



# Countering the Evolving Drug Trade in the Americas

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**By Celina Realuyo**

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## by Celina Realuyo<sup>1</sup>

### Executive Summary

The illicit drug trade in the Americas has been evolving and expanding from plant-based narcotics like cocaine, heroin and marijuana to potent synthetic substances like fentanyl and methamphetamine. Since the 1980's, the U.S. war on drugs focused on countering cocaine trafficking that made the Colombian and Mexican cartels immensely wealthy and powerful. Over the past decade, U.S. narcotic consumption has shifted significantly from cocaine to opioids and methamphetamine, resulting in an unprecedented opioid epidemic with 72,037 drug overdose deaths recorded in 2017 according to the Centers for Disease Control and Prevention. Meanwhile, Mexican cartels are increasingly trafficking opioids and synthetics to respond to market changes in the U.S. The atomization of large cartels and increased competition to dominate trafficking routes resulted in record levels of violence in Mexico with 29,111 homicides registered in 2018. The October 17, 2019 failed Mexican government operation to capture one of El Chapo Guzman's sons demonstrated how the Sinaloa cartel outgunned Mexican security forces and terrorized the city of Culiacan for hours. This paper will examine the evolving drug trade across the Americas from plant-based to synthetic drugs, the role of the Darknet as a force multiplier for the narcotics market, and U.S. and Mexican national and international efforts to address the dynamic drug trade and associated violence.

Narcotics trafficking continues to be the most lucrative illicit activity in the world and is increasingly adapting and leveraging cyberspace. Drug demand changes are impacting the U.S. and Mexican security in different but equally concerning ways. As cocaine production in Colombia reaches its highest levels in history consumption in the U.S. is falling. As a result, cocaine traffickers are seeking new markets as far as Asia and Europe. Meanwhile, heroin use in the U.S. has spread across suburban and rural communities and socioeconomic classes with over 90% of heroin in the U.S. originating from Mexico. Potent synthetic opioids like fentanyl have become more prevalent and popular in the U.S. resulting in the tragic opioid crisis. Mexican cartels are increasingly involved in heroin, fentanyl and methamphetamine trafficking into the U.S. and becoming more formidable.

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

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<sup>1</sup> *The views expressed are those of the author and do not reflect the official policy or position of the William J. Perry Center for Hemispheric Defense Studies, the National Defense University, the Department of Defense, or the U.S. government.*

interagency and international cooperation as narcotics trafficking has increasingly adapted to new trends and enforcement efforts.

## The Opioid Epidemic in the United States

According to the Centers for Disease Control and Prevention (CDC), an average of 130 Americans die every day from an opioid overdose. Around 68% of the 70,237 drug overdose deaths recorded in 2017 involved an opioid. In 2017, the number of overdose deaths involving opioids (including prescription opioids and illegal opioids like heroin and illicitly manufactured fentanyl) was six times higher than in 1999.<sup>2</sup> In response to the opioid epidemic, President Donald Trump declared the opioid crisis a national Public Health Emergency under federal law in October 2017 and directed all executive agencies to use every appropriate emergency authority to fight the crisis, to include interdiction, treatment, and prevention efforts.

The first wave of overdoses began with increased prescribing of opioids in the 1990's with overdose deaths involving prescription opioids (natural and semi-synthetic opioids and methadone) increasing since at least 1999. Several U.S. pharmaceutical companies, including Johnson and Johnson and Purdue Pharma, are being blamed and sued for promoting prescription opioid use and contributing to the opioid epidemic. The second wave began in 2010, with rapid increases in overdose deaths involving heroin coming from Mexico. The third wave began in 2013, with significant increases in overdose deaths involving synthetic opioids, particularly those involving illicitly-manufactured fentanyl. The fentanyl market continues to grow and can be found in combination with heroin, counterfeit pills, and cocaine with most fentanyl coming from China and Mexico.<sup>3</sup>

### *Heroin*

Heroin is an addictive opioid drug made from morphine, a natural substance taken from the seed pod of opium poppy plants. It can be a white or brown powder, or a black sticky substance known as black tar heroin that users inject, sniff, snort, or smoke. Since 2010, heroin availability in the United States has increased as Mexican transnational criminal organizations switched from trafficking marijuana and cocaine to the much more profitable heroin into the U.S. In 2015, 93 percent of the heroin analyzed entering the United States came from Mexico.<sup>4</sup>

Since poppy has a short growing cycle of just four months, it is a very attractive crop for Mexican traffickers. The extracted sap from poppy pods is pressed into a brick-shaped form and then wrapped in cloth or leaves to be sold to a dealer and sent, through the black market, to a heroin-processing facility in Mexico. Many of these facilities are close to the original fields, because the raw sap is harder to transport and smuggle than the product of the next steps, the morphine base. Heroin laboratories located close to poppy fields are heavily

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<sup>2</sup> CDC/National Center for Health Statistics, National Vital Statistics System, Mortality. CDC WONDER, Atlanta, GA: U.S. Department of Health and Human Services, CDC; 2018. <https://wonder.cdc.gov>

<sup>3</sup> *Ibid.*

<sup>4</sup> U.S. Department of Justice DEA 2017 National Drug Threat Assessment, [https://www.dea.gov/sites/default/files/docs/DIR-040-17\\_2017-NDTA.pdf](https://www.dea.gov/sites/default/files/docs/DIR-040-17_2017-NDTA.pdf).

dependent on precursor chemicals coming from China that transform the raw opium from poppy pods into the highly addictive narcotic.<sup>5</sup>

Heroin is readily available in the United States and is sold in various forms: fine powder, sticky tar, granular or chunky, gummy/pasty, pills, or a rock-like black substance that shatters like glass and is smoked, snorted, or injected. The CDC reported a 21 percent increase in drug deaths involving heroin in 2016, at 15,469 over the 12,989 recorded in 2015.<sup>6</sup> From January 2016 through December 2016, the price per pure gram (PPG) for heroin increased 5.5 percent, from \$855 to \$902 while the purity level averaged 33 percent, a slight dip from the prior years.<sup>7</sup>

Mexican traffickers are widening their profit margins and intensifying the “high” from low-quality heroin by mixing it with fentanyl that is much more powerful than heroin. More recently, the heroin trade has been overtaken by the more lucrative synthetic opioid market in illicit fentanyl. One kilogram of fentanyl costs about \$32,000, which can be used to make one million pills with a street value of more than \$20 million according to the DEA.

### *Fentanyl*

Fentanyl is a powerful synthetic opioid that produces effects such as relaxation, euphoria, and pain relief similar to morphine, oxycodone, methadone, and heroin but is some 50 times more potent. It can be used legally with a prescription, but illicit fentanyl is smuggled into the United States primarily in powder or counterfeit pill form that can be deadly in doses of as little as 0.25 milligrams.<sup>8</sup> China is the principal source country of illicit fentanyl and fentanyl-related compounds in the U.S., according to U.S. Customs and Border Protection. Fentanyl analogs and precursor chemicals used to make fentanyl are illicitly manufactured in Chinese labs and then sold on the Darknet and shipped in bulk to the U.S. and Mexico. Similarly, non-pharmaceutical fentanyl is increasingly being manufactured in Mexico and transported into the United States via well-established drug trafficking routes across the southwest border.

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

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

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<sup>5</sup> U.S. Department of Justice DEA 2017 National Drug Threat Assessment, [https://www.dea.gov/sites/default/files/docs/DIR-040-17\\_2017-NDTA.pdf](https://www.dea.gov/sites/default/files/docs/DIR-040-17_2017-NDTA.pdf)

<sup>6</sup> Department of Justice DEA 2018 National Drug Threat Assessment Report, October 2018, <https://www.dea.gov/sites/default/files/2018-11/DIR-032-18%202018%20NDTA%20final%20low%20resolution.pdf>

<sup>7</sup> Department of Justice DEA 2018 National Drug Threat Assessment Report, October 2018, <https://www.dea.gov/sites/default/files/2018-11/DIR-032-18%202018%20NDTA%20final%20low%20resolution.pdf>

<sup>8</sup> American Addictions Center, “Fentanyl vs. Heroin: The Similarities and Differences Between Two Powerful Opioids,” September 2019, <https://americanaddictioncenters.org/fentanyl-treatment/similarities>

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

1. purchases from a foreign source of supply made using money services businesses (MSBs), bank transfers, or online payment processors;
2. purchases from a foreign source of supply made using convertible virtual currency (CVC) such as bitcoin, bitcoin cash, ethereum, or monero;
3. purchases from a U.S. source of supply made using an MSB, online payment processor, CVC, or person-to-person sales; and
4. other, more general money laundering mechanisms like bulk cash smuggling associated with procurement and distribution.<sup>9</sup>

China has been accused of fueling the opioid crisis by exporting fentanyl and exploiting the U.S. Postal Service and international express mail carriers to ship fentanyl directly into the United States. According to a federal investigation, Chinese fentanyl dealers warned their U.S.-based customers via email that private delivery companies like FedEx electronically tracked packages, that would allow the easy identification of mail from suspect addresses and create a trail connecting sellers and buyers of illegal fentanyl. As a result, they advised American fentanyl buyers they would send shipments by regular mail through the U.S. Postal Service to avoid detection.<sup>10</sup>

The U.S. Postal Service (USPS) has stepped up tracking, detection and interdiction efforts to curb the fentanyl trafficking into the U.S. through the mail. Congress has ordered the agency to obtain advanced electronic data on 100% of inbound shipments by December 2020, with an urgent emphasis on parcels coming from China. By requiring data on the sender, recipient, and the contents of an international parcel and incorporating new technology to scan packages the postal service witnessed a 1,000% increase in the number of parcels seized containing synthetic opioids between 2016 and 2018. USPS saw the number of opioid parcel seizures increase by 750% domestically in the same timeframe.<sup>11</sup>

The United States is cooperating with China to reduce the production and trafficking of illicit fentanyl and fentanyl analogs originating from China through joint law enforcement operations and information-sharing. They have made some inroads in identifying and designating illicit fentanyl producers and exporters in China. At the December 2018 G20 Summit in Buenos Aires, President Trump met with Chinese President Xi Jinping who

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<sup>9</sup> FinCEN Advisory to Financial Institutions on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids, August 21, 2019, <https://www.fincen.gov/sites/default/files/advisory/2019-08-21/Fentanyl%20Advisory%20FINAL%20508.pdf>

<sup>10</sup> Sari Horwitz and Scott Higham, "The flow of fentanyl: In the mail, over the border," *The Washington Post*, AUGUST 23, 2019, <https://www.washingtonpost.com/investigations/2019/08/23/fentanyl-flowed-through-us-postal-service-vehicles-crossing-southern-border/?arc404=true>

<sup>11</sup> Leandra Bernstein, "Most fentanyl is now trafficked across US-Mexico border, not from China," WJLA News, July 16, 2019, <https://wjla.com/news/nation-world/most-fentanyl-is-now-trafficked-across-us-mexico-border-not-from-china>

agreed to designate fentanyl as a controlled substance, thus subjecting those selling fentanyl to the U.S. to China's maximum penalty under the law. As a result, fewer Chinese vendors are willing to export fentanyl products, according to DHS/Homeland Security Investigations' transnational organized crime office. Thanks to more postal service scrutiny and increased U.S.-China cooperation to stem the flow of illicit fentanyl into the United States, the number of drug seizures involving high-purity fentanyl sent via mail from China dropped precipitously in 2019. However, fentanyl shipments from Mexico through the southwest border have increased, according to U.S. Customs and Border Patrol.

Mexico has become a major transit and production point for fentanyl and its analogs. Mexico's two largest criminal organizations, the Sinaloa Cartel and the Jalisco Cartel New Generation (Cartel de Jalisco Nueva Generación – CJNG), are the most important Mexican purveyors of the drug and its precursors, although smaller criminal organizations and contractors may play significant roles in production and transport of the drug along the distribution chain. Both large and small transnational criminal organizations are capitalizing on the drug's popularity, and fentanyl is being laced into other substances such as cocaine, methamphetamine, and marijuana, without the end-user even knowing it. Rising seizures of counterfeit oxycodone pills laced with fentanyl illustrate that the market is evolving and adapting to consumer demand.<sup>12</sup> As of August 2019, CBP has seized more than 2,000 pounds of fentanyl that is more than enough to poison the entire U.S. population. With this shift from mail shipments of fentanyl from China to cross-border movement from Mexico, border security officials are enhancing measures to detect and interdict fentanyl trafficking into the U.S.

### *Methamphetamine Resurgent*

While much of the focus in the U.S. has been on the opioid epidemic, the trafficking and consumption of methamphetamine (meth) has increased dramatically; meth is coming into the U.S. from Mexico at historical levels. Meth is a powerful, highly addictive stimulant, originally used in nasal decongestants and bronchial inhalers, that causes increased activity, talkativeness, and a pleasurable sense of well-being or euphoria. Lately, it has been marketed as a "safer" alternative to fentanyl because the chance of a deadly overdose from meth is not as great. Between 2017 and 2018, meth seizures in the U.S. increased by 142%, and overdose deaths from meth increased by 21% from 10,749 to 12,987 according to the CDC.

According to the DEA, methamphetamine lab seizures have fallen across the United States to their lowest level in 15 years. However, the drug remains prevalent and widely available, with most of the methamphetamine in the U.S. produced in Mexico and smuggled across the southwest border. Meth seizures by U.S. Customs and Border Protection's Office of Field Operations have grown substantially, from 14,131 pounds in fiscal 2012 to 56,373 in fiscal 2018. Opioid-related deaths lead by far in the U.S., but when looking at the number

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<sup>12</sup> Steven Dudley, Mexico's Role in the Deadly Rise of Fentanyl, *Fentanyl: Summary and Major Findings*, *InSight Crime*, February 19, 2019, <https://www.insightcrime.org/investigations/fentanyl-summary-major-findings/>

of crimes committed by people under the influence of a particular drug, from stealing cars and burglarizing homes to rapes and shootings, meth is the No.1 common denominator.<sup>13</sup>

Mexican cartels are dominating the meth market as they can produce a more potent version of the drug, more economically. They have put domestic producers out of business in the U.S. According to Van Ingram, executive director of the Kentucky Office of Drug Control Policy, Mexican meth is so cheap you could not make it for cheaper than you could buy it. On June 6, 2019, three large meth labs were dismantled in Sinaloa, Mexico that were to produce 17 million doses of meth worth an estimated at \$160 million in the U.S. New technologies like drones that detect heatwaves of uninhabited areas are helping the Mexican military to detect meth labs. The Mexican authorities have dismantled 20 labs in Sinaloa so far in 2019.<sup>14</sup> The cartels are bringing the meth into the U.S. at record levels, even using drones or aircraft and disguised it in different formats such as cleaning fluids, in food items, and even in statues. There is concern that increased meth consumption could become the next drug crisis in the U.S.<sup>15</sup>

### *The Drug Trade Empowered by the Darknet*

The marketplace for narcotics like heroin, fentanyl, and methamphetamine has been supercharged by technology and the Internet, particularly by the Darknet. The deep web is the entire web that is not accessible by conventional search engines. Within the deep web, the Darknet is network of websites with their IP address details intentionally hidden, often linked to criminal activity and illegal markets including drug trafficking. Narcotics transactions via the Darknet provide anonymity, choice, efficiency, ease of payment with cryptocurrencies like Bitcoin, and the convenience of having the narcotics delivered by mail to consumers.<sup>16</sup> This online evolution is disrupting the traditional marketing and distribution aspects of narcotics trafficking.

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

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<sup>13</sup> Katelyn Newman, “[Breaking Back to Meth?](https://www.usnews.com/news/healthiest-communities/articles/2019-03-12/meth-from-mexico-a-growing-problem-for-law-enforcement) As the opioid crisis snags headlines and attention, police in many parts of the country are grappling with a surge in meth from Mexico,” *U.S. News*, March 12, 2019, <https://www.usnews.com/news/healthiest-communities/articles/2019-03-12/meth-from-mexico-a-growing-problem-for-law-enforcement>

<sup>14</sup> France 24, “Three large meth labs dismantled in Mexico,” June 5, 2019,

<https://www.france24.com/en/20190605-three-large-meth-labs-dismantled-mexico>

<sup>15</sup> Charlie Lapastora, “Mexican drug cartels fueling meth comeback in US, with seizures at 'historically high levels,' Fox News, September 20, 2019, <https://www.foxnews.com/us/meth-border-mexican-drug-cartels>

<sup>16</sup> Olga Khazan, “The Surprising Ease of Buying Fentanyl Online: To get extremely potent opioids, users turn to the dark web—and sometimes, Google,” *The Atlantic*, January 2018, <https://www.theatlantic.com/health/archive/2018/01/the-surprising-ease-of-buying-fentanyl-online/551915/>

on the Darknet as the Silk Road had at its peak, according to Chainalysis, a firm that analyzes Bitcoin traffic.

On Empire, one of the largest markets still online, people could choose from more than 26,000 drug and chemical listings, including over 2,000 opioids, shipped right to their mailbox. In June 2019, customers could still purchase five grams of heroin — “first hand quality no mix” — for 0.021 Bitcoin (roughly \$170), or a tenth of a gram of crack cocaine for 0.0017 Bitcoin (roughly \$14) on the dark market known as Berlusconi. Darknet markets are one of the vital sources of fentanyl and other synthetic opioids produced in and sent from China. Despite enforcement actions over the last six years that led to the shutdown of about half a dozen sites, including the takedowns of Wall Street Market and Valhalla, there are still close to 30 illegal online markets, according to DarknetLive, a news and information site for the Darknet. The desire to order drugs from the comfort of home and to maximize income from drug sales appears for many to be stronger than the fear of getting arrested.<sup>17</sup>

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

The U.S. and Mexico have a long history of cooperation on counternarcotics and border security; however, both countries must intensify their efforts to address the growing public health implications and violence associated with the evolving drug trade. The two countries must step up their demand and supply reduction, detection and interdiction, violence reduction, counter-money laundering and cyber measures to keep up with the rapid changes in the production, marketing, financing and delivery of drugs, particularly synthetics.

### ***Demand Reduction and Treatment Measures***

In light of the opioid crisis in the U.S., President Trump authorized \$6 billion in the federal budget, with \$3 billion allocated for 2018 and \$3 billion for 2019 to fight opioid misuse, addiction, and overdose. The 2019 National Drug Control Strategy focuses on three pillars: prevention, treatment, and supply reduction. To reduce demand, the Office of National Drug Control Policy (ONDCP) is addressing opioid consumption by promoting community-based drug prevention efforts, detecting early signs of opioid addiction, monitoring prescription drug programs, and increasing access to the opioid overdose-reversing drug naloxone working with the Departments of Health and Human Services (HHS) and Justice (DOJ), and other agencies.<sup>18</sup> There has been an aggressive public education campaign warning of the addictive and potentially lethal nature of opioids, especially fentanyl at the federal, state and local levels. ONDCP partnered with the Truth

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<sup>17</sup> Nathaniel Popper, “Dark Web Drug Sellers Dodge Police Crackdowns, The notorious Silk Road site was shut down in 2013. Others have followed. But the online trafficking of illegal narcotics hasn’t abated,” *The New York Times*, June 11, 2019

<https://www.nytimes.com/2019/06/11/technology/online-dark-web-drug-markets.html>

<sup>18</sup> White House Office of National Drug Control Policy, “Mission Statement,” available at <https://www.whitehouse.gov/ondcp/>



Initiative and Ad Council to educate youth about opioid misuse. This awareness campaign has reached 58 percent of young adults and generated 1.4 billion total views.<sup>19</sup>

The Trump Administration is expanding access to treatment for Americans struggling with addiction. An estimated 347,000 more Americans are receiving medication-assisted treatment in 2019 than in 2016 and are increasingly treated at federally funded community health centers. On October 30, 2019, the White House unveiled FindTreatment.gov, a substance abuse treatment locator that allows Americans to find substance use treatment for themselves or others. The new locator also allows searches of programs based on payment option, age, languages spoken, and access to medication-assisted treatment for an opioid use disorder. More than 13,000 state-licensed facilities are included in this locator. The U.S. government is trying to reduce drug demand by recognizing drug addiction as a disease and expanding access to treatment for American addicts.

The Administration has expanded access to naloxone also known, as Narcan, to prevent lethal opioid overdoses. According to HHS Secretary Alex Azar, total drug overdose deaths in the United States dropped 5% from 2017 to 2018, the first decrease in more than two decades.<sup>20</sup> This can be attributed to the increased use of naloxone to reverse overdoses. The CDC reported that naloxone prescriptions doubled to about 557,000 in 2018 from 271,000 in 2017.<sup>21</sup> First responders including police, fire fighters and emergency medical services across the U.S. are now equipped with Narcan doses to save those suffering an opioid overdose.

### *Supply Reduction Measures*

The U.S. and Mexico have worked together for years to reduce the production and supply of narcotics. Under the Merida Initiative, bilateral projects disrupt TCOs and hinder their ability to produce and traffic drugs to the U.S. These projects include poppy eradication programs, training and equipment to dismantle clandestine drug labs, advanced airport security technology, border inspection equipment and reconnaissance technologies to improve maritime interdiction. The U.S. also provides security assistance for drug interdiction equipment and training to military and law enforcement personnel.<sup>22</sup>

The U.S. government estimates opium poppy cultivation in Mexico reached 44,100 hectares (ha) in 2017, a concerning increase from 32,000 ha in 2016. According to the Mexican government, Mexico eradicated 4,231 hectares (ha) of marijuana and 29,207 ha of opium poppy in 2017. In 2018, the Trump Administration assisted Mexico to get a more

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<sup>19</sup> The White House, President Donald J. Trump Has Dedicated His Administration to Fighting Back Against the Opioid Crisis, September 5, 2019, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-dedicated-administration-fighting-back-opioid-crisis/>

<sup>20</sup> Alex Azar, “Trump is making progress on the opioid crisis,” *Peninsula Clarion*, Monday, October 14, 2019, <https://www.peninsulaclarion.com/opinion/opinion-trump-is-making-progress-on-the-opioid-crisis/>

<sup>21</sup> Matthew Stobbe, “Decline in opioid deaths is tied to growing use of over-dose-reversing drug, CDC says,” *Los Angeles Times*. August 6, 2019, <https://www.latimes.com/science/story/2019-08-06/soaring-use-of-naloxone-tied-to-decline-in-opioid-deaths>

<sup>22</sup> U.S. Department of State “2019 International Narcotics Control Strategy Report,” Bureau for International Narcotics and Law Enforcement Affairs, <https://www.state.gov/wp-content/uploads/2019/04/INCSR-Vol-1-1.pdf>

detailed picture of its poppy problem and supplied Mexican authorities with drones and geolocation technology. The U.S. is also funding studies to pinpoint how much poppy is being planted and how much heroin is produced from it.<sup>23</sup> During the first six months of 2018, Mexico reportedly seized approximately 5.53 metric tons (MT) of cocaine; 110.7 MT of marijuana; 16,267 cannabis fields; 38.5 kg of opium gum; 149,357 poppy fields; 6.3 MT of methamphetamine; 316 kg of heroin; and 37 clandestine laboratories.<sup>24</sup>

### *Detection and Interdiction Measures*

The U.S. and Mexico are leveraging new technologies and canine units to better detect synthetic drug laboratories and interdict fentanyl and meth cross-border trafficking. In June 2019, three synthetic drug labs producing methamphetamine were dismantled in Mexico, detected by thermal detection drones that identify heatwaves in uninhabited areas. Sinaloa State Secretary for Public Safety Cristobal Castaneda said the labs were set to produce some 17 million doses worth some \$160 million on the U.S. market. As of June 2019, twenty laboratories have been dismantled in Sinaloa, 17 producing methamphetamine, two making fentanyl and one producing heroin; eight meth labs were taken apart in the state in 2018.<sup>25</sup>

Canines donated through the Merida Initiative to Mexico made significant seizures of illicit drugs, including fentanyl. For example, in May 2018, canines discovered 25 liters of chemical precursor and 450 liters of hydrochloric acid at parcel companies in Durango and Guadalajara. In July, a canine unit located 1,280 liters of sulfuric acid at a parcel company in Guadalajara, and 4.9 kg of methamphetamine during an inspection in Michoacan.<sup>26</sup> Detection dogs can alert officers to 19,000 types of explosives, while other canines are trained to smell marijuana, cocaine, meth, heroin, opiates and LSD, but the drug dogs were not trained to detect fentanyl until 2017.<sup>27</sup> The U.S. and Mexico are training more canine units to be deployed against fentanyl and meth trafficking.

The U.S.-Mexico border is the world's busiest with more than \$1 billion worth of legitimate freight trafficked through southwest entry ports and tens of thousands of passenger vehicles daily. According to U.S. CBP statistics, 90 percent of heroin seized along the border, 88 percent of cocaine, 87 percent of methamphetamine, and 80 percent of fentanyl in the first 11 months of the 2018 fiscal year was caught trying to be smuggled in at legal crossing

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<sup>23</sup> Joshua Partlow, "U.S. has Been Quietly Helping Mexico with New, High-tech Ways to Fight Opium," *The Washington Post*, April 15, 2018, [https://www.washingtonpost.com/world/the\\_americas/us-has-been-quietly-helping-mexico-with-new-high-tech-ways-to-fight-opium/2018/04/15/dc18eda0-26d5-11e8-a227-fd2b009466bc\\_story.html](https://www.washingtonpost.com/world/the_americas/us-has-been-quietly-helping-mexico-with-new-high-tech-ways-to-fight-opium/2018/04/15/dc18eda0-26d5-11e8-a227-fd2b009466bc_story.html)

<sup>24</sup> U.S. Department of State "2019 International Narcotics Control Strategy Report," Bureau for International Narcotics and Law Enforcement Affairs, <https://www.state.gov/wp-content/uploads/2019/04/INCSR-Vol-1-1.pdf>

<sup>25</sup> "Three large meth labs dismantled in Mexico," *France24*, June 5, 2019, <https://www.france24.com/en/20190605-three-large-meth-labs-dismantled-mexico>

<sup>26</sup> *Ibid.*

<sup>27</sup> Sari Horwitz, Scott Higham, "The flow of fentanyl: In the mail, over the border," *The Washington Post*, August 23, 2019, <https://www.washingtonpost.com/investigations/2019/08/23/fentanyl-flowed-through-us-postal-service-vehicles-crossing-southern-border/?arc404=true>

points.<sup>28</sup> Currently, U.S. Customs and Border Protection scans less than 2% of privately-owned vehicles and 16% of all commercial vehicles, and 90% of all fentanyl seizures occur at legal points of entry. U.S. and Mexican security forces have had to take extra precautions in handling suspected fentanyl shipments as physical exposure to the drug could be lethal. Over the past year, U.S. CBP, ICE and Border Patrol agents and Mexican authorities have been overwhelmed by the migrant caravans trying to enter the U.S. from Mexico that has strained counternarcotics operations.

In late January 2019, U.S. Customs and Border Protection officials in Arizona reported their largest-ever seizure of fentanyl; 254 pounds of powder and pills were hidden in a truck transporting cucumbers at a Nogales, Arizona crossing. In addition to the fentanyl, which was concealed in a secret floor compartment of the trailer, officers also uncovered 395 pounds of methamphetamine. CBP officers used a canine team and x-ray technology to search the truck and opened the false floor compartment to find 400 packages of narcotics, an estimated \$3.5 million worth of fentanyl and \$1.1 million worth of methamphetamine. The load included enough for more than 100 million lethal doses of fentanyl.<sup>29</sup> As of June 2019, Customs and Border Protection has seized more than 2,000 pounds of fentanyl, more than enough to poison the entire U.S. population. On top of CBP's drug interdictions at the border, Homeland Security Investigations (HSI), part of DHS Immigration and Customs Enforcement, seized more than 9,900 pounds of opioids in 2018, including 2,737 pounds of fentanyl; the agency is expected to exceed those numbers in 2019.<sup>30</sup>

### *Financial and Cyber Measures*

Over the past six years, governments have dedicated substantially more resources to fighting Darknet markets, especially as their role in the rise of synthetic opioids has become more evident. An opioid dealer can be anyone with access to the Internet, and buyers can visit dark web sites anonymously using special browsers and make purchases with virtual currencies like Bitcoin, making transactions difficult to trace.<sup>31</sup> Not only do individual users buy drugs on the Darknet, so do dealers who go on to resell the drug in their local area across the U.S. With opioids, users can order from their living room and never go out to the street.

In early 2018, the F.B.I. created the Joint Criminal Opioid Darknet Enforcement (J-Code) team with more than a dozen special agents and staff. Europol also has its own dedicated dark web team. J-Code's Operation SaboTor conducted concentrated operations in the

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<sup>28</sup> Alan Gomez, Fact-checking Trump officials: Most drugs enter US through legal ports of entry, not vast, open border, *USA Today*, January 16, 2019 <https://www.usatoday.com/story/news/politics/2019/01/16/fact-check-mike-pence-donald-trump-drugs-crossing-southern-border-wall/2591279002/>

<sup>29</sup> Nick Miroff, "U.S. border officers make largest-ever fentanyl bust: 254 pounds hidden under cucumbers.," *The Washington Post*, January 31, 2019, [https://www.washingtonpost.com/world/national-security/us-border-officials-announce-largest-ever-fentanyl-seizure/2019/01/31/a43eeb62-258c-11e9-90cd-dedb0c92dc17\\_story.html](https://www.washingtonpost.com/world/national-security/us-border-officials-announce-largest-ever-fentanyl-seizure/2019/01/31/a43eeb62-258c-11e9-90cd-dedb0c92dc17_story.html)

<sup>30</sup> Leadra Bernstein, "Most Fentanyl is Trafficked Across US-Mexico Border, Not China," *WJLA.com*, July 16, 2019, <https://wjla.com/news/nation-world/most-fentanyl-is-now-trafficked-across-us-mexico-border-not-from-china>

<sup>31</sup> *Ibid.*

U.S. and abroad between January and March 2019 that led to 61 arrests and shut down 50 Darknet accounts used for illegal activity; agents executed 65 search warrants and seized more than 299 kilos of drugs, 51 firearms, and more than \$7 million (\$4.504 million in cryptocurrency, \$2.485 million in cash, and \$40,000 in gold). On April 3, 2019, the FBI and Europol announced another major operation, the takedown of dark-web news and information site DeepDotWeb, which had quietly made millions of dollars from offering promotional links to black market sites in a kind of underground affiliate marketing scheme. DeepDotWeb was considered as a gateway to the dark web for drugs.<sup>32</sup>

The J-Code agents that carried these operations, from the FBI, Homeland Security Investigations, Drug Enforcement Administration, Postal Service, Customs and Border Protection, and Department of Defense, now all sit together at the FBI's Washington headquarters. They work full-time to follow the trail of dark-web suspects, from tracing their physical package deliveries to following the trail of payments on Bitcoin's blockchain and with other cryptocurrencies.<sup>33</sup> Similarly, DHS Homeland Security Investigations is making inroads into the use of cryptocurrencies and the Darknet by fentanyl suppliers. As of July 2019, the agency has seized nearly \$1.9 million in fentanyl-related digital currency. HSI also has more than 700 open cyber investigation and 200 investigations into the criminal Darknet, many focused on illicit opioid suppliers.<sup>34</sup>

The U.S. and Mexico are stepping up efforts to go after the financing and money laundering connected with fentanyl trafficking. In August 2019, FinCEN, the U.S financial intelligence unit that collects and analyzes information about financial transactions to combat money laundering, terrorist financing, and other financial crimes, issued an advisory to specifically address opioid trafficking. The advisory seeks to assist financial institutions in detecting and reporting suspicious activity, making it harder and more costly for criminals to (i) commit these crimes; (ii) hide and use their illicit money; and (iii) continue fueling the opioid epidemic. This advisory highlights the primary methods and red flags associated with (i) the sale of these drugs by Chinese, Mexican, or other foreign suppliers; (ii) methods used by Mexican and other TCOs to launder the proceeds of fentanyl trafficking; and (iii) financial methodologies associated with the sale and procurement of fentanyl over the Internet by purchasers located in the United States.<sup>35</sup> Detecting, disrupting and deterring the financing and income generated by drug trafficking continue to be important tools to pursue the Mexican cartels who are enriched and empowered by these illicit markets.

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<sup>32</sup> Andy Greenberg, "Feds Dismantled the Dark-Web Drug Trade—but It's Already Rebuilding," *Wired*, April 9, 2019, <https://www.wired.com/story/dark-web-drug-takedowns-deepdotweb-rebound/>

<sup>33</sup> Federal Bureau of Investigation, Operation SaboTor Federal Partnerships Key to Dismantling Online Drug Markets, March 26, 2019, <https://www.fbi.gov/news/stories/j-code-operation-sabotor-032619>

<sup>34</sup> Leandra Bernstein, Most fentanyl is now trafficked across US-Mexico border, not from China," WJLA News, July 16, 2019, <https://wjla.com/news/nation-world/most-fentanyl-is-now-trafficked-across-us-mexico-border-not-from-china>

<sup>35</sup> FinCEN Advisory to Financial Institutions on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids, August 21, 2019, <https://www.fincen.gov/sites/default/files/advisory/2019-08-21/Fentanyl%20Advisory%20FINAL%20508.pdf>

### *Violence and Arms Trafficking Reduction Measures*

Since 2006, Mexico has been waging a war against drug trafficking organizations with significant military and police deployments; but the drug trade and high levels of violence continue. The violence is a result of the fragmentation of more established cartels and local gangs fighting for territory and control of critical drug trafficking routes. At the same time, impunity in Mexico, where 95% of killings go unpunished, has spurred more people to take up arms and carry out their own justice. According to preliminary numbers from the National Public Security System (Sistema Nacional de Seguridad Pública – SNSP), 17,608 people were killed in Mexico from January through June 2019; this represents a nearly five percent increase when compared to the same six months in 2018.<sup>36</sup> Mexico is poised to register a record number of murders by then end of 2019, while it already logged 29,111 killings in 2018, 33% more than in 2017. In 2004, a quarter of Mexico’s homicides were committed with a gun; today, guns are blamed for 72% of killings. Mexico estimates 80% of weapons used by criminals come from U.S. Of the 132,823 guns recovered at crime scenes in Mexico from 2009 to 2018, 70% were found to have originated in the U.S primarily in Southwest border states of California, Arizona and Texas. Most firearms trafficked to Mexico from the U.S. are bought legally at gun shows or stores by people known as “straw purchasers,” who then hand them off to cartels or middlemen.<sup>37</sup>

Weapons trafficking from the U.S. into Mexico has been a perennial issue on the bilateral security agenda. President Enrique Peña Nieto, who preceded Andres Manuel Lopez Obrador (AMLO), complained about the flow of American guns to Mexico. However, seizures of illegal weapons fell precipitously during his six-year term, in part because he largely abandoned initiative to inspect more vehicles heading south into Mexico that had been launched under President Felipe Calderon. The current Mexican Administration has vowed to bring back those inspections. In July 2019, Foreign Minister Marcelo Ebrard said Mexico’s military would coordinate with U.S. authorities to launch anti-gun-smuggling operations along the border.<sup>38</sup>

While the majority of weapons trafficked in Mexico do come from the U.S., some firearms from the Mexican military and police have ended up in cartel hands. Under the Merida Initiative, U.S. exports of firearms, ammunition, explosives and gun parts to Mexico rose to roughly \$40 million a year, according to the advocacy group Stop U.S. Arms to Mexico, and the Mexican army vastly increased its own production of firearms. At the same time, criminals were discovering another source of firearms - the Mexican police. More than 22,000 firearms purchased by state and federal police were reported lost or stolen between 2000 and 2015, according to Mexican military documents. For example, in Guerrero, police reported that one in five of the firearms they acquired between 2010 and 2016 were

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<sup>36</sup> Patrick Corcoran, Why Are More People Being Killed in Mexico in 2019?, InSight Crime, August 8, 2019, <https://www.insightcrime.org/news/analysis/why-are-more-mexicans-being-killed-2019/>

<sup>37</sup> Kate Linthicu, “Mexicans are killing each other at record rates. The U.S. provides the guns,” *LA Times*, October 6, 2019, <https://www.latimes.com/world/mexico-americas/la-fg-mexico-guns-20190430-story.html>

<sup>38</sup> *Ibid.*

lost or stolen.<sup>39</sup> This access to military-grade weapons has made confrontations between the transnational criminal organizations and Mexican security forces more deadly.

Cartel violence in Mexico made world headlines on October 17, 2019 when Mexican security forces were overwhelmed by the Sinaloa Cartel in a failed operation to capture one of El Chapo Guzman's sons in Culiacan, Sinaloa, the heart of cartel country. In February 2019, the U.S. Justice Department announced it had indicted Ovidio Guzman, son of El Chapo, on trafficking cocaine, marijuana and meth and sought his extradition to the U.S. The battle in Culiacan that left at least eight dead resembled a war zone in Afghanistan or Iraq. It showcased the Sinaloa Cartel's tremendous fire power with high-powered weapons, including mounted .50 caliber machine guns, urban warfare tactics, and scores of loyalists ready to fight to their death for the Guzman family. After a four-hour siege of the city and a jailbreak that freed cartel operatives, government forces eventually freed Ovidio Guzman.<sup>40</sup> President Andres Manuel Lopez Obrador (AMLO) defended the decision to release Guzman as necessary to protect the lives of civilians and security personnel. He stated "Capturing a criminal can't be worth more than people's lives. We don't want dead people; we don't want war."<sup>41</sup> The failed operation in Culiacan has been characterized as the "de facto" capitulation of the Mexican government to the Sinaloa Cartel and demonstrated the failure of the government's security services, including the newly minted National Guard, to successfully plan, coordinate and execute the capture of a high-value target, namely one of El Chapo's heirs who run the cartel.

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

## Conclusion

The proliferation of synthetic drugs and new markets on the Internet are expanding the illicit drug trade in the Americas and presenting formidable public health and security challenges to Mexico and the United States. Both countries have been fighting drug trafficking for decades but now need to better understand the evolving variety, production, marketing, financing and delivery of narcotics and modernize their strategies to decrease both supply and demand. More resources must be marshalled to anticipate, detect and interdict new synthetic drugs and take the fight against trafficking into the cyber domain. At the same time, the unprecedented levels of violence in Mexico must be addressed by

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<sup>39</sup> *Ibid.*

<sup>40</sup> Ioan Grillo, "How the Sinaloa Cartel Bested the Mexican Army," *Time*, October 18, 2019, <https://time.com/5705358/sinaloa-cartel-mexico-culiacan/>

<sup>41</sup> David Graham, "Authorities Admit Operation to Arrest Ovidio Guzman was a Failure," *El Universal*, October 21, 2019, <https://www.eluniversal.com.mx/english/authorities-admit-operation-arrest-ovidio-guzman-was-failure>

improving the capacity of Mexican security forces to confront the cartels and by reducing the flow of illegal firearms from the U.S. and diversions from Mexican security forces. After the Sinloa Cartel's siege of Culiacan, it is unclear what impact President Lopez Obrador's "hugs not bullets" security strategy will have on these criminal organizations and rising violence in Mexico. It might be perceived as an accommodation of the cartels that will empower them further and increase drug trafficking.

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

### **Policy Options for Countering the Evolving Drug Trade in the Americas**

- 1) The United States and Mexico should continue to collaborate on the bilateral security agenda through information and intelligence sharing; joint counternarcotics and border security operations; and financial investigations against Mexican cartels. This collaboration should be continuously reviewed and updated to reflect changing dynamics within criminal organizations, and evolving threats.
- 2) Both countries should remain focused on countering drug trafficking and transnational criminal organizations even when the migration crisis dominates the bilateral agenda.
- 3) More human, financial, and technological resources should be marshalled for counternarcotics security forces in the United States and Mexico to anticipate, detect, and interdict new synthetic drugs such as fentanyl and methamphetamines.
- 4) The fight against trafficking should be taken into the cyber domain. This should include better understanding of how drug traffickers are capitalizing on cyberspace to expand their markets, as well as, actual cyber operations to detect and dismantle these networks.
- 5) To address the unprecedented violence in Mexico, the government should seek to improve the capacity of Mexican security forces. The United States should provide technical assistance for this effort based on Mexico's identified needs.
- 6) Both the United States and Mexico should work together to reduce the flow of illegal firearms from the United States and the diversion of firearms from the Mexican security forces. This could be accomplished in part by expanded background checks, more control over straw purchasers, expanded border inspections, or greater oversight of sales at gun shows in the U.S.
- 7) Both countries need to exhibit the political will and define effective security strategies and capabilities to counter the evolving drug trade in the Americas.

## About the Author

Celina Realuyo is Professor of Practice at the William J. Perry Center for Hemispheric Defense Studies at the National Defense University where she focuses on US national security, illicit networks, transnational organized crime, counterterrorism and threat finance issues in the Americas. As a former US diplomat, international banker with Goldman Sachs, US counterterrorism official, and professor of international security affairs at the National Defense, Georgetown, George Washington, and Joint Special Operations Universities, Professor Realuyo has over two decades of international experience in the public, private, and academic sectors. She speaks regularly in English and Spanish on "Managing US National Security in 21st Century," "The 3 R's: Responding to Risk with Resourcefulness," "Following the Money Trail to Combat Terrorism, Crime, and Corruption," and "Combating the Convergence of Illicit Networks in an Age of Globalization." Professor Realuyo is a regular commentator in the international media, including CNN en Español, Deutsche Welle, Foreign Policy, Reuters, and Univisión and has testified before Congress on national security, terrorism, and crime issues. Professor Realuyo is a graduate of the Harvard Business School, Johns Hopkins University School of Advanced International Studies (SAIS), Georgetown University School of Foreign Service, and holds a Certificate from l'Institut d'Etudes Politiques (Sciences Po) in Paris, France. She is a member of the Council on Foreign Relations, International Institute for Strategic Studies, and Women in International Security. Professor Realuyo has traveled to over 70 countries and speaks English, French, and Spanish fluently, and is conversant in Italian, German, Filipino, and Arabic.