

Six Key Issues in U.S.-Mexico Security Cooperation¹

In October 2007 Pres. George W. Bush announced a major new initiative to “... combat the threats of drug trafficking, transnational crime, and terrorism in the Western Hemisphere.” Known as the Mérida Initiative (MI), the plan called for the United States to provide \$1.4 billion in equipment, training, and technical cooperation to Mexico and the countries of Central America over three years.

The package is unique for several reasons. First, it seeks to place the problems of organized crime, drug trafficking, and the violence associated with both in a multi-national context. Unlike past experiences, when countries blamed each other for not doing enough to stop consumption, production or trafficking of illegal drugs, the MI recognizes that each country must share in the responsibility for dealing with the serious public security and public health problems associated with illegal drugs, and the best approach is to deal with these in a cooperative manner.

Second, while there have been instances of cooperation between the United States and Mexico in the past, the Mérida Initiative marks the first time Mexico has asked for U.S. assistance to strengthen its institutional capacity to respond to organized crime. In the past, cooperation between both countries has been largely limited to equipment and training for specialized units of Mexico’s police and military. The MI goes beyond this to include training and administrative help for Mexico’s civilian law enforcement agencies and justice sector.

Finally, the MI is atypical in that it does not involve “budget support” or “cash payments” to any of the recipient countries. Instead, the Initiative entails in-kind assistance in the form of equipment, training, and technical collaboration. This is an important distinction in the case of Mexico because it understands the MI primarily as a cooperation strategy and not as an assistance program. For Mexico, the MI represents about 10 percent of what the government is already spending to combat organized crime.

The Strategy: Something New, Something Old

As announced by the Bush Administration, the Mérida Initiative follows a mostly conventional approach to dealing with security concerns and organized crime. The Initiative assumes a strategy based primarily on law enforcement efforts directed at trafficking organizations and organized crime. Within this strategy, the Mexican military has played a significant and at times controversial role.

The largest portion of the Initiative’s resources is for costly equipment such as helicopters, surveillance planes, and high-tech detection equipment. These are intended to facilitate and enhance the rapid-response capabilities of Mexico’s military and public security forces. Yet according to most academic research, a strategy based primarily on supply suppression is more costly, and, on a dollar-for-dollar basis, less effective than strategies focused on demand reduction, especially prevention and treatment programs.

Within the initiative’s law enforcement strategy, however, a smaller portion is devoted to strengthening the institutional capacity of Mexico’s police and justice sectors. These are not

¹ By Eric L. Olson, Senior Adviser, Security Initiative, Mexico Institute, Woodrow Wilson Center
© 2008 Woodrow Wilson Center

splashy gadgets or weapons systems, but may ultimately play a more important role in Mexico's efforts to defeat organized crime and lessen the extreme violence that has plagued significant sectors of the country since President Calderón took office in 2006. Better training for police, improved forensic capability, greater security for witnesses and prosecutors, and a more efficient and effective justice system may prove more important in the long run than high tech equipment that often displaces trafficking and associated violence to other areas of the country or to other countries.

Ironically, despite the laudable efforts by the U.S. government to talk about the "shared responsibilities" both countries have in combating organized crime and insecurity along the Southwest border, the funding is heavily skewed toward supporting law enforcement efforts in Mexico. The president's emergency funding request contained no money for demand reduction efforts in the United States, and the president's budget request for FY 2009 actually reduced funding for prevention and treatment programs. If talk of shared responsibilities and collaborative approaches to greater security are to be taken seriously, the United States will need to demonstrate its willingness to increase funding for demand reduction, as well as for prevention and treatment programs at home.

Congressional Action

The U.S. Congress has already begun to leave its mark on the program's design and funding levels. According to the final legislation approved by Congress and signed into law by President Bush on June 30, 2008, an initial \$400 million will be provided to Mexico in 2008 as part of the Merida Initiative—\$50 million less than the president's original request. Of this amount, Congress stipulates that "...not less than \$73,500,000 shall be used for judicial reform, institution building, anti-corruption, and rule of law activities." The legislation also earmarks \$3 million "for technical and other assistance to enable the Government of Mexico to implement a unified national registry of federal, state, and municipal police officers." Text of the final legislation can be found here: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h2642enr.txt.pdf.

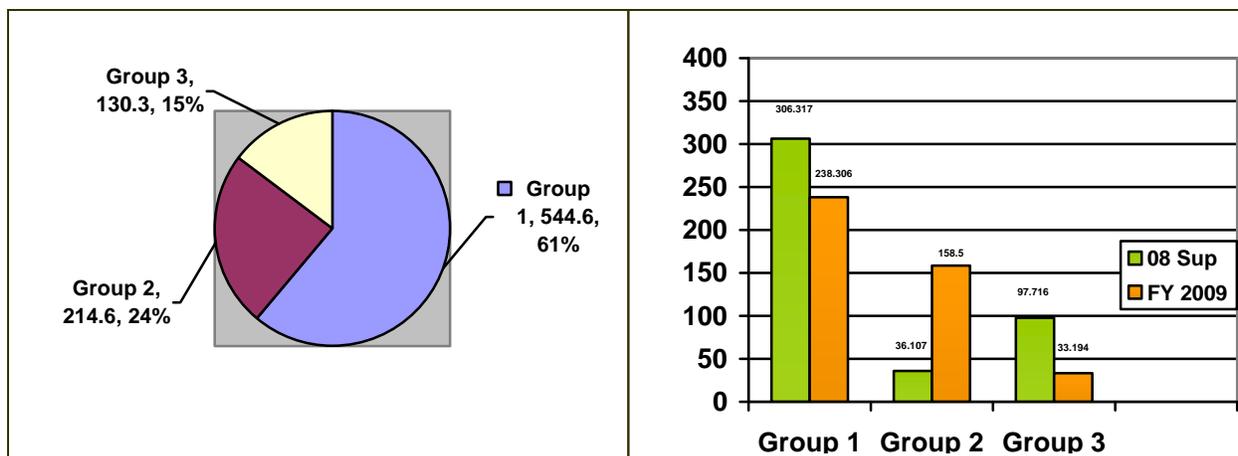
While Congress does not specify how these funds should be spent, the legislation requires the Secretary of State to follow several procedures. For example, 45 days after enactment of the bill, the Secretary of State, "shall submit to the Committees on Appropriations a detailed spending plan for funds appropriated or otherwise made available for Mexico..." This spending plan would include "...a strategy, developed after consulting with relevant Mexican Government authorities, for combating drug trafficking and related violence and organized crime...with concrete goals, actions to be taken, budget proposals, and anticipated results." On September 9, the administration complied with the congressional requirement and submitted its spending plan to the requisite members of Congress.

The administration's spending plan roughly follows the outlines of the president's original request to Congress for emergency funds made in October 2007, with some modifications and cutbacks due to the roughly \$50 million less provided by Congress. Click on the following links for breakdowns of the president's original supplemental request:

<http://www.wilsoncenter.org/news/docs/Mex%20FY08-09%20descriptions%201-2.pdf>

<http://www.wilsoncenter.org/news/docs/Mex%20FY08-09%20descriptions%203.pdf>

Bush Administration Requests for Mérida Initiative (in millions of US\$)



Group 1: Counter-narcotics, Counterterrorism, Border Security

Group 2: Public Security and Law Enforcement

Group 3: Institution Building and Rule of Law

In addition to the funding levels, Congress established a number of benchmarks upon which the Secretary of State must report to Congress. Specifically Congress has set aside 15 percent, or \$60 million, which cannot be used until the Secretary of State reports to the congressional appropriations committees the Mexican government is taking action in four areas. *See below.*

ESTABLISHING BENCHMARKS

The United States has stipulated that \$60 million, or 15 percent, of Mérida Initiative funds not be used until the Secretary of State reports in writing to the congressional appropriations committees that the Mexican government is:

- (1) *Improving the transparency and accountability of federal police forces and working with state and municipal authorities to improve the transparency and accountability of state and municipal police forces through mechanisms including establishing police complaints commissions with authority and independence to receive complaints and carry out effective investigations;*
- (2) *Establishing a mechanism for regular consultations among relevant Mexican government authorities, Mexican human rights organizations and other relevant Mexican civil society organizations, to make recommendations concerning implementation of the Mérida Initiative in accordance with Mexican and international law;*
- (3) *Ensuring that civilian prosecutors and judicial authorities are investigating and prosecuting, in accordance with Mexican and international law, members of the federal police and military forces who have been credibly alleged to have committed violations of human rights, and the federal police and military forces are fully cooperating with the investigations; and*
- (4) *Enforcing the prohibition, in accordance with Mexican and international law, on the use of testimony obtained through torture or other ill-treatment.*

Source: Public Law 110-252

Six Key Issues

In the following paragraphs we take a brief look at six key issues that have emerged in U.S. and Mexican efforts to collaboratively defeat organized crime and stop drug trafficking. First we examine three Mexican institutions—the police, the justice system, and the military—that are critical to any long-term strategy for combating organized crime. Second, we examine three concerns that Mexico has consistently raised with the United States, and that require persistent and determined action from the United States—ending the flow of illegal weapons to Mexico, improving efforts to stop the laundering of illegal proceeds, and expanding efforts to reduce the demand for illegal drugs in the United States.

Careful collaboration on these issues will not only contribute to improved trust and cooperation between each country but will contribute to stronger democratic institutions and, ultimately, a better chance of success by reducing the violence, profits and corruption associated with organized crime.

Mexico's Law Enforcement Agencies

Questions have been raised about the capacity of Mexico's civilian law enforcement agencies to combat organized crime and major drug trafficking operations. These questions include serious concerns about corruption, the investigative capacity of police forces, and a legacy of abusive police practices, including torture, as an irresponsible method for extracting confessions that quickly put an end to investigations. These concerns are also reflected in public opinion surveys which suggest that the Mexican public has little confidence in its law enforcement agencies. For example, a February 2008 report on public confidence in government institutions by the public opinion firm Consulta Mitofsky found that the police were among the least-trusted public institutions, just ahead of last-place political parties. Other important questions are: What is the capacity of Mexico's law enforcement agencies to combat drug traffickers and organized crime? What has the Mexican government done to improve the crime-fighting ability of the police?

Background Information

Mexico has an estimated 2,600 police forces with approximately 400,000 officers operating at the municipal, state, and federal levels. Since drug trafficking and organized crimes are federal offenses, Mexico's federal police are primarily responsible for counter-narcotics efforts. Nevertheless, collaboration with state and local police is also considered essential because local police often have direct contact and more immediate knowledge of drug trafficking activities, especially as these spread to other parts of the country.

Mexico's police forces can be divided into two functional groups: a uniformed "preventive" police that seeks to maintain public order and deter crime through a visible public presence, and an investigative police force that is primarily involved in detective work and crime scene preservation. There have been several major reforms and reorganizations of the federal police in the past decade. Among the most significant was the creation of the Federal Preventive Police (PFP in Spanish) in 1998 which sought to streamline disparate specialized police forces into one federal agency with centralized control under the Public Security Ministry (SSP in Spanish).

Table 1. Mexican Police Forces (federal, state, and municipal), 2008²

² Figures in table refer to numbers of sworn officers in each of the listed agencies or units and omit unsworn personnel or other employees. Figures also exclude Mexican military personnel who are frequently attached to

Total Federal Police (both preventive and investigative)	44,761
Federal Attorney General's Office (Procuraduría General de la República, PGR)	10,362
Federal Investigation Agency (Agencia Federal de Investigación, AFI)	8,127
Special Anti-Narcotics and Security Details for High-Level Officials	2,235
Federal Public Security Secretariat (Secretaría Federal de Seguridad Pública, SSP)	21,492
Federal Preventive Police (Policía Federal Preventiva, PFP)	12,907
Total State Police (all states except Federal District)	188,583
Preventive Police	156,993
Investigative Police	31,590
Total Municipal Police (preventive, all municipalities)	139,590
Federal District	77,285
Public Security Secretariat	73,800
Preventive Police	30,800
Auxiliary Police	28,000
Banking and Industrial Police	15,000
Investigative Police (Federal District Attorney General's Office, PGJDF)	3,485
Total	450,219

Under former Pres. Vicente Fox, the Federal Investigation Agency (AFI in Spanish) was created in 2001 within the Attorney General's Office (PGR) to replace the notoriously corrupt Federal Judicial Police. The AFI is roughly comparable to the U.S. Federal Bureau of Investigation, although its primary job is to assist federal prosecutors in their investigation of federal crimes. In creating the AFI, the government sought to build a more professional and less corrupt investigative police by improving vetting procedures and professional training for its officers.

Today the government of Pres. Felipe Calderón has laid out its own ambitious agenda for institutional reform of the police. In his "First State of the Union Address" on September 1, 2007, President Calderón outlined a seven-point "Integrated Strategy for Crime Prevention and Crime Fighting." Included in this strategy are major institutional reforms intended to create a more unified federal police force, increase its technical and professional capacity through improved training, a more integrated information- and intelligence-sharing system, and create more possibilities for public scrutiny and accountability, among others.

One of the key components of the government's strategy is that of integration: greater integration of federal police forces into one force, greater integration of information and intelligence systems into what is called the "Mexico Platform," and greater operational integration between federal, state, and local police. For example, the government recognizes that the lack of effective coordination amongst police forces has been exploited by organized crime to further their illegal enterprise by taking advantage of jurisdictional discrepancies, poor communication between

policing and other security details. Figures in table are based from averages obtained from academic and official sources, including from *Almanaque Mexicano, 2007*, ed., Sergio Aguayo. Note: Data on the number of police officers—both preventive and investigative—as well as the number of law enforcement agencies in Mexico can vary greatly depending on source. The total number of police officers from all forces in Mexico is said to vary between 375,000 to 450,000, with 400,000 a routinely cited figure.

forces, and lack of timely intelligence and information coordination necessary for taking on sophisticated and well-organized criminal gangs. While the process of greater integration has already begun, it has been furthered by a constitutional reform, recently approved, that would extend investigative responsibilities to the PFP and facilitate the gradual integration of the AFI into a national police force. By adopting these significant institutional and procedural reforms, the Mexican government believes it can build a strong civilian police force that is more professional, less corrupt, and gains the confidence of the Mexican public, and ultimately leads to an increased capacity to confront organized crime. The challenge will be to ensure that greater integration and coordination do not devolve into a greater concentration of power, weaken checks on the system, and risk potential catastrophe if this concentrated power becomes corrupt.

The Mérida Initiative and the Mexican Police

The President's original requests for the Mérida Initiative provide for a total of \$252 million in training and equipment for the Mexican police and other law enforcement agencies. Key elements of this package include \$106 million for three transport helicopters (UH-60) with training and maintenance; \$10 million for surveillance aircraft (Cessna Caravan) with training and maintenance; \$31.55 million for "non-intrusive" inspection equipment; \$4.5 million for federal police professionalization and training; \$2 million to increase polygraph capacity to expand vetting; \$6 million to improve security for those investigating organized crime; and \$2 million to strengthen specialized anti-gang, -organized crime, and -money laundering units.

Mexico's Justice System

As in the case of the police, serious questions have been raised about Mexico's justice system. The dominant public perception among Mexicans is that the justice system is corrupt and inefficient, according to research conducted by Transparencia Mexicana, an arm of the international governmental-accountability organization Transparency International. Questions have thus been raised about the capacity of the justice system to withstand the enormous financial pressure and violence of organized crime. Can it operate independently of political pressures when politicians become ensnared in criminal activity? What are the kinds of institutional reforms needed to make the justice system operate in a more open, transparent, and accountable manner? Are recently passed reforms at either the federal and the state level sufficient?

Background Information

On February 26, 2008 the Mexican Congress adopted a series of constitutional reforms that will bring about major change to the country's code of criminal procedures when fully implemented. These reforms were subsequently approved by a majority of Mexico's state legislatures and signed by President Calderón on June 17.

Mexico's justice system has traditionally functioned under a highly formalized set of rules and procedures where judges render verdicts behind closed doors based primarily on written records, affidavits and recommendations from prosecutors. There is no presumption of innocence, and the accused can spend months, even years, in jail waiting for a judge to rule on a prosecutor's recommendation. The absence of oral arguments, cross-examination of witnesses, or examination of evidence by a defendant has led to problems of corruption, human rights abuses, and an inefficient system of justice.

Moving from this inquisitorial system of justice to an adversarial one is the most dramatic change in the recent constitutional reforms. A presumption of innocence for the accused; oral trials with public proceedings and evidence presented orally to the judge; and sentences based on evidence presented at the trial are among the far-reaching changes that will fundamentally change Mexico's justice system. The changes are so dramatic, in fact, that full implementation will take up to eight years in some cases. Fortunately, reforms of the federal justice system can benefit from the experiences of a number of states where reform is already underway, and where up to 90 percent of cases are brought.

Regarding organized crime and drug trafficking, the reforms made the following key changes:

- *The definition of organized crime was expanded to include "...an organization made up of three or more people to commit crimes in a permanent or repeated manner...."*
- *Administrative detention (arraigo in Spanish) of 40 days, with the possibility of an extension to 80 days, would be permitted prior to charges being made.*
- *Pretrial detention is mandatory for specific crimes such as organized crime, deliberate homicide, rape, and kidnapping, crimes committed with violent means, such as weapons or explosives, and serious crimes that the law determines are against the security of the nation, the free development of the entity, and health.*

The Mérida Initiative and Mexico's Justice System

Included in the president's emergency supplemental request for 2008 and the FY 2008-2009 budget request are numerous initiatives designed to strengthen the capacity of Mexico's justice system. Highlights from these are: \$28.8 million for "Constanza Information Technology" (hardware and software) for the Attorney General's office to "create an integrated information infrastructure and inter-connectivity nationwide;" \$15 million to develop a "Clerk of Court" system for improving courts management and prosecutorial capacity building; \$2 million for training in evidence handling and chain of custody; \$2.44 million for victims and witness protection and restitution programs; \$5 million for improving the Attorney General's forensics laboratories, and \$29.35 million to digitize all aspects of the case tracking and criminal processing system.

Use of the Mexican Military to Combat Organized Crime

Given the major concerns about the capacity of Mexico's civilian institutions—police and justice system, in particular—combat organized crime, the Mexican military has increasingly been seen as a viable alternative for policymakers. The military has greater firepower and operational capacity than the police, and is generally perceived as less corrupt. The Mitofsky public opinion survey ranks the military as the third most-trusted institution in Mexico (February 2008). But questions have also been raised about this strategy. Has the strategy been successful? What has been the impact on the military itself? Are they becoming more vulnerable to corruption? What is the long-term impact on civilian institutions? Will they be strengthened or weakened? What are the human rights implications of using the military?

Background Information

The Mexican military's involvement in combating illegal drugs stems back several decades. In several marijuana- and coca-growing regions Mexican foot soldiers have engaged in manual eradication efforts since the 1940s.

The military's involvement in antidrug efforts increased significantly beginning in 1987 when then-President Miguel de la Madrid declared drug trafficking a "national security matter." In 1996, President Zedillo supported a law that allowed the Mexican military to participate in the National Public Security Council, for the first time giving the military a direct role in public security functions. The changes brought on by these reforms were most significant in the state of Chihuahua where the Juárez drug cartel had become one of the country's most powerful trafficking operations. As a result, the Commander of the Fifth Military Zone in Chihuahua became a central figure in efforts to combat the cartel's operations.

At the same time, Chihuahua's state government began to experiment with integrating retired or on-leave military personnel into its state police forces. Finally, as traffickers began using "gofast" boats to ship drugs through the Gulf of Mexico and the Pacific Coast, Mexico's navy was increasingly drawn into counter-narcotics efforts.

At the time of its creation in 1998, it was estimated that nearly half of the PFP had ties to the military, mostly from the army's Third Brigade of Military Police. President Zedillo also created the National Institute to Combat Drugs within the PGR and named several army officers to leadership positions. The Mexican military also began to utilize its Special Forces Airborne Group (GAFES in Spanish) in special counter-narcotics operations in the mid-1990s. Many of these units received specialized training in the United States.

During the Zedillo government (1994-2000) and the Fox government (2000-2006) the Mexican army was used to patrol the streets of high-crime areas in Mexico City and elsewhere in the country on several occasions. President Calderón (2006-present) has continued this trend, and used the military in large operations to directly confront drug traffickers in four main areas of the country: Acapulco and surrounding areas, Michoacán, Nuevo Laredo, and in April 2008, in Ciudad Juárez, Chihuahua. All these interventions have involved large-scale mobilizations and have taken place with the knowledge and consent of the state governors, and sometimes on their request.

What has been the impact of using Mexico's military in counter-narcotics efforts? In the immediate term, it would appear that the Mexican military has succeeded in reestablishing order in areas hard-hit by drug-related violence and intra-cartel feuds such as in Michoacán, Guerrero, and Nuevo Laredo. There is also evidence that the military presence has merely displaced the violence and, in some instances, such as in Nuevo Laredo, has resulted in a stalemate with the cartels, reducing the levels of horrific violence, but not completely rooting out organized crime, which continues to have a stranglehold on the city.

In addition, the Mexican military's involvement in counter-narcotics efforts seems to have been a mixed blessing to the military institution. On the one hand they have won plaudits and greater public acceptance for their ability to restore a semblance of order in areas seriously threatened by cartel violence.³ On the other hand, increased involvement in combating organized crime has meant that the military itself is exposed to the corrosive effects of corruption and drug money, and many of its prized members have been caught up in the illegal activity they are supposed to

³ It is worth noting that until the United States began providing specialized training for the GAFES, there had been no U.S. training of Mexican military forces, and military-to-military relations between the two countries were non-existent.

be combating. For example, it is estimated that several dozen GAFES have changed sides and become a powerful protection force, known as the Zetas, for the Gulf Cartel, and that they are involved in trafficking of their own.

Yet greater involvement in open combat with well-armed and well-trained cartel forces has led to increased complaints of human rights violations by the military including the alleged slayings of civilians and the illegal detention and abuse of people who happen to be in the wrong place at the wrong time during military operations.

Conversely, human rights organizations have pointed out that under international law the Mexican government has the obligation to ensure that civilian judicial authorities investigate alleged human rights crimes including violations committed by military personnel. Most Mexican and international human rights groups have concluded that Mexico is failing in this obligation because the military justice has retained jurisdiction over these cases, does not meet basic due process guarantees for the accused, is not considered impartial, is not subject to civilian review, and cases often languish without thorough investigations. In July 2008, Mexico's National Human Rights Commission issued a number of recommendations critical of the military's handling of such cases.

The Mérida Initiative and the Mexican Military

The total budget for military-related assistance in the president's original request to Congress was \$325.7 million, of which \$205.5 million was included in the emergency supplemental request for FY 2007-2008, and \$120.2 million in the FY 2008-2009 budget request. Of this total, \$104 million corresponds to eight helicopters with training, maintenance, parts and night-vision equipment; \$100 million for two CASA 235 maritime patrol aircraft; \$20.2 million for Mobile Gamma Ray Non-Intrusive Inspection Equipment; and \$1.5 million for Ion Scanners to detect drugs and weapons.

Illegal Arms Flows between the United States and Mexico

According to news reports, violence associated with drug trafficking in Mexico has exploded in recent years as law enforcement efforts have intensified. By some estimates 6,000 people have been killed in drug-related violence in Mexico in the last two years, as many as 5,000 since President Calderón took office in December 2006. Two hundred people were killed in Ciudad Juárez alone in the first three months of 2008. The Mexican government has said that many of the weapons used in this violence originated in the United States and were brought into Mexico illegally. Mexico has called on the United States to do more to control the illegal flow of weapons into Mexico. What are some of the options the United States should consider to stem the illegal flow of weapons southward, while protecting Second Amendment rights in this country?

Background Information

According to the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), 90 percent of all illegal weapons seized in Mexico originated in the United States and were illegally smuggled into Mexico. The weapons have been traced back to many states, including to the State of Washington and Florida, but the three main source states in the past three years have been Texas, Arizona, and California. According to the ATF, Mexico submitted 1,112 guns from these three

states for tracing in FY 2006-2007. In the same year, 435 weapons from all other states were submitted for tracing.

ATF investigators believe drug trafficking organizations use their money laundering, distribution and transportation networks in the United States to purchase weapons and ship them back to Mexico. They make purchases at gun shows, flea markets and via private sales, as well as illegal straw purchases from Federal Firearms Licensees (FFL). There are an estimated 6,647 FFLs along the U.S.-Mexico border and the ATF has approximately 25 Industry Operations Investigators (IOI) and 100 special agents stationed on or near the border who are devoted to investigating firearms trafficking to Mexico.

The cornerstone of the ATF's efforts to stop the trafficking of weapons to Mexico is "Project Gunrunner." According to the U.S. government, "ATF developed Project Gunrunner to stem the flow of firearms into Mexico and thereby deprive the narcotics cartels of weapons. The initiative seeks to focus ATF's investigative, intelligence and training resources to suppress the firearms trafficking to Mexico and stem the firearms-related violence on both sides of the border."

As part of Project Gunrunner, 100 special agents are assigned to the Southwest border area, and two "ATF intelligence research specialists" are assigned to the El Paso Intelligence Center. Additional agents are expected to be reassigned to Project Gunrunner this year.

Another critical component of Project Gunrunner is the Bureau's e-Trace program used to trace the origin and sales of confiscated weapons. This year the ATF's e-Trace program has been deployed to nine U.S. consulates in Mexico, and these programs will eventually be expanded to include a Spanish e-Trace system that is more easily accessible to Mexican authorities. With the Spanish e-Trace program in place, Mexican officials will have direct access to the ATF's database, thereby facilitating their investigations.

According to Mexico's National Security Council, there were over 14,000 handguns and assault rifles, and 863 grenades of all types seized between December 1, 2006, when President Calderón took office, and April 2008. These weapons include assault rifles such as M16 and AK-type weapons, as well as .30-caliber machineguns, 66-millimeter anti-tank weapons, and .50-caliber Barrett rifles, among others. Weapons are seized by a variety of Mexican law enforcement forces and the military, and are subsequently turned over to the federal Attorney General's Office (Procuraduría General de la República), which is responsible for investigating all federal offenses, including the possession of arms limited to military use. Once the PGR finishes its investigation of the weapons, they are turned over to the Mexican military for safekeeping and/or destruction. Mexico's laws restrict private gun ownership to small-caliber weapons and do not permit individual sales. Higher-caliber weapons are restricted to military use only, so weapons confiscations often lead to criminal charges of illegal possession.

Mexican authorities have welcomed the expanded availability of the ATF's eTrace system, and believe the application of a Spanish-language eTrace software will enable them to greatly increase their use of the database and provide valuable information for investigations. Nevertheless, Mexican authorities have also voiced a desire that U.S. officials do more to stop the flow of guns into Mexico so that the need for tracing is diminished.

On June 9, 2008, the Mexican and U.S. governments announced another initiative to combat trafficking in arms along the Southwest border. Dubbed operation Armas Cruzadas, it is described as “a major effort to identify and disrupt trans-border weapons smuggling networks between the two countries’ borders through the Homeland Security Information Network (HSIN) virtual weapons task force.” In the United States this initiative is being led by the Department of Homeland Security’s Immigration and Customs Enforcement, with the support of U.S. Customs and Border Enforcement, the Drug Enforcement Administration (DEA), and the ATF.

According to ICE Assistant Secretary Julie Myers, “Armas Cruzadas partners U.S. and Mexican law enforcement agencies to share information and intelligence in an effort to comprehensively attack the growing gun violence in Mexico.” Armas Cruzadas is expected to add to the capacity for weapons investigations at the 10 Border Enforcement Security Task Forces (BEST) that operate in Texas, Arizona, and California. The BEST task forces were established to better integrate federal and local law enforcement efforts in the United States and Mexico along the border.

The Mérida Initiative and Disrupting the Flow of Illegal Weapons

President Bush’s original request includes \$2 million to increase the availability of a Spanish-language eTrace program in Central America and in Mexico. In Mexico funds would be used for training to ensure that the tracing program and available technology is used to the fullest.

Demand Reduction Efforts

According to the 2006 National Survey on Drug Use and Health , an estimated 20.4 million Americans, or 8.3 percent, of the total population that is age 12 or older used illegal drugs in the previous month. This figure is roughly the same as in 2002, also 8.3 percent, and in 2005 (8.1 percent). According to the White House Office of National Drug Control Policy, “Youth drug use has declined 24 percent since 2001.”

Consumption is not limited to the United States. Increasingly countries along the supply or trafficking routes have their own consumption problems as drug cartels have begun paying their “employees” in kind. Estimates of the number of persons 12 and older who are consuming illegal drugs in Mexico run just over 5 percent of the population, or about 3.5 million. If consumption or demand for illegal drugs is the root of the problem, it is important to ask what is being done to reduce demand for illegal drugs in both countries.

Background Information

In the United States, demand reduction is generally divided into three components: treatment, prevention, and law enforcement. According to research by Carnevale & Associates LLC, the federal budget for demand reduction programs from FY 2001-2002 to FY 2008-2009 (requested) has increased at a lower rate than the international budget for source country and interdiction programs. During this eight-year period the budget for treatment increased 22.2 percent, the

By Function:	FY 2002 Final	FY 2003 Final	FY 2004 Final	FY 2005 Final	FY 2006 Final	FY 2007 Final	FY 2008 Enacted	FY 2009 Request	FY 02 - FY 09	
									Dollar Change	Percent Change
Treatment (w/Research)	\$2,784.6	\$2,876.0	\$3,028.3	\$3,053.0	\$2,941.9	\$3,060.9	\$3,226.0	\$3,402.8	\$618.2	22.2%
Percent	26.2%	25.9%	25.5%	24.1%	22.6%	22.1%	23.6%	24.1%		
Prevention (w/Research)	\$1,996.4	\$1,936.5	\$1,955.9	\$1,952.1	\$1,962.6	\$1,841.8	\$1,756.8	\$1,507.1	-\$489.3	-24.5%
Percent	18.8%	17.5%	16.5%	15.4%	14.3%	13.3%	12.9%	10.7%		
Domestic Law Enforcement	\$2,867.2	\$3,018.3	\$3,189.8	\$3,317.9	\$3,474.7	\$3,748.8	\$3,800.3	\$3,763.3	\$896.1	31.3%
Percent	26.9%	27.2%	26.9%	26.2%	26.7%	27.1%	27.8%	26.7%		
Interdiction	\$1,913.7	\$2,147.5	\$2,534.1	\$2,927.9	\$3,285.6	\$3,175.9	\$3,214.2	\$3,830.9	\$1,917.2	100.2%
Percent	18.0%	19.4%	21.4%	23.2%	25.3%	22.9%	23.5%	27.1%		
International	\$1,084.5	\$1,105.1	\$1,150.3	\$1,393.3	\$1,434.5	\$2,016.6	\$1,866.3	\$1,809.8	\$525.3	48.4%
Percent	10.2%	10.0%	9.8%	11.0%	11.0%	14.6%	12.2%	11.4%		
Total	\$10,646.4	\$11,083.4	\$11,867.4	\$12,644.2	\$12,999.3	\$13,844.0	\$13,663.6	\$14,113.9	\$3,467.5	32.6%
By Supply/Demand Split										
Supply	\$5,865.4	\$6,270.9	\$6,883.2	\$7,639.1	\$8,194.8	\$8,941.4	\$8,680.8	\$9,204.0	\$3,338.6	56.9%
Percent	55.1%	56.6%	58.0%	60.4%	63.0%	64.6%	63.5%	65.2%		
Demand	\$4,781.0	\$4,812.5	\$4,984.2	\$5,005.1	\$4,804.5	\$4,902.7	\$4,982.8	\$4,909.8	\$128.8	2.7%
Percent	44.9%	43.4%	42.0%	39.6%	37.0%	35.4%	36.5%	34.8%		
Total	\$10,646.4	\$11,083.4	\$11,867.4	\$12,644.2	\$12,999.3	\$13,844.1	\$13,663.6	\$14,113.8	\$3,467.4	32.6%

budget for prevention decreased 24.5 percent, and the budget for law enforcement increased 31.3 percent. On the international side, the budget for interdiction increased 100.2 percent, and the budget for source country efforts increased 48.4 percent. Overall, the U.S federal drug control budget for supply reduction has increased 56.9 percent during this period, but the total budget for demand reduction has increased 2.7 percent.

Source: Carnevale & Associates LLC, Federal Budget Drug Trend, Policy Brief, February 2008. www.carnevaleassociates.com

The Mérida Initiative and Demand Reduction

Since the Mérida Initiative is a security cooperation package for and with Mexico, it does not include any specific money for demand reduction programs in the United States. However, the president's original request to Congress did include \$26 million (\$15.2 million in Supplemental and \$10.95 million in FY 2008-2009) for Mexico's National Network for Technological Transfers in Addictions (RENADIC), a division within the federal Ministry of Health that promotes drug awareness, demand reduction and rehabilitation efforts.

Money Laundering

Proceeds from the sale of illegal drugs in the United States are the lifeblood of drug trafficking organizations. Returning those proceeds to the cartels not only enriches them, but provides them with the money for arms, personnel, and corruption that ensure protection for their illegal enterprises. Key questions to be examined in this regard are the extent to which the United States and Mexico are monitoring financial transactions within and between both countries, and what

efforts are being made to disrupt the bulk transfer of hard currency across the U.S.-Mexico border.

Background Information

The National Drug Intelligence Center (NDIC) estimates that Mexican and Colombian drug-trafficking organizations produce and launder between \$8.3 billion and \$24.9 billion in illicit proceeds each year. Other U.S. law enforcement agencies estimate that up to \$22 billion has been repatriated to Mexico from the United States by drug trafficking organizations. A precise amount entering Mexico is difficult to determine, but Mexican officials believe it is less than \$10 billion annually.

The money generated by the sale of illegal drugs in the United States is often put through a complex series of financial transactions in an attempt to launder it—that is, bring it into the legitimate economy. According to the DEA and the NDIC, Mexican drug trafficking organizations use wire services to assist in the transfer of drug profits through shell corporations and sometimes legitimate enterprises within the United States. These financial transactions occur in sums of less than \$3,000 to evade the standard identification procedures associated with wire transactions. Once in Mexico, the money is sometimes further laundered through currency exchange houses, Mexican financial institutions, kept in bulk “stash sites;” or is transported to other countries, according to the 2007 National Drug Threat Assessment. Other methods for laundering include working with small businesses, or using the money to purchase real estate, vehicles or businesses, and using money brokers.

Nevertheless, despite these sophisticated techniques, both U.S. and Mexican authorities believe that traffickers rely primarily on bulk cash smuggling to transport illegal drug proceeds across the Southwest border into Mexico. In order to curb the flow of illicit bulk cash, a wide variety of U.S. departments and agencies engage in cooperative efforts. These efforts range from investigative task forces, inter-agency financial investigations training, and prevention of the wholesale distribution of U.S. currency, to strategic partnerships between departments that increase outbound inspections by border agencies.

For example, a number of agencies and offices within the Department of Justice (FBI, DEA, NDIC, and Organized Crime Drug Enforcement Task Force) are engaged in inter-departmental efforts with the Department of the Treasury (Financial Crimes Enforcement Network and Office of Foreign Assets Control) and Department of Homeland Security (Immigration and Customs Enforcement, and Customs and Border Protection) to disrupt the illicit flow of money between Mexican drug-trafficking organizations and their U.S. operatives. Volume II of the 2007 International Narcotics Control Strategy Report (INCSR) includes a detailed description of the various U.S. Federal agencies involved in combating money laundering. <http://www.state.gov/documents/organization/81447.pdf>

The 2007 INCSR lists 59 countries of “Primary Concern” or major money laundering countries or jurisdictions around the world. A major money laundering country is defined by law as one “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking.” (INCSR 2007 Vol. II page 40) The decision to consider a particular nation a major money laundering country is based on “the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken...” (INCSR page 40). In this case, Mexico is classified as a “Country of Primary Concern” because of the

estimated amount of money laundered, and not because its laws are inconsistent with good anti-laundering practices. Also included among the countries of “primary concern” are the United Kingdom and the United States.

One of the regulatory actions the U.S. government has taken to reduce money laundering activities has been through the Treasury Department’s Financial Crimes Enforcement Network (FinCEN). In operation since October 2006, the agency established regulations that required financial institutions to institute specific policies and safeguards against money laundering such as due diligence policies, procedures and controls that allow the institutions to detect occurrences of money laundering (National Drug Threat Assessment 2007).

In Mexico, the Financial Intelligence Unit (Unidad de Inteligencia Financiera) in the Ministry of the Treasury (Secretaría de Hacienda y Crédito Público) is the leading agency responsible for money laundering issues. Created in 2004, the Financial Intelligence Unit is in charge of generating and disseminating analysis of financial information that can be used to detect illicit financial operations that may be directly linked to money laundering activity or terrorist financing. One of the primary tasks of the Financial Intelligence Unit is implementing preventive mechanisms and detection measures for criminal acts. In conjunction with customs offices and Mexico’s Attorney General, the FIU processes and analyzes intelligence reports and responds to formal complaints to detect and prevent money laundering activities linked to criminal organizations.

The Mérida Initiative and Money Laundering

The President’s original request to Congress included the following to assist in efforts to combat money laundering of drug proceeds back to Mexico: \$5 million in software and hardware for Mexico’s Financial Intelligence Unit to increase its data management and analysis capacity.