

ONE HUNDRED ELEVENTH CONGRESS

**Congress of the United States**  
**House of Representatives**

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
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Majority (2011 22)-6951  
Minority (2011 22)-6974

**MEMORANDUM**

**March 9, 2009**

**To: Members of the Subcommittee on National Security and Foreign Affairs**

**Fr: Majority Staff**

**Re: Hearing on "Money, Guns, and Drugs: Are U.S. Inputs Fueling Violence on the U.S.-Mexico Border?"**

On Thursday, March 12, 2009, at 10:00 A.M. in 2154 Rayburn, the Subcommittee on National Security and Foreign Affairs will conduct an oversight hearing on whether U.S. money, guns, drug consumption, and drug precursors are fueling violence on the U.S.-Mexico border. We will also explore the threats this violence poses to U.S. national security interests.

This hearing will feature top independent experts with extensive experience in Mexico and with border issues. While the U.S. is currently engaged in initiatives with Mexico aimed at the Mexican side of the border (e.g., the Mérida Initiative), this hearing asks the related question of what more the U.S. can do on our side of the border to help stop the increasing border violence.

The Subcommittee, among other issues, will have the opportunity to investigate:

- **The extent that U.S. money, guns, drug consumption, and drug precursors are fueling border violence:** How easy is it for Mexican cartels to obtain U.S. weapons? Where do they obtain precursor chemicals for methamphetamine that ends up marketed in the U.S.? Has U.S. demand for drugs originating in or transiting through Mexico changed? What happens to the profits from drug sales in the U.S.? Has U.S. law enforcement been successful in stopping transfers of bulk cash south across the border? Has the border violence grown in scope – i.e., are any new and different weapons or methods being used – and to what extent is the violence spilling over into U.S. towns?

- **Possible solutions:** What changes to U.S. law and efforts could be made to stop the flow south of U.S. money, guns, and precursor chemicals and thus improve our own national security? What impact would addressing U.S. demand for Mexican drugs have on the border violence? A January 2009 report by the Woodrow Wilson Center's Mexico Institute noted:

*Recent efforts between the two countries to strengthen intelligence sharing, technology transfer and training, including the bipartisan passage of the Merida Initiative, have built a strong framework for future efforts at cooperation. Much more can be done to deepen these efforts, however, and a new administration should look for ways to forge a comprehensive approach against organized crime that combines (1) law enforcement cooperation, especially targeted efforts at disrupting money and arms supplies (2) strengthening police and judicial institutions in Mexico, and (3) reducing the demand for narcotics in the United States*<sup>1</sup>

## I. BACKGROUND

### A. The Scope of the Border Violence

In 2008, more than 6,200 people died in Mexico in drug-related violence, more than twice the number killed in 2007. More than 1,000 people have died so far in 2009.

Mexican President Felipe Calderon's government took power in December 2006 following a 71-year rule by the Institutional Revolutionary Party (PRI). President Calderon was the first foreign leader President Obama met as president-elect, and Presidents Obama and Calderon agreed to work together to stabilize the border.<sup>2</sup>

In the first three years of President Calderon's six-year term, Mexico's army has had 153 clashes with drug gangs, while during the six years of his predecessor, Vicente Fox, there were only 16.<sup>3</sup> One newspaper – the *Wall Street Journal* – characterized the change in approach this way, “*after decades of complicity or ignoring the problem, the Mexican government is finally cracking down on the drug cartels and forcing them to fight back or fight with one another for turf.*”<sup>4</sup> President Calderon used strong language in a February interview with the Mexican newspaper *El Universal*: “*It's either the narcos, or the state.*”

In February 2009, Homeland Security Secretary Janet Napolitano said, “*Mexico right now has issues of violence that are a different degree and level than we've ever seen before*.” She also noted that she has requested a review of ways to assist Mexican law

<sup>1</sup> “The United States and Mexico: Towards a Strategic Partnership,” January 2009

<sup>2</sup> “Gates: US Military Can Help Mexico in Drug Fight,” *Washington Post*, March 1, 2009

<sup>3</sup> “The Perilous State of Mexico,” *Wall Street Journal*, February 21, 2009

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

enforcement and stop the flow of guns, assault rifles, and cash from the U.S. into Mexico.<sup>5</sup>

During a February 28 episode of *Meet the Press*, Defense Secretary Robert Gates said that the U.S. military is in a better position now to provide Mexico's military with training, resources, and intelligence. "What I think people need to point out is the courage Calderon has shown in taking this on, because one of the reasons it's gotten as bad as it has is because his predecessors basically refused to do that," he said.<sup>6</sup>

A February 21 *Wall Street Journal* article describes the situation in Mexico this way:

*Much as Pakistan is fighting for survival against Islamic radicals, Mexico is waging a do-or-die battle with the world's most powerful drug cartels. The parallels between Pakistan and Mexico are strong enough that the U.S. military singled them out recently as the two countries where there is a risk the government could suffer a swift and catastrophic collapse, becoming a failed state.*

Mexican officials object that referring to Mexico as a failed state is quite a stretch, since it has a thriving democracy, the world's 13<sup>th</sup>-largest economy, and a growing middle class. Nevertheless, any serious instability in Mexico would have refugee and economic implications for the U.S. (Mexico is the U.S.'s second biggest trading partner),<sup>7</sup> in addition to national security implications.

## B. Threat to U.S. National Security Interests

The U.S. Justice Department has called Mexican gangs the "biggest organized crime threat to the United States," noting that they operate in at least 230 cities and towns.<sup>8</sup> Crimes connected to Mexican cartels are spreading across the Southwest, with more than 370 kidnapping cases in Phoenix last year.

In 2008, gunmen fired shots and threw a grenade (which did not explode) at the U.S. Consulate in Monterrey, Mexico. The State Department's annual survey of global counter-narcotics efforts praised President Calderon for "courageous" and

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<sup>5</sup> "Napolitano Cites Mexican Drug Cartels as Major Threat," *Washington Post*, February 26, 2009

<sup>6</sup> "Gates: US Military Can Help Mexico in Drug Fight," *Washington Post*, March 1, 2009

<sup>7</sup> Interestingly, the increase in border violence has meant increased profits for some U.S. companies. One San Antonio car-armor firm expects a 50% increase in business this year. Until recently, it served mostly movie stars, business moguls and politicians. But drug violence has spurred factory owners, doctors, newspaper publishers and others who have business on both sides of the border and fear killings, kidnappings, and carjackings to take extra precautions. Traditional options include armor plating, tires that will run when flat, and bulletproof glass which withstands AR-15 assault rifle fire. Newer choices include such Batman-esque touches as a button which, when pushed, releases a cloud of smoke to escape a pursuing car, spikes to flatten the pursuer's tires, and electrified door handles to give him a non-lethal jolt. "Border Violence Leads to Armor-Plated Vehicles," *Associated Press*, March 4, 2009

<sup>8</sup> "The Perilous State of Mexico," *Wall Street Journal*, February 21, 2009

“unprecedented” steps to combat drug trade, but noted corruption still plagues the effort.<sup>9</sup> The report noted an increase in contract killings and kidnappings on U.S. soil carried out by Mexican drug cartels, sometimes using weapons that were purchased or stolen in the U.S.

The Wilson Center report also noted:

*With north-south trafficking routes well established, organized crime groups often diversify their operations into other criminal activities such as trafficking in pirated good, automobiles, and humans, and the protection / extortion businesses within licit and illicit economies*<sup>10</sup>

The State Department issued a February 20, 2009 Travel Alert for Mexico, noting in a section on “*Violence Along the U.S.-Mexico Border:*”

*Some recent Mexican army and police confrontations with drug cartels have resembled small-unit combat, with cartels employing automatic weapons and grenades ... A number of areas along the border are experiencing rapid growth in the rates of many types of crime... [border cities] have experienced public shootings during daylight hours in shopping centers and other venues.*<sup>11</sup>

The Justice Department’s Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) also took the unusual step recently of urging college students to avoid parts of northern Mexico during spring break, noting that Tijuana and Rosarito Beach (both just south of San Diego) have witnessed a lot of drug-fueled violence.<sup>12</sup>

Additionally, some have expressed concerns about the current trends leading to greater opportunities along the border for terrorist activities. For example, the Wilson Center report notes:

*Although there is no evidence to date of terrorists using the Mexican border for attacks on the United States, clearly the existence of an extensive infrastructure linked to organized crime raises concerns about possible future threats*<sup>13</sup>

There are also concerns being expressed that these trends in violence may one day threaten the very fabric of the Mexican state and society. According to the *United States Joint Forces Command Joint Operating Environment 2008 Challenges and Implications for the Future Joint Force* report:

*In terms of worst-case scenarios for the Joint Force and indeed the world, two large and important states bear consideration for a rapid and sudden collapse: Pakistan and Mexico. . . The Mexican possibility may seem less likely, but the*

<sup>9</sup> “US Sees Serious Threat in Mexico Drug Violence,” *Associated Press*, February 27, 2009

<sup>10</sup> “The United States and Mexico: Towards a Strategic Partnership”, p. 12

<sup>11</sup> U.S. Department of State Bureau of Consular Affairs Travel Alert, February 20, 2009

<sup>12</sup> “ATF Warns Spring Breakers Against Mexico Travel,” *Associated Press*, March 2, 2009

<sup>13</sup> “The United States and Mexico: Towards a Strategic Partnership”, p. 5

*government, its politicians, police, and judicial infrastructure are all under sustained assault and pressure by criminal gangs and drug cartels. How that internal conflict turns out over the next several years will have a major impact on the stability of the Mexican state. Any descent by Mexico into chaos would demand an American response based on the serious implications for homeland security alone*

Other analysts say the risk is not that the Mexican state collapses, but rather becomes like Russia, a state heavily influenced by Mafia.<sup>14</sup>

### C. U.S. Inputs: Money, Guns, and Drugs

( Profits from the drug trade in the U.S. are used to buy the U.S. arms which are fueling increased border violence. According to ATF statistics, approximately 90 percent of the weapons confiscated from organized crime in Mexico originate in the United States.<sup>15</sup> )

The Wilson Center report concludes:

*Mexico is the largest transshipment point for cocaine en route to the United States and is the largest foreign supplier of methamphetamines, heroin, and marijuana. In turn, profits from drug sales in the United States pump roughly \$15 to \$25 billion every year into illicit activities in Mexico, while over 90% of the arms used by drug traffickers are imported from the United States. Meanwhile, the drug trade fuels crime in neighborhoods throughout the United States and grows particularly threatening in the border area.<sup>16</sup>*

The report goes on to state that drug use in the U.S. has remained largely unchanged over the past five years, despite an expanding national drug control budget. The report notes that the U.S. budget is heavily skewed toward supply disruption strategies, but the report notes:

*Numerous studies have shown that source-country programs targeting cultivation, production and trafficking are more expensive and less effective in reducing drug consumption than demand-reduction strategies (including treatment and prevention programs)<sup>17</sup>*

A February 23, 2009 *Wall Street Journal* op-ed entitled "The War on Drugs Is a Failure" and co-authored by former presidents of Brazil, Colombia and Mexico

<sup>14</sup> "The Perilous State of Mexico," *Wall Street Journal*, February 21, 2009

<sup>15</sup> "The United States and Mexico: Towards a Strategic Partnership", p. 16

<sup>16</sup> "The United States and Mexico: Towards a Strategic Partnership", p. 4. In fact, a world record was set for a criminal cash seizure when \$205 million was found in Mexico City tied to a Chinese-Mexican businessman who has been jailed in the United States on methamphetamine-related charges. "In Mexico, an Unstaunching Flow of Drug Money," *Washington Post*, October 29, 2009

<sup>17</sup> "The United States and Mexico: Towards a Strategic Partnership", p. 14

summarized the message of a report by the Latin American Commission on Drugs and Democracy:

*Prohibitionist policies based on eradication, interdiction and criminalization of consumption simply haven't worked. The revision of U.S.-inspired drug policies is urgent in light of the rising levels of violence and corruption associated with narcotics. The alarming power of the drug cartels is leading to a criminalization of politics and a politicization of crime. And the corruption of the judicial and political system is undermining the foundations of democracy in several Latin American countries*<sup>18</sup>

Drug cartels are adopting guerrilla-style tactics, aided largely by weapons smuggled from the U.S.<sup>19</sup> (“Eighteen months ago we saw a spike in .50-caliber machine guns heading south,” says William D. Newell, special agent in charge of the Justice Department’s Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) station in Arizona) He continued: “Six months ago we started seeing grenades. That’s a serious escalation of violence.” Some agents fear more dramatic attacks such as car bombs are next.<sup>20</sup> (According to ATF statistics, more than 7,700 guns sold in America were traced to Mexico in FY 2008 – twice the 3,300 recorded the previous year and more than triple the 2,100 traced the year before that.)

(The 1994 ban on the sale of assault weapons like AK-47s in the U.S. expired in 2004. ATF officials say they have registered more purchases of high-powered FN Herstal rifles and pistols – the so-called “cop killers” for their ability to pierce body armor. Such items are sold in hundreds of Arizona gun shops, or by private owners advertising online.)

(There is no restriction on purchasing ammunition in Arizona. Last Christmas Eve, two Hispanic men bought 24,000 rounds of bullets – the same caliber used in “cop killers” – and paid more than \$10,000 in cash. Store managers became suspicious and called the police, who found 12 “cop killer” rifles and three “cop killer” handguns. They arrested the buyers, but only because they were foreign nationals and thus forbidden from possessing arms in the U.S.<sup>21</sup>)

<sup>18</sup> “The War on Drugs is a Failure,” *Wall Street Journal*, February 23, 2009

<sup>19</sup> “Mexican Leader Prepares for Bloodier Drug Wars,” *Wall Street Journal*, February 28, 2009

<sup>20</sup> *Id.*

<sup>21</sup> “U.S. Gun Trial Echoes in Drug-Torn Mexico,” *Wall Street Journal*, March 2, 2009

## II. WITNESSES

The hearing will consist of one panel, featuring:

- **Andrew Selee**, Director, Woodrow Wilson Center Mexico Institute, which published the January 2009 report "*The United States and Mexico: Towards a Strategic Partnership*,"
- **Michael A. Braun**, Managing Partner, Spectre Group International LLC, and former Drug Enforcement Administration Assistant Administrator / Chief of Operations; and
- **Tom Diaz**, Senior Policy Analyst, Violence Policy Center, and author of "*Making a Killing: the Business of Guns in America* "

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