



**Drug Market Analysis**

**2008**

# **California Border Alliance Group**



**NATIONAL DRUG INTELLIGENCE CENTER  
U.S. DEPARTMENT OF JUSTICE**





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This assessment is an outgrowth of a partnership between the NDIC and HIDTA Program for preparation of annual assessments depicting drug trafficking trends and developments in HIDTA Program areas. The report has been coordinated with the HIDTA, is limited in scope to HIDTA jurisdictional boundaries, and draws upon a wide variety of sources within those boundaries.



# National Drug Intelligence Center

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# PREFACE

This assessment provides a strategic overview of the illicit drug situation in the California Border Alliance Group (CBAG) region of responsibility, highlighting significant trends and law enforcement concerns related to the trafficking and abuse of illicit drugs. The report was prepared through detailed analysis of recent law enforcement reporting, information obtained through interviews with law enforcement and public health officials, and available statistical data. The report is designed to provide policymakers, resource planners, and law enforcement officials with a focused discussion of key drug issues and developments facing the CBAG region.



Figure 1. California Border Alliance Group region.



### STRATEGIC DRUG THREAT DEVELOPMENTS

- California ports of entry (POEs) remain the principal POEs used to smuggle methamphetamine into the United States, despite significant decreases in seizures over the past year.
- Mexican law enforcement pressure along with chemical sale and import restrictions in Mexico appear to have hampered Mexican drug trafficking organizations (DTOs) in their ability to obtain the quantities of precursor chemicals necessary to sustain prior levels of methamphetamine production. As a result, the price per pound for the drug has significantly increased, indicating a potential decrease in Mexican methamphetamine production.
- Cannabis cultivation has increased in the CBAG region as a result of a rising demand for higher-potency marijuana, both in the region and nationwide. Mexican DTOs are expanding their production of high-potency marijuana. They are also using innovative cultivation methods that yield plants ready for harvest within 90 days of planting, potentially enabling them to produce three harvests per year.
- Cross-border violence along the U.S.–Mexico border in California is escalating, endangering law enforcement and innocent citizens. The violence appears to be an attempt by DTOs to deter law enforcement officials from seizing illicit drug shipments or an attempt to divert attention from drug shipments. Drug-related violence is also escalating in areas of Mexico that border the CBAG region, a result of retaliation by Mexican DTOs against Mexican military and law enforcement personnel participating in counterdrug operations.
- Mexican DTOs use subterranean tunnels to smuggle illicit drugs into California. These tunnels range in sophistication from PVC (polyvinyl chloride, or hard plastic) pipes to

well-engineered tunnels equipped with electricity, ventilation, and rails.

- Illicit drug abuse in the CBAG region, particularly the abuse of marijuana and ice methamphetamine, is at high levels. The abundant supply of drugs transported across the U.S.–Mexico border provides drug abusers in the region ready access to most illicit drugs.

### CBAG OVERVIEW

The CBAG region, which consists of San Diego and Imperial Counties and encompasses California’s entire 145-mile portion of the U.S.–Mexico border, is a principal drug smuggling corridor for illicit drugs entering the country from Mexico. DTOs use the border area to smuggle significant quantities of methamphetamine, cocaine, marijuana, and heroin into the CBAG region.

The population of the CBAG region, along with that of the Mexican cities located along the U.S.–Mexico border in California, accounts for 60 percent of the population along the entire U.S.–Mexico border. San Diego, California, the largest U.S. city on the U.S.–Mexico border, and its sister city<sup>1</sup> Tijuana, the second-largest Mexican city on the border, have a combined population greater than that of any other border area. The cultural connections among the large population in the California–Mexico border area enable drug traffickers to exploit familial ties and extensive contacts on both sides of the border to assist in drug trafficking operations.

A high volume of cross-border vehicle and foot traffic facilitates illicit drug smuggling from Mexico into the CBAG region. The daily movement of individuals and goods across the border provides innumerable opportunities for traffickers to

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1. Sister cities are separate border cities located in proximity to one another; one of the cities is located in Mexico and the other in the United States. These cities often constitute binational and bicultural communities between which a high volume of individuals commute for work or school daily.

conceal smuggling activities with legitimate traffic. Mexican DTOs typically enter the CBAG region at or between the six land POEs along the U.S.–Mexico border in California: Andrade, Calexico East, Calexico West, Otay Mesa, San Ysidro, and Tecate. The Otay Mesa POE is the busiest commercial border crossing between California and Mexico. In 2006, the latest year for which data are available, the Otay Mesa POE handled more than 1.4 million trucks and \$28.6 billion worth of goods crossing the U.S.–Mexico border in both directions, an amount that represents the third-highest dollar value of trade among all land border crossings between the United States and Mexico. Another \$1.2 billion in merchandise and more than 140,000 trucks crossed at the Tecate POE.

An extensive highway and rail transportation network facilitates commercial trade and traffic across the border, creating an ideal environment for drug trafficking operations. Mexican DTOs transport illicit drugs across the border using private and commercial vehicles, buses, rail, and package delivery services. Once in the United States, drugs typically are transported overland along Interstates 5, 8, 15, and 805, highways that link the region to drug markets throughout the United States. (See Figure 1 on page 1.)

The CBAG region also is vulnerable to air and maritime smuggling from Mexico. DTOs use commercial and private aircraft to smuggle illicit drugs from Mexico into and through the region. Additionally, DTOs use small watercraft to retrieve drugs either in Mexico or from larger ships located offshore and transport them into the area by blending with commercial and recreational maritime traffic.

## DRUG THREAT OVERVIEW

Mexican methamphetamine trafficking is the predominant drug threat to the CBAG region. Methamphetamine is one of the most abused drugs in the region, second only to marijuana. Methamphetamine abusers in the region are engaging in a significant number of drug-related crimes including identity theft, assaults, burglaries, and domestic violence incidents. Prices for ice methamphetamine<sup>2</sup> have increased significantly in the region, largely as a result of the decreased availability of the drug. For instance, a pound of ice methamphetamine sold for between \$6,000 and \$10,000 in San Diego County in 2006; the price increased to between \$9,000 and \$12,500 per pound in 2007. Reduced availability is most likely the result of decreased methamphetamine production in Mexico and the United States—the decrease in production appears to be occasioned by the declining availability of pseudoephedrine, the primary precursor chemical used in methamphetamine production. National Seizure System (NSS) data support the contention of declining methamphetamine production in Mexico and the United States; NSS data reveal that methamphetamine seizures in San Diego and Imperial Counties decreased by 45 percent from 2006 to 2007. (See Table 1.) In response to declining supplies of illicit pseudoephedrine, Mexican DTOs have modified their production procedures in an attempt to sustain their current methamphetamine levels.

2. For the purposes of this report, ice methamphetamine refers to methamphetamine that has been crystallized from powder methamphetamine.

**Table 1. Drug Seizures in San Diego and Imperial Counties, in Kilograms, 2005–2007**

Drug	2005	2006	2007
Cocaine	3,894.75	4,376.92	4,286.58
Heroin	41.11	125.93	126.00
Marijuana	189,354.03	153,207.92	159,160.38
Methamphetamine	1,020.97	1,594.39	871.16

Source: National Seizure System, as of March 20, 2008.





Mexican commercial-grade marijuana, domestically grown marijuana, and BC Bud (high-potency Canadian marijuana) are readily available throughout the CBAG region. Mexican DTOs dominate and control the Mexican marijuana market in the region and are beginning to use cultivation methods that yield plants ready for harvest in 90 days; these cultivation methods will enable the DTOs to produce at least three crops per year at a grow site. Additionally, the availability of high-potency marijuana, produced at an increasing number of indoor cannabis grow sites in the region as well as at domestic locations outside the region, is increasing.

Cocaine, heroin, diverted pharmaceuticals, and other dangerous drugs (ODDs) also are available throughout the CBAG region. Cocaine is readily available in the region; the area did not experience cocaine shortages and purity reductions reported throughout the year in other areas of the United States. Mexican black tar and brown powder heroin are prevalent in the area; the CBAG region is a major transportation corridor used by Mexican DTOs to smuggle Mexican black tar and brown powder heroin from the U.S.–Mexico border in California to the Los Angeles metropolitan area—a national-level distribution center for Mexican heroin. Diverted pharmaceutical drugs are commonplace throughout the CBAG region because of the area’s proximity to Mexico and the relative ease with which abusers and dealers can purchase these drugs from Mexican pharmacies. ODDs, such as MDMA (3,4-methylenedioxymethamphetamine, also known as ecstasy), ketamine, and GHB (gamma-hydroxybutyrate) are available in the CBAG region, but they pose lesser threats than do other drugs of abuse.

## DRUG TRAFFICKING ORGANIZATIONS

Mexican DTOs, primarily the Arellano Félix Organization (AFO) and the Sinaloa Cartel,<sup>3</sup> are the principal organizational threats to the CBAG region—they are the dominant transporters and distributors of illicit drugs. They exert more influence over drug trafficking in the CBAG region than does any other trafficking group, largely the result of their extensive cross-border trafficking networks and their expansive transportation and distribution operations. Mexican DTOs manage sophisticated smuggling, transportation, and distribution networks that compartmentalize duties; employ advanced security and communication techniques; gather intelligence; and use violence and intimidation to deter law enforcement authorities, control organization members, and secure smuggling territories. Mexican DTOs appear to have moved away from traditional hierarchical structures in favor of decentralized networks of interdependent, task-oriented cells. The diversity of the individual cells provides operational flexibility to Mexican DTOs and reportedly reduces the risk of apprehension for DTO leaders.

The AFO’s drug trafficking capabilities have been diminished over the past few years because of the death or capture of several of the organization’s leaders—the organization’s current leadership structure has yet to be ascertained by Mexican and U.S. law enforcement officials. The organization also lost many of its ties to corrupt individuals in the Tijuana Municipal Police Department after the Mexican Government dismissed the entire force and placed it under investigation in June 2007. Although the organization’s structure has been weakened, it reportedly maintains ties with DTOs in Bolivia, Colombia, Panama, Peru, and Venezuela to aid the organization in its drug trafficking activities.

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3. The Sinaloa Cartel is led by the Joaquín “El Chapo” Guzmán Loera DTO.

**Drug Trafficking Organizations, Criminal Groups, and Gangs**

**Drug trafficking organizations** are complex organizations with highly defined command-and-control structures that produce, transport, and/or distribute large quantities of one or more illicit drugs.

**Criminal groups** operating in the United States are numerous and range from small to moderately sized, loosely knit groups that distribute one or more drugs at the retail level and midlevel.

**Gangs** are defined by the National Alliance of Gang Investigators' Associations as groups or associations of three or more persons with a common identifying sign, symbol, or name, the members of which individually or collectively engage in criminal activity that creates an atmosphere of fear and intimidation.

Mexican DTOs in the CBAG region generally use cell phones, particularly prepaid phones, to conduct drug transactions. Additionally, Mexican DTOs are increasingly using cell phones with push-to-talk capability because data are stored for only a short time in the phones before being purged from the system.

**PRODUCTION**

Mexican DTOs dominate the production of high-potency marijuana in the CBAG region; they typically establish large-scale, outdoor cannabis grow sites on public lands and private ranches throughout the area. According to law enforcement and intelligence reporting, Mexican DTOs and criminal groups in the CBAG region are using new cultivation methods that produce a plant ready for harvest within 90 days of planting. Accordingly, the number of plants eradicated from outdoor grow sites in San Diego County increased over 31 percent from 2006 to 2007. (See Table 2.)

**Table 2. Number of Cannabis Plants Seized in San Diego County, 2005–2007\***

Year	2005	2006	2007
Indoor	13,981	13,443	13,650
Outdoor	169,452	243,044	320,481
Total	183,433	256,487	334,131

Source: Drug Enforcement Administration Domestic Cannabis Eradication/Suppression Program, as of January 23, 2008.

\*Historically, law enforcement officers seized very few cannabis plants in Imperial County. No plants were seized in Imperial County from 2005 through 2007.

Indoor cannabis cultivation also is prevalent in San Diego County; Caucasian, Hispanic, and African American independent growers run small-scale cultivation operations in commercial properties and private residences typically located within suburban neighborhoods. The number of plants eradicated from indoor grow sites in San Diego County remained stable from 2006 to 2007. (See Table 2.)

Mexican DTOs have historically controlled many of California’s superlabs and major methamphetamine production facilities; however, in recent years they have transferred most large-scale methamphetamine production operations to Mexico. As such, most ice methamphetamine available in the CBAG region is produced in Mexico. Domestic methamphetamine production decreased significantly from 2005 to 2007, as evidenced by sharply declining laboratory seizures. (See Table 3 on page 6) The decrease in domestic laboratory activity can be attributed to regulatory efforts to control precursor chemical diversion, the influx of Mexican methamphetamine, and law enforcement efforts in the United States and Mexico.

Methamphetamine produced in the area is generally manufactured in small-scale laboratories and is intended for personal use or limited distribution. Ice conversion laboratories—in which powder methamphetamine is converted to ice—reportedly exist in the area but are limited.



**Table 3. Number of Powder Methamphetamine Laboratory Seizures San Diego and Imperial Counties, 2005–2007**

	2005	2006	2007
Chemical Only or Equipment Only	6	2	3
Dumpsite	0	1	1
Laboratory Seizure	15	7	6
Total Incidents	21	10	10

Source: National Seizure System, as of March 20, 2008.

Additionally, Mexican DTOs reportedly smuggle precursor chemicals from Mexico into the CBAG region for distribution to laboratories in the region and throughout the United States; however, such smuggling activity has decreased as a result of a nationwide decline in large-scale domestic powder methamphetamine production and decreased availability of precursor chemicals in Mexico.

## TRANSPORTATION

The CBAG region is a primary smuggling corridor through which Mexican DTOs transport large quantities of methamphetamine, marijuana, cocaine, and heroin to wholesale markets within the CBAG region and throughout the United States. Most illicit drugs available in the CBAG region are transported from Mexico by traffickers in private and commercial vehicles through POEs along the California–Mexico border. Drug smuggling between POEs also is prevalent. The vast border area presents innumerable remote crossing points that traffickers exploit to smuggle illicit drugs, primarily marijuana, into the country from Mexico. These areas are easily breached by smugglers on foot, in private vehicles, or in all-terrain vehicles (ATVs)—particularly the mountainous areas in eastern San Diego County and the desert and sand dune areas in Imperial County. Once in the CBAG region, traffickers primarily use Interstates 5, 8, 15, and 805 to transport illicit drugs throughout and beyond the region.

Mexican DTOs use subterranean tunnels to smuggle illicit drugs into the United States; several new tunnels at the U.S.–Mexico border have recently been discovered by law enforcement officials. Approximately 33 tunnels have been discovered along the California–Mexico border since 1993—21 have been discovered in the past 2 years alone. (See Appendix A.) Use of tunnels is mostly limited to large-scale Mexican DTOs, because they have the resources and influence needed to organize, fund, and construct these tunnels.

Mexican DTOs also use maritime means such as commercial and private watercraft to smuggle drugs, primarily cocaine and marijuana, into the CBAG region. Mexican traffickers typically use commercial and private marinas in San Diego County for maritime smuggling activities. According to the U.S. Coast Guard, most of the maritime drug seizures in the San Diego area involve small amounts of marijuana transported by independent smugglers who use small boats to transport the drug and, occasionally, combine a drug load with illegal aliens.

Mexican DTOs employ commercial and private aircraft as well as rail services to transport illicit drugs into and from the CBAG region. Drug traffickers transport drug shipments as air freight through the San Diego International Airport and the McClellan-Palomar Airport in Carlsbad, California, or by couriers aboard passenger flights. Low-flying private aircraft use numerous privately owned “soft surface” runways in San Diego and Imperial Counties as they attempt to avoid radar detection while smuggling drugs into the region. Additionally, law enforcement reporting reveals that Mexican DTOs use commercial and passenger rail service to transport and distribute drugs to the CBAG region and throughout the United States. Mexican DTOs conceal illegal drugs in railcars that originate from the interior of Mexico. The railcars are stopped for inspection in Calexico, California, as they cross into the United States from Mexicali, Mexico, but inspectors generally do not have sufficient time to conduct more than a cursory inspection before the railcars must depart the inspection area. Once railcars clear the

### Seven Tons of Marijuana Discovered in Tunnel

On December 3, 2007, U.S. Border Patrol (USBP) agents in Tecate, California, found 7 tons of marijuana contained in 888 packages inside a 30-foot shipping container that had been placed over the opening of a 1,300-foot-long tunnel equipped with lighting and water extraction pumps. The tunnel originated in Mexico at a two-story warehouse approximately one block southwest of the Tecate POE and terminated in the United States at a fenced lot approximately one-quarter mile north of the international border. U.S. law enforcement authorities assigned to the Operation Alliance Tunnel Task Force (Drug Enforcement Administration (DEA)/U.S. Immigration and Customs Enforcement (ICE)/USBP), coordinating with DEA personnel in Tijuana, Mexico, obtained the assistance of the Mexican military as well as the local Tecate Municipal Police to dismantle the tunnel.<sup>a</sup>

Source: Drug Enforcement Administration, San Ysidro Field Office.

a. Despite the discovery of an increasing number of tunnels along the U.S.–Mexico border in California, detecting deep tunnels is difficult for law enforcement officials. Ground-penetrating radar, along with surface sensors, is not effective if the tunnel is located several feet below the surface. However, such radar is effective in discovering tunnels that are just below surface level.

inspection area, they typically sit for a few hours at the Calexico rail yard before proceeding to subsequent destinations. At this point, illicit drugs are generally offloaded by traffickers—spotters relay the location of drug-laden railcars to other traffickers, who approach the railcars and abscond with the drugs.

## DISTRIBUTION

Mexican DTOs are the dominant wholesale distributors of methamphetamine, heroin, cocaine, and marijuana throughout the CBAG region. They use the area as a regional- and national-level distribution center for these drugs, distributing to area drug markets and to drug markets throughout the

country, including Boston, Massachusetts; Denver, Colorado; Detroit, Michigan; Honolulu, Hawaii; Los Angeles, California; Portland, Oregon; Tampa, Florida; and Washington, D.C. Mexican DTOs typically store illicit drugs at stash sites throughout San Diego and Imperial Counties, including residences, warehouses, storage facilities, and store fronts. At stash sites, drugs are generally repackaged for distribution throughout the CBAG region and for transportation to drug markets throughout the United States.

Mexican DTOs supply wholesale quantities of cocaine, heroin, marijuana, and methamphetamine, primarily to Mexican criminal groups as well as prison gangs, street gangs, and outlaw motorcycle gangs (OMGs). These groups supply midlevel quantities of illicit drugs to retail distributors—predominantly smaller street gangs and independent dealers. African American, Asian, Caucasian, and Hispanic street gangs dominate retail-level distribution throughout the CBAG region. Approximately 100 street gangs operate in San Diego County, with an estimated total membership of 8,000. Imperial County is home to approximately 52 gangs, with an estimated membership of approximately 1,200.

The distribution of diverted pharmaceuticals, particularly steroids, is prevalent in the CBAG region. Pharmaceutical abusers and distributors from the region often travel to Tijuana, Mexico, to purchase drugs from the large number of pharmacies that are located along the border area—law enforcement officials estimate that Tijuana has approximately 10 times the number of pharmacies than are needed to support its population. Abusers smuggle the drugs into the United States for personal use, while distributors smuggle the drugs for retail-level sales to market areas throughout the United States. Additionally, Caucasian criminal groups and individuals are distributing increasing amounts of diverted pharmaceuticals, including prescription narcotics, sedatives, and steroids that they are acquiring in the CBAG region through traditional diversion methods such as copied or scanned prescriptions, forged prescriptions, theft, and unscrupulous physicians and pharmacists.



### DRUG-RELATED CRIME

High levels of violent crime along the U.S.–Mexico border in California are largely a result of the struggle between Mexican DTOs for control of the Baja California drug smuggling routes. Escalating drug-related violence in areas of Mexico that border the CBAG region is most likely a result of retaliation by DTOs against Mexican military and law enforcement personnel participating in counterdrug operations. Violence directed at law enforcement officers, primarily USBP agents, along the border is often intended to deter agents from seizing illicit drug shipments or is used as a diversion to smuggle drug shipments. Chula Vista and areas close to the border are already experiencing increasing numbers of drug-related homicides strikingly similar to those committed by Mexican DTOs in the Tijuana, Mexico, area. Additionally, drug-related kidnappings in the San Diego area are increasing. According to the San Diego Division of the FBI, kidnapping incidents increased 25 percent from 2006 to 2007. This figure may actually be higher because this is a widely under-reported problem—many of the victims’ families are unwilling or afraid to report the crime to law enforcement for fear that the victim will be killed.

#### Attack on USBP Agents

On January 19, 2008, USBP agents working in the Imperial Sand Dunes in the Buttercup Valley Campground in Imperial County encountered two vehicles involved in drug smuggling. As the drivers of the vehicles attempted to return to Mexico, USBP agents deployed a tire deflation device. One of the drivers immediately accelerated and turned toward one of the USBP agents, who was on foot. The vehicle struck and killed the agent while he was deploying the tire deflation device. Both drivers of the vehicles fled into Mexico.

Source: *Houston Chronicle*.

Street gangs in the CBAG region, such as Posole, Vista Homeboys, Deep Valley Bloods, Varios San Marcos, and South Los, that distribute illicit drugs at the retail level often engage in other criminal activities, including assault, auto theft, robbery, homicide, money laundering, and firearms trafficking. These gangs are becoming more sophisticated in their operations and are evolving into well-structured organizations. Law enforcement reporting indicates that Mexican DTOs have cultivated mutually beneficial relationships with some gangs in the CBAG region to facilitate drug trafficking activities. For instance, Mexican DTOs in Tijuana conceal black tar heroin in vehicles and hire street gang members from North County to drive the vehicles into the United States. Once in the United States, the street gang members transfer the heroin to members of the Mexican DTO.

Illicit drug abusers in the region often engage in property crime to acquire money to purchase illicit drugs. The San Diego Police Department reports that abusers in its jurisdiction, particularly methamphetamine abusers, commonly commit identity theft, automobile theft, shoplifting, or prostitution to support their addictions. Additionally, methamphetamine abusers in the region often generate cash by stealing and subsequently cashing personal checks or by using stolen credit cards to purchase merchandise that they sell for cash or trade for methamphetamine.

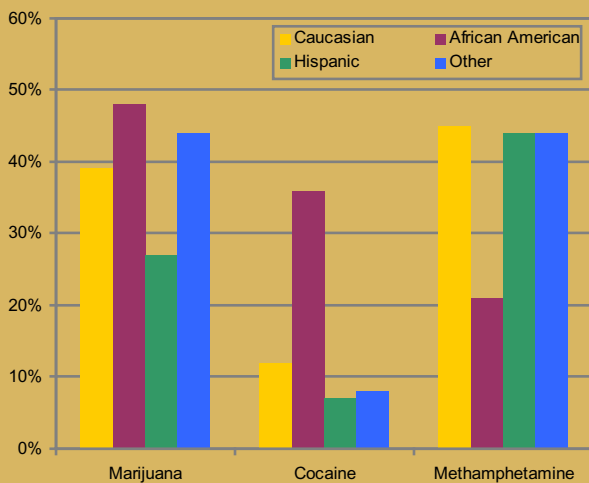
### ABUSE

Illicit drug abuse is prevalent throughout the CBAG region because of the area’s sizable abuser population and steady supply of illicit drugs from Mexico. According to the San Diego Association of Governments (SANDAG) Substance Abuse Monitoring (SAM) program, marijuana is the most abused and readily available drug in the region; approximately four out of every five arrestees in the CBAG region report having used marijuana at

some time in their life.<sup>4</sup> Methamphetamine is also widely abused, ranking second only to marijuana as the drug most abused by San Diego County arrestees. According to SAM data, the typical abuser smokes methamphetamine (77%), as opposed to snorting it (14%) or injecting it (9%). SAM data further reveal that heroin and cocaine abuse is stable at high levels. Abuse of ODDs and diverted pharmaceuticals, although significant, poses a less significant threat than the abuse of other illicit drugs.

Methamphetamine abuse accounts for 49 percent of all primary drug treatment admissions (excluding alcohol) in San Diego County, followed by heroin (22%) and marijuana (17%). The San Diego County Health and Human Services Agency reports that opiates (including heroin) account for the largest number of emergency room and hospital visits involving drug dependence.

**Figure 2. Positive Drug Test Results Among Arrestees in San Diego County, By Race/Ethnicity, August 2007**



Source: San Diego Association of Governments, Criminal Justice Research Division, Substance Abuse Monitoring Program, August 2007.

4. Representatives from the San Diego Association of Governments (SANDAG) Substance Abuse Monitoring (SAM) program approach arrestees within 48 hours of their arrest and/or incarceration and ask them to voluntarily answer a series of questions regarding their drug use history.

## ILLICIT FINANCE

Bulk cash smuggling to Mexico is the primary method used by traffickers to move drug proceeds from the CBAG region to Mexico, largely because of the area’s proximity to the U.S.–Mexico border, limited inspections of southbound traffic by U.S. and Mexican law enforcement officers, and the relative ease with which cash can be placed into Mexican financial systems. Traffickers, predominantly Mexican DTOs, typically smuggle bulk currency through the San Ysidro and Calexico POEs in hidden compartments within vehicles; however, some traffickers also smuggle bulk currency in commercial and private aircraft, by couriers on passenger bus lines, and by parcel carriers and express mail services.

Mexican DTOs also use the CBAG region as a consolidation point for illicit drug proceeds generated at drug markets throughout the country. Mexican traffickers either transport currency in bulk to the region or use money services businesses (MSBs) to wire funds to the area. The illicit funds are typically consolidated at stash sites in the region and eventually transported in bulk to Mexico. Once in Mexico, the funds are often deposited into a Mexican bank and/or a *casa de cambio*<sup>5</sup> and then repatriated to the United States through electronic wires or bulk cash transportation by armored car or courier services. Once in the United States, the illicit funds appear as proceeds from a Mexican financial institution and are documented with a Currency or Monetary

5. *Casas de cambio* located in Mexico are nonbank financial institutions (currency exchangers) that provide a variety of financial services and are highly regulated by the Mexican Government. As of March 2007, 24 *casas de cambio* were registered with Mexico’s Federal Income Secretary.



Instruments Report (CMIR),<sup>6</sup> giving the funds the appearance of legitimacy.

Mexican DTOs also launder illicit drug proceeds in the CBAG region through MSBs and wire remitters. The number of MSBs and wire transfer businesses along the border has increased noticeably in the last several years. These businesses are commonly located within grocery stores and gas stations; they accommodate the Hispanic community's personal and financial dealings with family, friends, and businesses in Mexico and Central America but are commonly exploited by traffickers. Additionally, ICE officials report that an increasing number of traffickers in the CBAG region use illegal drug proceeds to purchase prepaid stored value cards (PSVCs) as a means of laundering drug proceeds. Traffickers purchase PSVCs in the region and openly carry them across the U.S.–Mexico border in California without fear of seizure. PSVCs provide a unique and simple money laundering method that DTOs use to smuggle profits from the United States to Mexico and also to send instant cross-border remittances.

DTOs, gangs, and independent dealers operating in the CBAG region also launder illicit proceeds through a variety of other methods. They commonly commingle illicit proceeds with funds from legitimate businesses, such as automobile dealerships, retail stores, real estate companies, and restaurants. These groups or individuals also purchase high-value assets with proceeds or use underground banking services to launder illicit

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6. CMIRs must be filed by (a) each person who physically transports, mails, or ships, or causes to be physically transported, mailed, or shipped, currency or other monetary instruments in an aggregate amount exceeding \$10,000 at one time from the United States to any place outside the United States or into the United States from any place outside the United States, and (b) each person in the United States who receives currency or other monetary instruments in an aggregate amount exceeding \$10,000 at one time that have been transported, mailed, or shipped to the person from any place outside the United States.

drug proceeds. Additionally, DTOs launder their drug proceeds through the many gambling establishments controlled by Native American tribes throughout San Diego County.

## OUTLOOK

The price of ice methamphetamine in the CBAG region will most likely stabilize at high levels as distributors and users become accustomed to higher price levels for the drug because of sustained shortages. Availability of ice methamphetamine in the region may eventually increase; however, such an increase is largely dependent upon the ability of Mexican DTOs to regain access to bulk quantities of pseudoephedrine.

Cross-border violence will remain high in the CBAG region. Mexican DTOs actively competing for control of drug smuggling routes in the Baja California region and increased border security initiatives to control drug smuggling will result in rising levels of violence between DTOs as well as between DTOs and law enforcement officials. Additionally, intensifying border violence will quite likely extend inward into the United States, endangering both law enforcement personnel and citizens.

Mexican DTOs will quite likely expand cannabis cultivation operations in the CBAG region to supply increasing demand for higher-potency marijuana and to capitalize on the profit potential of high-potency marijuana distribution in the United States.

The number and use of subterranean tunnels may increase in the near term, since such tunnels are a viable way for Mexican DTOs to avoid apprehension by law enforcement and military officials. Additionally, subterranean tunnels could pose a security threat to the United States by providing a route for the clandestine transport of weapons, illegal aliens, or terrorists into the United States.

## Appendix A. Tunnels Discovered in the El Centro and San Diego Sectors, 2005–2007

Name	Location and Sector	Date of Discovery	Description	Amount of Drug Seizure
Tecate No. 1	Tecate San Diego Sector	12/3/2007	The U.S. exit of this tunnel was in a 30-foot shipping container. An agent observed an unidentified subject with a handgun in the waistband of his pants escape through the tunnel opening. The 3-foot by 3-foot opening dropped 10 feet into the tunnel, which sloped downward toward Mexico. The Mexican entrance was in an office building. The tunnel had lighting, ventilation, and a water extraction system.	Bundles (888) totaling 13,776.6 pounds of marijuana were seized from the shipping container.
Otay Mesa No. 13	Otay Mesa San Diego Sector	6/21/2007	A Mexican immigration officer discovered the incomplete tunnel approximately 300 yards east of the Otay Mesa POE. The small, crude tunnel extended 15 feet into the United States. A bucket and pickax were found in the tunnel. There was no U.S. exit.	NA
Otay Mesa No. 11	Otay Mesa San Diego Sector	3/28/2007	Border Patrol agents discovered an incomplete tunnel approximately 1 mile west of the Otay Mesa POE subsequent to information obtained from an arrested foot guide. The Mexico entrance was in the same area as Otay Mesa No. 8. The small, crude tunnel extended 2 feet into the United States. There was no U.S. opening.	NA
Otay Mesa No. 12	Otay Mesa San Diego Sector	3/28/2007	Mexican authorities discovered this incomplete tunnel while investigating Otay Mesa No. 11. The small, crude tunnel extended 2 feet into the United States. There was no U.S. opening.	NA
San Ysidro No. 12	San Ysidro San Diego Sector	10/23/2006	Mexican authorities and Border Patrol agents discovered the incomplete tunnel 1/2 mile west of the San Ysidro POE. There was no U.S. exit.	NA





## Appendix A. Tunnels Discovered in the El Centro and San Diego Sectors, 2005–2007 (Continued)

Name	Location and Sector	Date of Discovery	Description	Amount of Drug Seizure
Otay Mesa No. 10	Otay Mesa San Diego Sector	10/10/2006	San Diego Tunnel Task Force discovered a human smuggling operation through a privately owned, man-made concrete enclosure used to protect a liquefied oxygen pipe between Mexico and the United States, approximately 1/4 mile east of the Otay Mesa POE. The Mexican entrance was through a manhole cover just south of fence panel No. 190. The U.S. opening was dug out from the enclosure to an abandoned lot. This is the first reported use of a legitimate, privately owned subterranean structure with which to smuggle aliens or contraband from Mexico to the United States	NA
San Ysidro No. 11	San Ysidro San Diego Sector	9/26/2006	The Mexican entrance of this incomplete tunnel was 71 feet south of the border fence. The tunnel crossed under Memo Lane and would have exited in a parking lot. Portions of the tunnel were shored with 4-inch by 4-inch wooden beams, plywood, and sand bags, while other portions were shored with 24-inch white PVC (polyvinyl chloride, or plastic) pipe.	NA
Calexico No. 4	Calexico El Centro Sector	9/15/2006	The Mexican entrance of this tunnel was under a bed in the back bedroom of a residence. The U.S. entrance was a crude trap door in the bedroom floor of the residence on Second Street in Calexico. It was shored with 3-foot lengths of 6-inch by 6-inch timbers spaced 10 inches apart and had a concrete floor. The tunnel was equipped with droplights, a water extraction system, and two small fans for ventilation. Skateboards found in the tunnel were most likely used to move drugs through the tunnel. Ladders were placed at both entrances.	Task Force members requested that local police initiate a traffic stop on a suspect vehicle, which resulted in the seizure of 1,143 pounds of marijuana.

## Appendix A. Tunnels Discovered in the El Centro and San Diego Sectors, 2005–2007 (Continued)

Name	Location and Sector	Date of Discovery	Description	Amount of Drug Seizure
San Ysidro No. 10	San Ysidro San Diego Sector	5/25/2006	Border Patrol Agents and Grupo Beta confirmed that an incomplete tunnel was being built approximately 1/4 mile west of the San Ysidro POE. The Mexico entrance was 3 feet south of the border fence. There was no U.S. opening. Although the tunnel extended only 1 foot into the United States, it was deemed a tunnel because the U.S. side is a paved surface and it was assessed that the tunnel would most likely extend beyond the secondary fence.	NA
San Ysidro No. 9	San Ysidro San Diego Sector	5/16/2006	Border Patrol agents discovered the incomplete tunnel when the concrete truck en route to backfill San Ysidro No. 8 created a sinkhole. The tunnel appeared to be under construction from an unknown location in Mexico. No Mexican entrance was found because the tunnel was not fully explored, for safety reasons. It is quite likely that the tunnel entrance was in the area controlled by Mexican Customs. There was no U.S. exit.	NA
San Ysidro No. 8	San Ysidro San Diego Sector	5/15/2006	The U.S. exit was located in the SYG Venture Parking Lot about 20 feet from San Ysidro No. 1 and was covered with a steel plate and concealed with soil. According to available reporting, no Mexican exit was identified. PVC pipe of 30 inches in diameter was used in the first 15 feet of the tunnel, and then it became a dirt passageway. Digging tools, an electric fan, and flashlights were found in the tunnel.	NA
San Ysidro No. 6	San Ysidro San Diego Sector	2/9/2006	The Mexican entrance was adjacent to fence panel No. 79. The tunnel terminated at the Memo Lane drainage ditch. There was no U.S. opening. Mexican authorities had discovered the tunnel entrance about 30 days before and had filled it with debris and rubble.	NA
San Ysidro No. 7	San Ysidro San Diego Sector	2/9/2006	Mexican authorities discovered an incomplete tunnel 1/2 mile west of the San Ysidro POE. There was no exit in the United States. The tunnel was dug on the flood control levee to the Tijuana River channel.	NA



## Appendix A. Tunnels Discovered in the El Centro and San Diego Sectors, 2005–2007 (Continued)

Name	Location and Sector	Date of Discovery	Description	Amount of Drug Seizure
Otay Mesa No. 8	Otay Mesa San Diego Sector	1/31/2006	Grupo Beta discovered this incomplete tunnel, which extended only a short distance north and appeared to be headed toward a U.S. storm drain between the primary and secondary fences.	NA
Otay Mesa No. 9	Otay Mesa San Diego Sector	1/31/2006	This small, crude tunnel extended only a short distance north. The entrance was adjacent to a previous hole that had been sealed with concrete.	NA
San Ysidro No. 5	San Ysidro San Diego Sector	1/25/2006	The Mexican entrance to this tunnel was in an area controlled by Mexican Customs. No opening was found in the United States. A USBP agent observed four unidentified subjects crawling south through the tunnel. The tunnel was partially reinforced with 24-inch-diameter PVC pipe. This tunnel is approximately 50 yards west of a similar tunnel discovered on January 9, 2006.	NA
Otay Mesa No. 7	Otay Mesa San Diego Sector	1/24/2006	This completed tunnel is the largest cross-border tunnel yet discovered. Mexican authorities found the Mexico entrance in a warehouse about 175 yards south of the border near the Tijuana Airport. The Mexican entrance is an 85-foot cement-lined vertical shaft with a pulley system to lower drugs on a gurney attached to a rope. The U.S. opening was in the Otay Mesa business district, less than one block from the probable terminus of Otay Mesa No. 1 discovered June 1, 1993. The tunnel was equipped with lights, ventilation, and a water extraction system.	2 tons of marijuana seized on the Mexican side, about 200 pounds on the U.S. side.
Otay Mesa No. 6	Otay Mesa San Diego Sector	1/20/2006	This incomplete tunnel was found approximately 1/2 mile west of the Otay Mesa POE. The Mexican entrance was adjacent to the border fence and was concealed with a 2-foot by 2-foot board covered with dirt. The tunnel ran toward a U.S. storm drain. It is believed that it would have connected to the storm drain, which leads north from the border area. Electricity was provided from Mexico for lighting and for operating an electric drill.	NA

## Appendix A. Tunnels Discovered in the El Centro and San Diego Sectors, 2005–2007 (Continued)

Name	Location and Sector	Date of Discovery	Description	Amount of Drug Seizure
San Ysidro No. 4	San Ysidro San Diego Sector	1/9/2006	The Mexican entrance of this tunnel was adjacent to the primary border fence in an area controlled by Mexican Customs and was concealed with diamond-plated steel panels and covered with sandbags. The tunnel was partially reinforced with 24-inch-diameter PVC pipe.	A small black plastic bag with 0.915 pounds of marijuana and eight military-style duffel bags were seized at the U.S. opening.
Otay Mesa No. 5	Otay Mesa San Diego Sector	11/16/2005	The Mexican entrance of this tunnel was adjacent to the border fence. The tunnel ran under a section of paved border road and through a concrete wall where the diggers had cut a 3-foot by 2-foot hole to continue north of the wall. It appeared to turn east for a few feet at the northern terminus of the tunnel in order to avoid a drainage area. It ended about 30 feet from the closest drainage/sewer pipe in the area. This tunnel was found within a few feet of Otay Mesa No. 4, found on August 22, 2004.	NA
Calexico No. 3	Calexico El Centro Sector	2/25/2005	This is the only tunnel as of the date of this report that was detected using electronic means. The complete tunnel extended from the Mexico entrance in the master bedroom of a residence to the U.S. exit in a small room at the rear of a garage. It was equipped with video surveillance equipment, a phone line, air conditioning, electricity, and ventilation. The walls and ceiling were shored with wooden supports, plywood, and fiberglass sheets. The tunnel had a concrete floor. Open source reporting indicates that dirt removed equaled 56 truckloads at 6 cubic feet each.	NA

Source: Department of Homeland Security, Master List of Border Tunnels, 12/19/2007.

NA—Not applicable.



## SOURCES

### Local, State, and Regional

Chula Vista Police Department  
El Cajon Police Department  
Imperial County Narcotic Task Force  
Imperial Valley Street Interdiction Team  
Oceanside Police Department  
San Diego Association of Governments  
    Criminal Justice Research Division  
    Substance Abuse Monitoring Program  
San Diego County Health and Human Services Agency  
San Diego County Sheriff's Office  
San Diego Police Department  
San Diego Regional Pharmaceutical Narcotic  
Enforcement Team  
State of California  
    Department of Justice  
    Department of Public Health  
    Department of Substances Control

### Federal

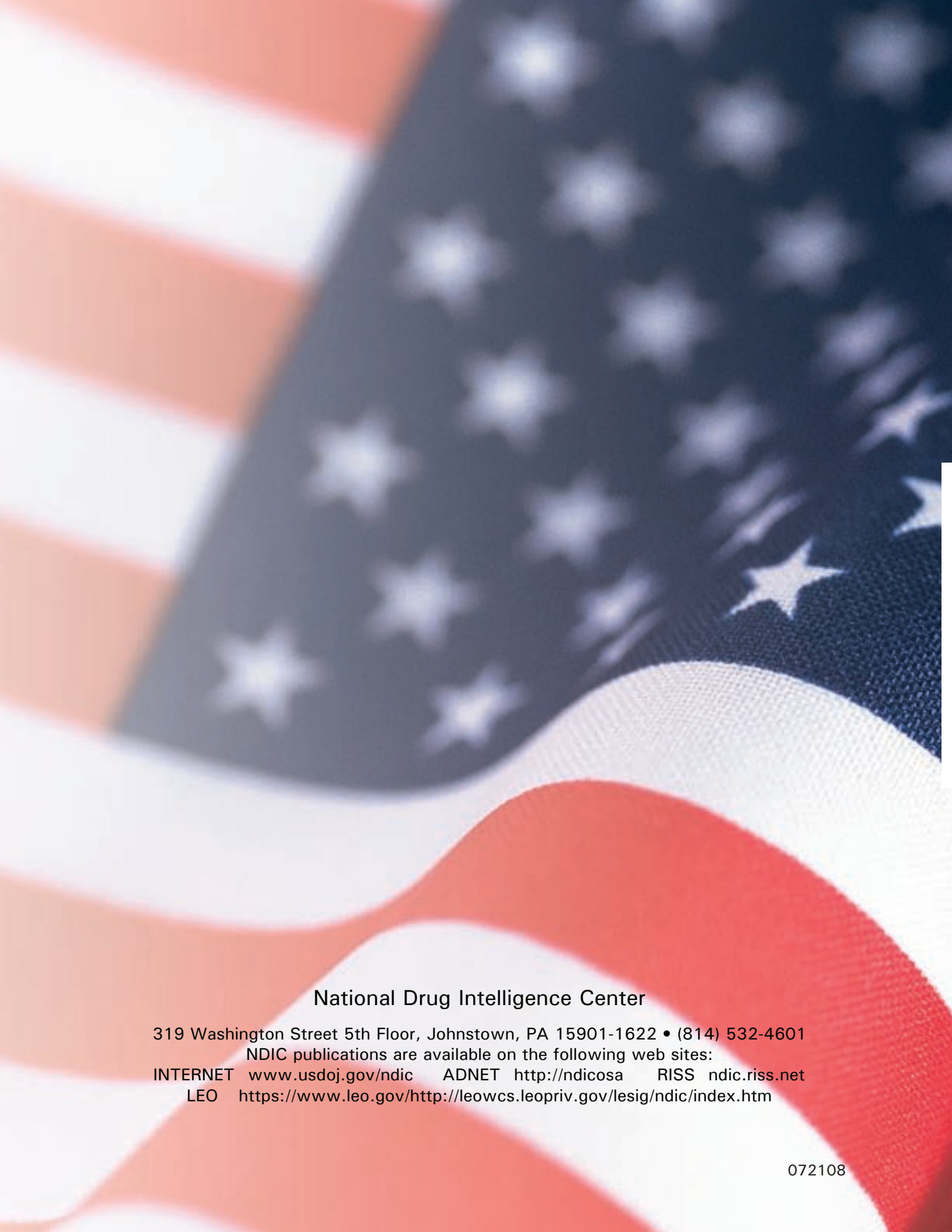
Executive Office of the President  
    Office of National Drug Control Policy  
        High Intensity Drug Trafficking Areas  
        Southwest Border–California Border Alliance  
        Group  
        National Marijuana on Public Lands Initiative  
        San Diego/Imperial County Regional Narcotic  
        Information Network  
U.S. Department of Agriculture  
    U.S. Forest Service  
U.S. Department of Commerce  
    U.S. Census Bureau  
U.S. Department of Health and Human Services  
    Substance Abuse and Mental Health Services Admin-  
    istration  
        Office of Applied Studies  
        Drug Abuse Warning Network

U.S. Department of Homeland Security  
    U.S. Coast Guard  
    U.S. Customs and Border Protection  
    U.S. Immigration and Customs Enforcement  
U.S. Department of Justice  
    Criminal Division  
        Organized Crime Drug Enforcement Task Force  
Drug Enforcement Administration  
    Diversion Program  
    Domestic Cannabis Eradication/Suppression Pro-  
    gram  
    El Paso Intelligence Center  
    National Seizure System  
    San Diego Field Division  
    San Ysidro Field Office  
Federal Bureau of Investigation  
U.S. Attorneys Office  
    Southern District of California  
U.S. Department of the Treasury

### Other

*Houston Chronicle*





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