

ACTION INL-00

INFO	LOG-00	EEB-00	AID-00	AMAD-00	CG-00	CIAE-00	CTME-00
	DEAE-00	DINT-00	DODE-00	DOTE-00	WHA-00	DHSE-00	OIGO-00
	FAAE-00	FBIE-00	UTED-00	FRB-00	TEDE-00	INR-00	IO-00
	L-00	NSAE-00	ISN-00	NSCE-00	OIC-00	OMB-00	PM-00
	GIWI-00	P-00	ISNE-00	DOHS-00	SP-00	IRM-00	TRSE-00
	NCTC-00	FMP-00	PMB-00	G-00	ATF-00	NFAT-00	SAS-00
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Per reftel request, Embassy Mexico submits the INCSR text which follows. Text will also be provided by e-mail to INL, along with the statistical table, which does not lend itself well to cable transmission.

MEXICO

## I. Summary

Mexico achieved unprecedented results in 2007 in attacking the corrosive effects of drug trafficking and consumption during the first complete year of the Calderon Administration. Calderon directed the military to launch aggressive operations across Mexico in coordination with civilian law enforcement, reasserting control over areas that had fallen under the virtual dominion of drug cartels. Mexican authorities extradited a record 73 fugitives to the United States, including prominent members of the Gulf Cartel. Among the many important successes registered by law enforcement authorities was the seizure of over \$200 million in cash from a methamphetamine trafficking organization, and of over 23 MT of cocaine (in two individual events). Although the Government of Mexico (GOM) continued to eradicate opium poppy and marijuana, total cultivation apparently rose. The GOM greatly reduced the amount of licit imports of methamphetamine precursors in 2007, and announced new regulations that will eliminate all licit imports in 2008.

Mexico will eliminate the commercial sale of products containing methamphetamine precursors in 2009. In October, the Presidents of Mexico and the United States announced the Merida Initiative, a historic plan to achieve an entirely new level of law enforcement cooperation. Mexico is party to the 1988 UN Drug Convention.

## II. Status of Country

Mexico is a major transit and source country for illicit drugs reaching the United States. Roughly 90 percent of all cocaine consumed in the United States transits Mexico. Due to their close proximity, Mexican processors and growers supply a large share of the heroin distributed on the West Coast of the United States, even though Mexico produces a relatively small percentage of the global supply of opium poppy and heroin. Mexico remained the largest foreign supplier of marijuana to the United States and is a major supplier and producer of methamphetamine.

Seizure statistics give an indication of Mexico's significance as a drug production and transit country. According to the Mexican Attorney General's Office (PGR), 20 drug processing laboratories were dismantled in Mexico during 2007; DEA reports that four of these were classified as methamphetamine "super labs" (i.e., having a production capacity of 10 pounds or more per processing cycle). The PGR reported the following seizures during 2007: 46 metric tons (MT) of cocaine; 1,390 MT of marijuana; 241 kilograms of opium gum; 271 kilograms of heroin; and, 714 kilograms of methamphetamine.

The trafficking of drugs, precursors, arms, persons and contraband has had serious repercussions for Mexico society, and President Calderon's stance has been commensurately determined. Upon taking office, he initiated operational surges across the country, targeting drug trafficking and the related violence, often involving the Mexican military, re-establishing federal control over wide swathes of Mexico's hinterland. The cartels resisted the law enforcement offensive, while turf battles broke out between local drug lords, leading to increased violence. Along with the over 2,000 drug-related killings in 2007, there was a trend towards targeting high-level GOM law enforcement officials. For example, Jose Nemesio Lugo, Deputy Director of the PGR's National Center for Analysis, Planning and Intelligence against Organized Crime (CENAPI), was killed on May 14, and Omar Ramirez, the police commander of a special investigative unit, was assassinated on September 12. While Mexican drug trafficking organizations (DTOs) continue to control domestic drug production and trafficking, as well as the laundering of drug proceeds, it is clear that other nationalities (such as Colombians and Venezuelans) play an important role in drug trafficking, as facilitators/transporters or sources of supply.

## III. Country Actions Against Drugs in 2007

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Policy Initiatives. Since entering office December 2006, President Calderon has expressed an unprecedented commitment to improving public security, launched aggressive anti-drug operations in 11 states, increased pay for the military and boosted investment in the nation's security forces significantly, promising to make Mexico's security institutions more effective. Moreover, the GOM's law enforcement agencies (LEAs) have strengthened their cooperation with USG LEAs. Bilateral cooperation is at an all-time high, as evidenced by the announcement of the Merida Initiative, which - if approved by Congress - would provide an equally unprecedented level of USG support to Mexico's fight against the common threat of transnational criminal activity against both countries and their citizens. The GOM's initiatives include:

-- Professionalization of the Federal Police: Genaro Garcia Luna (Secretary for Public Security - SSP) began to morph the federal

police structure into an entity that is more effective and trustworthy. In June, he replaced 284 Federal Preventative Police (PFP) and Federal Investigative Agency (AFI) commanders, including all 34 regional PFP coordinators. SSP will soon have the means to vet its entire force, as well as many drawn from state and municipal police, stemming the rampant corruption that has existed.

-- Creation of "Platforma Mexico": The SSP also launched the multi-year development of the Platform Mexico, a billion-dollar initiative that will establish real-time interconnectivity between all levels of police and prosecutors and support a national crime database.

-- Legal Reforms: Calderon has submitted a package of legal and Constitutional reforms to Congress that would unify the federal police into one force and allow it to investigate preventatively, amend the role of prosecutors to focus more on the winning of cases and modify the code of criminal procedures to create more open processes, including the presumption of innocence and a greater reliance on oral trials.

-- Regional Security Plan: The GOM has also worked with the governments of Central America and Colombia to craft a regional security strategy that would improve interdiction throughout the region.

The U.S. Government (USG) provided various types of training to thousands of Mexican LEA personnel in 2007. For example, basic instruction was provided to Customs personnel on the maintenance and use of donated non-intrusive inspection equipment (NIIE) that are used to inspect vehicles for drugs, explosives, weapons, bulk cash and other contraband. DHS/CBP personnel then complemented this with training in targeting, to help them achieve a correct balance between interdiction and trade facilitation. DHS/CBP also loaned Customs NIIE to use during surge operations along the northern

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border; this equipment complemented three mobile NIIE units that were provided to the GOM by the USG in 2005.

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Security along our mutual border will also be enhanced through an ATF canine program that focuses Mexican LEAs with training on explosives and weapons detection. Canine/handler teams that come from this training are being deployed to border areas as well as at airports. The ATF activities complement training that is provided by other USG agencies to train teams for detection of narcotics and currency.

Mexico also worked multilaterally to promote efficient and effective anti-drug and anti-corruption policies. During 2007, Mexico chaired the Working Group on Precursor Chemical and Pharmaceutical Control within the Inter-American Drug Abuse Control Commission of the Organization of American States (OAS/CICAD), providing leadership in regional efforts to control precursor diversion. Mexico also promoted the implementation of the 1998 Program of Action of the Special Assembly of the United Nations and supported a 2008 review of the Program of Action.

Accomplishments. Significant Mexican counternarcotics enforcement actions in 2007 included sophisticated organized crime investigations, marijuana and poppy eradication, strong bilateral cooperation on drug interdiction and arrests of several major drug traffickers, including: Jose Ramon Davila (El Cholo), an original member of the Zetas; Juan Oscar Garza (El Barbas); Nabor Vargas, Luis Reyes, and Eleazar Medina, all second-generation leaders of the Zetas; Oscar Alonso Escajeda, the "Gatekeeper" of the Federation Cartel; Carlos de la Cruz, a Gulf Cartel chieftain; and, Sandra Avila, known as the "Queen of the Pacific."

Law Enforcement Efforts. The record interdiction of illicit drugs in 2007 was complimented by the seizure of 6,310 illegal firearms and the arrest of 12,862 persons on drug-related charges, including 12,644 Mexicans and 218 foreigners.

Corruption. It is GOM policy to neither encourage nor facilitate the illicit production or distribution of narcotic or psychotropic drugs or any other controlled substances, nor the laundering of money derived from illicit drug transactions. During 2007, the Calderon Administration strictly targeted corruption within the federal government. Each year, the underlying causes of corruption diminish, as better pay and benefits are provided, better selection criteria are employed for new employees, and more modern investigative techniques are applied. In 2007, the Secretariat of Public Administration (SFP, which investigates corruption across the federal government) reported that 4,895 inquiries and investigations into possible malfeasance or misconduct by 5,389 federal employees resulted in the dismissal of 451 federal employees, the dismissal of

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an additional 1,256 employees with re-employment restrictions, the suspension of 1,868 employees, 2,255 reprimands and the issuance of 15 letters of warning, as well as the imposition of 1,144 economic sanctions that brought the equivalent of over \$300 million in fines and reimbursements into the Treasury.

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Agreements and Treaties. Mexico is a party to the 1961 United Nations Single Convention on Drugs (as amended by the 1972 Protocol) and to the 1971 United Nations Convention on Psychotropic Substances. Mexico also subscribes to regional counternarcotics commitments, including the 1996 Anti-Drug Strategy in the Hemisphere and 1990 Declaration of Ixtapa. In April 2003, Mexico ratified the

Protocol against the Illicit Manufacturing of and Trafficking in Firearms that supplements the United Nations Convention Against Transnational Organized Crime (the Palermo Convention), bringing the country into full adherence to the Convention. Mexico is also a party to the Inter-American Convention against Corruption; in July 2004, it ratified its membership to the United Nations Convention against Corruption. Mexico is a party to the 1988 UN Drug Convention.

The current bilateral Extradition Treaty has been in force since 1980. The 2001 Protocol to this Treaty allows for the temporary surrender for trial of fugitives serving a sentence in one country but wanted on criminal charges in the other. The United States and Mexico are also parties to a bilateral Mutual Legal Assistance Treaty (MLAT - 1991).

Extradition and Mutual Legal Assistance. In 2007, Mexican authorities extradited 73 fugitives to the United States, making this the sixth consecutive record-breaking year. For the first time, Mexico extradited several high-level traffickers (including Osiel Cardenas Guillen, the leader of the Gulf cartel) whose extraditions had been delayed due to judicial appeals or pending charges. Some 28 of those extradited in 2007 were wanted in the United States for narcotics trafficking and related money laundering offenses; 59 were Mexican citizens. Recent decisions of the Mexican Supreme Court of Justice have facilitated extraditions, but the process can still be lengthy and complex.

On top of the record number of extraditions, USG and Mexican LEAs regularly coordinate to deport or otherwise expel numerous fugitives to the United States. During 2007, Mexican authorities -- in cooperation with the U.S. Marshals Service (USMS) and the Federal Bureau of Investigation (FBI) -- deported 162 non-Mexican fugitives (mostly U.S. nationals) to the United States to stand trial or to serve sentences. Many of these fugitives were wanted on U.S. drug charges.

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Cultivation and Production. In 2007, the Mexican military had sole responsibility to eradicate the illicit crops -- marijuana and opium poppy -- cultivated within Mexico. The majority of the marijuana Mexico produces enters the U.S. market. GOM data indicated that overall eradication of marijuana (17,165 ha) declined in 2007 from 2006 levels. The GOM also reported eradicating 7,669 ha of opium poppy in 2007, another decrease from 2006 levels. The decline in the rates of eradication is at least in part due to the realignment of responsibilities for aerial eradication. The PGR ceased its eradication flights in December 2006, and the subsequent rate of aerial eradication by the military has been slow.

Drug Flow and Transit. U.S. estimates suggest that over 90 percent of the cocaine departing South America that reaches the United States transits Mexico. Even though most of the cocaine smuggled into Mexico is destined for the U.S. market, a growing amount is transshipped to Europe. Cocaine arriving in Mexico by land, sea and air routes is often transferred overland to the U.S. land border in commercial trucks with hidden compartments, or concealed within legitimate cargo. An emerging trend in 2007 was the use of leased Gulfstream G2 jets as modes of transport. Four such aircraft were documented as being involved in smuggling cocaine into Mexico from Venezuela and Colombia; one crashed near Cancun on September 24, and 3.3 MT of cocaine were seized at the crash site.

Although cocaine trafficking through Mexican territory is clearly controlled by major Mexican DTOs, trafficking in heroin remains dispersed and fragmented. Heroin production is controlled by opium farmers, heroin processors, small-scale trafficking groups operating independently or mutually supportive business relationships. In many instances, farmers sell their opium harvest to a trafficker with access to heroin processors and distribution networks. Of the 201 kilograms of heroin seized in 2007 by Mexican officials, about nine-tenths were confiscated in Sonora, Chihuahua and the Federal District. Outbound smuggling of heroin mostly occurs through international airports via couriers or as unaccompanied luggage.

Despite efforts by the Mexican Government to restrict the licit entry of its precursors, the manufacture and trafficking of methamphetamine continued in 2007 to be significant. Methamphetamine seizures increased to 714 kilos nationwide (after having dropped by almost a third from 2005 to 2006), and production and trafficking were dispersed throughout the country. Special law enforcement operations targeting precursors were particularly effective. Several seizures of a half-ton or more of precursors took place at the Mexico City airport, and other important seizures were registered in Cancun, Guadalajara and Manzanillo.

Domestic Programs. Domestic drug use is rising in Mexico. The two

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populations most at risk are teenagers and senior citizens: Teenagers most commonly use marijuana, followed by cocaine, methamphetamine and such inhalants as aerosol-propelled paints and glue. Senior citizens tend to abuse prescription drugs. National surveys of drug use trends undertaken by Mexico's Secretary of Health have documented a particularly disturbing trend: the decline in the age of initiation to 8-/10-year-olds. Drug abuse is most prevalent along the border with the United States and in Mexico's

major cities. The state of Baja California has a particularly severe problem, centered in Tijuana. Methamphetamine abuse is on the rise, especially along the U.S. border. Federal health officials coordinate prevention, treatment and rehabilitation programs through a variety of actors, including state and municipal governments, ancillary federal entities and non-governmental organizations.

#### IV. U.S. Policy Initiatives and Programs

**Bilateral Cooperation.** Bilateral counternarcotics cooperation continues to grow in scope and quality. USG law enforcement personnel are increasingly able to share sensitive tactical information with their Mexican counterparts in real time, resulting in greater numbers of successful interdiction operations. In 2007, coordinated efforts with the Mexican Navy led to the seizure of over 6 MT of cocaine from maritime vessels. Occasionally, USG assets on the high seas chased suspected smugglers into Mexican waters, where the pursuit was continued by the Mexican Navy.

In 2006, Operation Halcon (wherein DHS/CBP aircraft with GOM riders flew surveillance missions over Mexican territory) was temporarily suspended. It was feared that this suspension would lead to an increase in the number of air targets of interest (radar tracks indicating potential smugglers) in the U.S./Mexico border area; instead, the number decreased in comparison with 2006, and seizures of marijuana in the course of coordinated operations dropped from 30 tons last year to only two tons this year. U.S. officials believe that the success of past operations resulted in aerial trafficking patterns shifting away from Mexico's northern border area. Bilateral cooperation will continue to develop better data on land smuggling trends, routes and methods in southern Mexico and elsewhere. This cooperation will promote the sharing of data that will generate more accurate regional trends analyses, resulting in increased interdictions and apprehensions.

In 2007, the GOM and the USG inaugurated Secure Electronic Network for Traveler's Rapid Inspection (SENTRI) access lanes constructed with USG funding at Matamoros/Brownsville and at Reynosa/Hidalgo. This fulfilled the USG commitment to build six SENTRI projects along Mexico's northern border. SENTRI combines increased border security with the facilitation of the cross-border movement of the

In 2007, the USG provided Clandestine Laboratory (CLAN-LAB) training for Mexican LEA personnel to bolster local capabilities against synthetic drugs, particularly methamphetamine. Over 1,900 Mexican LEA personnel have now received training in precursor detection/investigative techniques and in how to conduct raids on the heavily polluting methamphetamine labs. The USG also provided Mexican LEA personnel with "First Responder" safety equipment.

President Calderon's dedication to curbing the influence of drug traffickers is clear. His administration has reached out effectively to USG LEAs and regional partners to address the illicit flow of drugs and chemicals. The Governments have cooperated on initiatives that have enhanced the ability of LEAs to take down DTO members. Mexico was an important contributor to "Operation All Inclusive" (OAI), a regional initiative in which DEA coordinated with counterpart LEAs to disrupt trafficking, netting significant seizures of cocaine, heroin and methamphetamine, as well as of laundered money linked to drug transactions. The ensuing disruption to trafficking has been credited with decreasing the supply and increasing the price of cocaine in the Eastern United States.

The USG's Law Enforcement Professionalization and Training Project provided 253 training courses to 5,846 Mexican LEA personnel; this included the training of 388 information technology engineers who received 73 specialized and advanced courses in computer software applications. In 2007, the USG began a multi-year effort to help the SSP reform its entire structure. This included training SSP recruits at its Police Academy in San Luis Potosi, an effort that will continue until SSP's goal of bringing on some 8,000 new investigative personnel is met. USG LEAs have also provided a variety of specialized training to the newly formed Federal Police Corps, including in such areas as CyberCrime and Explosives-Incendiary Devices. The USG has also provided training to new SSP polygraph operators. Meanwhile, specialized training projects for other LEA personnel has continued throughout Mexico, at the federal and state levels. The USG, in conjunction with UNODC, also initiated a training program with the GOM on the National Drug Control System (NDCS), a computer network that assists with managing drug control measures and facilitating licit commerce; thirteen other Latin American countries already use NDCS.

The Road Ahead. The Calderon Administration's courage, initiative and success have exceeded all expectations. President Calderon has addressed some of the most basic institutional issues that have traditionally confounded Mexico's success against the cartels, using the military to reestablish sovereign authority and counter the cartels' firepower, moving to establish integrity within the ranks of the police, and pursuing concrete actions that promise to give



law enforcement officials and judicial authorities the resources and the legal underpinning they need to succeed. Finally, in an unprecedented gesture, he has reached out to the USG to propose a

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much-enhanced bilateral approach in the common fight against criminal organizations.

The Presidents of the United States and Mexico have agreed on the need for greatly expanded cooperation to confront the threat of transnational criminal organizations. The coming years will see new approaches undertaken and new technologies applied to implement this objective. Cooperation will be sustained through significant expenditures of resources by each government on the personnel, equipment and training needed to meet the challenge. Initiatives in information sharing and collection, improvements in data and communications networks, and police modernization through training and professionalization will all help regain space ceded to the cartels over the years. Other initiatives pursuing demand reduction, more efficient and transparent administration of justice and various others efforts aimed at curbing corruption will help to create public support for these joint initiatives. The USG fully supports the over-arching objective of the Mexican Government to create the means to deliver to the Mexican citizenry a society ruled by law and able to defend itself against the threat presented by transitional criminal organizations.

V. STATISTICAL TABLES (sent separately)

VI. CHEMICAL CONTROL

The Mexican Government continues to make great progress in the quantity and quality of enforcement it undertakes to counter trafficking in methamphetamine and its precursors. In 2007, it further increased its capabilities to combat methamphetamine trafficking and took concrete steps to eliminate licit trade in precursors, in essence criminalizing all trade in products containing ephedrine or pseudoephedrine as of 2009. Mexico is a party to the 1988 UN Drug Convention and has laws and regulations that meet the Convention's chemical control requirements. Today there is a strong bilateral working relationship between USG and GOM authorities, involving information exchange and operational cooperation; the two governments also cooperate to convey best practices to Central American countries. Mexico participates in the multilateral chemical control initiatives "Project Cohesion" and "Project Prism."

The USG is working with the GOM to create a Mexican capability to profile methamphetamine, a valued tool in the investigation into the industrial source of seizures. This project will provide a consistent vehicle by which intelligence data relating to

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methamphetamine manufacture can be exchanged and shared by the two countries.

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In 2007, Mexico further tightened its controls on the imports and domestic sale of ephedrine and pseudoephedrine, as well as on products containing their derivatives. As of September 1, 2007, medications containing ephedrine and pseudoephedrine were retailed to the public only at pharmacies, and under a doctor's prescription that must be surrendered at the point of sale. At that time, the GOM also established that COFEPRIS (the Federal Commission for the Protection against Sanitary Risk) would issue no import permits in 2007 for ephedrine and pseudoephedrine beyond the 17 MT already authorized. The GOM has announced that it will ban all imports of ephedrine and pseudoephedrine as of January 1, 2008 and ban the retail sale of all products containing ephedrine and pseudoephedrine as of January 1, 2009.

Mexican authorities have engaged with their counterparts in Central America in improving local controls on methamphetamine and its precursors. For example, Mexico is helping each of its Central American neighbors review its respective legislation against regional and global standards exists in the region and globally; it also has provided related training. Mexico also cooperates with the United Nations in reporting imports and exports of methamphetamine precursors.

Existing GOM controls on the last remaining trade in ephedrine, pseudoephedrine and products that contain them include:

- Prohibiting import shipments of more than 500 kilograms;
- Restricting importation of pseudoephedrine to pharmaceutical laboratories only, eliminating middlemen;
- Requiring shipments of pseudoephedrine to be transported in GPS-equipped, police-escorted armored vehicles to prevent hijacking and unauthorized drop offs; and,
- Limiting sales of pills containing pseudoephedrine to licensed pharmacies.

U.S. and Mexican authorities cooperate closely in chemical control. The formal mechanism for cooperation is the U.S-Mexico Bilateral Chemical Control Working Group, which is subsidiary to the Senior Law Enforcement Plenary.

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