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Subject: 140. Homeland Security and Databases: Cross-Border Challenges and Testbeds

Dr. Fischhoff and Colleagues:

I am forwarding "Stepped-Up Efforts by U.S., Mexico Fail to Stem Flow of Drug Money South" from the Washington Post of 8/25/2010. The article reports that \$25 billion/year is flowing, in cash, out of the US and that the US government intercepts less than 1%.

This is unsettling and a bit scary if we are depending upon current computer databases and analysis methods, etc. to keep America safe from the potential flow of terrorists, arms (including bioterror weapons) and terrorist-supporting money into the US.

The National Academy might want to propose a follow-up project to use this problem as a test bed for improving data analysis/forecasting algorithms against smart (professionalized, according to the article) opponents who currently are outsmarting the US government.

If the USGOV database/data analysis algorithms have a 99%+ failure rate, there should be room for improvement.

One implication of the article is that adding more agents and more "stepped-up efforts" at the margin is not going to give us a high-performance homeland security system.

Hubris, N=1 and 91,000: The Hypothesis of Massive Database Penetration

One interesting implication of new online data systems is that it becomes enormously cost-effective and attractive for smart, professional, adaptive opponents to use combinations of bribery, technical means, spies, "moles," etc. to penetrate and neutralize Homeland Security/law enforcement.

The amount of Secret data (91,000 records classified as Secret) that one relatively young and low-ranked military officer (possibly with some help) can access and release in wartime should be a wake-up call.

If there are status-drama assumptions, that the US government is smarter than the drug-trafficking people/Mexicans who run this \$25 billion/year business, these assumptions could be worth challenging. The annual funds that the new spymasters have available probably are much greater than the Russian government was willing to spend during the Cold War.

Fast Statistical Analysis and Discovery of Penetration and Professional Adaptation

The data in this story may support recommendations by your National Academy Panel for:

1.) adding a new and more statistically sophisticated component to USGOV database/analysis systems. Would it be possible for a cross-border database/computer system to infer its own penetration and generate hypotheses about the perpetrators? And, also, 2.) to detect changing patterns of cross-border strategies and their professional counter-learning and adapt more quickly?

Wal-Mart has several terabytes of data online, with store-by-store and product-by-product sales data updated overnight, from all locations worldwide. It adapts very quickly to changing demands, much more quickly than its competitors.

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Stepped-up efforts by U.S., Mexico fail to stem flow of drug money south

By William Booth and Nick Miroff

Washington Post Staff Writers

Wednesday, August 25, 2010; 7:12 PM

LAREDO, TEX. - Stashing cash in spare tires, engine transmissions and truckloads of baby diapers, couriers for Mexican drug cartels are moving tens of billions of dollars in profits south across the border each year, a river of dirty money that has overwhelmed U.S. and Mexican customs agents.

Officials said stemming the flow of this cash is essential if Mexico and the United States hope to disrupt powerful transnational criminal organizations that are using their wealth to corrupt, terrorize and kill.

Despite unprecedented efforts to thwart the traffickers, U.S. and Mexican authorities are seizing no more than 1 percent of the cash, according to an analysis by The Washington Post based on figures provided by the two governments.

The major Mexican drug organizations write that off as the cost of doing business - losing a percentage far smaller than the fees for an ordinary wire transfer or ATM withdrawal, Mexican and U.S. law enforcement officials said.

The Obama administration recently proposed a \$600 million surge in spending and personnel, including additional gamma-ray scanners and money-sniffing dogs, as part of an intensifying effort to capture the dollars going from U.S. drug consumers to Mexican mafias.

The drug traffickers and their Colombian suppliers smuggle \$20 billion to \$25 billion in U.S. bank notes across the southwest border annually as they seek to circumvent banking regulations and the suspicions aroused by large cash deposits, studies by federal officials, regulators and academics show.

"If we fail to curtail these money flows, the confrontation with organized crime will generate

more violence and more corruption," Carlos Pascual, the U.S. ambassador to Mexico, said at a border conference in El Paso this month.

Most of the money is smuggled in plastic-wrapped bricks of \$20 bills. Often the bank notes retain the sticky residue or fine powder generated by the marijuana, cocaine and methamphetamine sold to the most voracious consumers in the world.

"Cash is the ultimate challenge for us," John Arvanitis, chief of financial operations for the Drug Enforcement Administration, said in an interview. "It moves so rapidly, so fluidly. It crosses borders. It moves in bulk. It is stored in warehouses. It is moved into business. They have multiple, multiple options. They can hide a million dollars in a tractor-trailer, or they can carry it across the border in a handbag."

Since the two countries pledged to bolster joint operations in March 2009 and began searching more vehicles heading south, customs agents have seized record amounts of cash - not only in vehicles but also hidden in children's toys, loaves of bread and body cavities.

But authorities are barely making a dent in the cartel profits. U.S. agents captured \$85 million in illicit cash along the southwest border last year, according to the Department of Homeland Security. Mexican inspectors have seized \$31 million in suspicious cash at all ports of entry into the country over the past three years, according to figures provided by the Mexican customs agency. In two years of undercover operations targeting Mexican cartels in the United States, the DEA seized \$216 million, although it is unclear how much of that would have been smuggled south.

"We see mostly small seizures, in small denominations. It doesn't mean that much to them," said a senior Mexican official who investigates financial crimes, speaking on the condition of anonymity because of security protocols. "To really hurt the criminal organizations, we would have to be confiscating much, much more."

Asked how much more, the official said, "a billion dollars."

T.J. Bonner, president of the union representing Border Patrol agents, said seizing cash in southbound traffic is extremely difficult.

"Throw a backpack of cash over the fence into Mexico, and what are we going to do?" he said. "Charge someone with littering in a foreign country?"

Mexican officials say a greater percentage of drug profits remain in the United States than U.S. officials acknowledge. Former attorney general Eduardo Medina Mora said that, based on the U.S. notes Mexican banks return to the United States, about \$10 billion "does not have an explanation and could be attributed to the flow of drug trafficking money."

That figure does not include the billions never deposited in Mexican banks but quickly smuggled farther south - to Central America, to pay transport costs, and to Colombia, Peru and Bolivia, to

purchase more cocaine.

'No paper trail'

Cash smuggled across the border is a leading source of foreign currency in Mexico, surpassed only by petroleum sales and about equal to the dollars earned from tourism and official remittances from Mexicans working in the United States.

"There's no paper trail when you smuggle \$400,000 or \$500,000 over the border in a hidden compartment on one car," said David Gaddis, deputy chief of operations for the DEA.

U.S. bank notes are easily spent in Mexico, where 67 percent of commercial transactions are made with cash - often dollars - as opposed to 21 percent in the United States.

Since late 2006, when President Felipe Caldern launched his U.S.-backed military-led offensive against the traffickers, police and soldiers have confiscated \$411 million in U.S. currency but only \$23 million in Mexican pesos, according to Mexico's intelligence service.

In the United States, cash from the wholesale distribution of heroin, cocaine, methamphetamine and marijuana is consolidated in several key cities, including New York, Atlanta, Chicago, Los Angeles and the Raleigh-Durham, N.C., area, before it moves south.

"What we are seeing is the professionalization of the movement of bulk cash," said an agent with U.S. Immigration and Customs Enforcement who spoke on the condition of anonymity because of security protocols. "We are seeing specialists in money movement. That's all they do. They prefer to lose drugs versus money because drugs are so much easier to replace."

ICE agents said cartels pay couriers about 2 or 3 percent to smuggle cash, far more than they lose to law enforcement.

At the crossing

At the busy border crossing in Laredo, U.S. customs agents search hundreds of southbound vehicles a day. Pickups and vans filled with household goods bought in the United States slow to a stop as agents ask the occupants whether they are carrying weapons, ammunition or more than \$10,000 in cash. Almost everyone says no.

Many cars are just waved through. Others are briskly inspected. The officers tap on the vehicle panels with rubber mallets, searching for hidden compartments; open trunks and glove boxes; use mirrors to examine the undercarriage; hold a density meter next to the gas tank; and pop open the hood and inspect the running engine.

"We've seen hidden compartments in oil pans, with cars running on two quarts of oil instead of five," said Gene Garza, director of the Port of Laredo for U.S. Customs and Border Protection. If agents detect anything suspicious - if a car with Arizona plates has no bugs on its windshield or a woman who claims to be the driver's wife looks nervous - the vehicle is inspected a second time, with cash-sniffing dogs. The vehicle might then be scanned by X-ray machines and

disassembled.

In a typical seizure here last month, 50 bundles containing \$607,629 were found in a spare tire of a Ford pickup. A few days earlier, \$506,057 was discovered in a false compartment of a car's front bumper. The drivers face charges of cash smuggling, with a typical prison sentence of a year or two if convicted.

At the Laredo port alone, 22,000 cars cross into Mexico every day, plus 12,000 pedestrians and 6,000 tractor-trailers. They all can't be searched, officials say, and \$1 million in \$100 bank notes could almost fit in a shoe box.

Once the couriers cross, the risk of being caught is even slimmer, even as Mexico tries to overhaul its customs agency with help from the \$1.6 billion in U.S. aid in the anti-narcotics Merida Initiative. Mexico has fired more than 1,000 customs agents and hired 2,300 since 2007, doubling their base salaries in an effort to ward off corruption. Inspectors are subjected to lie-detector tests, job rotations and monitoring by surveillance cameras.

But former agents say drug cartels continue to corrupt and intimidate inspectors. In Ciudad Juarez, across the river from El Paso, more than 30 agents have resigned in recent months after several co-workers were killed.

In Nuevo Laredo, a Mexican customs official said his inspectors have seized "maybe a million dollars" in the past year.

"It's not enough," said the senior officer, who spoke on the condition of anonymity because of security concerns. "They keep telling us to find more and more, but it's very hard."