



# U.S. Immigration and Customs Enforcement

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STATEMENT

OF

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REGARDING A HEARING ON

**“BREAKING THE METHAMPHETAMINE SUPPLY CHAIN:  
MEETING CHALLENGES AT THE BORDER”**

BEFORE THE

SENATE COMMITTEE ON FINANCE

September 18, 2007  
215 Dirksen Senate Office Building  
Washington, D.C.

## **INTRODUCTION**

Chairman Baucus, Ranking Member Grassley, and distinguished Members of the Committee: On behalf of Assistant Secretary Myers I would like to thank you for the opportunity to testify about U.S. Immigration and Customs Enforcement (ICE) efforts and the challenges and successes we are having in breaking the methamphetamine supply chain at our borders.

As you know, ICE is the Department of Homeland Security's (DHS) largest investigative agency with critical responsibilities both along our borders and within the interior. I am pleased to provide you today with ICE's assessment of the threats to the American people related to the smuggling of methamphetamine and the precursor chemicals used in its production. Our insight on these topics is enhanced by our relationship and affiliation with U.S. Customs and Border Protection (CBP), our primary DHS partner and lead DHS agency for interdiction at the border.

## **ICE RESPONSE TO METHAMPHETAMINE AND PRECURSOR SMUGGLING**

To combat the smuggling of methamphetamine and precursor chemicals, ICE takes a layered approach that focuses on the criminal organizations that smuggle these drugs into the United States. ICE not only targets the organizations that smuggle precursor chemicals to or through the United States, but also works with our law enforcement partners in Mexico to attack the organizations producing methamphetamine for distribution.

As I will discuss later in my testimony, we are now seeing a shift in the production of methamphetamine to Mexico, which we believe is in part due to the success of controlling the sale and distribution of methamphetamine precursor chemicals in the United States – through tools like

the Combat Methamphetamine Epidemic Act of 2005. I will also provide information on an ICE investigation that identified how some criminal organizations have changed methods to obtain precursor chemicals.

First, however, I would like to give you a sense of the scope of this problem from the DHS perspective. During fiscal year (FY) 2004, ICE and CBP seized 4,920 pounds of methamphetamine nationwide. This was followed with seizures of 6,377 pounds in FY 2005, and 6,114 in FY 2006. As you can see, methamphetamine seizures increased significantly from FY 2004 to FY 2005 and methamphetamine trafficking continues to pose a serious threat to our nation.

The Southwest region of the United States has become the primary conduit for the transportation of methamphetamine produced in Mexico and distributed throughout the United States. The primary method for smuggling methamphetamine into the United States is through the use of concealed compartments in passenger vehicles, with the vast majority of seizures occurring at ports of entry (POE) in San Diego, California, and Nogales, Arizona. During FY 2006, 2,131 pounds of methamphetamine were seized at the San Diego area ports of entry, while 688 pounds were seized at the Nogales port of entry. In recognition of this threat, ICE efforts have been focused to combat methamphetamine smuggling in these two areas.

In San Diego, California, DHS established its fourth Border Enforcement Security Task Force (BEST) in 2006. As with all of our BEST Task Forces, ICE brings together representatives from federal, foreign, state and local law enforcement agencies to focus on the issues most important to their region. In San Diego's case, this issue is methamphetamine smuggling. In addition, I would also like to point out that San Diego Special Agent in Charge Miguel Unzueta represents ICE on the

national steering committee for the High Intensity Drug Trafficking Area (HIDTA) National Methamphetamine and Chemicals Initiative (NMCI). The National Methamphetamine Chemical Initiative targets the production and illegal distribution of methamphetamine precursors by sharing information among law enforcement agencies and providing training to investigators and prosecutors.

Investigations in Arizona reveal that methamphetamine and its precursor chemicals are smuggled through Southern Arizona ports of entry and subsequently transported to Phoenix. Once there, it is stockpiled in stash houses, then distributed throughout the United States. ICE agents identify the smuggling organizations and target their transportation and distribution networks. However, due to increased efforts, organizations are turning to alternative methods to smuggle precursor chemicals across our borders.

One operation in particular that demonstrates these alternative methods is Operation Red Dragon, which targeted a criminal organization operating a website in the United Kingdom that offered red phosphorous, iodine crystals and other precursor chemicals used in the manufacture of methamphetamine. This investigation included agents and officers from ICE, the U.S. Postal Inspection Service, the Drug Enforcement Administration (DEA), the Maricopa County (Arizona) HIDTA Task Force, the Phoenix Police Department, Metropolitan Police in London, the Cleveland Police in Middlesbrough, England, the Central Scotland Police and the Serious Organized Crime Agency (SOCA). Operation Red Dragon identified a criminal organization utilizing their website, KNO3.com, to sell precursor chemicals to individuals all over the world. Customers accessed this website directly or were linked to it through a popular website, which details the process for making methamphetamine.

Once a purchaser accessed the *KNO3.com* website, they simply added the chemicals to their shopping cart and paid for the items and shipping with a credit card. The precursor chemicals were then shipped through the mail to the United States. Brian HOWES and Kerry Ann SHANKS, the co-owners of *KNO3.com*, would purposely mislabel the packages as “Iodine for Medical Works” or “Red Metal for Iron Works” in order to avoid detection. With the assistance of agents based out of the ICE Cyber Crimes Center, our agents coordinated six undercover purchases of red phosphorous and iodine crystals from the *KNO3.com* website.

Even though the business was located in England, the server and hosting company were located in the United States. Thus, search warrants were executed on the server and hosting company, and ICE computer forensic agents were able to retrieve information resulting in the identification of thousands of transactions for the purchase of precursor chemicals. ICE agents and Maricopa County (Arizona) Clandestine Lab Task Force officers conducted extensive analysis of the information and disseminated leads to HIDTA Clandestine Lab task forces throughout the United States. Agents also shared information with officials in the United Kingdom, Germany and Australia.

In analyzing these transactions, we identified correspondence between the purchasers and the website operator that often provided valuable evidence. These communications revealed the purchaser’s knowledge that these transactions were illegal and that the chemicals being purchased were intended to be used to produce methamphetamine. Examples of these exchanges include:

- “I see you have all the goodies...but can you provide me with a decent recipe? I’m sure you know what I mean...hehe Thanks.”

- “Word of advise [sic] though. If my government clamps down on your exports your business is doomed. I’d remove your Red Phosphorus.com links. Us Americans know you’re there.”
- “By the way, I’d be very careful with selling red phosphorous to America. It’s VERY illegal to do without a license.”

Ultimately, through undercover operations, hard work and through the gathering of extensive intelligence, 122 methamphetamine laboratories were dismantled throughout the United States. Furthermore, another 14 methamphetamine laboratories were dismantled in Germany, United Kingdom and Australia.

On January 30, 2007, the Central Scotland Police and SOCA arrested the two heads of the criminal organization, Brian HOWES and Kerry Ann SHANKS, based on international arrest and extradition. Additionally, officers executed search warrants of their residence and businesses leading to the seizure of 47 different chemicals, including 1,075 kilograms of red phosphorus and 478 kilograms of iodine crystals. Both of these chemicals are often used to manufacture methamphetamine. Brian HOWES and Kerry Ann SHANKS are currently awaiting extradition to the U.S. for prosecution.<sup>1</sup>

In the United States, Operation Red Dragon led to the arrest of over 90 individuals. This successful investigation exemplified how effective the CMEA has been because smaller methamphetamine labs are now turning to the Internet to import precursor chemicals to produce methamphetamine.

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<sup>1</sup> Charges brought against a person through an indictment are accusations only. That person is presumed innocent until proven guilty.

However, with efforts such as Operation Red Dragon, ICE, in conjunction with law enforcement partners from around the world, has shown that even criminal organizations exploiting the Internet are not safe from prosecution.

### INTERNATIONAL COOPERATIVE EFFORTS

Operation Red Dragon is not our only international effort. ICE has undertaken several bilateral and multilateral initiatives with our foreign counterparts to combat the smuggling of methamphetamine and precursor chemicals, as well as to track and seize the proceeds that are derived from this illicit trade.

To target the illicit gains of those organizations that illegally import and distribute drugs and other unlawful items, ICE in conjunction with CBP and officials in Mexico, Ecuador, Panama, and Colombia, implemented a joint strategic Bulk Cash Smuggling initiative, Operation Firewall. This operation targets illicit cash that has been successfully smuggled from the United States into Mexico and is often destined for Colombia and other Central or South American countries. ICE, in partnership with CBP, provides hands-on training, passenger analysis techniques and concealment methodologies that have proven effective in the U.S. Since inception, Operation Firewall has resulted in the seizure of over \$96 million in U.S. currency and negotiable instruments and the arrest of 248 suspects.

Sometimes our Firewall operations pay additional dividends. Recently, as part of Operation Firewall, our ICE Attaché Mexico City office assisted Mexican customs in the seizure of

approximately 884 kilograms of pseudoephedrine at the Cancun Cargo Airport. In addition, in February 2007, another Firewall operation resulted in the seizure of 3.4 tons of pseudoephedrine at the Benito Juarez International Airport. In both incidents, the pseudoephedrine was shipped from Germany to Mexico inside containers. In an effort to hide the true nature of the shipment from Mexican customs officials, the containers were mislabeled as containing another chemical.

In addition to smuggling cash in bulk, criminal organizations also use trade-based money laundering systems to exploit vulnerabilities in the U.S. and foreign financial and trade systems in order to launder their illicit proceeds. Trade-Based Money Laundering is the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to mask or legitimize their illicit origins. To address the threat of trade-based money laundering schemes, ICE has established Trade Transparency Units in Argentina, Brazil, Paraguay and Colombia. ICE is also currently working to establish a Trade Transparency Unit in Mexico. These investigative units facilitate the exchange of intelligence and trade information and use that information to identify and dismantle trade-based money laundering organizations.

Lastly, on August 13, 2007, ICE Assistant Secretary Myers and CBP Commissioner Basham signed a bilateral strategic plan with Mexico's Administration General of Customs that will further enhance cooperation between our two countries. The agreement calls for the creation of four separate bilateral working groups that will increase the cooperation between DHS agencies and our Mexican customs counterparts. The Customs Enforcement Working Group that ICE will co-chair with Mexican customs will strengthen bilateral law enforcement cooperation in contraband smuggling, smuggling of prohibited goods, fraud and other related crimes. In this working group, ICE and Mexican customs will establish a bilateral enforcement task force and a trade-fraud subgroup that



will contribute greatly to the fight against methamphetamine and precursor chemical smuggling as well as other associated cross-border criminal activity.

### **CONCLUSION**

In closing, I believe that the agents and officers of ICE and CBP are aggressively attacking the smuggling of methamphetamine, precursor chemicals and the illicit proceeds derived from these criminal activities. We are working cooperatively with our domestic and foreign law enforcement counterparts to pursue smugglers and traffickers, regardless of which side of the border they are operating. I would like to take this opportunity to thank the Committee for your support of ICE, CBP, DHS and our law enforcement mission. I would be happy to take any questions that you might have.