjla.com/news/nation-world/most-fentanyl-is-now-trafficked-across-us-mexico-border-not-from-china>

Narcotics trafficking continues to be the most lucrative illicit activity in the world, but it is adapting and now capitalizing on cyberspace. The marketplace for narcotics like heroin, fentanyl, and methamphetamine has been supercharged by technology and the Internet, particularly by the Darknet. The deep web is the entire web that is not accessible by conventional search engines. Within the deep web, the Darknet is a network of websites with their IP address details intentionally hidden, often linked to criminal activity and illegal markets including drug trafficking. Narcotics transactions via the Darknet provide anonymity, choice, efficiency, ease of payment with cryptocurrencies like Bitcoin, and the convenience of having the narcotics delivered by mail to consumers.⁹ This online evolution is disrupting the traditional marketing and distribution aspects of narcotics trafficking.

Illicit online drug sales have grown in volume and complexity since the days of Silk Road, the original Darknet market that came online in 2011 and was taken down in 2013 by the FBI. The dealers who had been selling the drugs on that market migrated to competing sites set up with a similar infrastructure, using the Tor web browser, which hides the location of the websites and their viewers, and Bitcoin, which allows for essentially anonymous payments. In 2017, when the police took down two of the biggest successors to Silk Road, AlphaBay and Hansa market, there was five times as much traffic happening on the Darknet as the Silk Road had at its peak, according to Chainalysis, a firm that analyzes Bitcoin traffic.

On Empire, one of the largest markets still online, people could choose from more than 26,000 drug and chemical listings, including over 2,000 opioids, shipped right to their mailbox. In June 2019, customers could still purchase five grams of heroin — “first hand quality no mix” — for 0.021 Bitcoin (roughly \$170), or a tenth of a gram of crack cocaine for 0.0017 Bitcoin (roughly \$14) on the dark market known as Berlusconi. Darknet markets are one of the vital sources of fentanyl and other synthetic opioids produced in and sent from China. Despite enforcement actions over the last six years that led to the shutdown of about half a dozen sites, including the takedowns of Wall Street

⁹ Olga Khazan, “The Surprising Ease of Buying Fentanyl Online: To get extremely potent opioids, users turn to the dark web—and sometimes, Google,” *The Atlantic*, January 2018, <https://www.theatlantic.com/health/archive/2018/01/the-surprising-ease-of-buying-fentanyl-online/551915/>

Market and Valhalla, there are still close to 30 illegal online markets, according to DarknetLive, a news and information site for the Darknet. The desire to order drugs from the comfort of home and to maximize income from drug sales appears for many to be stronger than the fear of getting arrested.¹⁰

The U.S. and Mexico need to better understand this shift in narcotics demand and the corresponding modifications in the production, marketing, distribution and consumption aspects of drug trafficking. As narcotic offerings diversify and the Internet plays a more critical role in drug trafficking, these changes are affecting public health and security in the U.S. and Mexico. Both governments must strive to design timely responses to reduce demand, increase treatment, and improve supply reduction strategies through increased interagency and international cooperation as narcotics trafficking has increasingly gone global.

Countering Transnational Organized Crime in the 2017 U.S. National Security Strategy

The 2017 U.S. National Security Strategy prioritizes homeland security in its Pillar I Directive to protect the homeland, the American people, and the American way of life from terrorist and criminal groups including the Mexican TCOs. Pillar I calls upon government agencies to:

- Secure U.S. Borders and Territory (Defend against WMD, Combat Biothreats and Pandemics, Strengthen Border Control and Immigration Policy)
- Pursue Threats to Their Source (Defeat Jihadist Terrorists and Dismantle Transnational Criminal Organizations)
- Keep America Safe in the Cyber Era
- Promote American Resilience

The strategy recognized transnational organized crime as a threat to U.S. interests

¹⁰ Nathaniel Popper, “Dark Web Drug Sellers Dodge Police Crackdowns, The notorious Silk Road site was shut down in 2013. Others have followed. But the online trafficking of illegal narcotics hasn’t abated,” *The New York Times*, June 11, 2019
<https://www.nytimes.com/2019/06/11/technology/online-dark-web-drug-markets.html>

at home and abroad and underscores the need to pursue these threats to their source. This provides validation for U.S. foreign assistance programs to counter transnational organized crime beyond our borders. According to the strategy, the U.S. must devote greater resources to dismantle transnational criminal organizations and their subsidiary networks. Some have established global supply chains that are comparable to Fortune 500 corporations. Every day they deliver drugs to American communities, fuel gang violence, and engage in cybercrime. The illicit opioid epidemic, fed by Mexican drug cartels as well as Chinese fentanyl traffickers, kills tens of thousands of Americans each year. These organizations weaken our allies and partners too, by corrupting and undermining democratic institutions. TCOs are motivated by profit, power, and political influence. They exploit weak governance and enable other national security threats, including terrorist organizations. In addition, some state adversaries use TCOs as instruments of national power, offering them territorial sanctuary where they are free to conduct unattributable cyber intrusions, sabotage, theft, and political subversion.

The National Security Strategy includes the following counter crime priority actions:

- Improve strategic planning and intelligence domestically and internationally
- Defend communities through national and community-based prevention and demand reduction efforts, increase access to evidenced-based treatment for addiction, improve prescription drug monitoring.
- Defend in depth through cooperation with foreign partners to target TCOs and break the power of these organizations and networks, especially in the Western Hemisphere.
- Counter cyber criminals to disrupt the ability of criminals to use online marketplaces, cryptocurrencies, and other tools for illicit activities.¹¹

U.S. agencies including the Departments of Defense, Health and Human Service, Homeland Security, Justice, State, and Treasury are implementing this strategy domestically and internationally to counter the threats posed by Mexican TCOs.

¹¹ White House, U.S. National Security Strategy 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

U.S.-Mexican Efforts to Address the Evolving Drug Trade

The U.S. and Mexico have one of the most extensive bilateral military and law enforcement relationships in the world that illustrates the concept of “defense in depth” in practice. The two countries continue to strengthen cooperation to interdict illegal drug flows, dismantle criminal organizations, and cut off their sources of funding. Since the launch of the Merida Initiative in 2008, the U.S. has helped build the capacity of Mexican authorities to more effectively eradicate opium poppy, disrupt and prosecute drug production and trafficking, and enhance border security. However, both countries must intensify their efforts to address the growing public health implications and violence associated with the evolving drug trade and the opioid epidemic. The two countries must step up their demand and supply reduction, detection and interdiction, violence reduction, counter-money laundering, and cyber measures to keep up with the rapid changes in the production, marketing, financing and delivery of drugs, particularly synthetics.

Supply Reduction Measures: The U.S. and Mexico have worked together for years to reduce the production and supply of narcotics. Under the Merida Initiative, bilateral projects disrupt TCOs and hinder their ability to produce and traffic drugs to the U.S. These projects include poppy eradication programs, training and equipment to dismantle clandestine drug labs, advanced airport security technology, border inspection equipment and reconnaissance technologies to improve maritime interdiction. The U.S. also provides security assistance for drug interdiction equipment and training to military and law enforcement personnel.¹²

The U.S. government estimates opium poppy cultivation in Mexico reached 44,100 hectares (ha) in 2017, a concerning increase from 32,000 ha in 2016. According to the Mexican government, Mexico eradicated 4,231 hectares (ha) of marijuana and 29,207 ha of opium poppy in 2017. In 2018, the Trump Administration assisted Mexico to get a more detailed picture of its poppy problem and supplied Mexican authorities with drones and geolocation technology. The U.S. is also funding studies to pinpoint how much

¹² U.S. Department of State “2019 International Narcotics Control Strategy Report,” Bureau for International Narcotics and Law Enforcement Affairs, <https://www.state.gov/wp-content/uploads/2019/04/INCSR-Vol-1-1.pdf>

poppy is being planted and how much heroin is produced from it.¹³ During the first six months of 2018, Mexico reportedly seized approximately 5.53 metric tons (MT) of cocaine; 110.7 MT of marijuana; 16,267 cannabis fields; 38.5 kg of opium gum; 149,357 poppy fields; 6.3 MT of methamphetamine; 316 kg of heroin; and 37 clandestine laboratories.¹⁴

Detection and Interdiction Measures: The U.S. and Mexico are leveraging new technologies and canine units to better detect synthetic drug laboratories and interdict fentanyl and meth cross-border trafficking. In June 2019, three synthetic drug labs producing methamphetamine were dismantled in Mexico, detected by thermal detection drones that identify heatwaves in uninhabited areas. Sinaloa State Secretary for Public Safety Cristobal Castaneda said the labs were set to produce some 17 million doses worth some \$160 million on the U.S. market. As of June 2019, twenty laboratories have been dismantled in Sinaloa, 17 producing methamphetamine, two making fentanyl and one producing heroin; eight meth labs were taken apart in the state in 2018.¹⁵

Canines donated through the Merida Initiative to Mexico made significant seizures of illicit drugs, including fentanyl. For example, in May 2018, canines discovered 25 liters of chemical precursor and 450 liters of hydrochloric acid at parcel companies in Durango and Guadalajara. In July, a canine unit located 1,280 liters of sulfuric acid at a parcel company in Guadalajara, and 4.9 kg of methamphetamine during an inspection in Michoacan.¹⁶ Detection dogs can alert officers to 19,000 types of explosives, while other canines are trained to smell marijuana, cocaine, meth, heroin, opiates, and LSD, but the drug dogs were not trained to detect fentanyl until 2017.¹⁷ The

¹³ Joshua Partlow, "U.S. has Been Quietly Helping Mexico with New, High-tech Ways to Fight Opium," *The Washington Post*, April 15, 2018, https://www.washingtonpost.com/world/the_americas/us-has-been-quietly-helping-mexico-with-new-high-tech-ways-to-fight-opium/2018/04/15/dc18eda0-26d5-11e8-a227-fd2b009466bc_story.html

¹⁴ U.S. Department of State "2019 International Narcotics Control Strategy Report," Bureau for International Narcotics and Law Enforcement Affairs, <https://www.state.gov/wp-content/uploads/2019/04/INCSR-Vol-INCSR-Vol.-I-1.pdf>

¹⁵ "Three large meth labs dismantled in Mexico," *France24*, June 5, 2019, <https://www.france24.com/en/20190605-three-large-meth-labs-dismantled-mexico>

¹⁶ *Ibid.*

¹⁷ Sari Horwitz, Scott Higham, "The flow of fentanyl: In the mail, over the border," *The Washington Post*, August 23, 2019, <https://www.washingtonpost.com/investigations/2019/08/23/fentanyl-flowed-through-us-postal-service-vehicles-crossing-southern-border/?arc404=true>

U.S. and Mexico are training more canine units to be deployed against fentanyl and meth trafficking.

The U.S.-Mexico border is the world's busiest with more than \$1 billion worth of legitimate freight trafficked through southwest entry ports and tens of thousands of passenger vehicles daily. According to U.S. CBP statistics, 90 percent of heroin seized along the border, 88 percent of cocaine, 87 percent of methamphetamine, and 80 percent of fentanyl in the first 11 months of the 2018 fiscal year was caught trying to be smuggled in at legal crossing points.¹⁸ Currently, U.S. Customs and Border Protection only scans less than 2% of privately-owned vehicles and 16% of all commercial vehicles, and 90% of all fentanyl seizures occur at legal points of entry. U.S. and Mexican security forces have had to take extra precautions in handling suspected fentanyl shipments as physical exposure to the drug could be lethal. Over the past year, U.S. CBP, ICE, and Border Patrol agents and Mexican authorities have been overwhelmed by the migrant caravans trying to enter the U.S. from Mexico that has strained counternarcotics operations.

In late January 2019, U.S. Customs and Border Protection officials in Arizona reported their largest-ever seizure of fentanyl; 254 pounds of powder and pills were hidden in a truck transporting cucumbers at a Nogales, Arizona crossing. In addition to the fentanyl, which was concealed in a secret floor compartment of the trailer, officers also uncovered 395 pounds of methamphetamine. CBP officers used a canine team and x-ray technology to search the truck and opened the false floor compartment to find 400 packages of narcotics, an estimated \$3.5 million worth of fentanyl and \$1.1 million worth of methamphetamine. The load included enough for more than 100 million lethal doses of fentanyl.¹⁹ As of June 2019, Customs and Border Protection has seized more than 2,000 pounds of fentanyl, more than enough to poison the entire U.S. population. On top of CBP's drug interdictions at the border, Homeland Security Investigations (HSI), part of

¹⁸ Alan Gomez, Fact-checking Trump officials: Most drugs enter US through legal ports of entry, not vast, open border, *USA Today*, January 16, 2019

<https://www.usatoday.com/story/news/politics/2019/01/16/fact-check-mike-pence-donald-trump-drugs-crossing-southern-border-wall/2591279002/>

¹⁹ Nick Miroff, "U.S. border officers make largest-ever fentanyl bust: 254 pounds hidden under cucumbers.," *The Washington Post*, January 31, 2019, https://www.washingtonpost.com/world/national-security/us-border-officials-announce-largest-ever-fentanyl-seizure/2019/01/31/a43eeb62-258c-11e9-90cd-dedb0c92dc17_story.html

DHS Immigration and Customs Enforcement, seized more than 9,900 pounds of opioids in 2018, including 2,737 pounds of fentanyl; the agency is expected to exceed those numbers in 2019.²⁰

Financial and Cyber Measures: Over the past six years, governments have dedicated more substantial resources to fighting Darknet markets, especially as their role in the rise of synthetic opioids has become more evident. An opioid dealer can be anyone with access to the Internet, and buyers can visit dark web sites anonymously using special browsers and make purchases with virtual currencies like Bitcoin, making transactions difficult to trace.²¹ Not only do individual users buy drugs on the Darknet, so do dealers who go on to resell the drug in their local area across the U.S. With opioids, users can order from their living room and never go out to the street.

In early 2018, the F.B.I. created the Joint Criminal Opioid Darknet Enforcement (J-Code) team with more than a dozen special agents and staff. Europol also has its own dedicated dark web team. J-Code's Operation SaboTor conducted concentrated operations in the U.S. and abroad between January and March 2019 that led to 61 arrests and shut down 50 Darknet accounts used for illegal activity; agents executed 65 search warrants and seized more than 299 kilos of drugs, 51 firearms, and more than \$7 million (\$4.504 million in cryptocurrency, \$2.485 million in cash, and \$40,000 in gold). On April 3, 2019, the FBI and Europol announced another major operation, the takedown of dark-web news and information site DeepDotWeb, which had quietly made millions of dollars from offering promotional links to black market sites in a kind of underground affiliate marketing scheme. DeepDotWeb was considered as a gateway to the dark web for drugs.²²

The J-Code agents that carried these operations, from the FBI, Homeland Security Investigations, Drug Enforcement Administration, Postal Service, Customs and Border Protection, and Department of Defense, now all sit together at the FBI's Washington headquarters. They work full-time to following the trail of dark-web

²⁰ Leadra Bernstein, "Most Fentanyl is Trafficked Across US-Mexico Border, Not China," WJLA.com, July 16, 2019, <https://wjla.com/news/nation-world/most-fentanyl-is-now-trafficked-across-us-mexico-border-not-from-china>

²¹ *Ibid.*

²² Andy Greenberg, "Feds Dismantled the Dark-Web Drug Trade—but It's Already Rebuilding," *Wired*, April 9, 2019, <https://www.wired.com/story/dark-web-drug-takedowns-deepdotweb-rebound/>

suspects, from tracing their physical package deliveries to following the trail of payments on Bitcoin's blockchain and with other cryptocurrencies.²³ Similarly, DHS Homeland Security Investigations is making inroads into the use of cryptocurrencies and the Darknet by fentanyl suppliers. As of July 2019, the agency has seized nearly \$1.9 million in fentanyl-related digital currency. HSI also has more than 700 open cyber investigation and 200 investigations into the criminal Darknet, many focused on illicit opioid suppliers.²⁴

The U.S. and Mexico are stepping up efforts to go after the financing and money laundering connected with fentanyl trafficking. In August 2019, FinCEN, the U.S financial intelligence unit that collects and analyzes information about financial transactions to combat money laundering, terrorist financing, and other financial crimes, issued an advisory to specifically address opioid trafficking. The advisory seeks to assist financial institutions in detecting and reporting suspicious activity, making it harder and more costly for criminals to (i) commit these crimes; (ii) hide and use their illicit money; and (iii) continue fueling the opioid epidemic. This advisory highlights the primary methods and red flags associated with (i) the sale of these drugs by Chinese, Mexican, or other foreign suppliers; (ii) methods used by Mexican and other TCOs to launder the proceeds of fentanyl trafficking; and (iii) financial methodologies associated with the sale and procurement of fentanyl over the Internet by purchasers located in the United States.²⁵ Detecting, disrupting and deterring the financing and income generated by drug trafficking continue to be important tools to pursue the Mexican cartels who are enriched and empowered by these illicit markets.

Violence and Arms Trafficking Reduction Measures: Since 2006, Mexico has been waging a war against drug trafficking organizations with significant military and police deployments; but the drug trade and high levels violence continue. The violence is

²³ Federal Bureau of Investigation, Operation SaboTor Federal Partnerships Key to Dismantling Online Drug Markets, March 26, 2019, <https://www.fbi.gov/news/stories/j-code-operation-sabotor-032619>

²⁴ Leandra Bernstein, Most fentanyl is now trafficked across US-Mexico border, not from China," WJLA News, July 16, 2019, <https://wjla.com/news/nation-world/most-fentanyl-is-now-trafficked-across-us-mexico-border-not-from-china>

²⁵ FinCEN Advisory to Financial Institutions on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids, August 21, 2019, <https://www.fincen.gov/sites/default/files/advisory/2019-08-21/Fentanyl%20Advisory%20FINAL%20508.pdf>

a result of the fragmentation of more established cartels and local gangs fighting for territory and control of critical drug trafficking routes. At the same time, impunity in Mexico, where 95% of killings go unpunished, has spurred more people to take up arms and carry out their own justice. According to preliminary numbers from the National Public Security System (Sistema Nacional de Seguridad Pública – SNSP), Mexico registered a record 35,588 of murders by then end of 2019, while it already logged 29,111 killings in 2018, 33% more than in 2017. In 2004, a quarter of Mexico’s homicides were committed with a gun; today, guns are blamed for 72% of killings. Mexico estimates 80% of weapons used by criminals come from U.S. Of the 132,823 guns recovered at crime scenes in Mexico from 2009 to 2018, 70% were found to have originated in the U.S primarily in Southwest border states of California, Arizona and Texas. Most firearms trafficked to Mexico from the U.S. are bought legally at gun shows or stores by people known as “straw purchasers,” who then hand them off to cartels or middlemen.

Weapons trafficking from the U.S. into Mexico has been a perennial issue on the bilateral security agenda. President Enrique Peña Nieto, who preceded Andres Manuel Lopez Obrador (AMLO), complained about the flow of American guns to Mexico. However, seizures of illegal weapons fell precipitously during his six-year term, in part because he largely abandoned initiative to inspect more vehicles heading south into Mexico that had been launched under President Felipe Calderon. The current Mexican Administration has vowed to bring back those inspections. In July 2019, Foreign Minister Marcelo Ebrard said Mexico’s military would coordinate with U.S. authorities to launch anti-gun-smuggling operations along the border.

While the majority of weapons trafficked in Mexico do come from the U.S., some firearms from the Mexican military and police have ended up in cartel hands. Under the Merida Initiative, U.S. exports of firearms, ammunition, explosives and gun parts to Mexico rose to roughly \$40 million a year, according to the advocacy group Stop U.S. Arms to Mexico, and the Mexican army vastly increased its own production of firearms. At the same time, criminals were discovering another source of firearms - the Mexican police. More than 22,000 firearms purchased by state and federal police were reported lost or stolen between 2000 and 2015, according to Mexican military documents. For example, in Guerrero, police reported that one in five of the firearms they acquired

between 2010 and 2016 were lost or stolen. This access to military-grade weapons has made confrontations between the transnational criminal organizations and Mexican security forces more deadly.

Cartel violence in Mexico made world headlines on October 17, 2019 when Mexican security forces were overwhelmed by the Sinaloa Cartel in a failed operation to capture one of El Chapo Guzman's sons in Culiacan, Sinaloa, the heart of cartel country. In February 2019, the U.S. Justice Department announced it had indicted Ovidio Guzman, son of El Chapo, on trafficking cocaine, marijuana and meth and sought his extradition to the U.S. The battle in Culiacan that left at least eight dead resembled a war zone in Afghanistan or Iraq. It showcased the Sinaloa Cartel's tremendous fire power with high-powered weapons, including mounted .50 caliber machine guns, urban warfare tactics, and scores of loyalists ready to fight to their death for the Guzman family. After a four-hour siege of the city and a jailbreak that freed cartel operatives, government forces eventually freed Ovidio Guzman. President Andres Manuel Lopez Obrador (AMLO) defended the decision to release Guzman as necessary to protect the lives of civilians and security personnel. He stated "Capturing a criminal can't be worth more than people's lives. We don't want dead people; we don't want war." The failed operation in Culiacan has been characterized as the "de facto" capitulation of the Mexican government to the Sinaloa Cartel and demonstrated the failure of the government's security services, including the newly minted National Guard, to successfully plan, coordinate and execute the capture of a high-value target, namely one of El Chapo's heirs who run the cartel.

In the wake of the Culiacan debacle, firearms trafficking from the U.S. to Mexico returned to the spotlight. According to Mexican Foreign Minister Marcelo Ebrard, Presidents Trump and Lopez Obrador spoke by phone after the October 17 operation and pledged curb arms trafficking by increasing border controls to freeze the "traffic of arms that are killing people in Mexico." Counter trafficking measures are to include deploying more x-ray, metal detection and laser equipment at the border to monitor southbound traffic leaving the U.S.

Conclusion

Global illicit networks are engaged in the trafficking of illegal substances and the Mexican cartels are no different. Mexican TCOs control the supply chains that move drugs, people, guns and money and use violence or the threat of violence to secure their power. The proliferation of synthetic drugs and new markets on the Internet are expanding the illicit drug trade in the Americas and presenting significant public health and security challenges to Mexico and the United States. Both countries have been fighting drug trafficking for decades but now need to better understand the evolving variety, production, marketing, financing, and delivery of narcotics and modernize their strategies to decrease both supply and demand. More resources must be marshalled to anticipate, detect and interdict new synthetic drugs and take the fight against trafficking into the cyber domain. At the same time, the unprecedented levels of violence in Mexico must be addressed by improving the capacity of Mexican security forces to confront the cartels and by reducing the flow of illegal firearms from the U.S. and diversions from Mexican security forces. After the Sinloa Cartel's siege of Culiacan, it is unclear what impact President Lopez Obrador's "hugs not bullets" security strategy will have on these criminal organizations and rising violence in Mexico. It might be perceived as an accommodation of the cartels that will empower them further and increase drug trafficking.

The U.S. and Mexico should continue to collaborate on the bilateral security agenda through information and intelligence sharing, joint counternarcotics and border security operations, and financial investigations against the Mexican cartels. Both countries must stay focused on countering drug trafficking and transnational criminal organizations even when the migration crisis dominates the U.S.-Mexico agenda and will be a key issue in the 2020 U.S. presidential elections. Political will on both sides of the Rio Grande combined with effective security strategies and capabilities will be paramount in order to counter the evolving drug trade in the Americas.