

**DEA MUSEUM LECTURE SERIES
DRUGS AND VIOLENCE IN MEXICO - APRIL 2, 2009
DAVID GADDIS AND ARIEL MOUTSATSOS**

SF: Good morning ladies and gentlemen and welcome. My name is Sean Ferns, I'm here with the DEA Museum. On behalf of all of us on the Museum staff, welcome this morning. The mission of the DEA Museum is to educate the public about the history of drugs and drug abuse and drug law enforcement. We began that mission 10 years ago last week. To date more than 10 million people have visited our exhibits, displays and education programs. Six years ago we began our Museum Lecture Series. We have featured noted speakers from DEA's past and present, as well as folks from outside of DEA, as we explore the many complex issues surrounding drug law enforcement in America and around the world.

Also what lessons we can learn and best practices that we can pass on. Today we begin our Spring 2009 series on the US Mexico border and drug trafficking both along and through it. You can easily say that this is literally ripped from the headlines, it's hard not to see a newspaper article or television report about the issues. We are delighted to have two excellent speakers for you this morning, I'll introduce the first and then we will have him give his presentation and then I will come back and introduce our second speaker.

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Our first is DEA Regional Director David Gaddis for Central and South America. Our second speaker is Ariel Moutsatsos the advisor for International Affairs for the Office of the Attorney General in Mexico, two excellent, excellent speakers. First David Gaddis began his career with DEA in 1986, he was initially assigned to the Atlanta Field Division, he was then subsequently assigned to the Miami Field Division and in 1992 assigned to the Office of International Operations as part of Operation Snowcap where he served extended overseas assignments in Central and South America.

In 1992 he was reassigned to San Jose, Costa Rico where he worked as a criminal investigator in Costa Rico and Nicaragua. In 1995 Mr. Gaddis was promoted and assigned to the Hermosa, Mexico resident office. In 1998, reassigned here to DEA Headquarters as a section chief in the Mexico and Central America section until February of 2000 when he was assigned as Deputy Chief of International Operations. Then in 2001 a brief stint in North Carolina, one of only a few here in the United States and then on as regional director for DEA's Andean Region in Columbia, Venezuela, Ecuador and Peru.

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And then finally in 2006 he became the DEA Regional Director for Canada, Mexico and Central America. A little bit of educational background, Mr. Gaddis has a bachelor of arts degree in criminal justice and a master of science degree in criminal justice management, having also taken classes with Harvard University's John F. Kennedy School of Government, Johns Hopkins University and the University of North Carolina at Chapel Hill. Please welcome Mr. David Gaddis. [APPLAUSE]

DG: Thank you Sean, I appreciate that, thank you all for, for joining me here today. We have a very important topic to take on. Coming from Columbia into Mexico I think... the old adage applies that I've jumped from the frying pan into the fire so to speak and... it's been quite exciting exhilarating for me over the last three years in Mexico. I would like to first give a plug to the DEA Museum. I have visited the DEA Museum a number of times, I have brought... foreign dignitaries from Columbia, from Mexico, from other parts of Latin America to visit.

They've always been thrilled and quite enlightened and if you have not had the chance to see the DEA Museum, you want to do it because it provides a fascinating glimpse of

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history of drug consumption, drug trafficking, drug production and it's something that I think most citizens should see. I would like to start this lecture by rewinding the clock a little bit. Let's go back to the 1980s when most of South American cocaine was actually coming through the Caribbean into South Florida, moving its way to destined markets like... New York, Philadelphia, across the Mississippi out West to... to Houston, maybe Los Angeles.

You may recall that our 41st President, George Bush Senior, had... initiated a South Florida task force to take on major drug trafficking. The initiative was to stem the massive flow of tons of cocaine that was moving out of South America into South Florida through the Caribbean. And quite frankly it was, it was effective. After about 10 years or so, we saw that [tape skips] of major loads of cocaine were no longer moving in the same quantities through the Caribbean as... as they had before and then they started to move through Central America and eventually directly to Mexico.

We saw that... around 2000, that the state authorities and the municipal authorities of the country of Mexico where

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this inundation of cocaine was landing in their country, found themselves quite frankly challenged to handle the threat of increase and building of organized crime throughout the country of Mexico. We saw in the late 1980s that the Columbian trafficking organizations based out of Mediene (ph.), based out of the El Cafeterio (ph.) the coffee access region or Kali in Southern Columbia, were all beginning to absorb and fuse themselves into the trafficking organizations that had previously existed in Mexico that was based on a marijuana industry that had been going on for many, many years.

And it made it quite easy for the Columbian source of supply to embed themselves in with traffickers from Mexico. So this... this perfect storm, if you will, of trafficking organizations fusing themselves from South America into Mexico became quite apparent. The state authorities, municipal authorities had their hands full. The federal government responded by creating a... a variety of different... federal agencies, one was called the Institute d'National (Spanish) the INCD, a DEA type of organization, to assist state and local authorities.

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But quite frankly there was a continuing generation of power by the cartels in Mexico, aided by... by support from Columbian traffickers that led to an overwhelming, almost overbearing phenomenon of drug trafficking. That of course is primarily due to the... the continuing demand that we saw for cocaine during the 1980s, 1970s, the '80s and clearly into the '90s from consumer markets in the United States, returning vast amounts of cash back to Mexico, further generating organized crime. In 1989 [tape skips] some of you may recall a 21 and a half ton cocaine seizure in Sylmar (ph.), California. That seizure occurred primarily between a disconnect that was ongoing with a Columbian source of supply and a Mexican cocaine trafficker named Rafael Munoz Taliveria (ph.).

Now Rafael Munoz was a major northern trafficker who had connections to a source of supply. He had, his job was to receive the Columbian owned cocaine, to hold it in Mexico and then turn it over to the Columbian distributors that existed in the United States. But he wasn't being paid for his services in a timely manner, so he collected one ton, five tons, 15 tons, eventually it became 21 and a half tons and he kept it in a warehouse in Sylmar, California, Southern California until US authorities were tipped off in

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an anonymous call that something weird was going on. They went in and checked it out and they ended up seizing this massive load.

Up until just last year it was the record cocaine seizure, land cocaine seizure, ever recorded. Last year in Mexico, in Mantinea (ph.), the Port of Mantinea 23 and a half tons were seized which beat that Sylmar record. When that seizure took place and it became very clear that Munoz Taliveria was unable to turn the large loads of cocaine over into the United States, the Columbian traffickers [tape skips] very strategic and important decision for them. They decided, hey, why take the chance of exposing ourselves to US law enforcement in a very proactive and an active... way? Why don't we simply sell the product to our Mexican traffickers, our contacts, and then let them work the distribution into the States?

And that was a major strategic shift in cocaine trafficking that led to an empowerment by drug cartels in Mexico that gave to them the influences that we've seen up until just recently, 2006. In 2006 there was a Presidential election and... a young man named Philippe Calderon won the election representing the... the National Action Party, the PON.

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Under his platform, he said, I'm going to bring back jobs, I'm going to reduce poverty and I'm going to make the streets of Mexico safe for the people again. Immediately President Calderon found himself in a fundamental decision on how he was going to deal with national security.

That decision was am I going to fight these drug cartels head on or am I not going to make it a number one national security priority? We all know, I believe, that his choice was to fight and to handle and take on these drug cartels... head first. What he has done, I believe, has in fact changed the course of history for the country of Mexico. The wherewithal behind the leadership of Philippe Calderon and his administration and all the leaders of it, have changed the way they're taking on drug cartels. President Calderon felt that he needed to do this, but he had to do it with public support.

Now there has been a cause and effect relationship of the actions and the... the direct fight approach and the amount of violence that has happened in Mexico. And that has changed some, the... the public opinion about what he's doing. What we've found however is that although slightly over 50 percent of the Mexican public feel that the narcos

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are so empowered they... they are effectively challenging the government authorities and security forces that somewhere between 51 and 81 percent are convinced that this fight strategy must go on and that they have to take on, take a hard line against narco trafficking in Mexico. And it's with that public opinion he is moving forward.

Now let me introduce to you the defense. If we were to divide this... this dynamic into... into a game, we have a defense and an offense. And the defense are the drug cartels. Now this caricature was actually printed in a local newspaper after the September 15th, 2008 bombing during their independence celebration in Morelia (ph.), Mexico. The La Familia (ph.) or the Family Cartel based out of Michoacán (ph.) immediately began denying that they were a part of this attack, this terrorist, this narco terrorist attack [tape skips] where President Calderon was from.

There was... there was blaming finger pointing that the Gulf Cartel was responsible through the Satas (ph.) and then the Satas were going back and blaming La Familia, but in effect, this is... these were the groups that were responsible for that attack and for a great deal of

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violence that we've seen in Mexico. On the offense, we have the federal security forces of Mexico, made up of the military. The military has picked up an enormous responsibility in maintaining the security of all of Mexico and... not just the... the Northern border where we've seen an uptick in violence, but throughout the entire country.

And the reason for that is that the military has the capability and is the formidable security force to do that job now. Civilian forces made up of the Secretary for Public Security, made up of the Attorney General's office with the federal investigative agency, they too have a vital and essential part or role in taking on narco generated organized crime. But right now, what we're finding is that the military has been deployed from day one, when President Calderon was inaugurated December 1st of 2006, to take over and... and neutralize the power that these cartels were... were enjoying in certain areas of Mexico, primarily in areas such as Michoacán or up in the northern border.

I mentioned the Office of the Attorney General and we have our guest speaker, my colleague, Ariel, who's going to be here and give you a unique perspective on behalf of the

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Government of Mexico that I think is very, very important. And we will find that there has been a tremendous effort and a tremendous change in direction under the Calderon leadership in dealing with this problem. A little bit more about the five major drug cartels that exist in Mexico, going from the West to the East, we have the remnant Adriano Felix organization, it is now made up of... some, some tier two trafficking networks... one Adriano family member who is actually a nephew to the famous brothers who are now defunct.

And then we have a competitor in that area who is trying to take over the particular corridors leading into Southern California. Hence, a great deal of violence that has sparked in... in the Tijuana, Baja north area. We also have the Sienna Lowa (ph.) Federation or the Pacific Federation made up of a consortium of traffickers that have been in the business for decades. Chopo Vuzman (ph.), Mio Sembaba (ph.), Nacho Coranell (ph.), these individuals, the Beltran Lava brothers who up until maybe about a year, a year and a half ago, were working as part of the Sienna Lowa Federation but broke off and now are running their own operation in other parts of the country.

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We also have [tape skips] that I mentioned earlier, based out of Michoacán. La Familia is a... a smaller network of traffickers, but nonetheless just as dangerous. La Familia has operated in Michoacán which has, as you can see, direct access to the Eastern Pacific and the incoming loads that run from Columbia, the Pacific Coast of Columbia, Ecuador, up into the Pacific Coast of Mexico and Porto Lasado Cavanas (ph.) or... other... other areas... that have direct access to the Pacific. We can't forget the Juarez Cartel, one of the largest and most powerful cartels in the history of...of Mexico, probably have one of the... the more historic reputations.

A model (Unint.), the Senor, El Senor de al Celos (ph.) or the Lord of the Skies as they call them because of the large jets that he used, the 727 jets that would fly directly from South America into landing platforms in Mexico to run tons of cocaine in the 1980s. His... he died in 1997... after having some significant plastic surgery to hide his appearance, change his appearance. And his younger brother, Vicente [tape skips] took over. So with the help of hit men, security personnel provided by a number of different families, they have become influential

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in that particular part of Mexico, leading up into El Paso, Western Texas and the Arizona area, New Mexico.

Last cartel which is probably one of the most ruthless, brutal cartels is the Gulf Cartel, supported by an enforcement arm made up of a group called the Satas. The Satas maybe 15 years or so ago, were created by a very small [tape skips] from the Mexican military, very small group, maybe a dozen or so. These deserters joined the Gulf Cartel and began actually executing enforcement operations for them. Overtime they recruited other people, gave them the training that they had received in their careers and then it became a train-to-trainer type of concept where today in 2009, we find ourselves with an estimated five or 600 traffickers who refer to themselves as La Satas.

The great majority of these traffickers were never trained by Mexican military, had no access to Mexican military or US military operations, however because of the... the symbolism and the reputation of that name, it appears or many think that they are part of a para-military organization and they're not, they're simply a group of traffickers, thugs that are utilizing the movement of

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cocaine, meth-amphetamine, marijuana and heroin to... to influence and to establish a great powerbase for themselves. What impact does that have on what we do here in the United States? It has a significant impact.

We find that at any given time, the DEA could be investigating 500 or so... networks or surrogate trafficking cells in the United States that are connected to one of those five... trafficking groups that are based in Mexico. If you add to the DEA investigations, the investigations being pursued by state authorities, by municipal authorities, by other federal agencies, ICE, FBI, ATF, it's probably in the thousands. The connection between trafficking cells from Mexico that are working in the United States is the greatest national security threat that we face here in our country.

That report coming out of DOJ approximately a year ago is quite apparent when you do the quick analysis of the number of investigations and the number of trafficking [tape skips] of surrogate cartels... that are operating in our country. And I don't see that changing anytime soon, I'll explain why. The influence that is [tape skips] in Mexico, through intimidation, threats, infiltration and death is

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the number one challenge that both governments, Mexico and the United States are faced with right now. It's quite clear that the traffickers only see life in one way and that's through intimidation and threat of death. They need the money and there's a lot of money at stake for one reason, to acquire power in their areas of operation.

To acquire power they have influences and abilities to... to further their criminal enterprise. That's the ploma, you've heard the adage, ploma plata, do you want the money or do you want the lead? That's what we're talking about, intimidation, the killings against officers, the killings against rival traffickers or the money. And like I said, there's a lot of money at stake. This is a photograph of approximately 207 million that was seized by Mexican authorities in 2007 from pseudo ephedrine trafficker. This individual had been importing both legally for awhile and then illegally, tons of pseudo ephedrine that were being diverted to meth-amphetamine producers in ton levels.

We analyzed somewhere around 60 metric tons by this individual, he had moved through Mainland China, directly into Mexico where it was diverted to trafficking organizations. This individual is in jail now... here in

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the District of Columbia and the funds now belong to the Government of Mexico. La ploma, the violence, I really cannot say the violence has sensationalized, there is a significant level of violence south of our border. But if you understand the dynamic between the actions that the Calderon security forces have taken and the response that the traffickers are making because of the effects that they're having to endure from these security forces, it makes sense.

A point worth making is that the vast majority of this 600 deaths or so that have occurred in Mexico in 2008, were not against innocent civilians, they were against traffickers. They were against people who supported drug trafficking operations in many cases and we had a much less, a miniscule amount of attacks against the security forces of Mexico in comparison to the large numbers that we see here. But nonetheless, it is increased violence, significantly increased and it has caused... some serious concerns, both in Mexico... and our own government. The intimidation factor, the narco messages that are attached to many of the victims by rival drug gangs sends a clear message of who's on top.

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Who has domain of that trafficking corridor, who has control of the drug routes. Who can move the product to its destination the fastest and the safest? So these (Spanish) or these drug messages are clearly placed as part of an intimidation method in order to, for one... drug rival gang to take on the other. And in many ways it's been effective. I mean we see the type of coverage that's going on now... whether it's CNN or Fox or a plethora of other news agencies, I think violence is the number one topic that's covered.

Why do we find hot turfs or hot spots of violence throughout Mexico? Well it's all about dominating that drug route and you'll see here, it's very clear that the common denominator is either there's access directly to the Eastern Pacific where loads of cocaine can come in from South America and move their way into mainland Mexico and then of course the staging area along our joint border, where they have to move the cocaine into the US safely to direct markets that we find... have moved well into the interior of the United States and we're talking Raleigh, North Carolina, we're talking Chicago, Madison, Wisconsin, Yakama, Washington.

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These are not your large metropolises, it's blanketed the United States. And that the state authorities regularly define themselves under attack, the state, meaning the Government of Mexico at large. This is a homicide scene of a attorney general's office employee, a commander, who had been involved in a number of operations on the northern border. The federal police of the public security secretariat have been attacked regularly over the last several... months, in fact the last couple of years. And there is a direct cause and effect relationship between their efforts and the retaliation by the trafficking organizations.

I'd like to go through a very brief case study to give you an idea of what the security officials are dealing with. Up on the border they did a raid against the Gulf Cartel, they were focusing on a particular trafficker, a guy by the name Koddese (ph.), Hector (Spanish). And Koddese running much of the... the facilitation group of the Gulf Cartel, the drug movements from the interior, from the Atlantic Coast, Eastern Pacific to Northern Mexico in the Gulf area, was the primary target. The raid occurred without a flaw, helicopters came down, security forces dropped right on top

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of... of a group of traffickers including Koddese, but immediately they encountered two problems.

First they encountered the problem of jammed communications that the traffickers were... were using, they had technology which jammed any communications so that police could be divided and taken on. And then of course heavy fire which is pretty much... an experience that they go through every time they take down a major trafficker in Mexico. In this particular case you'll see that some of the traffickers were wearing their own badges, the (Spanish), division. They actually believe that they maintain control over the areas to which they traffic their drugs and it's that fight decision, that hard line approach that President Calderon made as soon as he was inaugurated, that has steadily and consistently removed from these traffickers.

This badge was seized in that raid along with the weapon and like I said, being confronted by jammed communications and heavy fire, unfortunately Kaddese escaped that day. A couple of dozen traffickers were arrested in that raid, some high level traffickers, some very dangerous hit men, but Kaddese escaped. Kaddese escaped up until about two

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months ago when in Reynosa (ph.) there was another fire fight against both federal police authorities from a Guple (ph.) unit, a [tape skips] unit and the Mexican military where Kaddese was killed, he and I think about six or seven other traffickers were killed in that shootout, so his day did come.

I'll talk a little bit more about the incident as we get to the end of my presentation. I want to change gears quickly and talk about meth amphetamine trafficking. If we can rewind the clock again, just... just quickly back to around the late 1990s, we know what kind of meth amphetamine consumption and production problem we had in our own country where the mom and pop labs were sprouting up all over the place. We began to see what we called super labs, sprouting up in California, 10 pounds or more being produced in anyone cycle. Then we were able to work legislatively and I thought... I think quite effectively in restricting the precursor chemicals that were clearly available over the counter.

And what that turned out to be was a recipe for another challenge in Mexico where the meth amphetamine producers took advantage [tape skips] opportunity to supply and they

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moved their operations or production and supply operations down into Mexico. Couple that... with the fact that... large amounts of pseudo ephedrine, primary precursor chemical for production of meth amphetamine was available in Mexico. Up until 2004, hundreds of metric tons of pseudo ephedrine was being legally imported into Mexico which far exceeded its need for... for medicinal purposes. It was estimate that up to 55 metric tons was required for the cold remedy industry... antihistamine manufacturing industry in Mexico when 240 metric tons were actually being imported as recent as 2004.

When the Government of Mexico realized this problem, they immediately took action, they legislatively controlled pseudo ephedrine and slowly took it down in the number of imports that were allowed. By 2008, zero imports were permitted in Mexico, severely crippling the meth amphetamine production and trafficking industry in that country. Is there still meth amphetamine being produced, yes there is, in Mexico, as there is in the United States. It's also being produced in rather large labs, maybe a month or so ago, we seized... we worked... with authorities and saw that the Mexican military had seized approximately

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250 kilograms of methamphetamine out of a lab in Michoacán.

So there still are large labs, but we're finding alternative... production... cycles and production approaches that they're trying to... rely on outside of pseudo ephedrine and ephedrine compound precursors. There has been a very robust effort and a very close coordinated effort to provide equipment, to provide new technologies, to provide training, exchange of information and intelligence which has been quite effective against the methamphetamine threat. This photo is actual photos of federal police forces taking down a... what I call a mega lab. This particular photo was taken in Jalisco outside of Guadalajara where... 500 kilos of cocaine... of methamphetamine was seized.

These are enormous production labs, something you had not seen, I have never seen before and really comparable to nothing I'd seen in the US and I had worked in a lab group before. The money laundering, the blood that pumps through the body of narco trafficking. It's estimated that anywhere between 12 and 20 billion dollars cash a year is pumped from the United States into Mexico to generate

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organized crime. Where does that money go? Well it feeds the suppliers down south, it feeds the infrastructure that they have in Mexico. It's dedicated yes in activities and initiatives... of infiltration and influence. And the way that they get that money so that it's, you know, in a useful position, has to be through what I consider parallel markets, parallel financial sectors.

We have found that a number of mechanisms such as storefronts, shell companies... black market type of exchange arrangements, even the informal financial sectors is the changing centers or the casas (Spanish), the money exchange houses can be vulnerable to money laundering. And... the one thing about narco trafficking that I've learned in the time I've been with DEA is that, a narco trafficker, like water, will find its way to the easiest point. And any vulnerability it identifies, it will certainly take advantage of. So these are the areas that Mexican authorities, whether it's the banking commission or it's the... equivalent to the IRS or... the Mexican attorney general's office, the (Spanish) or Customs, they are all focusing not only on the financial, the formal financial institutions in working with the Mexican Banking Association in Mexican banks for compliance and due

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diligence, but they're working through these parallel mechanisms to reach controls.

The problem, quite frankly, is... there's such a volume of cash that comes down and so much that is, when you're talking billions of dollars, that is fused with... perhaps remittances, with legitimate income... from corporate interests, makes it very, very difficult and very challenging to identify where this is coming from. To deal with that, we've made it... we've made... some advances [tape skips] forces. Task forces involving the Mexican agencies [tape skips] that the primary role for money laundering. In working jointly with US agencies that are in Mexico out of the Mexican Embassy... the Mexico City Embassy and the consulates throughout the country.

Now I want to take you back to that (Spanish) and Reynosa raid where the trafficker Kaddese and his bandits, known as the Satas, headed by a trafficker named (Unint.) Morales identified the commander who was in charge of that raid. Omar Hamarez (ph.) of the federal police had spent a two decade career fighting crime in Mexico of which 11 years as a primary participant in an elite vetted unit supported... by the US Government. Omar became a commander of this unit

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and it was he that commanded the raid on that day. It took the trafficker Kaddese approximately 30 days to figure out who was behind the raid and when he identified Omar, he sent his emissaries to Mexico City and they attempted to try to have a talk with him.

A talk, influence, infiltration to which Omar refused. Thirteen days after that refusal because he is dedicated to his country, he is committed to the safety of his nation, they gunned him down in Mexico City as he was trying to... to get his boss's office around 9:30 one night to give him his daily briefs. So the moral of this story is... there are federal police, there are police in Mexico that are doing what they should be doing, that are working as hard as they can work. There are heroes in Mexico that have paid the ultimate sacrifice. It's with that thought and in that spirit that the DEA is committed and dedicated to working with these brave men and women that are out there on the front lines.

There are challenges, that are consistent difficulties and problems that we continue to deal with. As we find these same challenges in our own country, but nonetheless this has to be shared responsibility with mutual trust in an

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effort to take down a common enemy and that enemy is narco trafficking. So with that, I'd just like to express, it's been a pleasure to talk to you and give you some glimpse of what we're doing here and in Mexico and to turn the floor over to my good friend, Ariel. It's been a pleasure, thank you. [APPLAUSE]

SF: Thank you David. I'm sure there are a number of questions for Mr. Gaddis and if I could ask you all to hold them 'til the end, we have such a huge turnout today that we're going to do the Q&A just a little bit differently. If I could ask the folks from Public Affairs that have the little cards to stand up and hold them up. If you didn't get one as you were coming in, please feel free to signal for one when we're done and right your question down and you'll pass them to the end of the aisle and then we'll be able to field the questions to our two speakers.

And that brings me to our second speaker, Mr. Ariel Moutsatsos, excuse me. He has a degree in communications from Monterey Institute of Technology and a masters in international affairs with a minor in international security from the University of Madrid. He has been a senior international correspondent for Mexican radio and television in New York, Europe and the Middle East. He has

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served as an on air international security analysts for televisa radio newscasts in Mexico as well as a director of special projects for the Club of Madrid, an organization comprised of 68 former presidents and prime ministers whose mission it is to promote democracy and security around the world.

And last, last but not least, a CEO of a Mexican intelligence and analysis consulting firm. He is currently an advisor for international affairs for the Office of the Mexican Attorney General, ladies and gentlemen, Mr. Ariel Moutsatsos. [APPLAUSE]

AM: Good morning, I am having a very bad, very bad day today. I'm recovering from a cold, I am here with... experts and very interested people on what's happening in Mexico and I am here along with... a giant of the Drug Enforcement Administration, my very good friend, David Gaddis, to whom I want to start by thanking... for your cooperation and all the help that you have... you know provided to my country thank you very much David and also thank you to Sean Ferns. On top of that I have to make a presentation in English and that's going to be very difficult for me, but I hope you can forgive me for my... English speaking.

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Let me just... restart in that part of violence that David was just telling you. The rates of violence in Mexico and the rate of violence that we've seen in my country in the late... in the recent years, especially in 2008 and these months of 2009, is indeed a response of the cartels, of the drug dealers to what the Mexican government has been doing, especially during this administration of President Calderon. But I don't intend to say that everything's okay and that nothing's happening in Mexico and that shouldn't worry and I shouldn't worry, it's just you know... a big misunderstanding and... and that is just happening that everything's happening... and it's temporary and it will... you know solve by itself.

But I do want to put in context what's happening in... in my country. Last year there were more than 5000 killings. Now if you hear that, you will say wow, Mexico is what, you know it's tearing up apart, there is a big problem in that country. Of course we have a significant problem, but... we read what is happening in Mexico through some statistics that are always helpful to understand a bit more of what's happening, then maybe we can get a better idea of where we are. In Mexico, if we read, not by total... amount of killings that we had in 2008, but maybe through another

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rate, the number of killings per every 100,000 persons or inhabitants in Mexico, then we will have I think a closer idea of what's happening.

In Mexico there were 12 killings more or less per person... per every 100,000 persons last year in 2008. Columbia for example, a country that's been... coming down from... from its numbers through the late, more recent years, had 33, 33 that is around 200 percent more than Mexico. Of course as I told you, Columbia's coming down and Mexico is... is going up, hopefully, hopefully not that up, but... we had... we had... Columbia had 200 percent more killings per every 100,000 persons in that country. What the (unint.) in El Salvador for example, had a... had a very, very, very big rate of killings, they are around 50 killings per every 100,000 inhabitants, that's a 400 percent difference, higher than what happened in Mexico last year.

And if you think that the United States has not seen that kind of violence before, well maybe you better think twice because I'm not even going to speak about the country, let's just focus for example in New York, the capital of the world. So in the year 1990, not even 20 years ago, 2605 killings that stand for 14.5 killings per every

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100,000 persons living there. And let's just speak or talk about something that is... closer, here in Washington, DC. Washington, DC saw in 1991, 482 killings, that is a rate of 80.6 killings per every 100,000 inhabitants. So what's happening in Mexico is really serious and it's of course very significant in terms of security threats.

But it's not out of a proportion or it's not something that's never been seen before. What's happening in Mexico is the result like... David said, of... the very important... and the will and the determination of President Calderon and the whole government to attack the drug cartels like we have never done before and like it's never been seen before. So if you attack the cartels and you find drugs like it has never been seen before, you don't expect for the cartels not to answer, not to retaliate, I mean these are bad guys, we are not playing here. And they of course are... are seeing their... source of income... threatened by what's happening in Mexico and by... by this war that the... the present government and of course also other governments have... have had against them.

And... but just to... to walk over to some more numbers that may give an idea, a deeper idea of what's happening in

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Mexico, I could tell you, for example, that... we should compare the first two years of the government administrations that are in Mexico to... to get a better idea if we are winning or not, the war on drugs. Many people say, some people say that this is a lost cause, that we are losing the war on drugs, that they are investing too much money, that the governments are investing too much money and they're not getting any results. Sometimes I ask these people if... you know, this is not a business if... if all the investment is not enough for to stop (unint.) of our societies.

So in that sense... let me tell you, for example, that I am going to compare the first... two years of the... previous administration from 2000 to 2002 and also the first two years of the before administration, the administration before the previous from '94 to '96. And I'm going to go in that order, '94 to '96, then 2000 and 2002 and finally our present, current administration. In the previous administrations, the previous government have seized millions of pesos, for example, 8.2 millions of pesos in the first of the periods that we're comparing. Then in the previous administration, seized 13.9 millions of pesos, today we have seized 'til March 19, all the number that I'm

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giving you are until March 19, just a few days ago, 154 million... millions of pesos.

In dollars, 1.5 millions of dollars seized in the first period, 30.7 millions of dollars seized in the second period and 323.7 millions of dollars seized. Weapons and ammunitions, for example, and I'm going to go over what the arms trafficking mean to... our countries. But weapons... seized and ammunitions. Weapons seized in the first period, 10,490, then 7025 million... sorry, 7025 weapons seized and in the current administration 19,507 weapons seized. Ammunition 1.5 million, one million and in the current administration 4.7 million of ammunitions seized. Land vehicles, 9185 vehicles seized in the previous administrations, also 8316 in the years 2000 to 2002 and currently, 16,228... vehicles, land vehicles seized.

Planes, 72, 87 and 346. We have extradited to... to several countries, a total of 215 persons and to the United States a total of 207 persons, criminals. And we have processed a total 1259 organized crime related person in our country. But here is an important number also, we have processed and they are under, you know, under process or in jail, under trial a total of 235 former government

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officials. Corruption is behind all these, corruption is why they sometimes win. And corruption is not only present in Mexico, corruption is also present in the other side of the border, the side where I am now and... corruption, although it maybe bigger in Mexico or different, at different levels in Mexico, corruption is also something that... happens here and it's a... what I want you to... take from my presentation is that corruption and drugs, the drugs problem, the drugs (unint.) problem is a shared problem.

Like the Secretary of State, the American Secretary of State, Hillary Clinton, said in the last days, he was recently in Mexico, like President Obama said and like David... pointed out during his presentation, this is a common problem, this is a shared problem. The problem of drugs coming from Mexico to the United States is comparable to the problem of arms trafficking from the United States to Mexico. You have the supply and we have the demand. And we have the supply of drugs and you have the demand, they are interconnected. It's very important that we all understand that the arms trafficking problem is not different or something else... you know, apart or far from the drug problem.

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We have... the law in Mexico is not so flexible or open, is very difficult to acquire a weapon in Mexico because all the weapons that can be acquired are controlled by the... the Defense Department, by the... you know, the Army. And of course not all the (unint.) can be acquired here in the United States, you can even buy a Barrett, if you like, you know. That is... massively feeding the cartels... to... you know perform security operations for them. Mexican citizens are being killed with... United States weapons, acquired weapons there. So it's a shared, it's a common problem. It's a... it's something that we need and we are, believe me we are... something that we have to fight together.

And we have a great level of cooperation. Mr. Gaddis here has... assured and I think we are reaching a new level of cooperation just now in recent days. I was very surprised to see... a few days ago, the last days of the last week, that these problem was suddenly... far more pressing in the Mex... in the United States media, that's very good, you know. We welcome the debate, we welcome the President taking different positions on it. We welcome the suggestions, we certainly do. And we welcome the questions

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because... through all this... kind of... coverage and through all this kind of events like the one we are having here today, we of course will increase the knowledge of the problem, we will be more conscious about it.

But at the same time we will attack the problem. To attack the problem, the enforcement approach is not the only one. It's very important that we continue, that we keep doing it, but it's not the only one. The enforcement approach is only a part of what we need to do in the fight against drugs and in the fight against, you know, to stop drugs from... coming to our kids hands. So... we... beyond enforcement that as I said we should keep doing, we need to... to undertake other kinds of a strategies at the same time, simultaneous strategies. Educate, for example, it's very important that we stop our societies from betting into drugs if they have not done so, which I am quite sure that the majority of the society has not done so, maybe I am optimistic, what can I say?

Also rehab, it's very important that the current drug addicts get rehab and that there is a... a strategy for... a strategy for that. As I said, corruption is also... very important and a main problem that we have to... deal with

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because it's behind everything. The drug cartels are getting the money and they are using around 50 percent of that money to... bribe persons and to keep their business... going on. So... in Mexico we are fighting against corruption, it is a very important approach to the war on drugs. As I just told you... there are hundreds of... former government officials... who are being processed or... in trial or in jail right now.

But... and it's certainly very important that... that in the last months of... 2008 we arrested and he's now in jail, the national drug czar, former national drug czar of Mexico, former deputy attorney general for organized crime. If that's... as far as we have to go or even beyond... or even beyond that, even further, to... battle drugs, we're... we're prepared for it and we are going there. We... we are, we have a great amount of cooperation with the United States, I hope that increases. Our level of cooperation is very important because we are able to perform simultaneous operations and simultaneous strategies and we look forward to share more intelligence of course in that... in that... field for us to be able to fight... to fight better.

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Money laundering is also important, we need to stop the cartels from... to stop the money from getting to the cartels. This is not an ideological thing, you know, this is not like let's say terrorism where the people that's fighting there, is fighting for an ideology or for a political power because they believe in a party or in a way of thinking. This is only about the money. All the persons that are involved in drug smuggling and in the cartels are all about the money. So if we take them... the money off their hands, they will and believe me they will, fall like flies. We need to take the money out of their hands, so we need to stop the money from flowing.

And that is done through money laundering strategies... that we are also undertaking. We... we need to do more, we need to... perfection and strengthen our operation and our strategies, but we are in the middle of that process. It's difficult, it's... it's a challenge because I'll tell you that... we are, let's... let's say, we are building, rebuilding, training, cleaning and restructuring our forces while we are at war. So that's a huge challenge that our government has... taken. We are doing it. Of course, the early results have been seen but I think that... the best, more evident results are yet to come. But this is a drug

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that we are not, where we are not about to step, not even one step, back.

This is a war that can be won because we are winning. This is a war not in terms of the investment that we are putting into this war, this is a war not in terms of... you know, policies, nonsense policies or... that we can see through different... approaches that could be used for many other things, this is a special work, because this is a work whether you are for legalizing or not, drugs. We are not, there is not even one person that I know in the United States and I dare to say, probably in the world, who's in favor of the use of drugs, you know. So no... no matter if you are for or against legalization, that's another debate that... I would be happy to have in some other... occasion.

We... neither of us is for the use of drugs, is in favor of the use of drugs. So this war is... against the alienation of our societies. And this is how we should approach this war. And money is never enough when we are fighting that, so I thank you very much for your attention... I... I really look forward to... being invited in the near future, thank you. But I just want to... to leave you with... with the idea that this war is worth fighting for and at the

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same time that we can be one as David said, thank you all very much. [APPLAUSE]

SF: Okay and now while we get setup for the question/answer, just a quick reminder that if you have questions that you'd like to ask either of our speakers, if you could write them down, pass them down to your left, down to this aisle over here and Rusty from our public affairs office is going to collect them. We're going to try and direct some questions to both Dave and Ariel as they move forward. And... do we have our microphones live? And Katie if you could pass... actually Rusty why don't you just go ahead and do it from right here?

Q: This question's for both, where is Chapel Guzman?

DG: We're looking for him.

AM: Let me just say that the day we find him, we'll get him, that's for sure. We don't know where he is, but he's kind of... you know Osama bin Laden on the war on terrorism, he's not the only one. He's a symbol, but it's not our only objective, we have many objectives and we are fighting against them.

DG: Yeah I would agree with that and to only add that... it's not uncommon whether you're looking for a fugitive in Mexico or in the US... to have to deal with these kinds of challenges, remote, mountainous, desolate areas or zones,

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just add to the challenge. We ourselves looked for Rudolph for many, many years and... I know this because I was serving in Charlotte in the Western District of North Carolina where he was eventually found there, up in the hills of the Smokey Mountains. So... and he was... he was found because he was rummaging through a garbage... garbage can trying to get something to eat. So... it is very difficult and... whether in the Khyber Pass Mountains or it's the Smokey Mountains or the... mountainous region of the Golden Triangle in Mexico, there are challenges associated to... to looking for these kinds of... types of fugitives.

Q: Question for Dave, how is... how does DEA classify Lo Satas... is it a separate drug trafficking organization, are they taking over the Gulf Cartel or something else?

DG: The Satas have slowly, but consistently... separated themselves in doing their independent operations. The Satas is a rather large and... and porous organization, meaning you can find them in many locations throughout Mexico. But they still are connected to the Gulf Cartel and I consider Satas an appendage to the Gulf Cartel.

Q: A questions for Ariel, is Mexican based meth production waste creating environmental problems in Mexico similar to the United States?

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AM: Oh you get me there, that's a good approach, I'm not sure. I think it should, but I don't have the measure of... of the problems that it's causing environmentally speaking in that sense. The production labs that are, as he pointed out, in Mexico, that exist there, are far less than before. Let me just take this opportunity of the question, take this question to... as you know for example, with amphetamines have increased their price in the United States, 23 percent. That means that it's being more difficult for the cartels to take them down here.

Cocaine has increased its price ever since... President Calderon took over in Mexico 89 percent street price in the United States. So that says something about... what's happening with the war on drugs. But environmentally speaking, I don't have the... the numbers right now. If you can pass me that paper or we have the data of the person who... who made this question, I will be happy to share the information later.

DG: I think those indicators of price impurity in the US are very clear of the success under the Calderon leadership. When you have drugs, specific drug categories and in this case both cocaine and methamphetamine in terms of purity... decreasing and price increasing, it's a clear

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sign that there's... there's some serious progress being made south of the border. And I would like to also extend congratulations because in Mexico, we're finding the price increase almost exponentially for cocaine. In some cases we've seen a 10,000, eight to ten thousand dollar increase per kilo of cocaine in Mexico.

Now I've done some very preliminary checking but it appears that the price for the supply, the wholesale price for the supply of cocaine in the transit zone and the supply zones, meaning Central America and Mex... and South America, have relatively stabilized, that they haven't had much change. When you have an increase, a spike in the price for cocaine in Mexico and in the United States, that only tells me one thing, that there is an enormous impact in what's been going on over the last two and a half years in Mexico. And I would... pertaining to the question, I could tell you that for every pound of methamphetamine that is produced, that yields five pounds of hazardous toxic waste that must be disposed somewhere in the environment.

Q: I've got an excellent question for both, what steps are the DEA and PGR taking to insure that this battle against the drug cartels continues after Philippe Calderon leaves

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office, particularly in the event that a different party assumes the presidency?

AM: That is a very good question. Mexico comes, up until the year 2000, from a government that was led by one party and one party only, the PRA, more than 70 years of the same party there. So many institutions were created around that party and they were, let's say functional and they were strong of course. But there were many non-written rules also. Now Mexico, I'm not saying that it was not before, this is a political debate and I'm not here to enter that debate. But I would just say that Mexico... is now a vibrant democracy and... as a result of that, we find ourselves in a country where the non-written rules are not working anymore.

So... for us, institutional strength and... the restructuring of institutions is... is very important and is something that on top of all the problems that we have, we are undergoing now. So... the institutional strength of a country is not resting anymore in the presidency as a one person institution or of course, it's not resting in the current President. It's you know, Philippe Calderon or whoever comes, we are very importantly and decidedly... (unint.) making ourselves sure that the institutions that

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we build are built for... at the same level of our vibrant democracy or even more.

For... for us to be able to start working on the state strategies and not current government strategies or one person strategies like it happens here for example, in the United States. You may change the government but the institutions remain the same, you only change the leaders. Yes, you can have a... you know, small... you know different approach to some things as the parties change, their access to power. But in the end you have state strategies, that is very important for us and that is something that it's... currently being... performed in Mexico.

DG: Professionalization and career development, two terms that are priorities for the Calderon Administration. The Secretary for Public Security, Annada Garcia Luna, has implemented and is pushing forward a campaign for... the fusion of police agencies throughout the country. He is moving forward on... a great deal of professionalization training and career development mechanisms so that when a police officer enters the service, he or she may decided to make an entire career out of it for 30 years, if they wish and be awarded for that service to their country.

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So these are ongoing institutional campaigns and initiatives that I think will resonate throughout the government of Mexico for decades and... and it will be very positive.

AM: And let me just say very briefly, I forgot, that there are other, apparently small challenges that we have to deal with because in the end they are, you know, kind of an obstacle to work better. Like for example, in Mexico and this is something that I was really surprised when I realized about that, we have 1640 different police corporations in Mexico. So it's very difficult to coordinate a war with 1640 different police corporations, it's very fragmented. This is something that... has also... has also been taken care of by the different security authorities in the country like David said, it's part of the strategy that David was... underlying here. Thank you.

Q: A question for both. How have the cartels been affected due to the success of Project Reckoning in September and Operation Accelerator in February?

DG: Well... the desperation by the drug traffickers in Mexico and in the United States is very clear. Through violence, through their tactics to avoid capture... fleeing to other

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countries, from one side of the border to the other and to third... third nations as well, perhaps in Central America or... or other countries. These are all clear indicators that... the traffickers are no longer running with a comfort level that they've had in the past, that the traffickers are fleeing.

And... if you will, the boulders are quickly becoming pebbles and... we... what we will continue to do is to apply that same kind of pressure bi-laterally on both side of the... the border. Operation Reckoning was a multi-agency, multi-office campaign that targeted the Gulf Cartel, surrogate traffickers and cells that were operating in the United States. I believe with the arrest of almost 200, 170 defendants perhaps. Operation Accelerator... much of the same in targeting the Sinaloa Federation trafficking surrogates. So we've had some... some success on both sides of the border that is... is applying some significant pressure which we believe and agree that must be maintained.

AM: Just one phrase, this battle is against the cartels, it's so (unint.) that they are killing instead of negotiating.

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Q: Given the fact that the Federation is fighting to control all routes of the border, is that organization the most powerful?

DG: I would not say any one organization is... more powerful than the other. What's more deadly, leukemia or cancer... or heart failure? They all kill you and that's where we're at with... with the five major drug cartels that operate, trafficking organizations throughout our own country. (Unint.) Juarez in the state of Chihuahua is a perfect example of the infighting that's going on between one cartel and the other. The Siena Loma Cartel headed in this particular case by Chapel Uzeman and his trafficking networks are fighting the (Unint.) Juantez traffickers that historically have held control over the Juarez El Paso drug corridor, drug routes.

That's one reason why perhaps almost a third of the drug-related killings, that's killing of cartel member to cartel member, has actually happened in the State of Chihuahua principally in (Unint.) Juarez over the last year or so. So these kinds of inter-cartel fights will continue as their flushed out of their traditional areas of protection and circle areas of... circles of operation. And we're going to keep working with the Mexican Government and

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working... in our own authorities with our own organizations north of the border to continue that kind of pressure.

Q: One more question, how is DEA and Mexican law enforcement targeting the financial networks?

DG: Well I'd... briefly referred to a couple of programs in... in my presentation, but task forces are clearly the way to go. The task forces is made up of... authorities from hacienda, from... I'm sorry, Customs... from Mexican banking association, Mexican IRS, Mexican federal police, the attorney general's office, these are all components of major players that need to come together in order to share information to work with each other's capabilities, databases, authorities to target those vulnerable sectors that exist in the financial industry.

Perhaps targeting for example a particular casa, casa de cambio or a money exchange house that's been identified as being infiltrated by a drug organization. That will be done, that is being done... also in terms of institutional effectiveness, we have a number of... of intelligence exchange agreements and arrangements to where authorities from the United States and authorities from Mexico are

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sharing information that would support investigations and money laundering.

AM: Yeah well... let me just say that as I said for... for us, this is a very important part of the war against drugs and... it's about... it's all about stopping the money from flowing to the cartels. Mexico is also... increasing dramatically the level of cooperation with the private sector, with the finance institutions and different kinds of companies that could be used as tools for, you know, laundering the money or sending money to other... places in the world. We are looking forward to work closer with the banks and many other institutions that can... could provide a safe haven for this money or a way to... to launder the money. So... I have nothing else to add to what David said.

SF: Alright, ladies and gentlemen if you could please join me in thanking both David and Ariel for being here today.
[APPLAUSE] And as we conclude, thanks to all of you for being here, as I said at the beginning, this is just the first in our spring series. The next one will be held on April 22nd right here in this room at 10AM. It will be a reporter's perspective on the US/Mexico issue. We'll be inviting Donna Linewand (ph.), she is a correspondent with USA Today and currently the president of the National Press Club here in Washington, DC, to speak.

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And then a program in May and one in June on both past and present DEA... excuse me, past and present...

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