



# U.S. Immigration and Customs Enforcement

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STATEMENT

OF

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U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT  
DEPARTMENT OF HOMELAND SECURITY

REGARDING A HEARING ON

*“BORDER SECURITY THREATS TO THE HOMELAND:  
DHS’s RESPONSE TO INNOVATIVE TACTICS AND TECHNIQUES”*

BEFORE THE

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

TUESDAY, JUNE 19, 2012 -- 10:00 a.m.  
311 CANNON HOUSE OFFICE BUILDING

## INTRODUCTION

Chairman Miller, Ranking Member Cuellar, and distinguished members of the Subcommittee:

On behalf of Secretary Napolitano and Director Morton, thank you for the opportunity to appear before you today to discuss the efforts of U.S. Immigration and Customs Enforcement (ICE) to address border security threats to the United States, our response to innovative tactics and techniques being used by transnational criminal organizations (TCOs), and how Homeland Security Investigations (HSI) is working to investigate, disrupt and dismantle the TCOs.

ICE has the most expansive investigative authority and largest force of investigators in the Department of Homeland Security (DHS). With more than 20,000 employees and a budget of nearly \$6 billion, ICE has nearly 7,000 special agents assigned to more than 200 cities throughout the United States and 71 offices in 47 countries worldwide. HSI is well-positioned to disrupt and dismantle transnational criminal networks by targeting the illicit pathways and organizations that engage in human smuggling and produce, transport, and distribute illicit contraband.

HSI targets TCOs at every critical phase in the cycle: internationally in cooperation with foreign counterparts, where transnational criminal and terrorist organizations operate; at our nation's physical border and ports of entry (POEs) in coordination with U.S. Customs and Border Protection (CBP), where the transportation cells attempt to exploit America's legitimate trade, travel, and transportation systems; and in coordination with our federal, state, local, and tribal law enforcement partners throughout the United States, where criminal organizations earn substantial profits off the smuggling of aliens and narcotics.

No one entity can tackle global criminal enterprises alone. Rather, it requires a multi-agency, multi-national, and layered approach. To that end, HSI forges strong and cooperative

relationships and works closely with our federal, state, local, tribal, and international partners toward our mission to uphold public safety and protect national security.

### ***Illicit Pathways Attack Strategy (IPAS)***

Last July, an important step in fighting transnational crime was taken when the Administration issued its *Strategy to Combat Transnational Organized Crime* (TOC Strategy). This strategy complements the current National Security Strategy, and other national strategies such as the National Drug Control Strategy, by focusing on the growing threat of international criminal networks. The strategy's single unifying principle is to build, balance, and integrate the tools of American power to combat transnational organized crime, and related threats to national security—and to urge our international partners to do the same.

HSI designed the IPAS to build, balance, and integrate its authorities and resources, both domestic and foreign, in a focused and comprehensive manner to target, disrupt, and dismantle transnational organized crime. As recognized in the TOC Strategy, resources are not limitless, and targets must be prioritized in a systematic manner. The IPAS will provide a mechanism for ICE to prioritize threats and vulnerabilities within its mission and to coordinate its own efforts internally and within the interagency.

The IPAS goes beyond the nation's physical borders. We are working with our international and domestic law enforcement partners to attack transnational crime at all points along illicit pathways and break down transnational networks that operate within the United States.

IPAS is a coordinated strategy to attack criminal networks at multiple locations along the illicit travel continuum. The concept involves four basic principles that will be conducted with

the appropriate agencies having authority, such as coordination with the DEA on drug-related matters:

- Attacking criminal networks within and beyond our borders;
- Prioritizing networks and pathways that pose the greatest threats;
- Participating in and facilitating robust interagency engagement; and
- Pursuing a coordinated, regional approach that leverages international partners.

We focused our first IPAS on high-risk human smuggling in the Western Hemisphere to identify and target human smuggling organizations and their pathways across the globe. HSI is the lead federal agency responsible for investigation of human smuggling, and this core mission function directly impacts national security, public safety, and human dignity. Human smuggling is also a crime that converges with other threats. For example, many human smuggling networks rely upon corrupt public officials to facilitate their efforts. Mexican drug cartels earn large quantities of money by charging human smugglers for permission to use their drug routes to enter the United States. These networks also are involved in bulk cash smuggling, trade-based money laundering, illicit finance schemes, and the use of hawalas and other money or value transfer services to move, transfer, and launder their proceeds.

While our initial focus of the IPAS has been on human smuggling, in the coming months we plan to expand this strategy to include illicit finance and, eventually, every HSI investigative program area. These initiatives will be established by following all mandated protocols based on other U.S. Government authorities and Memoranda of Understanding with other federal agencies.

The IPAS combines traditional law enforcement investigations and prosecutions with efforts to overtly disrupt and deter the underlying criminal activity. Experience has shown that if

we simply try to disrupt criminal activity by focusing law enforcement action in one geographic area, we only succeed in “squeezing the balloon,” and criminal organizations will quickly adapt and shift to an area where detection or interdiction by law enforcement is less likely. HSI’s goal is to not only stop individual criminals, but also to stop or reduce the criminal activity and dismantle the entire criminal enterprise.

### ***Illegal Tunneling on the Southwest Border***

The use of clandestine cross-border tunnels represents a growing threat to border security, and has been on the rise since the first documented tunnel was discovered in 1990. Since then, 156 tunnel attempts have been discovered, all but one of which were located along the Southwest Border. Over the past several years, HSI has seen a marked increase in not only the number, but also the sophistication of tunnels discovered.

In 2003, HSI created the multi-agency San Diego Tunnel Task Force (TTF) to identify, disrupt, and dismantle TCOs that seek to exploit the border between the United States and Mexico by constructing subterranean tunnels and passageways for the purpose of smuggling. In 2006, HSI incorporated the San Diego TTF into the newly-established Border Enforcement Security Task Force (BEST) to promote border-related coordination between federal, state, local, tribal, and international law enforcement agencies.

The TTF brings together investigators from several agencies including ICE, CBP, the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), the Department of Defense, and various state and local agencies to combat the tunnel threat. One of the primary goals of the TTF is to stop tunnels before they become operational. Nearly half of all tunnels discovered to date were not yet operating at the time of discovery. This trend has

increased in recent years, and demonstrates the success of our collective efforts on the TTF and our increased coordination with the Government of Mexico. In March 2012, a BEST TTF was expanded to Nogales, Arizona in an effort to combat TCO exploitation of the Arizona border via subterranean passageways.

The considerable sophistication and extensive time and labor required to construct a tunnel suggests that smugglers consider it a useful investment despite the risk of interdiction. For example, on November 29, 2011, special agents assigned to the San Diego TTF discovered a cross-border tunnel that stretched nearly a half-mile. The tunnel extended 1,844 feet and included shoring, electricity, ventilation, and a rail system to assist in ferrying contraband. During the course of the investigation, HSI special agents, in conjunction with DEA, CBP and our state and local partners, seized over 32 tons of marijuana, one handgun, and arrested six suspects associated with the tunnel operations.

To complement our investigations, HSI, DEA, CBP, and the U.S. Border Patrol (TTF Members) created the San Diego Tunnel Detection Outreach program, which is a community outreach and intelligence-driven enforcement initiative. The goal of this program is to educate the owners of property near the border on the indicators of tunneling activity and to increase communication between citizens and the TTF. In turn, this initiative aims to leverage increased awareness and communication to generate new investigatory leads, cultivate source informants, and initiate increased criminal investigations and prosecutions. The San Diego Tunnel Detection Outreach program is primarily carried out through door-to-door canvassing of properties near the border in areas known for illegal tunnel activity and has proven to be a valuable law enforcement tool.

## ***Overview of Other Smuggling Methods***

As federal and other agencies have increased their interdiction efforts along the U.S./Mexico border, drug and human smuggling organizations are increasingly turning to maritime smuggling routes to transport their illicit cargo into the United States.

Mexican smuggling organizations have long used a variety of methods to enter the United States via maritime routes, including small wooden fishing vessels, as well as Panga or “go fast” boats. Difficult to detect, these vessels often travel at night in order to avoid interdiction. Due to increased patrols by CBP and the U.S. Coast Guard (USCG), as well as a coordinated law enforcement response to this threat, smuggling organizations are now moving further out to sea and increasingly travel further up the coast before attempting to unload their illicit cargo.

Criminals also seek to exploit vulnerabilities inherent to America’s seaports by concealing contraband in cargo containers or in commercial fishing and shrimping vessels that can also go unnoticed due to the sheer volume of ships off-loaded daily from around the world and normal boating traffic.

Another method of maritime smuggling is the use of self-propelled semi-submersibles (SPSS). In October 2011, based on intelligence information provided by DEA, an SPSS was discovered in the Caribbean Sea and over 14,000 pounds, or over 7 tons, of cocaine were seized from the vessel. As part of a Panama Express Operation (PANEX), the SPSS was originally intercepted by the USCG on September 30, 2011, based on information provided by DEA, in international waters approximately 110 miles off the coast of Honduras, and sank during the encounter. The USCG detained the four crew members, who were later transferred to Tampa, Florida for federal prosecution and each sentenced to 14 years’ incarceration following the joint

agency investigation. Earlier in 2011, another SPSS also sank in the Caribbean and approximately 13,000 pounds of cocaine were seized from that vessel.

Beyond maritime smuggling, HSI has also seen an increase in the use of ultra-light aircraft designed to smuggle marijuana payloads of up to 300 pounds into the United States. We have found that smugglers turn to using ultra-light aircraft when they are less capable of smuggling their illicit cargo by other methods. Other examples of the methods smuggling organizations use to avoid detection include:

- Disguising load vehicles as U.S. Border Patrol or other law enforcement vehicles, as well as vehicles for public utility or commercial cargo services;
- Lining narcotics with chemicals or elements such as lead to thwart DHS detection methods;
- Creating sophisticated compartments in vehicles to smuggle narcotics, weapons, and bulk currency; or
- Utilizing the “shotgun approach,” where a smaller load is sacrificed by being made readily detectable to DHS, thereby distracting officials from locating larger and/or more significant drug types (i.e., heroin, cocaine, or methamphetamine).

Operation Pipeline Express, a joint operation with DEA and our other partners, provides an instructive example of an investigation into a violent Drug Trafficking Organization (DTO) that employed some of the techniques listed above. It was estimated that this DTO, which controlled an area spanning 63 miles along the I-8 corridor in Arizona, smuggled between 18,000 and 25,000 pounds of marijuana per week and generated between \$9 million and \$12.5 million weekly in illegal proceeds.



This investigation identified a trend wherein the DTO would hire backpackers to smuggle narcotics through the international border to a drop point in the desert. Once the hiker arrived at the drop point, he or she would be met by a pickup truck in which the narcotics would be driven approximately 90 miles away to a drop house where the narcotics would be broken down and transported to street-level drug dealers.

The comprehensive and aggressive investigation culminated with HSI special agents, in conjunction with DEA and our other law enforcement partners, seizing nearly 64,000 pounds of marijuana, 271 pounds of heroin, 200 pounds of cocaine, 9 pounds of methamphetamine, over \$750,000 in cash, 108 weapons, 67 vehicles, and 4 ballistic vests; and executing 74 search warrants.

Internal conspiracies and corruption are another significant vulnerability seen by HSI in its investigations of smuggling organizations at commercial airports and other U.S. POEs. In many of its investigations, HSI sees how these internal conspiracies utilize various employees from multiple companies and positions, including managers and supervisors. Employees utilize innumerable diversionary tactics to smuggle contraband around CBP examination.

Finally, Mexican smuggling organizations routinely utilize counter-surveillance methods in an attempt to adjust their methods of operation based on U.S. law enforcement efforts. “Spotters,” as they are known, operate almost exclusively in Mexico, rarely entering the United States where they can be detained for questioning or arrest. In addition, modern cellular telephone and radio communication technology make detection even more difficult, as organizations can use them to adjust their modes of operation in order to be more successful.

## ***Combating Illegal Trade and Intellectual Property (IP) Theft***

Over the last two decades, transnational organized crime has grown and posed a significant threat to national and international security. TCO networks are proliferating, striking new and powerful alliances, and engaging in a range of illicit activities as never before. Recent investigations have shown that IP crime often fuels other serious crimes and poses a serious national security threat to our international borders.

International criminal organizations will steal America's intellectual property, transship products, claim false origin, and mislabel potentially dangerous products—even sell dangerously unsafe products to the U.S. military—to profit economically.

ICE has adapted to this threat by partnering with 20 other agencies, both in the United States and with key international partners, to form the National Intellectual Property Rights Coordination Center (IPR Center), which is located in Arlington, Virginia, to efficiently and effectively leverage resources, skills, and authorities to provide a comprehensive response to IP theft. The mission of the IPR Center is to address the theft of innovation that threatens U.S. economic stability and national security, undermines the competitiveness of U.S. industry in world markets, and places the public's health and safety at risk.

In March 2012, ICE and the FBI executed a joint enforcement operation that resulted in the arrests of 28 suspects, including two in Germany. These arrests were the result of an HSI investigation that evolved into a large-scale counterfeit smuggling scheme and eventually merged with an FBI narcotics smuggling investigation. This investigation revealed the organization to be involved in a web of criminal activity, which included not only the smuggling of counterfeit merchandise and narcotics trafficking, but also the use of fictitious personal and

stolen corporate identities to further those activities. The total estimated manufacturers' suggested retail price of seized goods that this organization attempted to smuggle was over \$300 million.

The IPR Center is also leading an effort to educate the public and other audiences about IP theft and its connection with transnational organized crime. The IPR Center hosted a symposium titled "IP Theft and International Organized Crime and Terrorism: The Emerging Threat," where panels of academics, industry leaders and domestic and international government officials discussed links between transnational organized crime, terrorism, and IP theft.

### ***Illicit Finance and Bulk Cash Smuggling***

The combination of successful financial investigations, reporting requirements under the Bank Secrecy Act of 1970, and anti-money laundering compliance efforts by financial institutions has no doubt strengthened formal financial systems and forced criminal organizations to seek other means of transporting illicit funds across our borders.

One of the most effective methods for dismantling TCOs is to attack the criminal proceeds that are the lifeblood of their operations. HSI takes a holistic approach toward investigating money laundering, illicit finance, and financial crimes by examining the ways that individuals and criminal organizations earn, move, store, and launder their illicit proceeds. Criminal organizations are now being forced to seek other means to diversify the movement of illicit funds, such as the use of money service businesses (MSBs), prepaid devices, and bulk cash smuggling.

One of the most significant developments in recent years was a change in Mexican banking regulations that severely limits the amount of U.S. dollars that can be deposited within

Mexican financial institutions. This change has ultimately proven to be a successful tool in combating drug trafficking and the cartels by causing cartels to change how drug proceeds are laundered. While the cartels are adapting, we believe that one result of this change may be a desire to place these funds into U.S. financial institutions and then wire the proceeds back to Mexico. We continue to work closely with the Government of Mexico to identify emerging money laundering trends.

Domestically, we have seen changes in how drug proceeds are moved within the United States. In the last several years, we have seen domestic drug organizations attempt to place illicit funds into U.S. financial institutions to avoid currency transaction reporting requirements. In one version of this scheme, referred to as the “funnel account” model, drug organization members in destination cities make cash deposits into bank accounts opened in the United States. In turn, the account holder (a nominee for the drug organization) will withdraw funds at various banking institutions in the United States and turn them over (often minus a small fee) to the drug organization. The scheme has been difficult for bank anti-money laundering personnel to identify because the funds deposited are typically under the statutory reporting limit of \$10,000.

This tactic was initially identified in human smuggling organizations operating in Arizona, but we have since seen its use expanded to domestic drug organizations. We believe that the emergence of this tactic came as a direct result of the successful enforcement focus on MSBs that were being used by human smugglers to receive payments from “sponsors” in the United States. When the ability to easily use MSBs ended, a transition to the funnel account model was observed. Through ongoing outreach and education efforts with financial institutions

and the Treasury Financial Crimes Enforcement Network, banking personnel have begun to identify this activity and are now reporting it to law enforcement regularly.

### ***National Bulk Cash Smuggling Center***

On August 11, 2009, HSI officially launched the National Bulk Cash Smuggling Center (BCSC) as a 24/7 investigative support and operations facility located in close proximity to the Law Enforcement Support Center in Williston, Vermont. In 2011, the BCSC entered into a partnership with the El Paso Intelligence Center, which has resulted in enhanced data sharing activity between these two entities. Since its launch, the BCSC has undertaken a full assessment of the bulk cash smuggling threat and has developed a strategic plan to address the problem.

By analyzing the movement of bulk cash as a systematic process, HSI develops enforcement operations to defeat the various smuggling methodologies currently employed by trafficking organizations. This approach allows us to more efficiently and effectively utilize our interdiction and investigative resources.

Since its inception, the BCSC has initiated over 500 criminal investigations involving 132 seizures totaling \$65.8 million. To date, these investigations culminated in 133 arrests, 36 indictments, and 34 convictions in both federal and state courts. The BCSC has also provided training and outreach to over 21,000 state, federal, and international partners.

In April 2012, the BCSC coordinated with HSI field offices in St. Louis, Missouri and Greeley, Colorado in support of a controlled delivery of illicit bulk cash proceeds amounting to nearly \$265,000. The initial seizure was the result of a traffic stop, but in an attempt to “follow the money trail,” agents successfully executed a controlled delivery of the currency.

### ***Operation Firewall***

HSI's Operation Firewall disrupts the movement and smuggling of bulk cash en route to the border, at the border, and internationally via commercial and private passenger vehicles, commercial airline shipments, airline passengers and pedestrians. Since 2005, Operation Firewall has been enhanced to include surge operations targeting the movement of bulk cash destined for the Southwest Border to be smuggled into Mexico. Since its inception in 2005 through March 2012, Operation Firewall has resulted in more than 6,600 seizures totaling more than \$611 million, and the arrests of 1,400 individuals. These efforts include 469 international seizures totaling more than \$267 million and 300 international arrests.

### ***Northern Border Security***

Although law enforcement efforts along the Southwest Border have traditionally garnered the most media attention, ICE, in coordination with its federal, state, local, tribal, and international partners, is well-positioned to address the threat that TCOs pose to both the United States and Canada along the Northern Border. In fact, HSI maintains the largest investigative footprint of any U.S. law enforcement agency in Canada, with four Attaché and Assistant Attaché offices (Ottawa, Vancouver, Toronto, and Montreal) that enhance national security by conducting investigations involving TCOs and serving as the agency's liaison to our interagency partners and counterparts in local government and law enforcement.

The British Columbia-based "UN Gang" is an example of a TCO whose operations stretch across the entire Northern Border and beyond. This violent criminal organization operates from the Lower Mainland of British Columbia, Canada, and is actively involved in large-scale narcotics trafficking and money laundering activities. Its operations stretch into the

United States, Mexico, Venezuela, Colombia, India, Vietnam, Australia, and Great Britain. This gang exports large quantities of Canadian-grown marijuana into the United States and uses the revenue generated to purchase cocaine from abroad, which is then smuggled into British Columbia and sold throughout Canada.

During a recent joint investigation with DEA and its other federal, state, and local law enforcement partners, we uncovered evidence that the UN Gang imports hundreds of pounds of cocaine into British Columbia every month. After Canadian marijuana is smuggled into the United States, UN Gang members sell it for U.S. dollars. These proceeds are then smuggled by couriers in the form of bulk currency from cities across the United States to California where they are used to purchase cocaine from abroad. This cocaine, in turn, is smuggled into Canada and subsequently sold for Canadian dollars. This method of drug trafficking and money laundering exemplifies the sophistication and reach of the DTOs.

### ***Border Enforcement Security Task Force (BEST)***

HSI continues to expand the BEST program, which currently operates in 31 locations throughout the United States and Mexico. BEST leverages over 750 federal, state, local, and foreign law enforcement agents and officers representing over 100 law enforcement agencies. BEST also provides a co-located platform to conduct intelligence-driven investigations aimed at identifying, disrupting, and dismantling transnational criminal organizations that operate in the air, land, and sea environments. In FY 2011, BESTs made 2,257 criminal arrests, 1,134 administrative arrests, and federal prosecutors obtained 1,372 indictments and 1,193 convictions in BEST-investigated cases.

### ***Working with Mexican Authorities***

Working with the Government of Mexico in its battle against drug violence requires strong coordination to ensure both nations are operating together to combat this transnational threat. HSI continues to engage Mexican authorities on a number of levels in our joint efforts to combat border violence. For example, HSI's Border Liaison Officer (BLO) program allows HSI to more effectively identify and combat cross-border criminal organizations by providing a streamlined information and intelligence-sharing mechanism. The BLO program has an open and cooperative working relationship between United States and Mexican law enforcement entities. HSI has recently quadrupled the number of officers in the BLO program by redeploying agents to the Southwest Border.

The HSI Attaché office in Mexico City has coordinated its own Special Investigative Units of Mexican law enforcement officers. HSI has also strengthened the coordination with the Government of Mexico by increasing HSI personnel in Mexico by 50 percent and deploying additional special agents to Mexico. Through our Attaché in Mexico City and associated sub-offices, HSI assists DEA in efforts to combat transnational drug trafficking, weapons smuggling, human smuggling, and money laundering syndicates in Mexico. HSI Mexico City personnel, in conjunction with DEA, work on a daily basis with Mexican authorities to combat these transnational threats, and these efforts have been enhanced by additional officers.



## **CONCLUSION**

Thank you again for the opportunity to appear before you today to discuss our efforts to combat border security threats to the United States and our response to the innovative tactics and techniques being used by criminal cross-border smuggling organizations.

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