

# OVERSIGHT OF MEXICAN COUNTERNARCOTICS EFFORTS: ARE WE GETTING FULL COOPERATION?

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## HEARING

BEFORE THE

SUBCOMMITTEE ON CRIMINAL JUSTICE,  
DRUG POLICY, AND HUMAN RESOURCES

OF THE

COMMITTEE ON  
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

MARCH 24, 1999

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## CONTENTS

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Hearing held on March 24, 1999 .....	Page 1
Statement of:	
Bowman, Chief Theron, chief of police, Arlington, TX; and Sheriff Ted G. Kamatchus, Marshall County, IA .....	29
Weitzman, Jeff, Canine Enforcement Officer, U.S. Customs Service, Or- lando Field Division; and William F. Gately, former Agent, U.S.cus- toms Service .....	48
Letters, statements, et cetera, submitted for the record by:	
Cummings, Hon. Elijah E., a Representative in Congress from the State of Maryland, letter dated March 22, 1999 .....	74
Gately, William F., former Agent, U.S. Customs Service, prepared state- ment of .....	57
Kamatchus, Sheriff Ted G., Marshall County, IA, prepared statement of .....	37
Mica, Hon. John L., a Representative in Congress from the State of Florida, prepared statement of .....	4
Mink, Hon. Patsy T., a Representative in Congress from the State of Hawaii:	
Article dated March 16, 1999 .....	19
Letter dated March 23, 1999 .....	10
Prepared statement of .....	12
Proposal to decertify Mexico's drug status .....	7
Weitzman, Jeff, Canine Enforcement Officer, U.S. Customs Service, Or- lando Field Division, prepared statement of .....	50



## **OVERSIGHT OF MEXICAN COUNTER-NARCOTICS EFFORTS: ARE WE GETTING FULL COOPERATION?**

**WEDNESDAY, MARCH 24, 1999**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY,  
AND HUMAN RESOURCES,  
COMMITTEE ON GOVERNMENT REFORM,  
*Washington, DC.*

The subcommittee met, pursuant to notice at 1:35 p.m., in room 2203, Rayburn House Office Building, Hon. John Mica (chairman of the subcommittee) presiding.

Present: Representatives Mica, Barr, Gilman, Souder, Hutchinson, Ose, Mink, Cummings, and Kucinich.

Staff present: Robert B. Charles, staff director/chief counsel; Gil Macklin, professional staff member; Amy Davenport, clerk; Michael Yeager, minority counsel; and Jean Gosa, minority staff assistant.

Mr. MICA. Good afternoon. I'd like to call this meeting of the Subcommittee on Criminal Justice, Drug Policy, and Human Resources to order. Today, we are conducting a hearing entitled, "Oversight of Mexican Counternarcotics Efforts: Are We Getting Full Cooperation?"

I would like to start today's proceedings with an opening statement followed by our ranking member, and we will be joined by other Members as they return from votes on the floor.

As I have stated many times, I believe that we cannot tackle the problems of drug abuse and the concurrent social problems of crime and significant cost to our country without an approach that addresses, simultaneously, education, treatment, prevention, enforcement, interdiction, and eradication.

I believe this must be a comprehensive effort. That is why this subcommittee has conducted five hearings on drug policy this year, and today we will be conducting our sixth.

Combating illegal narcotics production and trafficking is an absolutely critical element in reducing the supply of drugs. With 60 to 70 percent of the hard drugs entering the United States coming from Mexico, it is vital that the Congress examine the question of Mexico's drug certification.

Today's hearing will serve as an analysis of what Mexico is doing to combat that illegal drug trafficking. We have four witnesses who currently serve, or who have served, on the front line in the war on drugs.

Despite a long and productive relationship with our close ally to the south, drugs coming from Mexico are ending up on American streets. Mexican trafficking organizations continue to be a major source for cocaine entering the United States. Additionally, according to DEA's Heroin Signature Program, Mexico has now become a major producer of high-purity heroin. Mexico is now the source of 14 percent of all heroin seized in the United States. Alarming, Mexico continues to serve as a major source of foreign methamphetamine, as well as the major source of foreign marijuana entering the United States.

An article last September in the Minneapolis Star Tribune stated that about 85 percent of the methamphetamine in Minnesota is smuggled from Mexico. As we will hear today, the Mexican methamphetamine is ravishing communities in our Midwest, and we will hear an example of Iowa here today.

Drugs coming from Mexico undermine our communities, spread violence, and finance gang violence. In fact, it is destroying young lives at a record level in the United States.

The statistics on drug use, particularly among our young people, continue to be worrisome and sobering to every American and every Member of Congress. Drug use is highest among our 12th graders, with more than 50 percent of them having tried an illicit drug, and more than one in four labelled as current users.

Today our subcommittee will examine Mexico's progress in the fight against illegal drugs. Without question, no country in the world poses a more immediate drug threat to the United States than does Mexico.

Despite some of the reports that progress has been made against drug trafficking, Mexico still has not complied with several requests made by the Congress less than 2 years ago. Mexico still has not signed a bilateral maritime agreement, and corruption remains a major impediment. Additionally, our U.S. law enforcement agents are not allowed to adequately protect or defend themselves. The Government of Mexico still has failed to extradite a single major drug trafficker.

Today, what is of great concern to me, is that Mexico has lost vast areas, entire states and regions, to the control of narco-traffickers. And from our reports, this has taken place in both the Baja and Yucatan peninsulas as well as other areas in Mexico. We have reports that these areas are now under complete control of narco-traffickers. If this trend continues, Mexico could be on the verge of turning over their sovereignty to drug traffickers.

Based on facts and information we have learned so far—both in open and closed hearings, meetings and briefings—it is difficult for me to believe that this administration would certify Mexico as fully cooperating. This action is most troubling. Some of the statistics that we have learned from 1998, last year, are even more troubling. Boat seizures were down 29 percent from 1997. Opium/heroin seizures were down 56 percent. Cocaine seizures were down 35 percent.

We have attempted to be fair and balanced in investigating Mexico's progress. However, what we have found should concern every Member of Congress. That is why today I am sponsoring, along with the chairman of the House International Relations Com-

mittee, Mr. Gilman, a resolution that proposes decertifying Mexico with a national interest waiver. It is my belief that, despite the fact that the 30-day provision of the Foreign Assistance Act will technically run its course this week, we need to continue considering and examining Mexico's lack of progress and consider possible decertification.

This provision is intended to extend the 30-day window of review so that this Congress may continue its deliberation and consideration of this very vital national security issue. The drug issue should not be limited to 30 days of attention every year. It must remain at the top of our agenda. We owe at least this much to the American people.

These are some of the issues that remain at the top of our agenda, and today we hope to obtain a better understanding of the disastrous situation that we face with these drugs coming in from Mexico from the witnesses who will testify before our subcommittee.

That concludes my opening comments, and I am pleased now to yield at this time to our ranking member, the gentlelady from Hawaii, Mrs. Mink.

[The prepared statement of Hon. John L. Mica follows:]

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**Opening Statement of  
Chairman John L. Mica  
Subcommittee on Criminal Justice, Drug Policy and  
Human Resources  
Oversight of Mexican Counternarcotics Efforts: Are We  
Getting Full Cooperation?  
March 24, 1999**

As I have stated many times, I believe that we cannot tackle the problems of drug abuse and the concurrent social problems, crime and significant costs to our country without an approach that addresses simultaneously education, treatment, prevention, enforcement, interdiction and eradication. It must be a comprehensive effort. That is why this Subcommittee has conducted five hearings on drug policy this year, and today we will conduct our sixth.

Combating illegal narcotics production and trafficking is a critical element in reducing the supply of drugs. With 60-70% of the hard drugs entering the United States coming from Mexico it is critical that Congress examines the question of Mexico's drug certification.

Today's hearing will serve as an analysis of what Mexico is doing to combat drug trafficking. We have four witnesses who currently serve, or have served, on the front line in the war on drugs.

Despite a long and productive relationship with our ally to the south, drugs coming from Mexico are ending up on American streets. Mexican trafficking organizations continue to be a major source for cocaine entering the United States. In addition, according to DEA's Heroin Signature Program, Mexico has now become a major producer of high purity heroin. Mexico is now the source of 14 percent of all the heroin seized in the United States.



Alarming, Mexico continues to serve as the major source of foreign methamphetamine as well as the major source of foreign marijuana. An article last September in the *Minneapolis Star Tribune* stated that about 85 percent of methamphetamine in Minnesota is smuggled from Mexico. As we will hear today, Mexican methamphetamine is ravaging communities in Iowa as well.

Drugs coming from Mexico undermine our communities, spread and finance gang violence, and are destroying young lives at a record level. The statistics on drug use, particularly among our young people, continue to be worrisome and sobering to every American and every member of Congress. Drug use is highest among our 12th graders, with more than 50% of them having tried an illicit drug and more than one in four labeled as current users.

Today, our Subcommittee will examine Mexico's progress in the fight against illegal drugs. Without question, no country in the world poses a more immediate drug threat to the United States. Despite some of the reports that progress has been made against drug trafficking, Mexico still has not signed a bilateral maritime agreement, and corruption remains a major impediment.

Additionally, U.S. federal law enforcement agents are not allowed to adequately protect or defend themselves. The Government of Mexico still has failed to extradite a single major drug trafficker. Now what is of great concern to me is that Mexico has lost vast areas, states and regions to the control of narco-traffickers in the Baja and Yucatan peninsula. We have reports that these areas are now under the complete control of narco-traffickers. If this trend continues, Mexico could be on the verge of turning their sovereignty over to drug traffickers.

Based on facts and information we have learned so far, it is difficult for me to believe that this Administration would certify Mexico as fully cooperating. This action is troubling. Some of the statistics from 1998 are even more troubling. Boat seizures were down 29% from 1997. Opium seizures were down 56%. Cocaine seizures were down 35%.

We have attempted to be fair and balanced in investigating Mexico's progress. However, what we have found should concern every Member of Congress. This is why I am sponsoring, along with the Chairman of the House International Relations Committee, Mr. Gilman, a resolution that proposes decertifying Mexico with a national interest waiver. It is my belief that, despite the fact that the 30 day provision in the Foreign Assistance Act will technically run its course this week, we need to continue considering Mexico's lack of progress and possible decertification. This provision is intended to extend the 30-day window of review so that this Congress can continue its deliberation over this vital national security issue. The drug issue should not be limited to 30 days of attention every year. It must remain at the top of our agenda. We owe this to the American people.

Mrs. MINK. I thank you, Mr. Chairman, for offering the Congress and this subcommittee, in particular, an opportunity to hear the other side of the picture, having to do with the law enforcement activities within the United States.

I believe that this search for information, with respect to our law enforcement efforts and the testimony of corruption and deception and coverup that I understand is also going to be in the testimony today, is a very important part of our full understanding of the crisis which this country is facing.

I regret the actions that you and Mr. Gilman have taken today, evidently—I just received your notice—that you are filing a resolution calling for the extension of the period which is contained in the statute limiting the issue of decertification to 30 days from the date of notice by the President.

[The information referred to follows:]

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March 24, 1999

**REPRESENTATIVES GILMAN (R-NY) AND MICA (R-FL)  
ANNOUNCE PROPOSAL TO DE-CERTIFY MEXICO'S DRUG  
STATUS**

Washington, DC -- Representative Benjamin A. Gilman, Chairman of the House International Relations Committee and Representative John L. Mica, Chairman of the House Subcommittee on Criminal Justice, Drug Policy and Human Resources, today announced that they will introduce a resolution that overturns President Clinton's decision to "certify" the Government of Mexico as "fully cooperating" with the United States in the drug war.

By law, the president must judge the performance of all major drug source and transit countries by March 1 of each year. Congress can overturn the president's decision within 30 days of the president's decision. The resolution put forth by Representative Gilman and Representative Mica has a provision that states "For purposes of section 490(d) of the Foreign Assistance Act of 1961, this joint resolution shall be deemed to have been enacted within 30 calendar days after February 26, 1999." This section effectively extends the 30-day window for Congress to consider and to build the record evaluating the president's decision to certify Mexico's drug control efforts. Mexico was certified by President Clinton on February 26, 1999.

Countries not certified as "fully cooperating," can lose some U.S. financial aid. Additionally, the United States is also required to vote against the country in all multilateral development banks. A number of trade sanctions are also available for use at the discretion of the president. The resolution includes language that would allow the president to waive the sanctions on Mexico if he finds it to be in America's national interests to do so.

Despite some of the reports that progress has been made against drug trafficking in Mexico, Mexico still has not signed a bilateral maritime agreement; and corruption remains a major impediment. Additionally, U.S. drug enforcement agents, unlike any other cooperating nation in the world, are not provided diplomatic immunity in order to adequately protect or defend themselves. The Government of Mexico has still failed to extradite a single major drug trafficker.

Gilman stated that "no challenge is more important than this vital fight against illicit drugs, especially in our own hemisphere. The president's decision to certify Mexico as 'fully cooperating' cannot and ought not stand unchallenged. We have included a national interest waiver in the resolution so that we can give Mexico the failing grade of 'F' that they deserve for performance in the war on drugs without them having to experience any adverse economic consequences."

Mica stated that "the certification process is a yearly process and each year the president's decision should be based on that year's performance. This means that the performance from previous years is not relevant and the promised progress for future years is also not relevant. The facts and results from last year are devastating. Of specific concern is that cocaine seizures are down 35% and opium gum seizures are down 56% from 1997. Additionally, boat seizures last year were down 29% and not one major drug trafficker was extradited to the United States. Drugs coming from Mexico undermine our communities, spread and finance gang violence. Without question, no country in the world poses a more immediate drug threat to the United States than Mexico. The drug issue should not be limited to 30 days of attention every year. It must remain at the top of our agenda. We owe this to the American people."

Co-sponsors of the resolution to date include Representatives James A. Traficant, Jr. (D-OH), Phil English (R-PA), Spencer Bachus (R-AL), Bob Barr (R-GA), John T. Doolittle (R-CA), Duncan Hunter (R-CA), and Dan Burton (R-IN).

Mrs. MINK. I feel that the whole issue of drug policy, and the scourge that it has become over the years within this country, is a responsibility that all nations have to deal with. It is properly addressed by this subcommittee and by the full committee. I hope to be able to continue cooperating with you, Mr. Chairman, on that very course, because I do think it is an important area for our consideration. And I welcome the opportunity to hear from the witnesses today.

I apologize, Mr. Chairman, as I may have to leave to testify before the Rules Committee when my turn is called.

In that connection, I ask unanimous consent that a letter from the Justice Department, from Dennis K. Burke, Acting Assistant Attorney General, be placed into the record at this point. It is merely calling to our attention the fact that some of the matters relating to Operation Casablanca is in a trial status with it commencing before the U.S. District Court in the Central District of California on Monday, March 29. And they are asking us to exercise caution and discretion in the testimony and comments and questions that we might ask, with reference to that investigation.

Mr. MICA. Without objection, that will be made part of the record.

[The information referred to follows:]



U.S. Department of Justice  
Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

March 23, 1999

The Honorable John L. Mica  
Chairman, Subcommittee on Criminal Justice,  
Drug Policy and Human Resources  
Committee on Government Reform  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

I have been informed that Operation Casablanca will not be the primary focus of the Subcommittee's hearing on March 24, 1999. However, it is nevertheless likely to become a subject of the hearing through the presentation of testimony by a retired United States Customs Service Special Agent who participated in that investigation.

I want to advise you and the Members of the Subcommittee that the trial of the first case arising out of Operation Casablanca is scheduled to commence before the United States District Court in the Central District of California on Monday, March 29, 1999. As I am certain that neither you nor any Member of the Subcommittee wishes in any to jeopardize the prosecution of this important case or to impair the rights of the defendants, I urge the Subcommittee to exercise caution and discretion in receiving testimony or otherwise commenting on the facts and circumstances of the underlying criminal investigation.

We appreciate the Subcommittee's interest and cooperation in this matter.

Sincerely,

Dennis K. Burke  
Acting Assistant Attorney General

cc: The Honorable Patsy Mink  
Ranking Minority Member

Mrs. MINK. The second matter that I would like to have placed into the record at this point relates, again, to Operation Casablanca. And it is from the Commissioner of Customs, Raymond W. Kelly, a letter dated March 23, addressed to you, the Honorable John Mica, chairman of this subcommittee, and goes to the matter of the March 16, 1999, New York Times article, which he wishes to have clarified.

Thank you.

Mr. MICA. Without objection, that will also be made part—

Mrs. MINK. Thank you, Mr. Chairman.

Mr. MICA [continuing]. Of the record.

[The prepared statement of Hon. Patsy T. Mink and the information referred to follows:]

**THE COMMISSIONER OF CUSTOMS****WASHINGTON, D.C.**

March 23, 1999

Honorable John Mica  
Chairman  
House Government Reform Subcommittee on Criminal Justice,  
Drug Policy and Human Resources  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Mica:

Thank you for taking time out of your busy schedule to meet with me last week to discuss matters involving the Customs Service. I greatly appreciate the support you have given to Customs.

With reference to *Operation Casablanca* and the March 16, 1999 New York Times article, I want to clarify for the record certain inaccurate statements. As you are aware, *Operation Casablanca* was an exceptional demonstration of the work conducted by Customs agents to bring down individuals involved in money laundering. I am extremely proud of the Customs accomplishments in this case.

Statements made in the New York Times article alleging that Administration officials prematurely closed down the case so that a high ranking Mexican governmental official could be protected, are blatantly false. The decision to close down the undercover aspects of *Casablanca* was based on operational security concerns and the fact that the undercover operation had accomplished what it had set out to do. The operation had gone on for 3 years. During that time, numerous targets were identified who were directly involved in money laundering activities. However, as time went on, our undercover agents and confidential informants were being placed at risk, particularly since details of *Operation Casablanca* had become known to the press. As a result, senior officials at Treasury, Customs, and Justice, including senior Customs agents and career prosecutors in the field, were very concerned about Customs personnel being compromised and their lives being placed in jeopardy by continuing the investigation. As you may know, this Operation had already resulted in one Customs undercover agent being shot in New York.

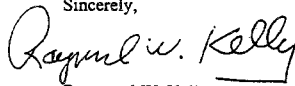
Allegations made in the New York Times article alleging that the case was brought down so that U.S. officials could keep a high ranking Mexican government official from being investigated as part of the case, is grossly untrue and irresponsible. While assertions of money laundering by high ranking Mexican government officials surfaced, at no time, was any evidence developed that could substantiate these allegations.



As I stated, we at Customs are very proud of the success of *Operation Casablanca*. It resulted in the seizure of over \$100 million and the indictment of three Mexican financial institutions and 112 individuals. And, as evidenced by passage of H.Con. Res. 288, Congress also believes that *Operation Casablanca* was a resounding success which will have a material impact on the ability of Mexican and Colombian drug cartels to launder the proceeds of their illegal activities.

I hope this information will put to rest any further concerns about this case. I am available to brief you on further details involving Operation Casablanca, if you so desire.

Sincerely,

A handwritten signature in cursive script that reads "Raymond W. Kelly". The signature is written in dark ink and is positioned above the printed name and title.

Raymond W. Kelly  
Commissioner

cc: Ranking Minority Member

**Statement of Rep. Patsy T. Mink, Ranking Member  
Subcommittee on Criminal Justice, Drug Policy,  
and Human Resources  
March 23, 1999**

Thank you, Mr. Chairman. I would like to join you in welcoming our witnesses today.

Two of our witnesses are here to testify about allegations of drug-related corruption, both on the Mexican side and U.S. side of the border. This kind of corruption, fueled by million of dollars in drug profits, is an equal opportunity affliction. As our witnesses will attest, it is certainly not a problem peculiar to Mexico. Indeed, between 1991 and 1998, our Department of Justice prosecuted and convicted 50 U.S. law enforcement officials of drug smuggling-related offenses. And our border law enforcement agencies, recognizing that it is a major threat, have made the effort to fight drug-related corruption a top priority.

We will hear today from two witnesses who can describe, in different ways, the extent of drug-related corruption here and in Mexico. Jeffrey Weitzman, a current Canine Enforcement Officer with the U.S. Customs Service, believes that we are not doing enough to root out corruption within the ranks of our own law enforcement agencies. He will apparently tell a story -- which was widely reported on 60-Minutes, in the Washington Post, and in other media more than three years ago -- about how he and his drug-sniffing dog, working at the Otay Mesa port of entry in 1990, discovered more than 8,700 pounds of cocaine hidden in a propane tank

truck. He will tell us how his immediate supervisor allegedly took steps to prevent inspection of the tanker and the arrest of the driver; how these allegations were investigated by the Customs Service Inspector General, the Customs Service Office of Internal Affairs, the Federal Bureau of Investigation, and a federal grand jury; and how profoundly dissatisfied he was (and is) with the adequacy of those investigations. Finally, he is expected to describe how he and his family have suffered personally from what he believes be a code of silence protecting corrupt law enforcement officers.

We will also hear from William Gately, a very distinguished retired special agent of the U.S. Customs Service who led Operation Casablanca. This three-year operation was the largest drug money laundering investigation in the history of U.S. law enforcement and exposed an alleged money laundering relationship between certain Mexican banks and the Cali and Juarez drug cartels. Although Operation Casablanca resulted in the arrest of 168 individuals, including 22 bankers from 12 of Mexico's largest banking institutions, Mr. Gately reportedly believes that administration officials prematurely ended the probe to protect a senior official of the Mexican government.

Because Mr. Gately is the sole witness here to testify about these matters, I ask unanimous consent to include in the record a March 23 letter from Raymond Kelly, the Commissioner of Customs, to Chairman Mica. That letter reads, in pertinent part:

Statements made in the New York Times article alleging that Administration officials prematurely closed down the case so that a high ranking Mexican governmental official could be protected, are blatantly false. The decision to close down the undercover aspects of Casablanca was based on operational security concerns and the fact that the undercover operation had accomplished what it had set out to do. The operation had gone on for 3 years. During that time, numerous targets were identified who were directly involved in money laundering activities. However, as time went on, our undercover agents and confidential informants were being placed at risk, particularly since details of Operation Casablanca had become known to the press. As a result senior officials at Treasury, Customs, and Justice, including senior Customs agents and career prosecutors in the field, were very concerned about Customs personnel being compromised and their lives being placed in jeopardy by continuing the investigation.

Commissioner Kelly goes on to say:

Allegations made in the New York times article

alleging that the case was brought down so that U.S. officials could keep a high ranking Mexican government official from being investigated as part of the case, is grossly untrue and irresponsible. While assertions of money laundering by high ranking Mexican government officials surfaced, at no time was any evidence developed that could substantiate these allegations.

Mr. Chairman, it is important that we strive on this Subcommittee to develop a full and fair picture of what happened in this operation. In doing this, however, we must be mindful of the first trial set to begin March 29 in California, and Mr. Gately may be a witness in those proceedings. I have here a letter from Dennis K. Burke, the Acting Assistant Attorney General for Legislative Affairs, asking that the Subcommittee "exercise caution and discretion in receiving testimony or otherwise commenting on the facts and circumstances of the underlying criminal investigation." I ask unanimous consent that this letter be included in the record as well.

Our first panel of witnesses will discuss the profound impact that heroin and methamphetamine abuse are having on communities in Texas and Iowa. It is a very serious problem, one that is getting worse by the day, and I look forward to hearing your testimony.

Mr. MICA. I thank the gentlelady.

Mr. SOUDER. Mr. Chairman.

Mr. MICA. Yes?

Mr. SOUDER. A parliamentary question—I just read Mr. Kelly's letter. It seems that the New York Times article ought to be inserted because it doesn't really make sense unless——

Mrs. MINK. Yes, with that addition——

Mr. MICA. Without——

Mrs. MINK. I ask unanimous consent that the New York Times' article also be placed into the record.

Mr. MICA [continuing]. The New York Times' article by Mr. Golden will also be made part of the record.

[The information referred to follows:]

## International

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Home Site Index Site Search Forums Archives Marketplace

March 16, 1999

COLD PURSUIT: A SPECIAL REPORT

### Top Mexican Off-Limits to U.S. Drug Agents

By TIM GOLDEN

**W**ASHINGTON -- Early last year, as undercover U.S. Customs agents neared the end of the biggest investigation ever conducted into the illegal movement of drug money, bankers working with Mexico's most powerful cocaine cartel approached them with a stunning offer.

The agents, posing as money launderers from Colombia, had insinuated themselves deeply into the Mexican underworld, helping the traffickers hide more than \$60 million. Now, money men working with the cartel said they had clients who needed to launder \$1.15 billion more. The most important of those clients, they said, was Mexico's powerful defense minister.

The customs agents didn't know whether the money really existed or if any of it belonged to the minister, Gen. Enrique Cervantes, officials said. But having heard about American intelligence reports pointing to corruption at high levels of the Mexican military, the agents were mystified by what happened next.

Rather than continue the undercover operation to pursue the deal, Clinton administration officials ordered to shut it down on schedule several weeks later. No further effort was ever made to investigate the offer, and officials said prosecutors have not even raised the matter with the suspects in the case, who have pleaded guilty and are cooperating with the authorities.

"Why are we sitting on this kind of information?" asked the former senior

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Tuesday, March 16, 1999

6:51 AM

customs agent who led the undercover probe, William F. Gately. "It's either because we're lazy, we're stupid, or the political will doesn't exist to engage in the kind of investigation where our law-enforcement efforts might damage our foreign policy."

Senior administration officials denied that foreign policy influenced their decision to end the operation, saying they were moved primarily by concerns for its security. They also emphasized that the agents were unable to verify the Mexican traffickers' claims.

Other officials of the administration, which has based much of its Mexican drug strategy on collaboration with Cervantes, said they are confident that he is above reproach. A spokesman for the Mexican Defense Ministry, Lt. Col. Francisco Aguilar Hernandez, dismissed the traffickers' proposal as self-serving lies.

But a detailed account of the case -- based on confidential government documents, court records and dozens of interviews -- suggests that U.S. officials walked away from an extraordinary opportunity to examine allegations of the official corruption that is considered the main obstacle to anti-drug efforts in Mexico.

For nearly a decade, American officials have been haunted by the spectacle of Mexican officials being linked to illicit activities soon after they are embraced in Washington. And just weeks before the customs investigation, known as Operation Casablanca, ended last year, administration officials received intelligence reports indicating that the Mexican military's ties to the drug trade were more serious than had been previously thought.

But when faced with the possibility that one of Washington's critical Mexican allies might be linked to the traffickers, the officials gave the matter little consideration. They said they opted for a sure thing, arresting mid-level traffickers and their financial associates and at least disrupting the money laundering system that drug gangs had set up. To reach for a general, they said, would have added to their risks with no certainty of success.

"Obviously it was a significant allegation," Customs Commissioner Raymond W. Kelly said in an interview. But he added: "There was skepticism about it. Was it puffing? It just was not seen as being -- I won't use the word credible -- but it wasn't verified."

**Taking Stock: Arrests, Indictments and Drug Money**

### **The Hunters and Their Prey: Characters in a Complex Drama of Deception**

#### **The Targets**

**AMADO CARRILLO FUENTES**  
Former head of the so-called Juarez cartel, Mexico's most powerful drug smuggling operation. Bribe senior military and police officials to protect his operations. Died after plastic surgery in July, 1997.

**JUAN JOSE CASTELLANOS ALVAREZ TOSTADO**  
Juarez cartel lieutenant responsible for money laundering activities; negotiated deals with undercover Customs team. Protected in Mexico by men identified as federal police agents. Now a fugitive, thought to be living in Mexico.

**VICTOR ALCALA NAVARRO**  
Juarez cartel operative who worked closely with



When senior administration officials announced the sting last May 18, they took a triumphant inventory: the indictments of three big Mexican banks and bankers from a dozen foreign banks; the arrests of 142 suspects; the confiscation of \$35 million in drug profits and the freezing of accounts holding \$66 million more.

The officials claimed the success as the result of a longstanding administration fight against money laundering. But Gately, who retired from the Customs Service on Dec. 31, said his investigation ran a gantlet of resistance from the start.

The Justice Department, uncomfortable with cases in which undercover agents laundered more money for drug traffickers than they ultimately seized, were imposing new limits on the time that such operations could run and the money they could launder, officials said. And though the restrictions did not apply to Customs, a branch of the Treasury, Justice Department officials continued to play strong, skeptical roles in supervising cases throughout the government.

One federal official, who spoke on the condition of anonymity, admitted that he initially dismissed Gately's plan as a nonstarter. "You're out of your mind," the official remembered saying.

Several colleagues said it was the sort of response that Gately, 49, tended to see as a challenge. A decorated former Marine who enlisted for service in Vietnam at the age of 17, he had already been at the center of several cases that mixed internal struggle and public success. Friends and critics described him in similar terms: driven, sometimes abrasive and unusually creative.

After leading an investigation that revealed ties between the Italian mafia and Colombian cocaine cartels, Gately co-wrote a 1994 book about the case, "Dead Ringer," that cast him as a lonely crusader surrounded by small-minded bureaucrats. "It is the story of one man who refused to succumb to corruption," the prologue reads, "who believed in his oath and mission, and the consequences he paid for believing in what he was doing."

As the senior customs drug investigator in Los Angeles, Gately said, he first heard from an informant in 1993 about an important shift in the way that Mexican and Colombian drug traffickers were converting their cash

the Customs team, arranging pickups of drug money in the United States and introductions to corrupt Mexican bankers. Jailed in Los Angeles.

#### The Undercover Operation

**"JAVIER RAMÍREZ"**  
Pseudonym of Colombian source who worked with undercover Customs agents. Posed as the head of a money laundering operation run out of a dummy front company in a Los Angeles suburb. Made more than \$2 million for his undercover work.

**WILLIAM F. GATELY**  
Former senior Customs investigator in Los Angeles, developed and led Operation Casablanca. Battled with senior officials skeptical of the plan. Recently retired after being called back to Washington and given a desk job.

**JOHN HENSLEY**  
Customs chief in Los Angeles. Officials said he accused Gately of stealing money and other abuses that were investigated and found baseless. Received \$20,000 Presidential award for Casablanca and other cases.

#### The Administration

**JAMES E. JOHNSON**  
Undersecretary of the Treasury for Enforcement, helped

into funds that could be freely spent.

The informant said traffickers were depositing their money with corrupt Mexican bankers, who sent it back to them in almost untraceable cashier's checks drawn on the American accounts that the Mexican banks used to do business in the United States.

Gately hoped his informant could infiltrate that system -- collecting illicit cash from drug wholesalers in the United States and then wiring it to corrupt bankers in Mexico. The bankers would issue drafts for the money, and customs would develop evidence against suspects on both ends of the transaction.

Many customs officials, however, were skeptical that the ruse would work. Drug-enforcement agents wanted to use the informant in another case. One federal prosecutor opposed using him at all because he had a criminal past and threatened to indict him in a 10-year-old case.

Even when Gately was eventually able to recruit another informant, a Colombian known by the pseudonym "Javier Ramirez," a senior Justice Department official, Mary Lee Warren, pressed him to limit the operation's scope, Gately and others said.

"What she wanted to know was, when was this going to be over?" he recalled. "What was our endgame?"

#### Getting Involved: U.S. Operatives Meet a Kingpin

In November 1995, Colombian drug contacts introduced the undercover agents to Victor Alcala Navarro, a representative of Mexico's biggest drug mafia, the so-called Juarez cartel.

The customs agents, posing as money launderers from a dummy company called Emerald Empire Corp., began picking up the Mexican's profits and laundering them as planned.

In February 1997, at meetings in Mexico, Ramirez was introduced to Alcala's boss. A few months later, the customs informant found himself chatting by phone with the head of the cartel, Amado Carrillo Fuentes.

Over scores of meetings and million-dollar deals, the traffickers grew more open about the official protection they enjoyed in Mexico, law-enforcement officials and government documents indicate.

At one meeting in Mexico City on May 16, 1997, the traffickers brought along 16 federal police agents as bodyguards. At another meeting, a man who identified himself as an official of the Mexican attorney general's office picked up \$1.7

oversee Casablanca as an Assistant Secretary. Said to have warned officials involved in the case not to mention the name of the Mexican Defense Minister unless they could prove his involvement.

**RAYMOND W. KELLY**  
Former New York City Police chief, now Customs Commissioner. Was the Treasury Undersecretary overseeing Customs during Casablanca. Said he did not extend the investigation to pursue the purported \$1.15 billion deal because there was no hard evidence that it was real.

**ROBERT E. RUBIN**  
Treasury Secretary who, despite concerns about political fallout, ordered the undercover operation to go forward without informing officials at the State Department, the National Security Council or the Mexican Government.

million in cash, including \$415,000 that the undercover agents had brought for the cartel boss himself.

During a later meeting in New York, Alcala told the agents that like Mexico's drug-enforcement chief, who had been arrested for collaborating with the Juarez cartel, the defense minister, Cervantes, was in league with the competing Tijuana cartel.

Customs officials said they remained skeptical of what the agents heard, including the traffickers' claim that Carrillo Fuentes had actually faked his own death in 1997. But in December 1997, Ramirez invited Alcala to Colombia for an elaborately staged meeting that seemed to raise their partnership to a new level.

At a heavily guarded hacienda overlooking Bogota, an informant acting as Ramirez's Colombian boss, Carlos, said he and his partners had \$500 million of their own to launder. They wanted to know whether the Mexican bankers used by Alcala's boss, Juan Jose Castellanos Alvarez-Tostado, could help.

"Alvarez called us right back," Gately recalled. "He said, 'Let me send you my very best people, and we will get it done.'"

On March 6, 1998, Alcala arrived with several businessmen at the tastefully furnished offices of Emerald Empire in an industrial suburb of Los Angeles. This time the businessmen brought a big deal of their own.

One of the men, David Loera, said he knew "a general" who had \$150 million in Mexico City to invest. Would Ramirez -- who had told the traffickers he owned part of a Nevada casino used to launder money -- care to help?

Over the next six weeks, according to government documents and the accounts of Gately and several officials, the deal was discussed in three more meetings and three telephone conversations between Ramirez, the undercover agents and the traffickers. All of the contacts were secretly tape-recorded and transcribed, officials said.

In one call, two senior investment managers at Mexico's second-largest bank told the customs operatives that the money belonged not just to "a general" but to the minister of defense. Later, the two Mexicans advised Ramirez that the minister was sending "his daughter" (a woman later said to be a friend) to meet with them, along with an army colonel and a third person.

However, the investment managers said, the amount to be laundered was much more than they had discussed: the minister had \$500 million in cash in New York and another \$500 million in the Netherlands, in addition to the \$150 million in Mexico City.

Customs officials said they queried the CIA, which works closely with the Mexican military on drug-control and other programs. The CIA responded tersely that they had no such information about Cervantes, an assessment that other officials have since reiterated.

But while Cervantes has not been a focus of suspicion, Mexican and American officials said several senior generals close to him have been under scrutiny by investigators from both the Mexican attorney general's office and a special military intelligence unit.

On Feb. 6, analysts at the Drug Enforcement Administration briefed Attorney General Janet Reno on intelligence indicating that senior Mexican generals might indeed be cooperating with Carrillo Fuentes' organization, officials said. And in a separate customs case in Houston, undercover agents had been approached about laundering millions of dollars for an unnamed Mexican army general, officials said.

✱ On April 9, Alcala visited Emerald Empire with a cousin, who had just returned from Mexico with a message. "He was very nervous about the deal," Gately said. "He said it could be very dangerous if it got screwed up, because the money belonged to 'all of them, including the president,' " Ernesto Zedillo. (A spokesman for Zedillo, David Najera, dismissed the claim as baseless.)

Later that month, Gately went to Washington to brief officials including Kelly-- who was then about to take over the Customs Service after overseeing it as the Treasury Undersecretary for Enforcement.

"Kelly said, 'How do we know it's really him?' " Gately recalled, referring to Cervantes.

"I told him, 'We don't know,' " Gately said. " 'We can't substantiate it. But we have no reason to believe they're telling us anything other than what they know.' "

"They weren't trying to impress us, they were trying to make deals with us," Gately added. "So whoever had this money, I thought it was worth pursuing -- whether it was the defense minister of Mexico or somebody we'd never heard of."

People familiar with the discussions said they did not go much further. The general's supposed emissaries were to meet Ramirez in Las Vegas on April 22. They did not arrive, and the traffickers reported that they had gotten nervous.

Kelly acknowledged that he had been pressing for months to wrap up the investigation; he said he had grown increasingly concerned that information about it might leak out, endangering the undercover agents. The final sting had already been postponed twice because federal prosecutors were still preparing indictments.

James E. Johnson, who succeeded Kelly as undersecretary and has closely supervised Treasury's relationship with Mexico on enforcement issues, added a cautionary note that several officials said seemed to underscore his concern for the political stakes. Unless the agents had proof of Cervantes' role, several officials quoted him as warning, they should not bandy his name about in connection with the case.

"We need to be very careful about how we talk about this sort of thing," a senior

law-enforcement official, who would not speak for attribution, quoted him as saying, "If we don't have the goods, it makes us look like we're overreaching."

#### **Avoiding Pitfalls: U.S. Agents Begin Fretting Over Leaks**

The operation had already navigated a series of sizable obstacles.

Gately and some other agents were worried that their boss in Los Angeles, John Hensley, had leaked information about the secret operation to congressional aides and others; Hensley had also pressed hard to bring the operation to an end, officials said.

For his part, officials said Hensley had accused his strong-willed subordinate of transgressions ranging from traveling without authorization to stealing millions of dollars. Kelly acknowledged that the charges were investigated and found baseless; Hensley declined any comment.

As discussions about the supposed \$1.15 billion were going on, the undercover operation also suffered a serious setback with the capture of a key Juarez operative in Chicago. The arrest brought money deliveries to a halt while the cartel hunted for a mole.

On Saturday, May 16, more than two dozen Mexican traffickers, bankers and other operatives who had been invited to the United States by the undercover team were rounded up in San Diego and at the Casablanca Casino Resort in Mesquite, Nev. And officials said whatever thoughts they had that the allegations about Cervantes might be pursued were dropped in the diplomatic backlash that followed.

While the Mexican authorities were asked to arrest about 20 suspects indicted in the case, they initially located only six. One was the partner of Loera, the fugitive businessman who first proposed the deal with "the general." The partner was found dead in a Mexican jail from injuries that the police described as self-inflicted. Alvarez-Tostado has never been found; his deputy, Alcala, awaits trial in Los Angeles.

Soon after the operation, American officials said, they showed the Mexican government some of their information on apparent corruption in the case. They said they kept silent about more explosive evidence to avoid exacerbating the furor that had broken out over their decision not to warn Mexico about the operation.

Still, the officials said that none of the information was ever pursued, and the Mexican attorney general, Jorge Madrazo Cuellar, obliquely dismissed the allegations in a little noticed statement issued last July.

Madrazo said in an interview that the Americans told him only about unnamed federal agents and a money laundering scheme involving "a general who had a daughter." He said the name of Cervantes, who has no daughter, was never mentioned.

Top Mexican Off-Limits to U.S. Drug Agents

Page 8 of 8

"With the information that they gave me, what could I possibly have done?"  
Madrazo asked. "Gone and looked for a general with a daughter?"

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Tuesday, March 16, 1999

6:51 AM

Mr. MICA. Thank you, and we understand you will be back and forth—we appreciate it.

I would like to now recognize the Chair of the International Relations Committee for an opening statement, the gentleman from New York, Mr. Gilman.

Mr. GILMAN. I thank the chairman for yielding, and I want to compliment Chairman Mica and our colleagues on this Subcommittee on Criminal Justice, Drug Policy, and Human Resources for your important interest, sustained interest, in this vital issue of Mexico's cooperation and our common fight against illicit drugs.

Today's hearing to discuss Mexico's role in fighting drugs, hopefully, will help us establish a record of performance that few objective observers would call "full cooperation," as President Clinton certified on February 26.

Mr. Chairman, let there be no mistake; the annual drug certification issue is still important. Earlier this week, as you know, I joined with you, Mr. Chairman, as a chief co-sponsor, introducing a resolution of disapproval of Mexico's certification as "fully cooperating." Our Committee on International Relations will take a careful and considerable examination on how we should next proceed, with regard to that resolution.

The Mica-Gilman resolution, which has a waiver of sanctions built in, will also extend the 30 calendar days we normally have to act from the date of certification by the President. The resolution's text states that, "for construction purposes, it shall be considered and acted within 30 days of the actual certification of Mexico on February 26, 1999." Congress still has time to consider disapproval, and we ought to give it very serious consideration.

My concerns with Mexico's performance in our fight against drugs are numerous. The record this committee and the International Relations Committee have established over the last several weeks earn Mexico a failing grade.

For example, no major drug pins have been extradited to the United States. Seizures are down; the flow of cocaine, black tar heroin, marijuana, and methamphetamine into the United States continues unabated. The DEA, unlike elsewhere in the world where nations are fully cooperating with our fight against drugs, still has not been given diplomatic immunity to carry weapons. They must be able to protect themselves in this dangerous and hostile environment, where the drug dealers are often better armed and more powerful than the Government. And in some instances, the police are openly protecting the drug dealers. The corruption and penetration, by the cartels, of elite Mexican anti-drug units we established together, has put us back to square one in our common fight.

Three of our former Presidents have identified drugs as a major national security issue facing the United States.

Today, most of those illicit drugs are entering our Nation through our border with Mexico. We need the cooperation of our neighbor to the south in this common struggle that threatens everyone's national security.

So, again, I thank you, Mr. Chairman, and I thank this committee for its leadership and willingness to call it like it is, without fear or favor. And I look forward to working with you in this effort.

Mr. MICA. I thank the gentleman from New York.

I am pleased to recognize Mr. Souder, from Indiana.

Mr. SOUDER. I have no opening—

Mr. MICA. I am pleased then to recognize Mr. Ose, from California.

Mr. OSE. Thank you, Mr. Chairman. I, too, am grateful for the privilege of being here.

I want to harken back to our trip to South America. If I could find one instance where the individuals that we have been able to identify, and that have also been identified by our neighbor to the south—if I could find an instance where the heads of the cartels, such as those individuals, were to be extradited to the United States, in response to our requests, based on the evidence we have developed—if a single instance of that could be shown to me, I would be far more receptive to the idea of not going forward with this.

However, I know of five such individuals, as we learned on our trip—they are listed in here somewhere—that we have requested extradition on, that we have virtually irrefutable evidence that they are involved in trafficking, and for which we have had no positive response for our requests.

If this is the only way to get attention to this matter, I am willing to do it.

I don't have anything further to add.

Mr. MICA. I thank the gentleman.

If there are no further opening statements at this time, I am pleased to welcome our first panel of witnesses. We have two witnesses; one is Chief Theron Bowman, who is chief of police, from Arlington, TX. The other is Sheriff Ted G. Kamatchus—Kamatchus?

Mr. KAMATCHUS. "Kamatchus."

Mr. MICA. "Kamatchus."

Mr. KAMATCHUS. Yes, sir.

Mr. MICA. And he is sheriff of Marshall County, IA.

Part of the purpose of this panel is to examine the impact of drugs coming out of Mexico into our communities. There are representatives from two areas—the Midwest and the South—here to provide us with their background and information.

Gentlemen, this is an investigations and oversight subcommittee of Congress. And, in that light, we do swear in our witnesses. So if you wouldn't mind, please stand to be sworn?

[Witnesses sworn.]

Mr. MICA. The witnesses, the record will reflect, answered in the affirmative.

Since we only have two of you, we won't be as tight with the timing, but normally we try to limit the time of oral testimony to 5 minutes. If you have lengthy statements or additional material you think would be pertinent to the record, it will be, upon request, entered as part of the record of this hearing.

With that, I am pleased to welcome you both, and I would like to first recognize Chief Bowman, chief of police, from Arlington, TX. You are welcomed, sir, and recognized.



**STATEMENTS OF CHIEF THERON BOWMAN, CHIEF OF POLICE,  
ARLINGTON, TX; AND SHERIFF TED G. KAMATCHUS, MAR-  
SHALL COUNTY, IA**

Chief BOWMAN. Thank you, Mr. Chairman, and the committee. I appreciate this opportunity to come before you and testify.

First of all, my name is Theron Bowman. I am the chief of police in the city of Arlington, TX. Arlington, TX, population approximately 300,000, lies in the heart of north-central Texas, equidistant from Dallas and Fort Worth. The Dallas/Fort Worth metropolitan statistical area consists of 16 counties and has a population of over 4½ million people. The area is serviced by four major interstate highways. It is home to the Dallas/Fort Worth International Airport and several local and regional airports. In 1997, DFW Airport serviced 60 million passengers. It recently became the world's busiest airport in total aircraft operations.

Now, a well-developed infrastructure of commercial enterprise, transportation networks, and international finance attracts illicit activities into the north Texas area. International air and highway corridors facilitate the distribution of narcotics into the region where they are distributed or shipped to other points in the East, the Midwest, or the Northeast United States.

Analysis of the U.S. drug seizure data indicates that methamphetamines, cocaine, marijuana, and heroin trafficking into north Texas is on the increase. A large quantity of these drugs are secreted in vehicle compartments and are smuggled across the Mexican border from Laredo along I-35 or through Houston along Interstate 45. According to the North Texas High-Intensity Drug Trafficking Area Task Force, 40 Mexican drug trafficking organizations constitute the major source of drug trafficking into north Texas.

Heroin use in our area is an emerging threat throughout north Texas, as demonstrated by a rash of recent, well-publicized heroin overdoses in Plano, TX. Now, Plano is a Dallas suburb. It ranks as the fifth fastest-growing city among cities with populations of at least 100,000 people. During the past 5 years, since 1994, 17 heroin-related deaths have been reported in Plano; 13 of those deaths have occurred since January 1, 1997, and all of those are—the juvenile deaths are—the victims are a part of the juvenile population, the deaths are believed to be the result of heroin's recent high-purity level, which DEA lab tests revealed to be as high as 76 percent; traditional purity levels, on the other hand, are between 1 and 6 percent.

So north Texas serves as a critical transshipment point for heroin traffickers especially. Recent investigations reveal that traffickers use north Texas as a primary distribution point for Oklahoma, northwestern Louisiana, and southwestern Arkansas. Dallas, for instance, was the point of origin for two recent large narcotics seizures.

In August 1997, a Nashville, TN police department seized 16 kilograms of 96 percent pure Colombian heroin en route to New York from Dallas. In June 1998, 17 kilograms of 92 to 94 percent pure heroin were seized at DFW Airport. Intelligence identified a combination Colombian and Mexican smuggling organization as moving heroin via commercial aircraft from Bogota, Colombia, to Reynosa, Mexico, and then across the Mexican/United States bor-

der to McAllen, TX. The heroin was then moved from McAllen to New York City via DFW Airport.

On June 13, 1998, an individual was arrested with 5½ pounds of Mexican black tar heroin on a Greyhound bus en route to Dallas from the Rio Grande Valley, and then in July 1998, 9 pounds of white heroin were found by a Memphis, TN, task force officer in a suitcase on a Greyhound bus that originated in Dallas.

These and other significant seizures suggest that north Texas has become a strategic point for the movement of heroin, as well as a national distribution center.

Now local law enforcement agencies in north Texas—and I believe around the country—are losing the battle against illegal drug trafficking. The Greater Dallas Council on Alcohol and Drug Abuse last year had a 300-percent increase in reported heroin addiction at their central intake system. The percentage of youth seeking substance abuse treatment who cite heroin as their drug of choice has increased 650 percent during the past 3 years. After a consistent 10-year decrease in youth substance abuse, there is a disturbing 3-year trend now in increased use of illegal drugs by adolescents. Drug and alcohol problems are either primary or contributing factors in over 70 percent of 900 individuals served each month through the psychiatric emergency room at Parkland Hospital in Dallas, TX. So for 1996 to 1997, in Dallas County, 63 percent of all males arrested for any crime, and 55 percent of all females arrested for any crime, tested positive for at least one drug in their system.

Metropolitan areas today are marginally impacting demand through multi-agency narcotics task forces, but I believe that there must be a sustained and focused effort on supply, or on eradicating the supply, of drugs for local law enforcement agencies to have any real effect on the drug problem.

Now, during my 16-year tenure as a law enforcement officer, I spent part of that time working as a narcotics officer. And as a narcotics officer, I had the opportunity to meet Glen.

Glen, when I met him, was married, had a job, a family, and cared for his elderly mother. He also was one of the heroin addicts that I met and made cases on. When I met Glen, he was dealing Mexican brown heroin and marijuana. But within 2 weeks of the time that I met him, he had started using \$20-daily quantities of heroin. A week later, the cost of this heroin habit had increased to \$100 a day. Glen subsequently lost his job; he lost his family. He burglarized his mother's house; he stole from his wife, and within 3 months, Glen was burglarizing an estimated 10 houses per night, plus committing 3 to 5 robberies per week, just to support his \$750 per day heroin addiction. We looked for Glen; he had dropped out of sight. He spent every waking moment he could supporting his heroin addiction.

But Glen was lucky because we finally found him. We caught up with him; we arrested him and placed him in jail. He did not lose his life, but too often now we see in our neighborhoods and communities kids who are not so lucky.

Kids are dying from overdosing, and primarily on heroin. Such is the case with 20-year-old Todd, who injected at the Dallas home

of his older brother. Todd was transported to a Dallas hospital and later pronounced dead.

After a night of drinking, popping pills, taking heroin and cocaine, 13-year-old Derrick was found unconscious in his bedroom. He was later pronounced dead at an area hospital from an overdose of heroin.

Twenty-one-year-old Aaron was found in his apartment by his 18-year-old girlfriend and later pronounced dead at a hospital. A plastic bag containing about 3 grams of a black substance was found in the apartment. And Aaron had a baby son.

Eighteen-year-old Stephanie was found lying on her back on the couch in the living room in her home. A neighbor unsuccessfully attempted to resuscitate her. She was pronounced dead at the scene by the medical examiner. And she had had problems with drugs throughout her life.

So the flow of illegal drugs, primarily through Mexico, from the Mexican border into United States households, has cut a giant swath right through north Texas, from working-class neighborhoods to wealthy suburbs. In the words of the Fort Worth Star Telegram, "more and more young users, still dangerously naive about the heroin drug, find it cheap, plentiful, and powerfully addictive." Most law enforcement officials would agree that narcotics abuse has reached an epidemic level.

So the ongoing competition in north Texas between Mexican and Colombian traffickers for the heroin market creates an ideal climate for narcotics trafficking. This competitive environment has increased supply, has raised purity levels, and lowered prices for black tar heroin and other kinds of drugs in north Texas and most of the other United States.

Thank you, Mr. Chairman.

Mr. MICA. Chief Bowman, we thank you for your testimony.

I am pleased now to recognize Sheriff Kamatchus—Kamatchus?

Mr. KAMATCHUS. Kamatchus.

Mr. MICA. We have heard a little bit about what is going on close to the Mexican/United States border and the northern part of Texas. And we would like to hear your perspective coming from the heart of America, Marshall County, IA.

Mr. KAMATCHUS. Thank you, Mr. Chairman, members of the committee. I am very honored to have an opportunity to come before you today.

My name is Ted Kamatchus; I am the sheriff of Marshall County, IA. It is a county of a little over 40,000 people. It is in the center of the State of Iowa, center of the "heartland of America," "breadbasket of America," if you will. It is a small, rural community of about 23,000 to 25,000 people. It is diverse; we have industry, we have agriculture, and frankly, over the last 5 to 6 years, we have found that we have methamphetamine trafficking at a very high level.

Today, I want to have a chance to talk to you about the problem as we see it, the growth that we have seen, and to leave here with a better understanding that the Federal Government is going to do something to deal with the problem.

I have had the opportunity in my 22-plus years in law enforcement to work the streets, to work undercover, kick doors, to do a

lot of the grunt work that we take for granted sometimes in law enforcement. I have had a chance to lay in a ditch and watch a meth lab on Christmas Eve. I have had a chance to see people deteriorate.

You see, a sheriff in a rural part of a country, we are very much involved in our community. We are elected by the people; we serve the people, directly. Every day we see them, whether it is on the street or in the coffee shops. We see their kids. And I have had, time and time again in the last 5 years, a chance to see individuals that have become addicted to this methamphetamine and see them deteriorate, wilt away and, quite frankly, become a detriment to our society, feeding off of our society.

In the 1980's, we saw cocaine become kind of the drug of choice in Iowa. All the way through the 1960's, 1970's, and 1980's there has been marijuana. In the 1990's, heroin has begun to pop up, but it was hard to really get. Marijuana still was there. And I remember working hand in hand with the State and the National Guard in the marijuana eradication programs that were very, very popular then. It was at that time, that we began the Mid-Iowa Drug Task Force in our area; it is a four-county drug task force. It was funded by BYRNE, as it is today—a very important program.

In the last 5 years, however, it has gone from marijuana to methamphetamine as the drug of choice. It has gone so much that, in the last year in our county—the small county it may be—of the 2,500 inmates that were booked into our jail facility, 92 percent of those had substance abuse problems. And of that 92 percent, approximately 80 percent were directly tied to methamphetamine.

I want to tell you about a problem that 5 years ago our Mid-Iowa Drug Task Force seized a total of 3 ounces of methamphetamine. Last year, we seized over 60 pounds—a substantial increase. We began seeing this increase. We began wondering, “Where in the world is it coming from? What is going on with it?” We began to gather intelligence and work with the State and Federal authorities. And what we found out was, quite frankly, sickening.

We have had an influx of a Hispanic community of about 5,000 to 7,000 people into our area. These people are directly related to working in the fields and to a packing plant which is our largest employer in Marshalltown. The overwhelming majority of this group are hardworking individuals that have come across the border or come from the southern part of the country to have a chance at building a good life for themselves and their families. My parents are immigrants—my mother from Germany, my father from Greece—and I respect the fact that somebody wants to come here to make a good life for themselves.

But along with that group, came the prowl on methamphetamine, not from the group as a whole, but from an infiltration of individuals who have been actually filtered in randomly amongst that group. And, frankly, as many of you probably are very well aware of, it is very difficult to tell the players without a program. We didn't have very many Spanish-speaking people in our community, much less our law enforcement agencies. Our jails—we would get people in and it was very, very difficult. It has been a hurdle that we are still attempting to overcome.

But what we began to understand was that these individuals that were infiltrating this mass hiatus of individuals that have come into our community, actually were individuals who were financed from south of the border. They were people who were deliberately put into our area.

Marshalltown is in the center of the State of Iowa. It is 25 miles east of Highway 35—Interstate 35. It is 25 miles north of Interstate 80. It is in the middle of the country. It is almost directly equal between Des Moines and that area of about 350,000 people, Waterloo/Cedar Falls, with a population of about 140,000, and slightly more than 60 miles from the Cedar Rapids/Iowa City area. It puts us very, very centrally located, not just in our State, but in the country.

And what we began seeing, through our intelligence gathering, from the Mid-Iowa Drug Task Force, and through our increased efforts in working with the State and Federal Government, was that this infiltration that was beginning to occur was coming not just from within Iowa, not just from the southwestern part of the country or from Texas, but actually from south of the border.

About a year and a half ago now—about 15 months I guess it has been actually—I was approached by a gentleman by the name of Dan McGraw, from U.S. News and World Report. He came to interview me about the methamphetamine trouble that we have in Marshalltown, IA, and in Iowa, in general. I was a little baffled about why he would come to Marshalltown to talk to me. I am on the Board of Directors of the National Sheriff's Association, and I serve very proudly representing them—the over 3,000 sheriffs in this country. I didn't know if it was driven by that or if there really was a problem. Obviously, we had seen a problem, but we weren't sure that it was any different than it was elsewhere in the country.

What he told me was a story that has been confirmed by the Administrator of the DEA, Thomas Constantine, when we met with him about 11 months ago in his office with a group of citizens from Marshalltown. That is, there are no less than three direct fingers from the Mexican drug cartels into Marshalltown, IA—three people, or three direct lines, from south of the border. The DEA is aware of it, and in the last several months, the last approximately year, we have been very lucky to have been granted High-Intensity Drug Trafficking Area status and began to work more intensely on a broader level than what BYRNE or our drug task force granted us. We are HIDTA now, and we have been able to work more intensely with the Federal Government.

All that working together has brought us an enormous amount of intelligence, and it has allowed us to do a better job at policing our area. But it is very scary when you think that in rural Iowa, where people don't lock their doors, without fear of—at least if somebody burglarizes your house, you know who it is going to be and you can go to their door. I have been in this almost 23 years now, and the time that I have spent in Marshalltown as a police officer, and as a sheriff now in my 12th year, we usually have been able to know who those people are. But with this new infiltration of individuals from south of the border it makes it very difficult to track.

What we found out was, Mr. McGraw indicated, there were these three drug cartels that had direct pipelines to us—one of those being the Enisqua cartel. Working with the State, other local agencies, the State agency, and the DEA, we are very happy and very honored to have an opportunity to work with them and to see that the Enisqua's were actually put aside. I believe though, however, that they still are in Mexico, and I believe the Mexican Government—and correct me if I am wrong, and you will have better testimony than from me, as mine is third-hand on this—but the Mexican Government refuses to turn them over to the United States.

You know the problem is not just border-oriented. If we think that we are going to be able to stop this stuff as it comes across the border, all of it, it is impossible to do that. We have to make a very broad effort. We have to make an effort that is going to involve dealing with the addicts. Our community has 27 agencies that deal with substance abuse, domestic violence, and youth violence. See, it is a necessity now in Marshalltown, IA, because we are seeing that these groups are coming in, and they are utilizing our youth. I can think of several teenagers in the last year that we have gone ahead and apprehended, no less than seven in our small community, that have been involved with drug trafficking.

There are three families that have come to mind—Rosales, Costellanos, and Hernandez. And I say these names, not because all people with that name are bad, because that is not the case in Marshalltown, and I am sure it is not the case elsewhere in this country. But in Marshalltown, IA, there were over three distinct families that, at one time, our intelligence indicated were bringing anywhere from 50 to as much as 150 pounds of meth through our community a week.

Mr. Hernandez, the elder brother, we apprehended off on a 4-pound buy. Along with it, we got weapons. He later turned State's evidence; it is a well-known fact. He was put out on probation and, ultimately, is now doing Federal time for violation of that probation.

We thought we had a big effort, that this was a big dealer, 4 pounds of meth in little Marshalltown, IA. Little did we know that 10 months later, we would have an individual who was an informant for us, a white—with my guys in the street—[laughter]—with all due respect, would like to think of someone of a drug, mopey-type of person, a guy that you would not trust very well, go, while he was wired, to another Hernandez, a brother, and have fronted to him, 10 pounds of methamphetamine. No money exchanged hands, just a front. That is over \$100,000 given to this person that you would not trust in this room with all the rest of us here—10 pounds, \$100,000. "Here take it. Don't forget, by the way," he said, "you still owe me \$10,000, too."

When you start to see drugs change hands like this, you have to really wonder, "What kind of money is involved here, that a person can do that without being too concerned?" Later on, search warrants were levied, and we found an additional 20 pounds of meth in this individual's home, and \$266,000 in cash.

The Costellanos' family is another family. With this family, we took 1½ pound of meth on a delivery off of their 16-year-old brother. And we began to find out that his young friends were lookouts

for these groups—they ride around on their bicycles, and give warnings. As a matter of fact, we went in and we bought from Costellanos. And we raided this particular house three individual times within the last 8 months—I might say without finding anything out during our raids, other than just basic scale on occasion and some very minor things. We were going to do an 8-pound buy from Costellanos. All he could come up with was 4 pounds of methamphetamine. We had \$100,000 worth of cash on hand. We told him we wanted to buy more. He went to an arch rival group of his—the Rosales family—to get 4 more pounds for us. We found out that the Rosales—who we had really no indication was even involved with it at that point—was actually a bigger than any of the other two I have mentioned to you today. This is the type of thing that is continuously going on.

I have listened to the testimony from Arlington, which is a large city by Dallas/Fort Worth, and I have had a chance to sit in, as a board member of the National Sheriffs, and hear sheriffs in much larger counties than Marshall County talk about large quantities. And we read all the time about multiple-kilo buys. But when we start to see this type of poison coming into the heartland of America, when we start to see our increases go up, anywhere from 40 to 50 percent just on our methamphetamine substance abuse committals. When I can sit as sheriff and see individuals deteriorate before my eyes, people I have known that were from good families—it needs more—it needs to be addressed harsher.

And more emphatically, I guess the last thing is that it is very difficult, when you have five people that work on a drug task force, and the overtime that goes out, the taking people away from their families, their wives, their kids. Case in point—on Christmas Eve, we raided a meth lab in our county, and then to turn around and have them see that favorite status is given to the Mexican Government—that they are helping us fight, stand by side-by-side in this fight, and knowing what we know, and seeing what we see. And, quite frankly, I am not afraid to say it turns my stomach, as it does those other people in Marshall County, IA. There is no purpose in that. Until those people can show you, the Congress of this United States, that they are willing to work with you—I cannot see that occurring.

Basically, my point to the committee is simple. I would like to just read this closing statement, and then we will call it—America's heartland should be free of drugs, and Mexico is not a friend of the United States in drug enforcement and counter drug policies. My experience has shown that Mexico provides safe havens for gangs and cartels that terrorize Marshall County, the heartland of America, and all the United States.

Mexico sends the vast majority of crank across the border, either as refined meth all ready for sale or as precursor chemicals ready for a lab. Our experience in labs in Iowa and the Midwest has shown that these labs actually supplement the addiction problem that has been garnered and brought forth originally by the Mexican sales. When our agency begins to knock down Mexican sales, and they begin to go down in quantity and purity, the labs fire up, because it is addicts, as a rule, that make enough for themselves in a sale to survive. That is the type of labs we are seeing in Iowa.

Either way, the result is the same—strung-out kids doped up on methamphetamine, teeth deteriorating, bodies deteriorating, athletes no longer good athletes.

We need a Federal commitment, not just words, not just what we have heard for the last—this administration and administrations before about the war on drugs, but a legitimate commitment to make this a war, to put the money forth that is necessary. We cannot simply hope to interdict every pound of meth at the borders; that is an unrealistic hope. It is too broad of a border. Instead, we should focus our efforts on keeping our kids safe in their homes and communities, allowing them to grow up healthy and drug free. That means we must have Mexico as a faithful partner, a true partner, in the fight against drugs.

I want to thank you for the opportunity to testify. I look forward to working with the committee to resolve this problem—not just in Marshall County, because it is not just in Marshall County, IA; we are just seeing it, and that is why I brought it before you today—but the rest of this country. And I will be open to any questions you might have. Thank you very much.

[The prepared statement of Mr. Kamatchus follows:]



**The Testimony of Sheriff Ted Kamatchus  
Before the Committee on Government Reform  
Subcommittees on Criminal Justice, Drug Policy and Human Resources  
March 24, 1999**

Mr. Chairman and Members of the Committee:

My name is Ted Kamatchus and I am the Sheriff of Marshall County, Iowa. I would like to thank the members of this distinguished panel for inviting me to Washington to share my experiences with you regarding the national methamphetamine problem. Make no mistake about it. We are facing one of the worst drug problems America has ever confronted. In the 1980's, the drug of choice was cocaine. In the early 1990's, we faced a heroin epidemic and now at the close of the century and the millennium, we confront efforts to legalize marijuana and we confront an international invasion of methamphetamine.

Meth or crank is one of the greatest challenges we face as law enforcement officers. Meth labs are highly toxic, environmental disasters. The chemicals used in the production of crank are volatile and enforcement activity at a lab must be handled extremely cautiously. One wrong move could touch off an explosion. As sheriff, a locally elected law enforcement official, I have a unique perspective on this new epidemic. I have been to meth labs. I have been on drug raids and I have purchased crank by the pound in undercover operations. I have seen first hand how this highly addictive drug destroys our kids and I have had to visit too many homes to try to explain to parents that their teenager just died of an overdose. We must do something to stem the tide of illegal drugs, especially meth.

Marshall County is one of the 99 counties in Iowa with a population nearly 40,000. Our county is rural and we are located just outside Des Moines. My office has the primary law enforcement authority in every part of the county with a jurisdiction of just under 600 square miles. Our economy is based largely on agriculture, especially livestock. The average per capita personal income in the county is roughly \$22,000, which represents an increase 4.4 percent over the past ten years. Marshalltown, the county seat, is home to our largest employer, Swift and Company Meat Packing. As you can see, Marshall County is a typical American county in every respect except Mexican drug lords have targeted us, seeking to pollute our children with crank.

Your focus on this issue is especially critical as we near the deadline for congressional action on the certification of Mexico. While international politics and foreign affairs are the exclusive provinces of Congress and the President, I would respectfully submit to you that Mexico should not be considered an ally in the fight against methamphetamine. Marshall County does have a meth problem and there is no denying it. And I believe a large portion of this meth infestation is the result of Mexico's negligence and resistance to vigorously pursue and apprehend known drug lords, kingpins and others who export this filth to America's youth. We will never be able to control illegal drugs if the cartels and gangs have free reign in Mexico.

While we do have some local meth labs, we face the greatest saturation of drugs from Mexico through their cartels, gangs and mafias. The Mexican connection is easy to follow. With increased global communications and transportation, drug lords and cartel kingpins can control operations in Marshall County from remote locations in Mexico.

Imagine a kingpin sitting back at a desk in an ornate office in a high-rise building in any Mexican city. The drug lord simply makes an encrypted telephone call to his subordinates ordering the shipment of meth to

Marshall County. With that one telephone call, they can coordinate and manage every stage of the meth operation from a safe location south of the border. There is no fear of being apprehended by the Mexican authorities. At this point, the kingpin has the option of moving fully refined crank ready for distribution across the border or he can order precursor chemicals across the border to his satellite labs in the United States. One drug lord with one morning phone call can have tons of crank en route to Marshall County before the Chicago Mercantile Exchange closes without ever leaving the comfort of the cartel's Mexican headquarters!

It seems to me that more can and must be done. That is why I led a delegation of state and local officials to Washington last May to heighten the awareness of the drug problem in the Mid-West. Iowa, especially Marshall County should not have a meth problem. It is just not a part of traditional Mid-Western values. We are close and tight-knit community and we depend on each other for support. The cold reality, however, is that Marshall County is plagued by the deadly scourge of drugs and we need to convince the Mexican government that they must do more. The only reason we have a drug problem is because a Mexican drug lord selected Marshall County one afternoon by throwing a dart at the map of the United States. I don't mean to be crass, but it is that simple and that random.

Although becoming discouraged is easy, I am happy to report to the Committee that our delegation succeeded in bring federal support to Iowa. After meetings with DEA Administrator Tom Constantine, Dennis Greenhouse of ONDCP and others in Washington's federal counter-drug community, we successfully added Marshall County to the Mid-West HIDTA. That will make my county eligible for the associated benefits and the increased focus of federal resources that come with the HIDTA designation. With this support, we have made some progress and we have disrupted the importation, distribution and clandestine manufacturing of meth. We have also received enormous support from the DEA with their Mobile Enforcement Teams (MET) and they have made other DEA resources available to us through the help of Special Agent in Charge Dave Lorino. Despite this coordinated federal, state and local effort, meth remains a challenge and we continue to struggle against the Mexican drug regimes.

My point to the Committee today is simple. America's heartland should be free of drugs and Mexico is not a friend of the United States in drug enforcement and counter drug policies. My experience has shown that Mexico provides safe havens for the gangs and cartels that terrorize Marshall County. Mexico sends the vast majority of crank across the border either as refined meth ready for sale or as precursor chemicals bound for a lab. Either way, the result is the same--strung out kids doped up on methamphetamine. We need a federal commitment to fight the kingpins and we need a federal commitment to pursue the delicate diplomacy required to engage the Mexican authorities. We cannot simply hope to interdict every pound of meth that crosses the border. That is an unrealistic hope. Instead, we should focus our efforts on keeping kids safe in their homes and communities, allowing them to grow up healthy and drug free. That means we must have Mexico as a faithful partner in the fight against drugs.

Thank you again for the opportunity to testify. I look forward to working with the committee to resolve this issue and I await any questions you may have.

Mr. MICA. Thank you, Sheriff. Thank you, Chief, also.

Let me just ask a couple of quick questions. Chief Bowman, we have heard you talk about the problem you have experienced in your community and, as the sheriff said, you are a larger community. Can you tell me—for the record and for this committee—where the source of most of the heroin is coming from, into your community?

Chief BOWMAN. Right. DEA records, seizure records, indicate that the majority of the heroin is either Mexican brown or Mexican black tar heroin, so the predominant source of illegal heroin in our community is coming across the Mexican border.

Mr. MICA. All right.

And in the last 2 or 3 years, are you seeing more or less?

Chief BOWMAN. There has been an alarming increase in the amount of narcotics seen coming into the community.

Mr. MICA. Illegal narcotics, including heroin, methamphetamines, cocaine?

Chief BOWMAN. Yes, all of the above, and marijuana, as well.

Mr. MICA. Sheriff, what is the source of most of the methamphetamine? You have already stated it; would you state it again for the record?

Mr. KAMATCHUS. It is indicated to us by intelligence, and by factual evidence that we have gathered at our local, State, and Federal level, all confirming each other, that well over—it is over 90 percent—approximately 92 percent, I believe it is, of the methamphetamine that comes into our area comes from south of the border. It comes from Mexico. We see the—

Mr. MICA. Sir, are you seeing over the last 2 or 3 years less or more of that illegal narcotic coming into Iowa? Less or more?

Mr. KAMATCHUS. Far more.

Mr. MICA. Far more.

I really don't have any more questions. I will yield to the ranking member.

Mrs. MINK. Thank you, Mr. Chairman.

And both, Chief Bowman and Sheriff Kamatchus, I certainly want to express my very deep gratitude for the commitment that you have demonstrated in your testimony, with respect to, not only the appreciation of this terrible crisis in your communities, but your own personal involvement and commitment to safeguard your communities, particularly, our young people.

That is certainly the issue which drives this subcommittee and the Congress. We want to find ways with which to deal with this issue. Only one aspect of our consideration is the matter of what to do to create a greater will in the Mexican Government to help us meet this crisis within the United States. I recognize that that is a legitimate issue.

My concern since coming to this subcommittee, which is just this year, is to try to understand from the perspective of yourselves, as law enforcement officers, and from people who are knowledgeable about this issue in their communities, to what extent, greater efforts on the part of the Federal Government would help you interdict this narco-traffic that is coming into your community from wherever it is coming?

What, if you could just describe—the both of you—one specific area where Federal assistance would help you in your law enforcement responsibilities, that you would ask the Congress to do something about. What would be that area of support that you would be seeking from the Federal Government?

Chief Bowman, first.

Chief BOWMAN. Yes, ma'am. Thank you for the question. Without any question, I would like to see us target and eradicate the supply, the point of origin of these drugs. We are helpless, in many instances, when we focus on the demand, on the individual user level. And in many instances, all of our best efforts have only minimal impact. So I think if the Federal Government could really focus on eradicating the supply of the drugs, that would be of substantial assistance to us.

Mrs. MINK. Now when—following that argument, because that is the big issue—

Chief BOWMAN. Yes.

Mrs. MINK [continuing]. And one which troubles me a great deal. When we talk about the supply, as a law enforcement officer in all these myriad—thousands of communities where we have all of the officers that are engaged in this drug issue, concentrating their efforts, we talk about the supply in their communities. To what extent do you have the technical ability, the resource, to know, to establish, to identify the sources within your community? And are you able to dislodge them, at least from your community, not to say the country, but are you able to target your efforts, with the Federal Government's assistance, to eliminate, eradicate, arrest these individuals who are the sources of supply within your community?

Chief BOWMAN. Our experience in Arlington is every time we arrest a local dealer, someone else pops up to replace him or her. There is a constant supply of dealers—there is a constant supply of people willing to take on the profit motive in order to keep the drugs flowing into the community and into communities around the country.

We are able to successfully identify those people one at a time, but because of the overwhelming supply of drugs continuing to come into the community, we can't make any significant progress in totally eradicating the problem.

Mrs. MINK. So the arrest of these individuals is sort of a futile effort because they keep coming with new faces? Is that generally the problem?

Chief BOWMAN. Well, I don't want to say it is a futile effort, because we feel that every time we take one off the street, that is one fewer person out there that is dealing drugs. But we can't, and we have not to this day been able to arrest everybody. What we—

Mrs. MINK. How many of these king-pins in your area have you arrested and are now serving time?

Chief BOWMAN. Me, personally, or my department?

Mrs. MINK. No, I mean your whole establishment.

Chief BOWMAN. OK, I don't have the exact numbers on all of the king-pins in my area that we have arrested. I have indicated some of the large quantities that we have seized. We have tracked some of the points of origin back into Mexico. In the Dallas/Fort Worth

area, we are continually arresting people who are deeply connected with the organizations, but I don't have an exact number for you.

Mrs. MINK. Could you get a number to supply to the committee?

Chief BOWMAN. I certainly can.

Mrs. MINK. I thank you. I appreciate that. Thank you very much.

Chief BOWMAN. Would you like over 3 years or 5 years or—

Mrs. MINK. Whatever is readily available.

Chief BOWMAN. OK.

Mrs. MINK. Three years would be great.

Mr. MICA. I thank the gentlelady.

Now I am pleased to recognize the gentleman from California, Mr. Ose.

Mr. OSE. I have no questions, Mr. Chairman.

Mr. MICA. Then I will recognize the gentleman who is also the vice chairman of the subcommittee, Mr. Barr, the gentleman from Georgia.

Mr. BARR. Thank you very much, Mr. Chairman.

And I would like to thank both the chief and the sheriff for being here today. I have somewhat of a connection with Iowa; both my wife and I were born in Iowa, so it is a pleasure to see you here.

One of the jobs that brings me, to some extent here today, is those of a U.S. Attorney; I served as a U.S. Attorney in Atlanta, from 1986 to about 1990. When I took over as U.S. Attorney after being appointed by President Reagan in 1986, one of the major cases that that office was handling at the time out of Atlanta was a very unique case, a very unusual case. It was a case involving Mexican heroin. It garnered a lot of media attention at the time for several reasons; one, because it was a very large case, but, second, because it was so unusual back in the 1980's to see Mexican heroin. It was "gumball heroin" back then or "brown heroin." Nowadays, it is not at all unusual to see these cases. And the fact that you all are here, bears testament to the changing character of both the drug war, as well as the prevalence of certain types of drugs, and I think it is very disturbing that we are seeing this direct pipeline—not necessarily limited anymore to major international transshipment points such as Atlanta, but to communities, as you say, all across the heartland of America, including our border regions as well. And I appreciate you all's efforts to assist with the problem, both in your communities and by being here today to assist us on the national level.

I did notice, Sheriff, that you mentioned Tom Constantine, the head of DEA. I have tremendous regard for him and for the men and women of DEA. And one of the things that the chairman and the rest of us are trying to do up here, federally, is to provide him more resources that he needs and the authorities that he needs. Despite some of the political problems that fester up here in Washington that prevent some of these things from being implemented, we are constantly trying to work with them because they are doing a tremendous job.

You make the statement, Sheriff, in your prepared remarks, "Mexico is not a friend to the United States in drug enforcement and counter drug policies." That is a pretty direct and fairly profound statement, with which I happen to agree, not only based on what I know, serving as a Member of Congress, and serving on this

subcommittee and on the Judiciary Committee, as well, but also based on classified briefings that we have had recently which, obviously, we can't go into here. But those classified briefings have made it crystal clear to me that the problems with the Mexican Government are even more problematic. The corruption reaches, I believe, to the very highest levels, and the highest levels of our Government are not taking steps—even basic, elementary steps—to impress on the Mexican Government how seriously we take this. We are moving in the opposite direction, certifying them, not as somebody that is not only not cooperating, but making it more difficult for our DEA agents, for example, and our sheriffs and police chiefs in this country to deal with the problem of trying to stem the tide of drugs coming in from Mexico. But they are making it harder for you to do that; they are making it harder for DEA to do its job by failing to even raise this to the level of an important foreign policy matter in our diplomatic negotiations with Mexico.

So I appreciate very much your forthrightness in putting your finger on this problem.

Would you, Chief Bowman, agree with that statement, that Mexico is not a friend to the United States in drug enforcement and counter drug policies?

Chief BOWMAN. Yes. My experience as a police chief and a police officer seeing all of the drugs coming into our area across the Mexican border, I would have to agree with that statement regarding the narcotics. Yes, sir.

Mr. BARR. One of the things that you talked about—and perhaps both of you did—was the percentage of drug-related activity, or the prevalence of drugs being involved in folks that are arrested for crimes and that are in your jails and prisons. If you could, briefly, just summarize those percentages for me, both, Chief, and then the sheriff.

Mr. KAMATCHUS. OK. Well, as I mentioned before, the arrests that we see coming into our jail facility, about 92 percent of those individuals are directly related to substance abuse of some sort. Burglars are trying to take care of a habit, to feed a habit.

Mr. BARR. Have you noticed an increase in that over the past 10 years or so?

Mr. KAMATCHUS. I definitely have. There are two things that we have seen, though. Not only have we have seen an increase from around 60 percent to the 92 percent range in our area, not just the substance abuse, but we have seen a complete flip-flop. When I first took over as sheriff 12 years ago, alcohol was actually the substance abuse of choice. People came in there because they drank too much, and that was a problem. Domestic violence was related to that.

Now, all of a sudden, we are starting to see more and more of it that is coming up, these individuals are on methamphetamine, tied to methamphetamine, not necessarily as addicts, but somebody who maybe goes out and tries it, can't handle the addiction, maybe wastes their money away trying to buy it, those types of problems. And they try to fund it through theft, through burglary. And, quite frankly, they are involved in domestic violence, and they are involved with child abuse. There is a whole plethora of things that this drug actually brings on to them. But that is what we are see-

ing, and about 92 percent and I think it is 86 percent, roughly of that group that is actually methamphetamine.

Chief BOWMAN. And, of course, my numbers come from Dallas County, 1996 and 1997, 63 percent of all males and 55 percent of all females arrested in Dallas County during that period all tested positively for at least one drug.

Mr. BARR. And can I ask unanimous consent just to ask one quick, followup question, Mr. Chairman?

Mr. MICA. Go right ahead.

Mr. BARR. Is methamphetamine a serious and increasingly serious problem for you, Chief? And for both of you—again, you may have discussed this already but I think it is important—do you see a direct pipeline from Mexico to your communities involving methamphetamine?

Chief BOWMAN. Absolutely. Methamphetamine is a very, very serious problem in our community as well. The abuse of that drug is apparent, although there are not as many deaths related to methamphetamine abuse. We do believe that methamphetamine and amphetamine abuse is the No. 1 drug abuse problem in our area.

Mr. KAMATCHUS. In our area, obviously, methamphetamine leads the way, as far as the abuse of drugs. We recently received funding from HIDTA—we are part of the Midwestern HIDTA—and through that funding, along with BYRNE and through our Governor's Alliance on Substance Abuse, with that money as it comes from those two organizations, we have not only been able to put manpower on and study it, but we have been able to track back and develop the intelligence that is necessary to track this type of stuff.

Basically, methamphetamine is the most abusive drug that we are seeing. Through our connections with the DEA, through indications or things that I have mentioned before like through the news media that came to Marshalltown to interview us, we see a direct pipeline back to those groups. And through, like I said before, Administrator Constantine, himself—their indication was that there were actually three fingers of drug cartels that had reached into Marshall County and the middle part of Iowa, in general.

Mr. BARR. From Mexico?

Mr. KAMATCHUS. From Mexico, sir; yes.

Mr. BARR. Thank you.

Mr. KAMATCHUS. Directly from south of the border.

Mr. BARR. Thank you.

Mr. MICA. Thank the gentleman.

I would like to yield now to the gentleman, Mr. Hutchinson, from Arkansas.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

I missed all of your oral testimony, but I have read your testimony, Sheriff, and I appreciate what you had to say.

And I have been briefed, Chief, on your responses. I hail from the State of Arkansas, a rural area, and that has been mentioned as one of the areas where methamphetamine is headed, as it leaves your area, Chief. We have had problems with methamphetamine for some time.

I wanted to ask a couple of questions of the sheriff. How large is your county?

Mr. KAMATCHUS. My county is approximately 45,000 people. We have had an influx of Hispanics between 5,000 and 7,000 in the last 5 years, so it is hard to say, but around 45,000 people.

Mr. HUTCHINSON. What is the reason for the influx of Hispanics?

Mr. KAMATCHUS. Primarily due to our packing plant. We have a meat-packing plant that employs right around 2,000 people. But not only that, the northern half of my county is very—well, I have been told at least—some of the best agricultural land in this part of the country.

Mr. HUTCHINSON. All right. Sheriff, back in the 1980's—I, like Bob Barr—was in Federal prosecution and methamphetamine was an increasing problem in Arkansas in the rural areas. We were getting the methamphetamine from the Bandita motorcycle gang—that was one of the cases I handled. It wasn't coming from Mexico. It was a different supply source. And we had our own methamphetamine that was manufactured in homemade labs. And so it was a problem before there was a pipeline from Mexico.

Did you have that experience in your county, that you had a methamphetamine problem before this pipeline existed from Mexico? And, how has that complicated it?

Mr. KAMATCHUS. Well, basically, the methamphetamine problem has been around, like you said, for years. It took a backseat in the old days, if you would, to marijuana, then to cocaine, and even heroin began to pop up in our area. It was predominantly from bikers. We had the same situation. But most of the methamphetamine that we confiscated in those days was in grams and in ounces. It was a much smaller amount. And the purity of it that we saw at that point was not very high. It was usually in the 20 to 30 percent on the high side, mind you.

Now what we are finding is some of the Mexican methamphetamine that is coming in, that we know is tracked directly back—and I might add that we track this because we see them sending money south of the border, which is another thing that we are finding. Most of the methamphetamine that is coming to us has been in the 60-plus, actually as high as 78 percent methamphetamine. It is much higher.

Mr. HUTCHINSON. The purity is higher?

Mr. KAMATCHUS. It is higher, that is right.

Mr. HUTCHINSON. And the precursor chemicals are not coming in, it is the finished product that is coming in?

Mr. KAMATCHUS. You are exactly right.

Now I might add one more thing here about the precursors and the labs. Iowa had over 300 labs last year that they took off in the State of Iowa. But predominantly, those labs are ounce labs to half a pound; they are small amounts. And all the intelligence that has been gathered from the arrests and the confiscation of those labs, has indicated that those are predominantly abuser labs. These are individuals who, basically, have developed a lab to take care of their own problem and maybe sell an ounce or two to make a buck.

Mr. HUTCHINSON. Going back to the pipeline to Mexico, what is the distribution network that the Mexican drug dealers rely upon in your area?

Mr. KAMATCHUS. In my area?

Mr. HUTCHINSON. Yes, sir.



Mr. KAMATCHUS. Predominantly, it is, frankly, the individuals that have been like migrated to us, the Hispanic individuals who migrated to us. We have had some of those that have been "mules," going back and forth south of the border. They have come up to work in the packing plants. They store it in their vehicles. We have had some that have been shipped in to us by common carrier, but more often than not, it is just motor vehicle.

Mr. HUTCHINSON. Is it confined—the sales and distribution and the network of methamphetamine distribution—to the Hispanics that have come up from Mexico to work in the packing plants, or does it go into the schools? Does it impact the whole community?

Mr. KAMATCHUS. Yes. What I have talked to you about has been the bulk amounts. Beyond that, once it starts to filter out into the community, for street sales, then it goes in all segments, regardless of wealth, or schools. It spreads out throughout the whole community.

Mr. HUTCHINSON. And I am sort of cutting you off a little bit because I want to come—

Mr. KAMATCHUS. Yes.

Mr. HUTCHINSON. Back to the chief. Would you describe the distribution network that you see from the Mexican pipeline?

Chief BOWMAN. Right. I would describe our network as being a diverse network of people. We see distributors across every demographic or demographically represented type of individual. It is not confined to Hispanic. We have African-Americans; we have Caucasians. We have the wealthy, as well as socioeconomically depressed individuals within the population along the distribution chain. There are some gang-affiliated distributions going on, as well. Some motorcycle gangs are part of the distribution chain.

But we, too, primarily see a lot of vehicle shipments, a lot of the drugs hidden in compartments of cars, of trains, of trucks, of airplanes, to get the large quantities to the individuals who are, then, distributing it into the schools, into the neighborhoods, into the general population.

Mr. HUTCHINSON. Thank you. My time is up.

Mr. MICA. I would like to yield. I think the gentleman from Georgia had an additional question.

Mr. BARR. Thank you, Mr. Chairman.

Mr. MICA. Mr. Barr.

Mr. BARR. Sheriff, I think you were mentioning being able to trace the money from your communities going back down to Mexico. How were you able to do that?

Mr. KAMATCHUS. Well, the only way that we can do it, and sadly enough, it is a very abrupt wall. We see the money transfer. When we do search warrants on many of our raids that we have been able to do in the last years, time and time again from these drug dealers, we see transfers to other bank accounts and down to wire transfers into Mexico.

It is my understanding—because, of course, Marshall County Sheriff's Office isn't going down there to investigate it—but my understanding from the DEA is that there really is no help from the Mexican Government in following up on those transfers. So, where it goes to, we know at least some money went somehow, and that is where we hit the wall with it.

Mr. BARR. Chief, with regard to your community, would it be accurate for purposes of these drugs coming into Arlington, to consider it a forward basing location? I mean all of the drugs that come in, don't stay in your community, do they?

Chief BOWMAN. Right. Right.

Mr. BARR. Where do they go? And how do they leave your community to reach these other locations? And what would some of those locations be?

Chief BOWMAN. Right. We know for certain that the Dallas/Fort Worth, north Texas area is predominantly a transshipment point for narcotics going into New York and to Chicago and to other areas on the East Coast, into this area, to the Midwest, and to the Kansas area, to the Iowa area. We are a major transshipment point. A small amount of the drugs into our area is distributed within the area, but the majority of it is shipped out into various other regions of the country, primarily, north and east of us.

Mr. BARR. Do you all work with INS in your communities?

Chief BOWMAN. Yes, we do.

Mr. BARR. Sheriff, do you work with INS?

Mr. KAMATCHUS. Yes. My chief of police has actually testified before Congress on that issue, working with INS, in the past, and we do work with them. The police department more than my sheriff's office, actually.

Mr. BARR. One of the problems that we have seen that we are looking into up here is a gap between what Congress is directing through appropriations, for example, for interior enforcement through INS, and their support of local police and local sheriffs. We are seeing a gap between what we think is happening and have directed up here through funding and what happens actually in communities and districts and regions. And they are being told to cut back. In some instances, that we understand—I understand—that they are being told not to move forward with certain operations involving Mexican methamphetamine and illegal aliens, for political reasons.

Do you sense any of that in your communities? Or is the relationship with DEA as robust as it has always been? Do you see more of the resources in your communities through INS and their ability to help you, which would reflect the fact that we, in Congress, have appropriated more money for that? Or do you see something different?

Chief BOWMAN. My experience and our agencies' experience with INS has been positive. We have an excellent working relationship with INS, and I think sometimes the INS officers are frustrated by the laws or the policies or the restrictions placed upon them, because they, too, have problems finally resolving the immigration problems that they are faced with on a daily basis. But, in terms of cooperation, there is a great deal of cooperation, not only with the INS, but with the DEA and ATF and many other Federal agencies as well.

Mr. BARR. I was talking primarily about their resources. We find, and I find, that there is always very, very good cooperation and a willingness to help out. But in terms of the resources that they have available, have you noticed any change?

Chief BOWMAN. I personally have not noticed any change. I can say in our area, our INS division tries to accommodate whatever request that we have. If they are facing resource problems, it is an internal problem that they don't discuss with me or with us.

Mr. BARR. Sheriff.

Mr. KAMATCHUS. I guess we have seen an increase in INS in Iowa. We have seen an increase in agents. But an increase in agents and building that working relationship, which we are, isn't really where it is all at. It goes beyond that point. We have seen a huge cutback in the U.S. Marshals, for instance, where they aren't receiving the cap funding and the funding for housing of inmates. And the policy that came out of INS at the top levels, my understanding—and correct me if I am wrong in this—was that they were no longer going to put emphasis on illegal immigration, which I don't have a problem with, frankly. I have a greater problem, though, when they won't deal with an individual until they are found guilty, and they are taken through the court system. And with a bottleneck at the Marshals, with them not being able to take them through the Federal court system because of the lack of funding to them, I am a little concerned about that.

Frankly, the funding for BYRNE and for HIDTA, the funding for the Marshals—those are all things that are very important when you are talking about dollars and cents. And they trickle down to us, and those are very important pipelines that we can't lose at our level. And we have to keep those things up.

Immigration, yes; we have seen more agents, but if they don't have any place to put them, what good does it do?

Mr. BARR. Thank you.

Thank you, Mr. Chairman.

Mr. MICA. I want to take this opportunity to thank both of you for providing this testimony today and giving us a glimpse of what is going on in the heartland of America, and also in Texas, so close to the Mexican/United States border. We could probably call 100 of your colleagues from around the country and get a similar response, unfortunately.

But we do thank you for your dedication to law enforcement and also for your cooperation with our subcommittee.

We will excuse you at this time.

Mr. KAMATCHUS. Thank you, Mr. Chairman.

Chief BOWMAN. Thank you, Mr. Chairman.

Mr. BARR. I would like to, Mr. Chairman, before, if I could—

Mr. MICA. Yes.

Mr. BARR. The witnesses have mentioned BYRNE grants. It is my understanding, and I would like to confirm this with the chairman, that the administration has zeroed out BYRNE grant moneys in this budget request. Is that correct?

Mr. MICA. I believe that is correct.

Mr. BARR. That might be something that you all could help with.

Mr. KAMATCHUS. Well, if I might have—

Mr. BARR. We are going to, also.

Mr. KAMATCHUS. If I might have the liberty, sir, that will destroy our task force. We are funded by BYRNE; we don't have the assets in rural America, in our county. If we don't have BYRNE and HIDTA, you might just as well forget about it, and then I hate to

see where that is going to go. I know it is not just Marshalltown; it is rural America.

I don't know about the chief in Larger, but I know it has a definite effect on us, not just enforcement, but education and all across the board.

Mr. MICA. Well, again, we thank you for your testimony, both of you. We will excuse you at this time.

I would like to call our second panel. We have Mr. Jeff Weitzman, who is a Canine Enforcement Officer with the U.S. Customs Service, in the Orlando Field Division. We also have a former, recently former Agent of the U.S. Customs Service, Mr. William F. Gately.

As I explained, gentlemen, to the other panelists in our first panel, that this is an investigations and oversight subcommittee of Congress. So if you would stand and raise your right hands.

[Witnesses sworn.]

Mr. MICA. The witnesses both answered in the affirmative. We will let the record reflect that.

I would like to welcome you both now, and I think you both have unique perspectives on what you have seen relating to the narcotics problems. In particular, we are interested in the question of Mexico today.

I recognize first, Mr. Jeff Weitzman, for your testimony.

**STATEMENTS OF JEFF WEITZMAN, CANINE ENFORCEMENT OFFICER, U.S. CUSTOMS SERVICE, ORLANDO FIELD DIVISION; AND WILLIAM F. GATELY, FORMER AGENT, U.S. CUSTOMS SERVICE**

Mr. WEITZMAN. Hello, and thank you for the opportunity to appear before this subcommittee.

My name is Jeffrey Weitzman, and I am a Canine Enforcement Officer for the U.S. Customs Service.

I am not going to give a long opening statement because I would rather spend the valuable time answering questions for the subcommittee.

For those of you who are not aware of who I am, I was the canine officer depicted on "60 Minutes" in 1997. I was called into my supervisor's office at U.S. Customs in San Diego and told to sign a propane gas truck loaded with approximately 4.3 tons of cocaine to the streets of our country. This incident happened in October 1990.

The seizure of coke was the largest in the history of the United States border with Mexico and is directly linked to a seizure of 21.4 tons of cocaine seized in the community of Sylmar, CA, in 1989. This massive load crossed the U.S. border via Texas in numerous vehicles.

These two intertwined loads expose the border's role as a conduit for illegal substances entering the United States. Today the situation has worsened. The price of cocaine has dropped significantly since my bust in 1990, and today we face a greater challenge. Our resources are failing to meet the threat.

The border has become a dam with leaks from California to Texas, and before the dam explodes, we had better act, and we had better act now.

I open the floor to any questions you have.

[The prepared statement of Mr. Weitzman follows:]

Testimony of Jeff Weitzman  
Before The Subcommittee on Criminal Justice,  
Drug Policy and Human Resources

Hello and thank you for the opportunity to appear before the Subcommittee.

My name is Jeffrey Weitzman and I am a Canine Enforcement Officer for the United States Customs Service.

I am not going to give a long opening statement, because I'd rather spend this valuable time answering questions for the Subcommittee.

For those of you who are not aware of who I am, I was the Canine Officer depicted on 60 minutes in 1997. I was called in to my supervisor's office at U.S. Customs in San Diego and told to sign a propane gas truck loaded with approximately 4.3 tons of cocaine to the streets of our country. This incident was in October of 1990.

The seizure of coke was the largest in the history of the border with Mexico and directly linked to 21.4 tons of cocaine seized in the community of Sylmar, in California in 1989. This massive load crossed the U.S. border in Texas via numerous vehicles.

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The price of cocaine has dropped significantly since my "bust" in 1990, and today, we face a greater challenge. Our resources are failing to meet the threat.

The border has become a dam with leaks from California to Texas; before the dam explodes we had better act and act now.

Mr. MICA. I thank you for your statement. What we are going to do is, is that we will hear from Mr. Gately next, and then we will get into questions.

Mr. Gately, we have read a little bit about some of your public testimony, at least as far as what has been published to date, and we are pleased to welcome you, and thank you for volunteering as a witness and providing us with your testimony today.

You are recognized, sir.

Mr. GATELY. Thank you, Mr. Chairman, members of the committee. I am here at your invitation. I have provided your staff with a resume of my Federal service which contains an overview of my experience—

Mr. MICA. Mr. Gately, would you mind just pulling that up a little bit closer?

Mr. GATELY. No, sir—which contains an overview of my experience as a U.S. Marine and as a law enforcement officer. My career began in Washington, DC, as a second-generation police officer with the Metropolitan Police Department in 1971. In 1978, I transferred to U.S. Customs as a Special Agent and served 21 years in major field offices in Washington State, California, Florida, and Arizona. In August 1992, I was transferred to the Special Agent in Charge Office in Los Angeles and assigned as the Assistant Director of the HIDTA Task Force. In April 1993, I was reassigned as the Assistant Special Agent in Charge of the Financial and Drug Smuggling Investigations Division of the Los Angeles Field Office. In that capacity, I also assumed the directorship of the Omega Task Force, a dedicated undercover investigative unit of U.S. Customs.

It was as the Director of the Omega Task Force, that I formulated the operational plan and later led the investigations which comprised Operation Casablanca.

I want to state now that at no time during the planning, operational, or prosecutorial phase of Operation Casablanca have I sought any forum to obtain publicity for myself or the investigation. Up until the March 16, 1999, story published by the New York Times, I have not, although approached many times by journalists and a writer, agreed to an interview. Mr. Golden of the New York Times made several attempts to interview me on or off the record more than 9 months ago. It was not until I retired from Federal service, did I agree to meet with him.

I told Mr. Golden then, and I tell the committee today, that everything I share with you about Operation Casablanca can be verified by the record and by the evidence. In addition, there are Special Agents, auditors, contract forensic accountants, task force officers of the Customs Service, Federal prosecutors, Treasury, Justice, and Federal Reserve officials who can, in part, corroborate what I tell you.

In this regard, I will get to the point which I believe brings me here today as a witness. There are no less than 15 audio and video tapes of meetings and conversations, all of which have been transcribed, regarding the offer, as well as the subsequent negotiations, by potential targets of the investigation to engage in a transaction, the substance of which was to move \$1.15 billion in illicit proceeds. These tapes contain the communications between four defendant

bankers, two Mafia members of the Juarez drug cartel, and the U.S. Customs Service confidential informant who engaged in extensive discussions regarding the movement of this money. Of course, the confidential informant engaged in these discussions at the direction of the U.S. Customs Service.

As an example of the evidence contained in these tapes, it is indisputable that the Secretary of Defense for Mexico was identified as one of the owners of the money on several occasions during the course of these meetings and conversations. It is in these tapes that you will find the evidence that would have led any reasonable person to conclude, as I did, that there was compelling evidence to continue the investigation.

Let me relate to you, in some more specificity, why I believe these communications constituted credible evidence that deserved further investigation.

Excuse me a second.

Some have stated that the \$1.15 billion offered to launder as illicit proceeds was nothing more than bravado by unreliable crooks. However, Operation Casablanca was always about the laundering of drug proceeds by the Colombian and Mexican cartels through Mexican financial institutions and profiting from such activities.

The individuals who presented the offer to launder the \$1.15 billion had already engaged in illicit activity connected to Operation Casablanca by laundering substantial amounts of drug proceeds and profiting substantially from the laundering activities to fuel their insatiable greed.

One of the individuals, now a defendant, Victor Alcala-Navarro, had been associated with the operation since November 1995. He not only delivered the first banker to the operation, but he introduced the confidential informant to members of the leaders of the Juarez cartel, including Jose Alvarez-Tostado, the heir apparent to the cartel boss following the reported death of Amado Carrillo-Fuentes. These introductions were not done for the purpose of impressing the confidential informant or undercover agents, but rather for the purpose of creating and expanding business alliances in an effort to make more money from illicit activity.

One of Alcala-Navarro's associates and also one of the Mafia members who engaged in negotiations regarding the \$1.15 billion transaction was Ernesto Martin. Martin was motivated by the same factors as Alcala-Navarro—the need to make money, or the desire to make money, from the laundering of drug proceeds. He had also delivered a number of bankers to the operation who were ready, willing, and able to launder drug proceeds. And I will add, not in my statement, very instructive about it.

It was these individuals who first brought to our attention the idea of laundering \$1.15 billion, and who first made any mention of the ownership of that money. During the time the operation was engaged with Alcala-Navarro, Martin, and their boss, Jose Alvarez-Tostado, there was never any indication that the information they were providing was false, misleading, or exaggerated. It is for these reasons that I concluded at the time, and still believe, that there was evidence sufficient to justify pursuing the transaction related to the \$1.15 billion.



There has been a great deal said in defense of the Mexican Government's integrity and their level of cooperation in investigations such as Operation Casablanca. At the same time, I have been criticized for expressing my opinion to the contrary.

In my opinion, Mexico and the word "corruption" are synonymous. In Mexico, there is no line which can be drawn to separate the police and the prosecutors from the Mafia, the politicians from the Mafia, the government from the financial institutions, or any combination of these entities.

The general population is helpless to change the system. A myriad of stories printed in every major news publication in Latin America can be counted on a daily basis refuting the truth of their alleged efforts. The most prevalent theme of all the stories during the mid-1990's was Mexico's emergence as the laundering center for billions in drug profits. But the most disturbing element of the stories was the complicity of their financial institutions—institutions regulated by the Salinas and now the Zedillo government.

There was never a time in my 21 years as a Customs Special Agent where I believed that I could trust the safety and security of an investigation or place the lives of our agents in the domain of any member of the Mexican Government. Unlike politicians and diplomats, my experiences with the Mexican law enforcement officials has occurred in the field—where the stakes are measured in life and death. This is not drama, it is reality. There has been no event or experience I have had, or know to have occurred with my peers, which instills in me a sense of trust in their ability to keep a confidence.

Operation Casablanca was no exception. The banks in Mexico are regulated by the government. In that regard, our activity should have been ferreted out and exposed by the regulators who supervise these institutions. The paper-thin contracts we established with each of these institutions were a sham. Even a cursory examination of the transactions related to our relationship reeked of money laundering.

What is even more shocking to me is that above my objections, prior to the initiation of this operation, I was required to brief Mexican officials at the Deputy Attorney General and the Assistant Secretary level in the Hacienda, or the equivalent of our Treasury Department. During these briefings, I offered them the evidence we had, which at the time indicated seven Mexican banks actively laundering drug proceeds for Cali cartel traffickers. I supplied these officials with the same presentation I gave our Ambassador James Jones, as well as actual copies of bank drafts issued by the Mexican banks which were directed to our undercover operation as part of the laundering process.

As a criminal investigator with more than 29 years of experience, a success record in my field that is recognized by my peers and my superiors—despite what they may say behind closed doors—it was my recommendation that we continue the operation until we could gain sufficient evidence to develop a case against the conspirators identified in those tapes.

I do not believe that until the article in the New York Times was published that anyone who remained in charge of Operation Casablanca subsequent to my removal, had reviewed or evaluated these

tapes and transcripts for their evidentiary value. In fact, I had transcripts of these conversations prepared at the time the conversations took place for the explicit purpose of informing the chain of command of the events surrounding the \$1.15-billion transaction, and I personally briefed the chain of command on these events as they occurred.

In my opinion—and I believe the facts and circumstances that are available will support such an opinion—this investigation was not pursued because of the numerous problems that developed and persisted during the course of Operation Casablanca. This is not my tale of woe. If I am at the center of these conflicts and accusations, it is only because I was performing my job to the best of my abilities. I take full responsibility for all of my actions during the course of Operation Casablanca. I never believed it would be a task without great risks and problems—nothing in Government is, especially undercover investigative operations.

I will now summarize for you the various reasons, as I believe them to have occurred.

One, during the planning and operational phases of Operation Casablanca, beginning in 1994 through May 18, 1998, I was confronted with a gauntlet of critics, disbelievers, and obstructionists. These individuals held positions in Customs, DEA, the FBI, and the Justice Department. The issues raised by them ranged from skepticism about our ability to deal on the levels outlined in the operational plan, to issues surrounding the political and economic impact of our investigation on Mexico. In their individual and sometimes collaborative efforts to serve an agenda that opposed the operation plan, they sought to block the initiation, limit the scope, and obstruct the progress of Operation Casablanca. In this regard, it is noteworthy that some of the disbelievers, and even an obstructionist, became supporters of the operation. Regardless, the negative energy produced by the remaining opposing forces was always present and had to be fought back at every stage of the investigation.

Two, for approximately 1 year prior to the May 1998 take-down of Operation Casablanca, John Hensley, the Special Agent in Charge in Los Angeles, continually leveled criminal accusations against me. Those accusations involved the alleged loss, misappropriation, and theft of millions of dollars in drug proceeds and Government funds related to the ongoing investigation. Although each accusation was thoroughly investigated and found to be baseless, he persisted in reinventing his spurious stories in order to discredit the operation and me.

Beginning in the fall of 1997, Mr. Hensley leaked information about Operation Casablanca. At a law enforcement conference in Tampa, FL, Mr. Hensley provided information about the operation to a network news executive. Later in the investigation, Mr. Hensley invited several congressional staff representatives to Los Angeles to be briefed on a major undercover money-laundering investigation. Upon their arrival, he not only paraded them through the undercover offsite which housed the Omega Task Force, he took them to the audio and video monitoring station of the undercover storefront, Emerald Empire. At this location, they were allowed to

view through the monitors the interior of the offices and the warehouse.

Four, subsequent to a briefing regarding Operation Casablanca that I presented to, then, Under Secretary of the Treasury, Raymond W. Kelly, in late 1997, Mr. Kelly stated to all present that he would seek out and punish anyone leaking information to the media regarding the operation. A short time later, I believe Mr. Hensley, who was present at that meeting, and others he manipulated, provided Mr. Kelly with a copy of a book I authored in 1994. According to witnesses present, Mr. Kelly was told that I was not only the leak, but that I was dramatizing the facts about the investigation, as well as the take-down plan in order to write a book.

Five, there were two deliberate acts which I believe were intended to shut down our operations in Chicago and New York. I am convinced both occurred at the direction of Mr. Hensley and Mr. John Varrone, the Special Agent in Charge of the New York Field Office. On both occasions, orders issued by me were disregarded, and enforcement actions were taken. The arrests and seizures which occurred contrary to the agreed plan of action—and I will add without the knowledge of the undercover agents or their cover team—endangered the continued safety and credibility of our undercover agents and confidential informant. In addition, it had a serious debilitating effect on a relationship our undercover agents and the informant shared with the Juarez and Cali cartels' organizational structures in Chicago and New York. It also seriously damaged the relationship we had worked so hard to establish with the Colombian and Mexican Mafia members at the highest level. Despite the severity of these actions, we were able to convince our criminal partners that our undercover agents and the informant were not at fault for these events. But the fact remained that the cartels shut down their operations to search out the mole in their organization.

Based upon these facts and events, I believe Mr. Kelly had lost faith in me and was not willing to risk going forward with any aspect of the investigation, regardless of the violation or the violator. Mr. Kelly, I am certain, believes he did the right thing. I believe that the combination of misinformation, spurious accusations, and the politics infused into this operation from its inception skewed his judgment. At no time was I given an opportunity to know that he had received this bogus information, nor was I given an opportunity by Mr. Kelly or anyone else to defend myself.

Immediately after the extremely successful take down of Operation Casablanca, a take-down plan which was never accepted in its entirety by anyone, I requested a meeting with Mr. Kelly to resolve the issues which I now believe to have been the reasons for his actions. My purpose was to regain his confidence and to end the attacks on my integrity and the integrity of the investigations.

Within 5 weeks of the covert phase of the operation closing and the formulation of the security for the confidential informant, I was "temporarily and indefinitely" reassigned to Customs headquarters. This reassignment came via a telephone call the day before I was scheduled to return to Los Angeles. At no time during the next 7 months was I provided with an official explanation for this action. There is no document issued by the agency which chronicles this

action outside of a travel authorization. During my time in Customs headquarters, I was never given a specific or even a general assignment. When I did anything, it was of my own volition. In that regard, I was effectively removed from the operational command of the Omega Task Force and all aspects of Operation Casablanca's investigations.

During the time I remained in this TDY position, I continued my quest to seek an audience with Mr. Kelly, who had now become the Customs Commissioner. I remained steadfast in my efforts in the hope that I could regain my position in Los Angeles. In late December, approximately 7 months after my first request and after I had announced plans to retire, I was afforded this audience. As a requisite to my appearance in his office, I was required by his staff to put in writing the reasons for my request. I was informed that Mr. Kelly would not entertain any discussions related to Mr. Hensley and would only address operational issues.

It was at this meeting that I informed Mr. Kelly that I believed there had been no investigative efforts, subsequent to the May 1998 take-down, directed at developing any of the information acquired in Operation Casablanca. I also informed him that above my objections, I had been directed to Los Angeles to interrogate one of the major Cali-based defendants. I informed Mr. Kelly that, based upon my meeting in Los Angeles during this interrogation, I believed the Omega Task Force lacked leadership and was no longer an effective and productive investigative unit. During my meeting with Mr. Kelly, I also requested an official document which reports the findings of the Internal Affairs investigations related to Mr. Hensley's false and malicious accusations. To this day, I have not received an official response from any Customs Service officer in regard to any of the topics I had discussed with Mr. Kelly.

In closing, I must protest any assertion that I regard myself as a "lone crusader." I am what you see—nothing more, nothing less. However, I do regard myself as a former Federal law enforcement officer who showed up everyday to perform an honest day's work. My only motivation was to honorably serve as my oath and the mission dictated, a culture passed on to me by my parents and aspired to by me since I earned the title, U.S. Marine.

Thank you.

[The prepared statement of Mr. Gately follows:]

**Statement of William F. Gately  
before The House of Representatives Subcommittee on Criminal Justice, Drug  
Policy and Human Resources**

I am here before this committee today in response to your invitation. I have provided your staff with a resume of my federal service which contains an overview of my experience as a United States Marine and as a law enforcement officer. My career began in Washington D.C. as a second generation police officer with the Metropolitan Police Department in 1971. In 1978 I transferred to U.S. Customs as a Special Agent and served 21 years in major field offices in Washington State, California, Florida and Arizona. In August of 1992 I was transferred to the Special Agent in Charge office in Los Angeles and assigned as the Assistant Director of the HIDTA Task Force. In April 1993 I was reassigned as the Assistant Special Agent in Charge of the Financial and Drug Smuggling Investigations Division of the Los Angeles field office. In that capacity I was also assumed the directorship of the Omega Task Force, a dedicated undercover investigative unit of the U.S. Customs Service.

It was as the director of the Omega Task Force that I formulated the operational plan and later led the investigations which comprised Operation Casablanca. I want to state now that at no time during the planning, operational or prosecutorial phase of Operation Casablanca have I sought any forum to obtain publicity for myself or this investigation. Up until the March 16, 1999 story published by the New York Times I have not, although approached many times by journalists and a writer, agreed to an interview. Mr. Golden of the New York Times made several attempts to interview me on or off the record more than nine months ago. It was not until I retired from federal service that I did agree to meet with him. I told Mr. Golden then and I tell this committee today that everything I share with you about Operation Casablanca can be verified by the record and the evidence. In addition there are Special Agents, auditors, contract forensic accountants, Task Force officers of the Customs Service, federal prosecutors, Treasury, Justice and Federal Reserve officials who can, in part, corroborate what I tell you.

In this regard, I will get to the point which I believe brings me here today as a witness. There are no less than 15 audio and video tapes of meetings and conversations, all of which have been transcribed, regarding the offer, as well as subsequent negotiations, by potential targets of the investigation to engage in a transaction, the substance of which was to move \$1.15 billion in illicit proceeds. These tapes contain the communications between four defendant bankers, two mafia members of the Juarez Drug Cartel and the U.S. Customs Service confidential informant who engaged in extensive discussions regarding the movement of this money. Of course, the confidential informant engaged in these discussions at the direction of the U.S. Customs Service. As an example of the evidence contained on these tapes, it is indisputable that the Secretary of Defense for Mexico was identified as one of the owners of the money on several occasions during the course of these meetings and conversations. It is in these tapes that you will find the evidence that would have led any reasonable person to conclude, as I did - - that there was compelling evidence to continue the investigation. Let me relate in more specificity why I believe that these communications constituted credible evidence that deserved further investigation.

Some have stated that the \$1.15 billion offer to launder illicit proceeds was nothing more than bravado by unreliable crooks. However, Operation Casablanca was always about the laundering of drug proceeds by the Colombian and Mexican Cartels through Mexican financial institutions and profiting from such activities. The individuals who presented the offer to launder the \$1.15 billion had already engaged in illicit activity connected to Operation Casablanca by laundering substantial amounts of drug proceeds and profiting substantially from the laundering activities to fuel their insatiable greed. One of the individuals and now a defendant, Victor Alcala-Navarro, had been associated with the operation since November of 1995. He not only delivered the first banker to the operation, but he introduced the confidential informant to members and the leaders of the Juarez Cartel, including Jose Alvarez-Tostado, the heir apparent to the cartel boss position following the reported death of Amado Carrillo-Fuentes. These introductions were not done for the purpose of impressing the confidential informant or

undercover agents, but rather for the purpose of creating and expanding business alliances in an effort to make more money from illicit activity.

One of Alcala-Navarro's associates and also one of the mafia members who engaged in negotiations regarding the \$1.15 billion transaction was Ernesto Martin. Martin was motivated by the same factors as Alcala-Navarro -- the need to make money from the laundering of drug proceeds. He had also delivered a number of bankers to the operation who were ready, willing and able to launder drug proceeds.

It was these individuals who first brought to our attention the idea of laundering \$1.15 billion and who first made any mention of the ownership of the \$1.15 billion. During the time the operation was engaged with Alcala-Navarro, Martin and their boss, Jose Alvarez-Tostado, there was never any indication that information they were providing was false, misleading or exaggerated. It is for these reasons, that I concluded at the time, and still believe that there was evidence sufficient to justify pursuing the transaction related to the \$1.15 billion.

There has been a great deal said in defense of the Mexican government's integrity and their level of cooperation in investigations such as Operation Casablanca. At the same time, I have been criticized for expressing my opinion to the contrary. In my opinion, Mexico and the word corruption are synonymous. In Mexico there is no line which can be drawn to separate the police or the prosecutors from the Mafia--the politicians from the Mafia--the government from the financial institutions--or any combination of these entities. The general population is helpless to change the system. A myriad of stories printed in every major news publication in Latin America can be counted on a daily basis refuting the truth of their alleged efforts. The most prevalent theme of all the stories, during the mid nineties, was Mexico's emergence as the laundering center for billions in drug profits. But the most disturbing element to these stories was the complicity of their financial institutions--institutions regulated by the Salinas and now the Zedillo government.

There was never a time in my 21 years as a Customs Special Agent where I believed that I could trust the safety and security of an investigation or place the lives of our agents in the domain of any member of the Mexican government. Unlike politicians and diplomats my experiences with the Mexican law enforcement officials has occurred in the field where the stakes are measured in life and death. This is not drama it is reality. There has been no event or experience I have had or know to have occurred with my peers which instills in me a sense of trust in their ability to keep a confidence.

Operation Casablanca was no exception. The banks in Mexico are regulated by the government. In that regard our activity should have been ferreted out and exposed by the regulators who supervise these institutions. The paper thin contracts we established with each of these institutions were a sham. Even a cursory examination of the transactions related to our relationship reeked of money laundering. What is even more shocking to me is that above my objections prior to the initiation of this operation I was required to brief Mexican officials at the Deputy Attorney General and the Assistant Secretary level in the Hacienda or the equivalent of our Treasury Department. During these briefings, I offered them the evidence we had which at the time indicated seven Mexican banks actively laundering drug proceeds for Cali Cartel traffickers. I supplied these officials with the same presentation I gave our Ambassador James Jones as well as actual copies of bank drafts issued by the Mexican banks which were directed to our undercover operation as part of the laundering process.

As a criminal investigator with more than 29 years of experience and a success record in my field that is recognized by my peers and my superiors, despite what they may say behind closed doors, it was my recommendation that we continue the operation until we could gain sufficient evidence to develop a case against the conspirators identified in those tapes. I do not believe that until the article in the New York Times was published that any one who remained in charge of Operation Casablanca subsequent to my removal, had reviewed or evaluated these tapes and transcripts for their evidentiary value. In fact, I had transcripts of these conversations prepared at the time the conversations took place for the explicit purpose of informing



the chain of command of the events surrounding the \$1.15 billion transaction and I personally briefed the chain of command on these events as they occurred.

In my opinion, and I believe the facts and circumstances that are available will support such an opinion, this investigation was not pursued because of the numerous problems that developed and persisted during the course of Operation Casablanca. This is not my tale of woe. If I am at the center of these conflicts and accusations it is only because I was performing my job to the best of my abilities. I take full responsibility for all of my actions during the course of Operation Casablanca. I never believed it would be a task without great risks and problems--nothing in government is, especially undercover investigative operations. I will now summarize for you the various problems as I believed them to have occurred:

- 1 During the planning and operational phases of Operation Casablanca, beginning in 1994 through May 18, 1998, I was confronted with a gauntlet of critics, disbelievers and obstructionists. These individuals held positions in Customs, DEA, the FBI, and the Justice Department. The issues raised by them ranged from skepticism about our ability to deal on the levels outlined in the operational plan to issues surrounding the "political and economic impact" of our investigation on Mexico. In their individual and sometimes collaborative efforts to serve an agenda that opposed the operation plan, they sought to block the initiation, limit the scope and obstruct the progress of Operation Casablanca. In this regard, it is noteworthy that some disbelievers and even an obstructionist became supporters of this operation. Regardless, the negative energy produced by the remaining opposing forces was always present and had to be fought back at every stage of the investigation.
- 2 For approximately one year prior to the May 1998 take down of Operation Casablanca, John Hensley, the Special Agent in Charge in Los Angeles continually leveled criminal allegations against me. These accusations involved the alleged loss, misappropriation and theft of millions of dollars in drug proceeds

and government funds related to the ongoing investigation. Although each accusation was thoroughly investigated and found to be baseless, he persisted in reinventing his spurious stories in order to discredit the operation and me.

- 3 Beginning in the fall of 1997, Mr. Hensley leaked information about Operation Casablanca. At a law enforcement conference in Tampa, Florida, Mr. Hensley provided information about the operation to a network news executive. Later in the investigation, Mr. Hensley invited several congressional staff representatives to Los Angeles to be briefed on a major undercover money laundering investigation. Upon their arrival he not only paraded them through the undercover offsite, which housed the Omega Task Force, he took them to the audio and video monitoring station of the undercover storefront, Emerald Empire. At this location they were allowed to view the interior of the offices and warehouse.
- 4 Subsequent to a briefing regarding Operation Casablanca that I presented to Under Secretary of the Treasury, Raymond W. Kelly, in late 1997, Mr. Kelly stated to all present that he would seek out and punish anyone leaking information to the media regarding the operation. A short time later I believe Mr. Hensley, who was present at this meeting, and others he manipulated provided Mr. Kelly with a copy of a book I authored in 1994. According to witnesses present, Mr. Kelly was told that I was not only the leak but that I was dramatizing the facts about the investigation as well as the take down plan in order to "write a book."
- 5 There were two deliberate acts which I believe were intended to shut down our operations in Chicago and New York. I am convinced both occurred at the direction of Mr. Hensley and Mr. John Varrone, the Special Agent in Charge of the New York field office. On both occasions, orders issued by me were disregarded and enforcement actions were taken. The arrests and seizures which occurred contrary to the agreed plan of action endangered the continued

safety and credibility of our undercover agents and confidential informant. In addition, it had a serious debilitating effect on the relationship our undercover agents and informant shared with the Juarez and Cali Cartels' organizational structures in Chicago and New York. It also seriously damaged the relationship we had worked so hard to establish with the Colombian and Mexican Mafia members at the highest level. Despite the severity of these actions we were able to convince our criminal partners that our undercover agents and the informant were not at fault for these events. But the fact remained that the Cartels shut down their operations to search out the mole in their organization.

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Mr. MICA. Thank you, Mr. Gately, and also, Mr. Weitzman, for your testimony.

I would like to start off by asking Mr. Gately a couple of questions.

Mr. Gately, for the first time today, I heard of the existence of 15—I think you said—audio and video tapes. Was that figure correct? That monitored—

Mr. GATELY. That is correct, sir.

Mr. MICA [continuing]. Some of the activity that you observed?

Mr. GATELY. That is correct, sir.

Mr. MICA. And did you also say that you made transcripts of these tapes?

Mr. GATELY. Yes, sir. There were transcripts of the tapes. Initially five, as they came in, were transcribed as we received the tapes. And that information was passed immediately to the chain of command.

Mr. MICA. And where are the audio and video tapes at this point?

Mr. GATELY. They are in evidence in Los Angeles.

Mr. MICA. In evidence.

Would these also be used in this Operation Casablanca case?

Mr. GATELY. The one going to trial on Monday, sir?

Mr. MICA. Yes.

Mr. GATELY. I do not believe they would be.

Mr. MICA. You do not?

Can you think of any reason why the subcommittee wouldn't have access? Is there any ongoing criminal investigation—you have seen the tapes—or anything that would prohibit us from obtaining a copy of the tapes?

Mr. GATELY. I don't see any specific reason because it is my understanding there is, "no case," or no continuing investigation regarding the nature of those tapes.

Mr. MICA. And within these tapes, you believe there is substantial evidence or enough hard material that would link trafficking and corruption to certain individuals who you have said have been, you know, involved at the highest levels?

Mr. GATELY. The information in those tapes is an offer and the communications related to negotiations about laundering \$1.15 billion, sir. It identifies, in two or three of those tapes or more, the owners of the money, not by name, but by position within the Mexican Government, official position within the Mexican Government.

Mr. MICA. And how far up would those individuals be in the Mexican Government?

Mr. GATELY. The highest position identified in those tapes, as an owner of the money, in the Mexican Government, was the Secretary of Defense.

Mr. MICA. Secretary of Defense. Something that disturbs me about your testimony is it seemed that at, not just one juncture, but many junctures, you testified that it was almost an effort to close down these investigations. And do you believe that is because they indicated people at the highest levels of the Mexican Government were involved?

Mr. GATELY. As I stated, sir, it was a combination of a series of problems, where they did not want the investigation to even begin.

But throughout the investigation, the planning and operational stages, politics was always infused into the process. I have no clear understanding why policemen or law enforcement officials seem to think that they need to take on the moniker of diplomats and politicians. If we target drug traffickers and money launders, the fallout should be whatever the fallout is. If, in fact, we are targeting the financial institutions of Mexico—and we were—if the fallout is that there is corruption that stems from that, then that is just part of the ongoing investigation. The corruption is in Mexico, not in the United States. We shouldn't be worried about who the defendant is, or the potential defendant is.

Mr. MICA. But you—it appears that you got the feeling that this did lead to the highest levels of the Mexican Government, and that when you said “politics entered,” was it that this, diplomatically, would be very unsettling? Or this, politically, on an international level, or national level, would be embarrassing?

Mr. GATELY. All that, sir. That somehow—

Mr. MICA. I don't want to put words in your mouth.

Mr. GATELY. Well, you are not. But you said—it is all of what you said and conjecture beyond that. There was a lot of conjecture, statements to the effect, “Well, what is the financial or economic impact on the country of Mexico, or their stability as an economic entity if we do this?” Things that I think law enforcement should not pay much attention to. That is for people in this body to worry about, not for police officials or law enforcement officials to infuse into operation plans and prosecutions.

Mr. MICA. But as a professional, and if you had your say, you would have pursued this no matter where it led? Is that correct?

Mr. GATELY. Yes, sir; given the opportunity, I would have.

Mr. MICA. At some point, there was an indication that this corruption might lead as far as—or the source of some of this money might lead—as far as the Office of the President of Mexico. Is there any evidence on tape of that? Or, comments to that—

Mr. GATELY. There is one statement on tape to that effect. Yes, sir.

Mr. MICA. There is?

I don't have any further questions at this time. If I may, I would like to divide the time that is left—you have been here for the whole testimony. Would you like to ask questions at this point?

Mr. BARR. That will be appropriate. I don't know about our colleague on the minority side, though. I don't want to use up his time.

Mr. MICA. We can split the time. We will give you five, and five—I think we have got a 5-minute warning.

Mr. BARR. OK.

Mr. MICA. If staff will keep us warned.

Mr. BARR. Thank you, Mr. Chairman.

Mr. Gately, you are here today voluntarily, is that correct?

Mr. GATELY. Yes, sir, I am.

Mr. BARR. And were your colleagues and former colleagues delighted with your being here and encouraged you to attend this hearing and testify?

Mr. GATELY. No, sir. I can categorically say that they are not very happy about it.

Mr. BARR. In fact, were you not pressured not to testify?

Mr. GATELY. I received no direct statement to that effect, but I did receive faxes at my home outlining Treasury regulations, giving guidance on testifying before this committee. Even though those Treasury regulations apply to current employees of the Treasury Department, I was provided with a copy of them. Today, I received a copy of the memorandum that categorically states that references that were made in the New York Times are blatantly false.

I don't think they are very happy with me, sir; no.

Mr. BARR. And you take these communications with you as pressure from the Department to have you not testify today?

Mr. GATELY. I think they would—

Mr. BARR. I know I don't want to put words in your mouth.

Mr. GATELY. You are not, sir. I think—my take on it is, they would be very happy if I didn't show up here today.

Mr. BARR. It is my understanding—and I know it is not your purpose here today, to disclose classified information; it is not my purpose, either. But if I were to tell you that recent classified briefings that we have received confirm, beyond any reasonable doubt in my mind, that the corruption that you have been discussing today and that we have heard other witnesses discuss, does indeed extend to the very highest levels of the Mexican Government. And that is borne out by extensive classified information from various Federal agencies. Would that comport with your views as well, based on your career, handling these matters, and the work that you have done on behalf of the U.S. Government?

Mr. GATELY. Yes, sir, it does.

Mr. BARR. It is also my understanding that the work that you have done, specifically, not necessarily limited to, Operation Casablanca, involving the, as you say, "the laundering of drug proceeds by the Colombian and Mexican cartels," that there is independently verifiable information that bears that out. And I state that for the record today, with regard to the Colombian angle, as well as the Mexican. I presume that would not surprise you, either?

Mr. GATELY. Not in the least, sir.

Mr. BARR. The tape that you mentioned, in response to the chairman's question, about whether or not there is any evidence on tape directly linking high-Mexican Government officials to the operation and to the laundering; could you provide us any more details on that here today, since we don't have the tape?

Mr. GATELY. I can tell you that there is direct discussion about the ownership of the money. And it came about, not as a braggart's statement. It was in the conversations during the second or third state of negotiation.

There was one occasion where one of the bankers, based on his communications with his client, whom he later identified as the Secretary of Defense, brought it up because he was describing one of the locations in New York City which contained a half billion dollars in cash. And during the course of that conversation, he described visiting that location, stating that it had—

Mr. BARR. Is that an American bank?

Mr. GATELY. No, it is not a bank, sir. It was a home. It was a private residence that he was describing—saying that he had been there and removed as much as \$10 million from the location.

Mr. BARR. So this——

Mr. GATELY. That is how the conversation came up.

Mr. BARR. The conversation was not just sort of a general conversation about high-government officials being involved? It was very specific, very creditable, very particular?

Mr. GATELY. Like all their conversations with us, there was never any indication that what they told us was misleading, false, or even exaggerated. They were there to do business with us.

Mr. BARR. Is that based, not only on your experience, specifically with regard to Operation Casablanca, but also on the entire 21 years of your very distinguished career, as an U.S. Marine, and as an law enforcement officer for this Government?

Mr. GATELY. It is more like 31 years, but, yes, sir, that is exactly right.

Mr. BARR. Thank you. And I am sorry that time doesn't permit additional questions, but I thank you very much, and Mr. Weitzman very much, for your courage in being here today and for helping out in this effort.

Mr. MICA. We do have additional questions. We have a vote going on now; that will take approximately 15–20 minutes. Why don't we recess until about 10 minutes of. If you gentlemen wouldn't mind, give us time to go over and vote and come back. You might be able to get some refreshments.

We will stand in recess until 10 minutes of the hour.

[Recess.]

Mr. MICA. I would like to call the subcommittee back to order, if I may. And we will continue questioning. I had some additional questions, both to Mr. Weitzman and to Mr. Gately.

Mr. Gately, if I could continue, sir, to ask you a couple of questions. From your testimony, I think you are telling the subcommittee that you don't believe there was a specific coverup by Customs or other personnel in any of these investigations; is that correct? This was not an overt——

Mr. GATELY. No, sir; it was not a coverup. It was exactly what I say in my statement—an accumulation of problems, people who did not want the investigation to begin, people who always, from the beginning, once it started, wanted to know when it was going to end. Many people will tell you today that they knew about Operation Casablanca, or they can attempt to brief you on it. I suggest to you now that is not true. There are just a couple of people who know the full breadth of that investigation or those three investigations which made the operation. One of those people is me. The other is the confidential informant. If you want to put all that information into one person, it is either that person or myself. Anyone who tells you that they know the whole thing, or they were part of the planning of that operation, they are just not being genuine with you.

Mr. MICA. And so we have two principals—you and the primary informant. How did you determine the credibility of the informant and the credibility of the accusations that are made? Because you are not making the accusations on the tape about how high up this money was linked to, it is someone else. How can you say, or how can you believe that that was a credible and knowledgeable source?



Mr. GATELY. The credibility of the informant is not in question, sir. First of all, he is not a criminal who was turned to work for the Government. He volunteered his services at our request or bidding. We put him in the position of meeting with and developing these investigations because he knew the individuals or some of the individuals involved in the Cali operation because of his legitimate business connections. Based on that and his ability to communicate with any sort of individuals and to follow directions better than any individual I have ever encountered, who had to act in the capacity that he did, he did a marvelous job. He was scripted when he met these people. He was briefed and debriefed, over and over again. No meeting took place without the informant meeting with myself and other agents involved in the investigation to determine what should be brought out in the next meeting with whatever banker was there. None of this was ad hoc or ad libbed. It was all prepared questioning that didn't appear to be that when he made the meetings.

There were several times that we intended to draw out more information about the ownership of the money or the ability to make this transaction come about in the short period of time we had before the closeout date had been—

Mr. MICA. You keep saying "we." Was there someone else?

Mr. GATELY. Other than myself?

Mr. MICA. Yes.

Mr. GATELY. The agents that were conducting the operation, sir.

Mr. MICA. So they can verify—

Mr. GATELY. As I say in my statement, it all can be verified.

Mr. MICA. So we have other agents who can verify—would they also be visible in the tapes?

Mr. GATELY. They are.

Mr. MICA. They are. And are they identified in the transcripts?

Mr. GATELY. Yes, sir, they are.

Mr. MICA. OK. And you said there was other evidence. What type of other evidence, other than individuals? You have referred to money, too, in large quantities. Of course, the \$1.15 billion total and half a billion in cash in a—

Mr. GATELY. Do you want me to sum up what the \$1.15 billion represents, sir? I can do that for you.

Mr. MICA. If you could. And then, what I would like to try to find out, too, is what other evidence exists or that we could look to that might substantiate the allegations that have been made, or verify some of the claims that have been made.

Mr. GATELY. If I could get to the first part, the \$1.15 billion represented \$500 million in New York; \$500 million—

Mr. MICA. You said, "kept in cash in a house."

Mr. GATELY. That is correct, according—

Mr. MICA. Was that—

Mr. GATELY [continuing]. According to the banker that gave us the information, that is correct.

Another \$500 million in cash kept somewhere in the Netherlands, then \$150 million in cash in Mexico City.

That is how it was described to us, and that is how we came up with \$1.15 billion.

Mr. MICA. Did you ever get to verify the existence of any of those funds?

Mr. GATELY. Absolutely not, sir.

Mr. MICA. You didn't? You were never able to take it to that level?

Mr. GATELY. No, sir.

Mr. MICA. But the individuals who were involved—now I don't want to get into revealing anything at Casablanca that may be under prosecution or coming up for trial—but are we talking about the same kinds or same sources of money?

Mr. GATELY. Yes, sir.

Mr. MICA. We are?

Mr. GATELY. Yes, we are.

Mr. MICA. Is there any other hard evidence, other than the statements of these individuals, the tapes that would show others involved with you when you—again, you said, "we"—the statements of money? What other information or—

Mr. GATELY. I can only address the credibility of the information we received. And based on our past experiences, and during the duration of the investigation, the entire operation, these people had not misled us; they had not lied to us; and they had not exaggerated anything to us. So, all we could do was go forward with an investigation in an undercover capacity until the end of the operation, the end of the covert phase of the operation.

What is very unfortunate is that there was no action taken subsequent to the closeout of the undercover operation. No one did anything else to determine whether or not what was said in that meeting could now be investigated in an overt way.

Mr. MICA. You made specific requests to take it to the next step?

Mr. GATELY. I did.

Mr. MICA. To whom?

Mr. GATELY. I made those requests as—

Mr. MICA. How high did you—

Mr. GATELY. In my new role, TDY in headquarters, I brought it to the attention of the Director of the Financial Investigations Division, who brought it to—

Mr. MICA. Who was that?

Mr. GATELY. Allen Duty.

Mr. MICA. I am sorry. Allen—

Mr. GATELY. Duty.

Mr. MICA. Duty.

Mr. GATELY. I brought it to the attention of the Assistant Commissioner for Investigations.

Mr. MICA. And who was that?

Mr. GATELY. Bonnie Tischler.

And I brought it—

Mr. MICA. Was this oral or written?

Mr. GATELY. Oral, sir.

Mr. MICA. OK. And who else?

Mr. GATELY. And to the Director of Operations, Connie Finchel.

Mr. MICA. And no response or no pursuit from any party?

Mr. GATELY. There was no pursuit by Los Angeles, or the Los Angeles office, which had the sole responsibility to pursue it.

Mr. MICA. When did—

Mr. GATELY. I think, if I could——

Mr. MICA. Go ahead.

Mr. GATELY [continuing]. Just expand on that, just for a second. I think you have to understand the environment and the nature of the relationship between myself and Mr. Hensley during about 14 months of this investigation. I was constantly under scrutiny that I had not experienced at any time in my career. I was being audited, sometimes on a daily basis. I was being accused of losing enormous amounts of money, or misappropriating it, or even stealing it. This does not foster a good relationship between myself and the person I have to brief on the progress of an investigation every day. And nothing was going to happen, based on what I said, sir, whether I was in charge or TDY and completely disassociated from the investigation.

Mr. MICA. Mr. Hensley seems to indicate he thought you were under investigation for some unaccounted funds before he came on the job.

Mr. GATELY. Mr. Hensley is probably the most disingenuous person I have known in my entire life. If he says anything, I hold it suspect, sir. I have never known a liar quite like him.

Mr. MICA. Well, I think that is at who is telling the truth——

Mr. GATELY. That has always been the question.

Mr. MICA. And under oath here, before the subcommittee, you have not misappropriated any funds in your charge.

Mr. GATELY. I have not, nor have I stolen any funds in my charge.

Mr. MICA. When did you retire?

Mr. GATELY. December 31, sir.

Mr. MICA. Did you follow Operation Casablanca during the period in which the Mexican Government threatened to go after our agents?

Mr. GATELY. Absolutely, sir.

Mr. MICA. Was that—in your estimation, was that an example of full cooperation?

Mr. GATELY. I think it is a clear——

Mr. MICA. Cooperating fully?

Mr. GATELY [continuing]. A clear and convincing example of how they don't cooperate. I think it is also a very showing indication of how much we hurt their operations by exposing their banks as money launders.

Mr. MICA. When this operation was first reported, I think the reports actually came out that the operation was conducted with the knowledge of Mexican officials. And I think we had a briefing by Customs that told us that Mexican officials had been briefed in advance, the ones they felt they could trust about the operation. Do you know if that was the case?

Mr. GATELY. I conducted the briefing myself, sir.

Mr. MICA. To the Mexican officials?

Mr. GATELY. To Ambassador Jones, and to the then-Deputy Attorney General of Mexico, and the Assistant Secretary of Hacienda for Enforcement.

Mr. MICA. And you conducted that prior to——

Mr. GATELY. Initiating any aspect of the operation.

Mr. MICA. So the Mexicans were fully appraised at a high enough level? What was the identity, a Deputy Attorney General?

Mr. GATELY. That is a very good question. I don't have his name here with me, but it is well-documented——

Mr. MICA. OK.

Mr. GATELY [continuing]. That it occurred.

Mr. MICA. Well, that was my understanding, too. Then, the Mexicans suddenly took a turn and came after us and threatened to arrest or indict our agents; is that correct?

Mr. GATELY. That is my understanding. And I also understand that that has persisted off and on up until a few weeks ago.

Mr. MICA. Until just prior to the question of decertification, it remained in limbo, as I understand it.

Mr. GATELY. Yes, sir. That is how I understand it.

Mr. MICA. What turned on the spigot to come after us, with our agents—including you—having briefed the Mexicans on what we were doing? Was it the knowledge of how far this had reached in the banking circles? Or do you think it was concern about how high up it might go if all of these sources of money were revealed?

Mr. GATELY. I think, referring to the financial institutions in Mexico in their entirety as corrupt and money launders was enough to rankle all of the Mexican officials related to, not only the regulation of those banks, but any lobby that the banks had with their Congress. And that would also, I think, apply to any lobby they had within the executive branch because, as I understand it, the Minister of Foreign Affairs, as well as the President, spoke out—the President of Mexico spoke out against Operation Casablanca.

Mr. MICA. As an infringement upon their sovereignty? Was that the excuse or——

Mr. GATELY. That is the excuse I heard, sir.

Mr. MICA. There have been reports that vast amounts of money from drug profits are filtered through the executive branch of the Mexican Government, through the military, and through the police. Is that your understanding, and at what levels? Again, is this sort of spotty, or how would you describe, again, the executive branch penetration of illegal profits?

Mr. GATELY. I can speak to my knowledge of the past administration, that it obviously permeated every level, including the Office of the President.

Mr. MICA. The military—same thing?

Mr. GATELY. That is correct.

Mr. MICA. And, of course, the police I guess is a given.

Is there any other evidence this subcommittee could seek that would verify what you are saying and document how high the penetration of corrupt money is filtering? Any suggestions you can have as to what rock we might—we have a problem, because we have learned things behind closed doors, we are not free to talk about.

Mr. GATELY. As——

Mr. MICA. But if you can give us suggestions as to what rock we can uncover, publicly, we may be able to go a little bit further with——

Mr. GATELY. I couldn't talk about—like yourself, sir—I couldn't talk about it, publicly. I could tell you where to look, but I couldn't tell you publicly, nor do I think that the Customs Service would allow me to tell you in any capacity.

Mr. MICA. We may call you back in a private session.

We have already had a closed-door session with the CIA, the DEA, intelligence, and others, and we may have to go further in that regard, then.

I would like to yield to Mr. Cummings at this time.

Mr. CUMMINGS. Mr. Gately, thank you very much for being here. I think that it does take quite a bit of courage for you to be here. You have said a lot, and I do believe you to be an honorable man. And I believe very strongly in our Customs Agents. It is a very reputable organization, and I think that anybody sitting in this audience would have to be concerned—and I think if someone made the kind of statements—and I have no reason to disbelieve you—that you made about you, and you did not have opportunity to defend yourself, I think you would be very upset. Would you—you would be concerned.

Mr. GATELY. Well, sir, this is my first opportunity to tell anyone—

Mr. CUMMINGS. OK.

Mr. GATELY [continuing]. That cares to listen, what happened.

Mr. CUMMINGS. Well, I have listened intently, and I guess I just want to make sure that—we don't have Mr. Hensley here. We don't have the head of Customs here.

Mr. GATELY. Yes.

Mr. CUMMINGS. And that is not your fault.

Mr. GATELY. No, sir.

Mr. CUMMINGS. And so—but we do have some letters.

Mr. GATELY. Yes, I understand.

Mr. CUMMINGS. And, you know, we have got—I don't know who this is—television cameras, and you have got people writing, and we are getting one side of the story—we have a letter from Mr. Hensley, dated March 22, 1999, which I have asked to be—suggest to Mr. Mica be submitted to be part of the record.

Mr. MICA. Without objection, so ordered.

[The information referred to follows:]

March 22, 1999

The Honorable John L. Mica  
Member of Congress  
106 Cannon House Office Building  
Washington, D.C. 20515-0907

Dear Congressman Mica:

I am aware that you are holding hearings on Mexico and related issues, including narcotics trafficking and annual certification. I am also aware that Mr. William Gately is slated to be a witness in those hearings based in large part on his statements made in the New York Times (Page 1, 3/16/99) about *Operation Casablanca*. As the case is coming to trial at the end of this month, I cannot comment on many of the issues as they are covered by Grand Jury Secrecy Rules. I can, however, comment on some issues raised by Mr. Gately in the article which are not supported by fact or are misleading on their face.

Mr. Gately alleges that the name of Mexico's Defense Minister, Mr. Cervantes, came up in conversations with other Mexican defendants in relation to the movement of monies in the 1 billion to 1.5 billion dollar range. This is not factual. Mr. Cervantes' name was never referred to but rather a Mexican general, later described as the defense minister. Both defendants acknowledged that they had never met the defense minister. Numerous attempts by the undercover agents to push for a meeting with this alleged general/minister were unsuccessful. The two defendants later stated that the general's daughter would meet with the undercover agents, but several attempts to get those meetings on track also never materialized. As stated in the article, Defense Minister Cervantes has no daughter. Additionally, there was never an actual statement that the money belonged to President Zedillo as alleged by Mr. Gately. In actuality, the two defendants speculated that the amount of money was so big that "maybe it belongs to the President or his cabinet". The name of President Zedillo was only referred to in a hypothetical manner.

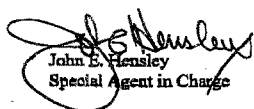
Contrary to Mr. Gately's assertions that *Operation Casablanca* was shut down early, the Operation was actually extended from its original close down date of mid January 1998 to mid May 1998 in part to try and explore the billion dollar issue previously discussed. Although the decision to bring the case to conclusion was not mine to make, I completely agreed with the decision for the reasons outlined by Commissioner Raymond Kelly. Operational security and the safety of the undercover operatives must be carefully weighed against any possible gains in the case. Additionally, I am not aware of any political considerations to close the case.

Mr. Gately also alleges that I accused him of stealing millions of dollars and traveling without authorization. I never accused Mr. Gately of stealing money. Following the take down of the case, allegations were brought to my attention by Customs special agents that Mr. Gately asked them to "unseize" millions of dollars in foreign bank accounts belonging to the informants, an issue that seemed highly unusual and not reported previously in any report or to Mr. Gately's supervisor. This information was reported as required to Customs Office of Internal Affairs for whatever action was deemed necessary. The issue of unauthorized travel by Mr. Gately was not raised by me, but rather was a finding in an Internal Affairs audit report of *Operation Omega* for the time period of 1993-1995. I was not the Special Agent in Charge, Los Angeles, during the time period referred to in that audit report.

Mr. Gately makes reference to my getting a Presidential level SES award, however he fails to mention that I was nominated for the award in July 1997, nearly a year before the take down of *Casablanca*. The award was for sustained managerial excellence with only one reference to *Casablanca* but not by name. Numerous other managerial successes were outlined in the award nomination spanning several years of my career. At the same time, Mr. Gately fails to mention that he got cash awards in September 1997 and again in December 1998 for *Casablanca*, the latter being \$10,000. Additionally, Mr. Gately received 80 hours of vacation time, valued at over \$5,000, in August 1998 for his work on the case.

Finally, Mr. Gately alleges that I leaked specific information about *Casablanca* to a group of congressional staff members who were in Los Angeles in early 1998. I did not. Those staff members, who were seeing several enforcement agencies on the West Coast, only received a general Customs enforcement and money laundering briefing, with no reference to the Operation. In fact, I went to great lengths to order everyone involved in the briefing not to mention *Casablanca* in any way. This admonishment included all supervisors in the office, including Mr. Gately, who was originally supposed to give the money laundering part of the briefing. This briefing to the staff members was fully reported both before and after, to Customs Headquarters in Washington, D.C. The fact that no disclosures, inquiries or press statements came from Congress about the case prior to the takedown of *Casablanca* affirms my statements.

Mr. Gately has stated to numerous people that he is writing a book and a screenplay on *Operation Casablanca*. I find it sad that Mr. Gately has to malign so many good people with misstatements and factual errors to enhance his own marketability and detract from what is a great operation and investigation of international money laundering. I hope that this sets the record straight.

  
John E. Hensley  
Special Agent in Charge

Mr. CUMMINGS. Thank you.

I would just like to just, first of all, start with the last paragraph of his letter and work backward. It says Mr. Gately—and this letter is dated, I think I already said, March 22, 1999. “Mr. Gately has stated to numerous people that he is writing a book and a screenplay on Operation Casablanca. I find it sad that Mr. Gately has to malign so many people with misstatements and factual errors to enhance his own marketability and detract from what is a great operation and investigation of international money laundering. I hope that this sets the record straight.”

With that, let me just ask you a few questions.

Mr. GATELY. Yes, sir.

Mr. CUMMINGS. You said that you put your concerns to several people who were above you. Is that correct?

Mr. GATELY. Throughout the entire operation; yes, sir.

Mr. CUMMINGS. All right. But you named a few, a few moments ago; did you not?

Mr. GATELY. Yes, I did.

Mr. CUMMINGS. And would you give us those names again?

Mr. GATELY. The Director of Financial Investigations, who is now the Special Agent in Charge in Boston, Allen Duty; the Director of Operations, Connie Finchel; and the Assistant Commissioner for Investigations, Bonnie Tischler.

Mr. CUMMINGS. I take it that there came a time when they decided to end this operation. Is that correct?

Mr. GATELY. There were two scheduled—or more than two scheduled take downs of this operation; that is correct, sir.

Mr. CUMMINGS. All right. And you objected to both of those?

Mr. GATELY. I was not alone in my objection. I will add to that.

Mr. CUMMINGS. All right. But you did object to both?

Mr. GATELY. Yes, I did.

Mr. CUMMINGS. I am just trying to get a balance here. I mean you made some strong allegations, and I just want to make sure I understand both sides of the story.

Mr. GATELY. I am here and open—

Mr. CUMMINGS. Because you are saying one thing and Mr. Hensley is saying another thing, and consistent with Mr. Hensley, is Raymond Kelly, the Commissioner of Customs. And I go back to what I said from the beginning.

Mr. GATELY. Yes.

Mr. CUMMINGS. These people are sworn to enforce the law, too. And they, of course, are out there beating the bushes trying to make sure that we rid our country of drugs and doing, I hope, what they are supposed to do. And so I am just trying to get some balance here.

Mr. GATELY. Sir, are you suggesting I wasn't?

Mr. CUMMINGS. Oh, no, no.

Mr. GATELY. Oh, OK.

Mr. CUMMINGS. As a matter of fact, what I am saying to you is you have given your side, but what we also have to look at, is the fact that we have got these two gentlemen who are, for all we know, honorable people, just as we assume you are an honorable man. And we don't have them here.



And right now, we got the press writing things, and they are getting one side of it, and we have got letters that say just the opposite to what you are saying.

Mr. GATELY. Of course.

Mr. CUMMINGS. All right. Now, I am just wondering, when you said there were two scheduled times when the operation was supposed to end. Is that right?

Mr. GATELY. That is correct, sir.

Mr. CUMMINGS. Did a meeting take place? Let's say the first time, did a meeting take place with regard to the ending of it?

Mr. GATELY. Several times.

Mr. CUMMINGS. All right.

Mr. GATELY. Several meetings in regard to the end of it.

Mr. CUMMINGS. And who would normally be in those meetings?

Mr. GATELY. Local and Los Angeles—the senior officials, Mr. Hensley, his associate, Zack, or Deputy Steve Woody, myself. Sometimes the group supervisor within the operation; occasionally, the case agent; sometimes one or more of the prosecutors who were part of the operation.

Mr. CUMMINGS. And would these meetings go on a consensus, or was it basically one person's decision no matter what anybody said, or was it a vote, or what?

Mr. GATELY. There was no voting, sir. It was typically a consensus of opinion, whether we could end it, or we needed more time to develop the case, or the prosecutors needed more time to develop the documents, or the information they had to develop the documents so that they could file those documents with the court, so when the case ended, we could do things necessary to the take-down, such as make arrests or search warrants, seizure warrants, et cetera.

Mr. CUMMINGS. So, when you had the meetings around the first scheduled ending—

Mr. GATELY. Yes, sir.

Mr. CUMMINGS [continuing]. You were in disagreement that it should end. You didn't feel that it should end; is that right?

Mr. GATELY. I—yes; I thought we should go on.

Mr. CUMMINGS. And did you go on?

Mr. GATELY. We did, but not for that reason.

Mr. CUMMINGS. Well, why did you go on?

Mr. GATELY. Because the prosecution said they weren't ready, so we went on because they weren't ready.

Mr. CUMMINGS. OK. Was there any difference of opinion coming from Hensley at that time?

Mr. GATELY. Absolutely.

Mr. CUMMINGS. I am sorry?

Mr. GATELY. Yes, sir, there was.

Mr. CUMMINGS. And what was that?

Mr. GATELY. He wanted to have a 30-day period of darkness.

Mr. CUMMINGS. And what does that mean?

Mr. GATELY. I bet you want to know what that means.

Mr. CUMMINGS. Suspended, suspend?

Mr. GATELY. Suspend all operations for 30 days to allow the prosecution to catch up.

Mr. CUMMINGS. OK. But what happened?

Mr. GATELY. We continued on, sir, because to suspend operations for even a few days would damage our creditability with our partner criminals. That would be the fallout from not communicating with them or conducting business with them.

Mr. CUMMINGS. So you proceeded on?

Mr. GATELY. Yes, sir.

Mr. CUMMINGS. Were there others, other than Mr. Hensley, that had a difference of opinion about you?

Mr. GATELY. With me?

Mr. CUMMINGS. With you; yes.

Mr. GATELY. Steve Woody and his associate, Zack. One of the three prosecutors, Dwayne Lyons, disagreed with me. Yes, sir.

Mr. CUMMINGS. So one of the prosecutors disagreed with you?

Mr. GATELY. Two agreed, but one disagreed.

Mr. CUMMINGS. All right. Now, why don't we move to the second. So the process continued, the operation continued.

Mr. GATELY. That is correct.

Mr. CUMMINGS. Now let's move on to the second——

Mr. GATELY. Take-down date.

Mr. CUMMINGS. Yes.

Mr. GATELY. OK.

Mr. CUMMINGS. Was there another meeting, or meetings?

Mr. GATELY. There was meetings.

Mr. CUMMINGS. Same people?

Mr. GATELY. Same people; same situation. Exactly the same situation. Now infuse the new information about the \$1.15 billion.

Mr. CUMMINGS. All right. Now you know, Mr. Gately, Commissioner Kelly stated in his letter——

Mr. GATELY. Yes.

Mr. CUMMINGS [continuing]. Which I understand is a part of the record, is that "while assertions of money laundering by high-ranking Mexican Government officials surfaced, at no time was there any evidence developed that could substantiate these allegations."

I take it you disagree with that?

Mr. GATELY. No, I agree with it wholeheartedly.

Mr. CUMMINGS. Now let me ask you this, going back to Mr. Hensley's letter, he said some very interesting things, too. And I just have a few more questions, Mr. Chairman.

On the second page, it says, "Mr. Gately, also alleges that I accused him of stealing millions in dollars and traveling without authorization. I never accused Mr. Gately of stealing money. Following the takedown of the case, allegations were brought to my attention by Customs Special Agents that Mr. Gately asked them to, quote 'unseize,' end of quote, millions of dollars in foreign bank accounts belonging to the informants, an issue that seemed highly unusual and not reported previously in any report or to Mr. Gately's supervisors. This information was reported, as required, to Customs Office of Internal Affairs, for whatever action was deemed necessary."

Mr. GATELY. My comments, sir?

Mr. CUMMINGS. Yes.

Mr. GATELY. Prevarication.

Mr. CUMMINGS. All right.

Mr. GATELY. A twisting of the truth, something that Mr. Hensley is so accomplished at. He should take up a cottage industry in that. This man can twist anything. If you care to hear the truth, I will explain exactly what I did.

Mr. CUMMINGS. All right.

Mr. GATELY. I am under oath; Mr. Hensley is not.

Mr. CUMMINGS. Well he is not in here, so——

Mr. GATELY. Well, I suggest that the next time he provides you with any information, place him under oath; see if he doesn't dance.

Mr. CUMMINGS. All right. I hope we will get a chance to do that.

Mr. GATELY. Well, that is very unfortunate.

Mr. CUMMINGS. I am just asking you some questions. I am just trying to see what the whole story this.

Mr. GATELY. Well, I am about to tell you.

Mr. CUMMINGS. As they say, I just want to hear the rest of the story. He goes on to say, "Mr. Gately makes reference to my getting a Presidential level, SES award. However, he fails to mention that I was nominated for the award in July 1997, nearly a year before the takedown of Casablanca. The award was for sustained managerial excellence, with only one reference to Casablanca, but not by name. Numerous other managerial successes were outlined in the award nomination spanning several years of my career."

Mr. GATELY. What is the question, sir?

Mr. CUMMINGS. Do you think he lied his way through his career?

Mr. GATELY. Absolutely. Absolutely.

Mr. CUMMINGS. I'm sorry?

Mr. GATELY. Absolutely, without question. If you want me to bring witnesses to that effect, I can arrange it.

Mr. CUMMINGS. I am just reading his letter. [Laughter.]

Just one other thing, on page 1, he says, "Mr. Gately alleges that the name of Mexico's Defense Minister, Mr. Cervantes, came up in conversations with other Mexican defendants in relation to the movement of moneys in the \$1 billion to \$1½ billion range. This is not factual. Mr. Cervantes' name was never referred to, but rather a Mexican general later described as the Defense Minister. Both defendants acknowledged that they had never met the Defense Minister. Numerous attempts by the undercover agents to push for a meeting with this alleged General Minister were unsuccessful."

That is a lie, too.

Mr. GATELY. A lot of it is a big, fat lie; that is right. That is absolutely correct, sir.

Mr. CUMMINGS. OK. OK. You just said something.

Mr. GATELY. Do you want me to pick it apart for you? I will.

Mr. CUMMINGS. No, no. You said a lot of it is a big, fat lie. Can you tell me which part isn't?

Mr. GATELY. The fact that he says that I said that Mr. Cervantes' name was mentioned is a big, fat lie.

Mr. CUMMINGS. All right.

Mr. GATELY. I never said that. There is no reference to that anywhere.

Mr. CUMMINGS. He said one thing that I didn't ask you about. Are you going to write a book?

Mr. GATELY. Which part is that?

Mr. CUMMINGS. Are you going to write a book?

Mr. GATELY. Am I going to write a book, sir?

Mr. CUMMINGS. Yes.

Mr. GATELY. I have no contract to write a book. I have made no attempt to get an agent, to find a publisher, or do anything of that sort. But if I do write a book, sir, it would be the absolute unabridged truth.

Mr. CUMMINGS. I just have one more question. You allege that Customs Service prematurely shut down this operation to protect the General; is that right?

Mr. GATELY. I did not.

Mr. CUMMINGS. You didn't?

Mr. GATELY. I did not.

Mr. CUMMINGS. Why do you think they prematurely shut it down?

Mr. GATELY. I give you five specific reasons in my statement why they prematurely shut it down.

Mr. CUMMINGS. You don't think it had anything to do with the General?

Mr. GATELY. It didn't necessarily have to do with the General. It did have to do with what I believed to be the infusion of politics into the process of investigating criminals who were laundering money. That is what I said, and that is what I have always said.

Mr. CUMMINGS. Do you allege that the General was a part of that?

Mr. GATELY. I don't know, sir. I couldn't investigate it. I was not allowed to. It was over. I was removed from my position, so I couldn't take it on as a project, a post-covert operation.

Mr. CUMMINGS. When Commissioner Kelly says that he was worried that his personnel's lives might be compromised, and that is one of the main reasons why the operation was shut down; did he ever say that to you?

Mr. GATELY. He did not.

Mr. CUMMINGS. Do you believe that?

Mr. GATELY. Do I believe—

Mr. CUMMINGS [continuing]. That his concern that—

Mr. GATELY. Yes, I believe that he is always concerned for his agents, as was I, because I was their supervisor. I was the one seen with them. I was there with them everyday. If I thought for 1 minute, 1 second, even a fragment of a second, that there was danger to them, I would not allow them to proceed. Any undue danger, I would never have allowed them to proceed at any phase of this undercover operation.

Mr. CUMMINGS. So let me make sure I understand this. If he said that he was concerned, and you said you believe him when—you believe he has a history of being concerned about his people.

Mr. GATELY. Yes, I do.

Mr. CUMMINGS. And if he says that this is one of the main reasons why he shut down the operation, you have no reason to disbelieve that; do you?

Mr. GATELY. Absolutely not.

Mr. CUMMINGS. All right.

Thank you.

Mr. GATELY. Thank you, sir.

Mr. MICA. Mr. Barr, from Georgia.

Mr. BARR. Thank you, Mr. Chairman.

Mr. Gately.

Mr. GATELY. Yes, sir.

Mr. BARR. We have talked a lot about Mr. Cervantes. What is his relationship with the Government and, in particular, the President of Mexico?

Mr. GATELY. He is a member of Mr. Zedillo's cabinet, he is the Defense Minister, or the Secretary of Defense.

Mr. BARR. Would that presume that he is somewhat close to the President?

Mr. GATELY. I would presume that, yes—

Mr. BARR. OK.

Mr. BARR [continuing]. As in all cases in governments that have a structure of that nature.

Mr. BARR. And as I understand your testimony today, you are not testifying that you have firsthand knowledge that he has been involved in this money laundering, simply that there are indications of that, and that there are indications, very clear indications, through your investigation and through the evidence that you all turned up as a result of that investigation, that there is involvement at the highest-levels of the Mexican Government in the money laundering. Is that sort of a fair characterization of your testimony?

Mr. GATELY. Yes, sir, it is.

Mr. BARR. And is it also your testimony today that, in your professional judgment, this operation was prematurely shut down?

Mr. GATELY. In my professional judgment, yes, sir.

Mr. BARR. And at least in part because of what appear to be political reasons not directly related to the operation, itself?

Mr. GATELY. Reasons that I say were infused into the operation before it became operational, and talked about throughout the operation.

Mr. BARR. Thank you very much.

Mr. GATELY. Thank you, sir.

Mr. MICA. Mr. Weitzman, you have a little bit different perspective. You—

Mr. WEITZMAN. I was enjoying listening to the other half. [Laughter.]

It is far easier.

Mr. MICA. Well, I think you served on the Mexican border some years ago, and are now an agent in Orlando?

Mr. WEITZMAN. I work in narcotics in Orlando; yes, sir.

Mr. MICA. Yes. And could you tell the panel what you see as far as trafficking at your level and the source of the drugs?

Mr. WEITZMAN. The best picture I could draw for you is the one I went through, the one depicted on "60 Minutes," where I stopped a propane gas truck that we later found out to be holding 4.3 tons of cocaine. And my supervisor that day—and I don't need to mention names—called me in behind closed doors and handed me the referral slip and asked me to sign it to the streets of the country, and I refused. And following that incident, life hasn't been real pleasant, let's put it that way.

Mr. MICA. So, because you have come forward, you feel you have been—I don't know if I want to say "harassed," but maybe that is the only term. Do you feel some sense of harassment?

Mr. WEITZMAN. I think when you get phone calls at your home making comments like calling you a "f"-ing kike and take your "f"-ing kike baby with you, or when you have supervisors come out to the field to confront your spouse and tell your spouse how they masturbate the narcotics dog, in an attempt to get you to take a swing at one of them or try to undermine your creditability, yes, I would pretty much call that harassment.

I think when one of your supervisors admits to upper management that he is going to be hassling information out of a grand jury witness, that pretty much covers it.

Mr. MICA. Well, I was going to ask you—

Mr. WEITZMAN. And to go further—

Mr. MICA [continuing]. For examples—[laughter]—but I don't have to. [Laughter.]

You had a very brief opening statement—[laughter]—and a brief questioning period.

Well, I think we would like to pursue some of the matters that have been discussed here today. We are going to do that in two ways.

First of all, Mr. Gilman and I have introduced a resolution, and others will be joining us which will extend the period for review of decertification for another 30 days. In that time, we hope to see how far this particular trail leads us concerning the problem of corruption in Mexico and the question of "full cooperation."

We will be taking some additional steps tomorrow to ensure this matter is raised to an even higher level, based on, not only the testimony that we had from witnesses today, but information that Mr. Barr has referred to that we have received in closed briefings.

He may also, with the cooperation of friends on the other side of the aisle, seek to find some additional information, either voluntarily or with subpoenas to see, again, how far this trail leads.

But I appreciate both of our witnesses coming forward today and providing our subcommittee with testimony.

There being no further business, Mr. Barr.

Mr. BARR. Can I just ask one followup question?

Mr. MICA. Yes.

Mr. BARR. Mr. Weitzman, is the treatment that you have received basically for refusing to sign a piece of paper allowing a huge amount of cocaine voluntarily into this country? Is that the only such incident that you are aware of?

Mr. WEITZMAN. Listening to my colleague to my left is like reliving a horror story because I went through what he went through a few years earlier with the sniping, the comments that are made to you, just like I told all of you earlier. It brings up so many sore and really angry feelings inside me because it took me 9 years to get to this point where I had an opportunity to come before all of you and tell you that these things really do happen, that people really do get hurt out there, that people like Mr. Gately and myself do suffer reprisals, because you are just doing your job.

The job is to interdict narcotics, and it just so happened that a load of narcotics that I interdicted could be directly linked to 21

tons found in a warehouse in Sylmar, and that is not a game anymore. Now it is the real deal. And that 21 tons is part of a 250-ton shipment that crossed the border in the late-1980's, all of which are tied to the same cartel that my friend is telling you about now.

Mr. BARR. The Mexican cartel?

Mr. WEITZMAN. The Juarez cartel.

Mr. BARR. Thank you very much.

Mr. WEITZMAN. My pleasure, sir.

Mr. BARR. I very much appreciate your courage and Mr. Gately's courage in being here today.

Mr. WEITZMAN. Let's hope I have a job when I get home.

Mr. MICA. Thank you, Mr. Barr.

Mr. BARR. Let us know if you don't.

Mr. MICA. Mr. Cummings.

Mr. CUMMINGS. Yes, I hope you have a job when you get home, too. I really do.

Mr. WEITZMAN. Thank you.

Mr. CUMMINGS. I think all of us have a common goal and that is to make sure that drugs don't enter our country and to do everything in our power to get them out, and make sure those who are responsible for trying to bring them in, or are bringing them in, are dealt with properly.

Both of you have raised some very strong allegations, and it concerns me. I mean the examples that you just gave, Mr. Weitzman, about your wife, talking about—

Mr. WEITZMAN. Well, actually, what—just so you understand—while we were being transferred from Nogales, AZ, over to Miami, FL, we had received a call at our home. And I picked up the call, and it said, "You better move, you f-ing kike and take your f-ing kike baby with you." I reported it to Internal Affairs, and it is the typical Customs mentality of, "How do you know it came from within Customs?"

Well, you know, it is simple—and maybe it isn't fair to say that—but how did anybody know I was moving and being transferred? And how did somebody get my unlisted number? Why were people—why was the supervisor going out discussing blatant acts of bestiality to my wife? I mean, this is just unimaginable that these things go on.

Why was my report regarding the tanker, the truth of what I have just told you now and a lot of what we discussed—the counsels and I have discussed in private—why was it deleted, with everything my supervisor did taken out of it and rewritten and submitted as fact?

This is the story; this is what has gone on, and it has gone on too long, and it is time for it to come to an end.

Mr. CUMMINGS. What is your biggest fear? I mean right now you just said a moment ago, you hope you still have a job, but I mean—

Mr. WEITZMAN. Honestly?

Mr. CUMMINGS. Yes, sir.

Mr. WEITZMAN. I feel far more comfortable now that we have a guy like Ray Kelly in there because he does seem to genuinely care about his people, but I worry more about my colleagues on the op-

erations on Customs that I am hearing these days with their retaliatory strikes, their ability to listen to Internal Affairs tapes that are so damning. Much of which I discussed on the tapes that I have just told all of you now, where I get letters back saying that, in no uncertain terms, I am full of crap. And I am not full of crap; it is not a game. It is real life, and it happened, and this is what they do to people. They don't just—it starts out with the small little shots at your integrity, and then it's like a seek and destroy mission to completely undermine ones credibility, and I am not going to have it done.

Mr. CUMMINGS. Well, I don't find myself agreeing with Mr. Barr too often—[laughter]—friendly disagreements, that is. But I agree with him on the point that, you know, if you have those kind of problems, you need to let us know, because we are very concerned about that. And the fact that if you can come and provide testimony, you under oath, and if there is some type of retaliatory actions as a result of you coming here, that flies in the face of everything we stand for—everything.

Mr. WEITZMAN. If I could interject for 1 second. Mr. Mica and I had a discussion the other night, and they were concerned about me—they wanted me to go behind a screen, and I explained to him, I never ran from anybody in my whole life, and I am not about to hide behind a screen and tell some story that could be, "Oh, he went behind a screen to do it."

No, the time is now to get the whole truth out. And there are a lot of things that we cannot sit here in this forum and discuss, because it is my belief that they are so deeply national security sensitive, that the—for choice of a better set of words—the storm it would cause wouldn't be pleasant. But I have talked about it with counsel on both sides. They know what I am talking about, and it is true, and it happened, and the documentation is there to prove it.

And I will cut the same deal with all of you that I did with my supervisor that day in San Diego. If I am lying, I will put my badge on the desk and I will never come back again. You have my word on that.

Mr. CUMMINGS. Thank you.

Mr. MICA. Mr. Barr.

Mr. BARR. Thank you, Mr. Chairman.

Mr. Gately, we talked at some length, going back to the substance of what we were talking about earlier, with regard to the involvement of the Mexican Government and the Colombian cartel. But one thing we didn't touch on, and I don't want to go into a lot of detail here, but was there any evidence in Casablanca of any involvement of United States banks in the Mexican drug money case?

Mr. GATELY. As knowledgeable that they were moving drug money, sir?

Mr. BARR. I am sorry?

Mr. GATELY. Every United States—

Mr. MICA. Knowledgeably moving drugs.

Mr. BARR. Yes.

Mr. GATELY. Is your question, were they knowledgeable?

Mr. BARR. Well, I didn't use that term, but—



Mr. GATELY. U.S. banks were involved in every transaction. There was no evidence obtained during the investigation which could then induce to determine that they were knowledgeable that they were dealing with drug money.

Mr. BARR. OK.

Mr. GATELY. But with every transaction, U.S. banks were involved.

Mr. BARR. Yes, I mean the wire transfers and so forth, but—

Mr. GATELY. Every instrument issued in the case of the Mexican bank drafts were eventually paid at the account of the Mexican bank at the United States bank.

Mr. BARR. Right. Thank you.

Mr. GATELY. Yes, sir. Thank you.

Mr. MICA. There being no further business to come before this subcommittee, this meeting is adjourned. And I thank our witnesses again.

[Whereupon, at 4:40 p.m., the subcommittee was adjourned.]

