

The Effect of the NAFTA in Crime

by

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## **ABSTRACT**

This study is focused on crime as it relates to the economic trade policy, the North American Free Trade Agreement (NAFTA). The NAFTA was enacted in 1994 to stimulate trade in North America between Canada, Mexico, and the United States. The NAFTA aimed to lower tariffs and boost economic development, which would create jobs and opportunities for improved education, standards of living, and opportunities for social improvement within the region. This study examines NAFTA and crime rates to determine whether this enactment served as a trigger for crime. Crime statistics relevant to issues of NAFTA that occur along the southern United States and northern Mexico border area include drug, financial, immigration, smuggling, and violent crimes. This broad field was narrowed, and specific crimes examined in this study include financial and drug crimes with a focus on white-collar crime, specifically money laundering.

Strain theory (Merton, 1938; 1957) was used to explain crime that has resulted from NAFTA. Strain theory suggests that as societal strain increases, crime also increases. Robert Merton argued that societal strain affects individuals and behaviors within a culture by differential access to social structures or the means to achieve cultural expectations and goals. Sociological factors are highlighted using this theory for social and geographical settings as detailed by the NAFTA trade routes commonly used by drug cartels as well as legitimate businesses. Data were gathered from the Federal Bureau of Investigation's (FBI) Uniform Crime Report (UCR), Department of Justice (DOJ) Crime Statistics, and Department of Homeland Security (DHS) Drug Seizure Statistics. These agencies provided secondary quantitative data to explain the financial crime trends and determine whether the NAFTA triggered increased crime along the U.S. and Mexican

borders, which has yielded illegal profits in the billions of dollars and rising levels of violence.

The foreseen limitation of this study is the use of secondary data from the FBI UCR. The data are limited by the amount of specific information entered into this dataset. However, additional data obtained from secondary sources, together with the FBI UCR, suggest a cause and effect relationship between the NAFTA and crime. The FBI dataset is a measure of the percent distribution of crime controlled by population where one unit of measure represents 100,000 per population in the United States. The goal of this study was to shed light on crime as it relates to the NAFTA and social strain, provide a discussion to affect policy considerations and improvements, and aid in the law enforcement and regulation necessary to control these crimes.

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## LIST OF ABBREVIATIONS

|                 |                                                                                                    |
|-----------------|----------------------------------------------------------------------------------------------------|
| AFI.....        | Agencia Federal Investigaciones (Mexican Federal Investigative Agency)                             |
| AICPA.....      | American Institute of Certified Public Accounts                                                    |
| ANOVA .....     | Analysis of Variance                                                                               |
| AOUSC.....      | Administration Office of the United States Courts                                                  |
| DHHS MHSA ..... | Department of Health and Human Services, Substance Abuse and Mental Health Services Administration |
| DHS.....        | Department of Homeland Security                                                                    |
| DOJ .....       | Department of Justice                                                                              |
| FBI .....       | Federal Bureau of Investigation                                                                    |
| GDP.....        | Gross Domestic Product                                                                             |
| ICE .....       | Immigration and Customs Enforcement                                                                |
| IMF .....       | International Monetary Fund                                                                        |
| INTERPOL.....   | International Police                                                                               |
| IRS .....       | Internal Revenue Service                                                                           |
| NAFTA .....     | North American Free Trade Agreement                                                                |
| PGR.....        | Procuraduria General de la Republica (Mexican Federal Department of Justice)                       |
| SES.....        | Socio Economic Status                                                                              |
| UCR .....       | Uniformed Crime Report                                                                             |
| US .....        | United States                                                                                      |
| USC.....        | United States Code                                                                                 |

## **CHAPTER 1**

### **INTRODUCTION**

Social and economic globalizations are relatively new phenomena that have shaped policy in the United States and Mexico in recent years. Policy innovators and economic resource developers have collaborated to meet shared economic goals. Additionally, private corporations and political systems have placed economic goals at the forefront to develop their nations (Boyum & Reuter, 2005). This rapid exchange has left the legal systems and law enforcement in the precarious position of needing to catch up.

American and Mexican legal reforms and policies are adjusted to address rapid economic growth and expansion. Transparency in the law and law enforcement has become an important key to improving each country's system. However, Mexico has not embraced the same philosophy of transparency, and problems exist within the court system, law enforcement, and society. For the positive effects of globalization (e.g., stronger world economy, faster exchange of business ideas), North American countries continue to build on each other's strengths.

The North American Free Trade Agreement (NAFTA) was designed to encourage trade and economic growth (Boyum & Reuter, 2005). However, in the less educated sectors of these countries (e.g., the Mexican-U.S. border area) economic strain has affected violence and drug trade issues stemming from the NAFTA. To understand this phenomenon better, this study examines the effect that NAFTA has had on crime both in pre and post NAFTA eras.

## **Economic Globalization**

Economic globalization is defined as the production of goods and services, either bought or sold in global markets that are in open competition with other world producers. The globalization of products and services in the marketplace has significantly increased in the realm of international competition. Some issues that corporations and countries must face within the global marketplace include human issues, technological, and physical and natural resources as they affect foreign markets, which may be exploited both positively and negatively.

The market trends that result in globalization begin at the basic level of manufacturing goods and labor. Retail and service industries are also impacted and gain momentum by conducting business in the international market. Various industries from banks to retail business, to travel and hotel services, to research all played an important role in shaping the business model while keeping the importance of the global perspective in mind (Govil & Rashmi, 2013).

Dating back to the 1980s, with the negotiation and implementation of the NAFTA, an economic shift occurred in Mexico and the United States. Policy shifted from a local to a global and bilateral agreement that benefited the expanded regional business marketplace. This new economic strategy to conducting business affected the U.S.-Mexico border region by creating a shift to the core beliefs and perceptions of industry within these countries to encompass a sense of regionalism. For NAFTA to be successful in the region, Mexico and the United States must work in cohesion in the production and movement of goods and services.

A major factor of the NAFTA that has benefited both countries is the equalization of the disparity gap between rich and poor states. This equalization occurred as states on both sides of the border shifted from being agricultural-producing states to manufacturing states. The NAFTA also allowed the southernmost Mexican states and southern United States the ability to explore their economic bases by continuing in agriculture while increasing new forms of production. The production of new goods, new methods in agriculture, and services related to the importation and exportation of these goods has fueled the economic growth in various markets, both legal and illegal (Morales, 1999).

### **North American Free Trade Agreement Defined**

The NAFTA is an economic agreement that introduced innovative economic policy and has had a remarkable fiscal effect on North America. President George H. W. Bush of the United States, President Carlos Salinas de Gortari of Mexico, and Prime Minister of Canada Brian Mulroney signed the initial agreement to allow for economic integration and lower or free tariffs on textile, apparel, and automotive import and exports. The policy aimed to create a free trade area between Canada, Mexico, and the United States (Hufbauer & Schott, 2005).

Data show that during the first decade of the NAFTA, the economies of the three countries grew modestly; the average Gross Domestic Product (GDP) growth from 1994-2003 was 3.6 for Canada, 3.3 for the United States, and 2.7 for Mexico; despite a sharp recession in 1995, growth was sustained (DeLong, 2006). The second decade showed trade and national economies more than doubled. These economic numbers suggest that the NAFTA program was a success.

Further, the NAFTA has been credited with the rapid development of Latin America export countries and a dramatic increase in export volumes. For example, 100 million Mexicans have authentic incomes that allow them real purchasing power in the global marketplace (DeLong, 2006). This economic advancement has expanded the integration into the world economy.

However, not all outcomes of the NAFTA have been positive as the economic gap and family income between Mexico and the United States has broadened. Because mean and median incomes have increased, a majority of Mexicans are no more productive today than they were over 15 years ago prior to NAFTA. In the 15 years since NAFTA, Mexico's population grew at a rate of 2.2% per year. With a slow GDP growth rate of 3.6% per year, both countries have exhibited a low rate only 15% above pre-NAFTA rates. This stagnancy suggests that exporters and company owners are benefiting from the economic boom, while workers and members of society who are at the lower ends of the economic ladder are not realizing any benefit (DeLong, 2006).

Comparisons between private security and public service also reveal significant discrepancies. For example, salaries of public service officials (police officers) show an adverse downward direction, compared to private security officers hired by private companies who earn more, suggests the lack of importance placed on retention is likely among law enforcement agencies in Mexico. President Vicente Fox (elected in December 2000), his successor, President Felipe Calderon, and the current Mexican leader, President Enrique Nieto, have all instituted police and military reforms. These reforms, coupled with anti-corruption initiatives, seemed to improve law enforcement in Mexico, which, to date, had been lacking. Police leaders, academy instructors, and senior

officers were also sought out to retrain and teach ethics and make improvements on the mission of law enforcement of Mexico and the United States. Integrity and character became pillars to the morally problematic issues that had plagued Mexico prior to 2000 (Asch, Burger, & Fu, 2011).

### **Issues with NAFTA**

Households in Mexico and the United States are concerned with crime and the accumulation of violent crime and crime groups. In Mexico, issues of corruption are perceived as high. Although trust in the military is higher than that of most other occupations and perceived levels of corruption in the military are low, perceptions of bribery among public servants remains high. In the United States, families are concerned with social problems such as the federal government's policies toward drug smuggling, illegal immigration, and the increase of violent crime. Secondary social issues important to society, though not as widely publicized, include crimes of a financial nature (e.g., money laundering, bribery, counterfeiting, and fraud). Although these crimes are not viewed and covered in the media as much as are others, they are more costly and financially detrimental to internal systems (Asch et al., 2011).

### **Financial Crime**

Financial crime has its roots in ordinary business. Changes in the mode of economic international business and the world economy have affected opportunities for and the control of criminal acts (Giroux, 2008). Financial instruments and monies in a well-developed financial market (e.g., the stock market, finance, and banking), NAFTA-based manufacturing and transportation companies, are all fertile grounds for high-dollar crime. An example of the type of fraud that can be manipulated in this manner is the

Enron scandal of 2001. Profits were front-loaded and financial gains affected market prices when in actuality stock values were lower than reported. In this case, cash from operations changed hands illegally. Billions of dollars were camouflaged as loans and top executives were benefitting from stock prices while employees and stockholders took losses.

### **Drugs**

The manipulation of drugs and the production in source countries in South America and Mexico have also increased significantly since the 1990s (Giroux, 2008). The advent of additional drugs and drug production has resulted in increases in illicit profits. Profits from the drug trade have risen from the millions to billions of dollars. This increase in profits has come from use of sources and improved farming techniques that yield bigger crops. Following the NAFTA, drug cartels created new markets and new ways to move product and profits. Fraud and laundering techniques used within financial institutions have also continued to expand to affect the illegal retail and black markets in new ways (Boyum & Reuter, 2005).

### **Internet and Technology**

In the age of high-tech digital technology, national and transnational crimes have changed significantly. Many crimes are committed using old fashion techniques with new technical twists. Technology and the NAFTA may increase opportunities for these criminal groups to capitalize on new markets and outreach the geographical regions in which they are based (Berdal & Serrano, 2002). This increase is possible because the NAFTA allowed channels to open that would have been closed and impossible to use in the past.



Encrypted and anonymously purchased technological equipment such as cellular phones and computers increased communications between illicit groups and cartels on both sides of the border to engage in illegal activities related to the smuggling of drugs, monies, goods, people, and other crimes not limited to smuggling (Berdal & Serano, 2002). Such criminal strategies have made these groups and activities difficult to track and trace. In the realm of fraud, new technological advances with systems such as Amazon, Craigslist, Ebay, internet banking, and PayPal are used to confuse potential targets such as businesses, banks, and common citizens in fraud operations. Additionally, the use of technical equipment has increased border crime using new and creative means (Berdal & Serano, 2002).

In the area of counterfeit checks, credit cards, securities, and currency, fraud is conducted by social engineering. For example, skimming credit card information and electronically transferring this information to conduct fraud is growing in popularity. Technological advances have also allowed for the encoding of fraudulent information onto counterfeit checks and credit cards. Further, the internet offers a method of ordering through legal avenues, using stolen data and accounts that are manipulated through criminal markets (Berdal & Serano, 2002).

### **Negative Consequences of NAFTA**

In the early 1990s throughout the United States and Mexico, economic evidence in income inequality can be found to explain the strain globalization caused on and the increase in crime found in these countries. The primary negative effect of globalization in this arena has been a loss of identity (qualities unique to the United States and Mexico relate to personal, national, and cultural norms) among the working class, which has

resulted in impoverished communities that have become overly dependent on local markets. Mexicans living below the poverty line have particularly been affected in that they must work out of desperation in an economy that grew by only 1.6% from 1992-2007 (Mercille, 2011).

While the NAFTA was supposed to foster job growth, this initiative failed to do so. In Mexico, average workers' wages dropped from approximately \$4.50 to \$3.70 per day. In addition, 2.3 million agriculture jobs were lost because of agricultural subsidies enacted by the NAFTA policy. Some farmers and impoverished citizens had no choice but to turn to cheap labor and work in manufacturing businesses or the drug trade. These negative effects led to the rise of an informal economy that offered little choice for the lower segments of society to participate in drug trafficking to supplement their income. Because of these desperate conditions, Mexico's unemployed make up a large number of forced labor (described as the labor used in the drug trade) with little employment alternatives which has increased substantially since 2000 (Mercille, 2011).

Globalization and economic reforms have served to improve foreign policy and foreign relations; however, the justice systems in North American countries have been slow to reform. Adding to this problem is a lack of funding and training available to these agencies that is necessary to keep pace with business and high tech crimes, making it increasingly difficult to bring to justice those who exploit the poor and less fortunate for their own financial gain.

In response, federal investigative agencies in Mexico and the United States elicited the cooperation of international programs such as Interpol (International Police) to share information, training, and techniques to improve the quality of investigations

and, ultimately, reduce crime on society. Idea sharing and cross training are vital parts to evolve economic markets and address financial crime (Mercille, 2011).

### **Positive Consequences of NAFTA**

Positive consequences of globalization and the NAFTA include, but are not limited to, empowerment of the consumer by providing more competition among businesses, competitive marketplace, decentralization of businesses, and the creation of multiple assets where resources and expertise can be found and used. The decentralization that has occurred in many marketplaces across several countries is viewed as an important key factor that has made globalization desirable, especially to the Mexican and American economic markets (Govil & Rashmi, 2013).

Economic globalization, in a negative fashion, has resulted in the weakening of local economies and the disappearance of manual labor and low skill jobs, which has increased crime because of the economic strain placed on citizens. Programs at the federal level, monies for education, high-tech training, and economic developments at the macro social level have encouraged change in the direction of positive globalization. Overall, economic shifts and rapid development have encouraged broader economic growth. However, this growth has also encouraged new crime and higher technological crimes, which places legal systems and police agencies at a disadvantage. Changes in legal systems and philosophies remain slow with social and cultural ideologies as barriers to those changes. This study contributes to the development of these systems by providing evidence of the relationship between social issues and crime as it relates to the NAFTA (Boyum & Reuter, 2005).

### **Statement of the Issue**

The NAFTA is an economic policy introduced in 1994 to improve trade between Canada, Mexico, and the United States. Trade routes were established and tariffs were lowered or removed on products to enhance trade within the region. This economic policy has had positive and negative effects on the three countries involved. From the 1990s to the present, border issues between Mexico and the United States have experienced many changes. An examination of the 10 years before and after NAFTA reveals that crime increased along the southern border because of the NAFTA agreement between Mexico and the United States (Mercille, 2011). Little research has been conducted in the domain of comparative or scientific analysis that could influence public policy and affect social change to improve the quality of life within these regions (Mercille, 2011).

**9/11.** Since the September 11, 2001 terror attacks on the United States, the world has focused on terror and immigration. In response, North American countries have placed priority on securing and defending their borders from terror suspects who might enter illegally. Thus, the priority placed on securing entry points and other border issues are viewed differently than they were prior to 2001. Economic funding and policy shifted policing and securing the borders from NAFTA crime to illegal immigration and terrorism (Boyum & Reuter, 2005). The strain inflicted on society from this priority shift allowed for an increase in crime that arose because of the strain experienced by the border region (Akers & Sellers, 2009).

The intent of the study is to analyze crime data and crime trends (e.g., the advent of new crimes). Additionally, criminal and economic data were reviewed to understand

how certain economic crimes affect society and how the investigative response is applied to these incidents. Crimes investigated includes drug crimes, money laundering, money smuggling, computer and electronic fraud, and investigative responses include policy, law enforcement, and the court systems that aim to deal with this growing and complex issue effectively.

Concerning investigative responses, it is important to understand the various policing entities in the United States and Mexico. Local state and federal agencies are dedicated to investigating crimes that are defined in their respective arenas. White-collar crimes are divided into several state and federal agencies such as the State Police, the Department of Justice (DOJ), the Department of Homeland Security (DHS), and the Internal Revenue Service (IRS). Within these departments are agencies such as the FBI, U.S. Secret Service, and the IRS Criminal Investigative Division. In Mexico, the Procureria General de la Republica (PGR) and Agencia Federal Investigaciones (AFI; a.k.a. Mexican FBI) are the leading agencies charged with investigating and policing in each respective legal system. Both the United States and Mexico have employed a national immigration and customs enforcement agency that oversees issues of migration and the importation of goods (Akers & Sellers, 2009).

The crime data collected focused on those crimes listed in the FBI's Uniform Crime Report (UCR), the DOJ Crime Statistics, the U.S. Courts database, the Department of Health and Human Services (DHHS), and the U.S. Office of Drug Control Policy. Examples of the UCR include financial crimes, money laundering, fraud, and white-collar crimes originated and derived from the NAFTA trade routes. Crime was measured by studying the UCR and evaluating statistical data to determine whether there was a rise

or decline in the crimes reviewed. The DOJ data showed the number of court cases, prosecutions, and incarcerations that were a direct result of these crimes in NAFTA-affected regions. It is the intention of this researcher that the results of this thesis lead to policy and societal change to improve the social and economic situations that are currently at risk because of the increase of crime in this region.

The focus of this study and primary purpose is to identify the causes of drug smuggling and financial crimes committed due to the social strain and lifestyle issues affected by NAFTA. An additional purpose is to determine whether U.S. policy toward Mexico is shaped by political and economic imperatives rather than by concerns for drug control. It appears that the economic environment is dictated by the enactment of the NAFTA policy as well as drug control policies that have spurred both legitimate and illegitimate business. This study also seeks to determine the role that financial crime related to laundering, fraud, and smuggling plays in the strain and lifestyle issues related to crime.

### **Purpose of the Study**

The purpose of this study is to review the effect of the NAFTA policy on national crime rates. This research used a non-experimental, pre-posttest methodology to examine retrospective time series data. The intervention was the 1994 NAFTA policy enactment. The years reviewed include the 4-year range 1991-1994 for pretest data, and the 5-year range 1995-1999 for posttest data.

Boyum and Reuter (2005) argued that the war on drugs has cost a significant amount of money with little result. Critics have also debated that the benefits in relation to the costs have had little or no effect on the problem. It has also been suggested that the

war on drugs has been a failure. To understand the tumultuous nature of drug crime, the NAFTA, financial crimes, and their intertwined relationships, one must understand the original crime dynamic that has evolved from the drug and financial market in light of methods to move illicit profits. The researcher anticipated that this study would lead to more aggressive law enforcement theories and policies to improve the quality of life and social structure in the affected region. The researcher also anticipated that this study would provide information and suggestions for policy change that may influence methods to reduce crime in the future positively. Potential policy changes are a necessary focus of study because data collected in such research may support the theory and ultimately improve negative issues that had stemmed from crimes in Mexico and the United States (Hufbauer & Schott, 2005). The emphasis of this study was to determine whether these crimes, drugs, and finances, increased following the enactment of the NAFTA or whether others cause explain changes in crime along the U.S.-Mexico border. This researcher hopes that future empirical studies are conducted and attention is brought to those victims affected by the increase in violence and crime since the NAFTA.

### **Research Question**

This study aimed to answer the following research question:

1. Did the NAFTA affect national crime rates in the United States?

## CHAPTER 2

### LITERATURE REVIEW

#### **NAFTA and Economic Decline**

The financial meltdown experienced by the United States in recent years has been escalating since the post NAFTA era, which began in the late 1990s. The free market model, which was considered the paradigm for markets undergoing reform, failed the nation states at their most basic levels. Pressure by government and financial institutions created an atmosphere that allowed states to lose their identities in favor of big government and business controls (Cameron & Aggarwal, 1996).

Failed policies and the downward spiral of regional economies led to the devaluation of the Mexican Peso, which made Mexico vulnerable to demands from foreign investors and foreign financial development where Mexico was not on equal footing, rather was at an economic disadvantage. Mexican workers had more to lose than those in the United States. These losses were highlighted with the threat of confidence from foreign investors and banks to invest monies and trade with Mexico for fear that they would lose even more money than what was lost in the economic crash in the mid-1900s. The negative effects left a ripple that was felt worldwide.

In 1984, the International Monetary Fund (IMF) stepped in to aid Mexico in its vulnerabilities regarding an economic crisis. However, the IMF did not address its long-term vulnerabilities. Investors and Mexican citizens lost confidence in the IMF because Mexico never fully recovered from its ability to be on equal footing with foreign powers. The devaluation did more than just cast doubt on the Mexican economy; it also caused a panic among its citizens that, in spite of massive intervention by United States and other



international organizations, which did little to stimulate positive expectations among the populous in Mexico (Cameron & Aggarwal, 1996).

In 2005, U.S. President George W. Bush, Mexican President Vicente Fox, and Canadian Prime Minister Paul Martin met at President Bush's ranch in Waco, TX to discuss the next step for NAFTA. The meeting agenda focused on the regional interpretation of NAFTA and economic policy. Heavy emphasis was placed on security, and defense-based initiatives aimed to protect the economic and social prosperity of the NAFTA partnerships. This goal was to be achieved by increasing security and economic prosperity through greater cooperation between the three countries. Additionally, security initiatives included protection from drug cartels and terrorism at all costs. Critics of these policies argued that the focus was to protect the national economies of Canada, Mexico, and the United States, not necessarily on protecting citizens from associated crimes (Carlsen, 2008).

As the focus shifted from social to economic policy, economic displacement increased, and social controls decreased. The rise in existing crime and the advent of new and more violent crime took hold. Questions about the war on drugs and crime emerged concerning the status of the war on drugs, whether cartels and crime syndicates were gaining strength and momentum, and whether authorities were doing enough to protect citizens from the violence and atrocities propagated by the drug gangs and cartels (Carlsen, 2008).

### **Crime Trends: Drugs and Money**

Nearly half a million Mexican citizens make a living from the drug trade. Mexico is an important transit and producer of drugs and illegal activity, the bulk of which is

related to and negotiated with counterparts reciprocating in the United States (Carlsen, 2008). Approximately 95% of U.S. cocaine consumption makes its way through Mexico from source countries in South America where it is cultivated and manufactured. Estimates of profits from the drug trade are valued between \$11 and \$39 billion annually. These monies account for 1% to 3% of the overall GDP in Mexico (Carlsen, 2008).

In 2008, Mexico surpassed Burma for second place in the production of opium (Afghanistan is the top producer). Many issues can be cited for the jump in the drug trade, the U.S. has been battling the drug trade with its infamous war on drugs since the 1980s. Demands for drugs from Mexico and South American have tripled and the production has followed suit. Similarly, the demand for drugs in Europe has doubled over the past decade. A correlation can be made between government responses and increases in funding, manpower, and policies aimed to curb these crimes and reduce the profitability of illicit trade. Despite efforts to reduce the prevalence of drugs and associated consequence, the following questions remain (Carlsen, 2008).

### **Questions about NAFTA and Crime**

The following two questions can be posed concerning the relationship between the NAFTA and changes in crime:

- What are the causes of violence in Mexico's drug trafficking culture on society?
- Did the NAFTA play a central role in the proliferation of crime and violence?

One important pillar of the war on drugs and border crime examined in this study aimed to determine the relationship with NAFTA and the crime of money laundering. Money laundering is an important aspect of the study because it involves the movement

of monies that are at the root of profits derived from illicit businesses that coincide with legitimate business. Because of large quantities of drugs consumed in the United States and the drug trade being a lucrative business, it makes sense that these money flow sums are great (Carlsen, 2008).

Recent U.S. policy by the Obama administration placed pressure on cartels and their finances in the United States at unprecedented lengths. In recent history, the opposite was true, as the focus was on drug interdictions and apprehensions, and the financial community was allowed to shield themselves from retribution of law enforcement and the U.S. and Mexican governments. Approximately \$500 billion to \$1 trillion is laundered worldwide. During the financial crisis in 2008 to present, banks that were in financial crisis survived by doing business with the cartels and laundering illegal funds. More recently, harsher penalties and aggressive policy initiatives have resulted in the arrest and convictions of bank officials (Carlsen, 2008).

From Ronald Reagan to George W. Bush, the United States has increased its efforts against the drug cartels and illicit drug trade with focus on drug seizures and capturing cartel members. However, prosecution of these groups for financial crimes did not appear to be the main interest of either government. Recent initiatives have produced successful prosecution and convictions of individuals laundering drug money. For example, in 2010 Wachovia Bank was ordered to pay \$110 million to U.S. authorities for allowing drug-related transactions that resulted in 22 tons of cocaine being shipped. The bank was sanctioned for abuses they committed by allowing Mexican change houses or Casas de Cambio to transfer funds from their accounts into U.S. banks. Approximately \$400 billion tied to the drug trade was transferred (Boyum & Reuter, 2005). This

example highlights how financial institutions can become avenues for laundering illicit funds (Boyum & Reuter, 2005).

Historically, studies have focused on the most serious of crimes; for example, drug trade, human trafficking, and violent crime. This study outlined the negative impact of the financial aspect related to the NAFTA issue. For example, the sale of drugs and movement of the illicit funds require law enforcement to seek new initiatives and relationships with the banking industry. Criminal investigations depend on forensic accounting techniques, savvy investigators, and bank fraud departments to work in a concerted effort to stamp out or minimize these crimes. When these efforts are successful, the confidence and security that these institutions and society require increase.

Important factors that have detracted from the war on drugs and the funding of important initiatives to mitigate its negative effects have been the recent war on terror. Many countries, especially the United States, have had to shift their priorities from focusing on fighting crime at home to fighting terror. This shift occurred during George W. Bush's term, which diverted the nation's attention to other places around the world. This shift left a climate at home that increased the confidence of illicit groups and empowered them to continue and even increase their illicit operations (Boyum & Reuter, 2005).

### **Money Laundering**

The FBI defined money laundering as an illegal act that involves taking criminal profits and moving them in a prohibited way (Leff, 2012). Simply stated, money laundering is the washing of money or cleaning it by moving it in a prohibited manner. Criminals who act on behalf of the criminal enterprise generate proceeds, in the form of

money, goods, or property, after committing a specific crime (e.g., money derived from the sale of drugs). Criminals then move money with the intent to disguise the nature, intent, location, source, ownership, and control of illicit funds, which is known as the concealment or laundering of money. Secondly, money laundering involves the reinvestment of money into the original criminal activity and furthers the criminal enterprise (Leff, 2012).

Money laundering cases and other profit-based crimes are designated as specific unlawful activities; therefore, proof by an investigator to make a case is not necessary to show that a money launderer actually knew the specific details from which proceeds were generated. From an evidence perspective, investigators only need to prove that the money launderer knew or believed that the proceeds were illicit in nature.

Title 18 USC 1956 of the U.S. Criminal Code states that knowledge by the perpetrator that profits resulting from some type of felony and financial transaction to conceal proceeds or to promote a specific unlawful activity is a crime (United States Government, 1956). This allowance in the law gives investigators the ability to prove the knowledge element of the crime entirely through circumstantial evidence by showing that the launderer received or handled illegal money in a separate or different way from an innocent money transfer (Leff, 2012).

From an international perspective, if a launderer moves money, to or from the United States, to promote or further a specific unlawful act, investigators are not subject to the burden of proof that shows money is dirty. Rather, legal and clean money directed internationally that is shown to promote an illegal activity is evidence enough to prove a charge of money laundering. Therefore, investigators only need to prove that a launderer

moved or attempted to move funds from the United States with the intent to promote a specific unlawful act (Leff, 2012).

### **Overview of the Justice System in North America: Areas Affected by NAFTA**

The U.S. Justice System evolved from the early 20th Century to the 1970s when corruption and political interests highlighted the faults of law enforcement at every level in the United States. From the 1970s to current day, local, state, and federal law enforcement have undergone systemic overhauls. These agencies have improved investigative techniques and training, which has required more education and training as a prerequisite to employment (Boyum & Reuter, 2005).

Politics arguably have played an important role on the Justice System by way of funding and prioritization. Specific examples can be seen in the early 20th Century with anti-drug and anti-liquor laws passed during prohibition because of political agenda at the time (Boyum & Reuter, 2005). In 1969, President Nixon addressed a growing drug problem in the United States by declaring a war on drugs and creating the Federal Bureau of Narcotics. In the 1980s, President Reagan and President George H. Bush ran his election campaign on the platform of fighting the drug problem. Billions of dollars and the creation of task forces have greatly politicized law enforcement's response to drugs and the importation of drugs in North America (Boyum & Reuter, 2005). For example, President George W. Bush allocated significant funding for local, state, and federal programs for the prevention and enforcement of drugs. However, the recent war on terror has funneled funding away from the war on drugs and given it to new U.S. agencies such as DHS that are now faced with dual missions of protecting the homeland from terrorism as well as threats by drugs.

The Mexican Judicial System, much like the United States, is a bifurcated system. The federal courts have jurisdiction over major felonies, including drug violations, and state and local courts preside over lesser crimes. Mexico differs from the United States in that its law is largely based on Roman and French Napoleonic code, with a base in colonial and Spanish law where a judge may expressly rule and decide without a jury (Uildriks, 2010). The Mexican legal system also allows for administrative cases that work like the U.S. plea negotiation where fines and penalties are quickly assessed by a judge in an administrative hearing (Uildriks, 2010).

Mexico is the largest democratic country in Latin America, defined as holding elections with power still largely regulated in the form of a dictatorship (Hodges & Gandy, 2002). However, Mexico has struggled with upholding democratic values and human rights. Mexico's elitist and fundamentalists subscribe to a philosophy that exploits the poor and working class, and the rights of a majority of its citizens remain of little importance (Hodges & Gandy, 2002).

Society's view of the legal system in Mexico concerns the ability to mitigate and pay fees and fines assessed by the court. The ability to do pay these fines allows for corruption, which is passed down from the courts to federal and local levels and allows for the corruptibility of law enforcement agencies (Hodges & Gandy, 2002). Because of the long-standing beliefs and hundreds of years of reciprocal favors among the elite in Mexico's society, respect for the law does not exist. The existence of corruption has been accepted culturally and remains a standard that is bound by its own moral code. Thus, the law and its function work for the few. This notion is not limited to Mexico, rather exists in most Latin American countries (Morris & Blake, 2010).

The result of the marred relationship between the socially disadvantaged and the law results in societal strain and moral decay (Akers & Sellers, 2009). When large disparities exist between the social elite and disadvantaged, as they do in Mexico and along the southern U.S. border, evidence exists of inequality regarding those who are arrested and prosecuted. Typically, in these affected areas, the social elite who are involved in these types of crimes and those who stand to profit the most suffer the least in the legal system (Morris & Blake, 2010).

### **Causes of Crime and Merton's Strain Theory**

Robert Merton's Strain theory states that as economic strain in a society increases, crimes also increase. When individuals experience extreme forms of discrimination or are marginalized, hierarchies of power and dominance occur over them. The marginalized individual or group may turn to crime or delinquency to create a cultural or ethnic identity that will elevate them to a level of power and prestige (Akers & Sellers, 2009).

Unlike biological or psychological crime theories that attempt to explain crime, Merton's theory on strain anomie is more relevant to this study as it considers social stressors and factors that affect crimes related to the NAFTA. Merton's theory is more relevant than biological or psychological theories that attempt to explain a single individual's reason for a crime related to the NAFTA versus this societal approach. Robert Merton's strain theory is rooted in the principles that state crime will occur in an environment of normlessness and lack of social regulation, which often affects industrial societies. Merton explained that in this type of society where strain occurs, there are two types of people, conformists and innovators. The conformists in this scenario are the



low-wage earners in the United States and Mexico markets who look for illicit ways to supplement their wages. The innovators are the individuals who are able to recognize and take advantage of the weaknesses in the system. They exploit the infrastructure of the NAFTA economic policy and manipulate it by moving and selling drugs to fund their criminal enterprises. Merton's theory focuses on social structure where a lack of social values and legitimate social means are available (Akers & Sellers, 2009).

Merton's strain theory is a common theory used by criminologists to explain crime. Strain theory is used to explain hate crimes, gang violence, women and crime, drug crimes, financial crimes, money laundering, and embezzlement, violent crimes, and homicide. Specifically, strain theory argues that deviant criminal behaviors are born out of the disequilibrium and inequities in society, specifically in the differences between rich and poor. Some individuals are negatively affected by the strain that results from education, income, and individual achievement and respond to the powers of capitalism by turning to illegitimate business and violence that allow them to attain social status, power, and influence (Walters, 2010).

The socioeconomic instability created in society breeds crime and violence, thus, violence is the mechanism that drives crime. This aspect of economic instability is a derivative of crime that results in increasing violence as it applies to those who are at the root of NAFTA-related crime. (e.g., drug gangs or cartels). Although the Mexican cartels have a hierarchy with laborers at the lower levels and drug bosses at the top, the entire organization is a subculture of society that operates in the background (Walters, 2010).

The Mexican drug culture, which serves as one example, in affected NAFTA territories, is best described as the drug gangs and cartels that inhabit territories of Northern Mexico along the U.S.-Mexico border. The societal strain that has led to the illicit drug trade in Mexico has existed for decades prior to NAFTA. The partnerships and liaisons that have amassed have led to countries such as Colombia, Mexico, and Peru developing collaborations that have flourished because of poor legitimate economies and a large drug trade market. As the drug trade proves to be profitable, yielding yearly profits to drug source countries in the billions of dollars, the implementation of NAFTA and its new economic policies have given way to the rise to new cartels (Walters, 2010).

During the 1980s, the United States waged a war on drugs and many argued that American policies were less than successful. With the rise of new drug cartels, violent crime, related to drugs and the drug trade, by two dominant cartels, Gulf Cartel and Los Zetas, led to horrific, indiscriminate violence and the death of thousands since their uprising. Since the 1970s, the Gulf Cartel flourished in the Northeastern border state, Tamaulipas, along the Gulf of Mexico. The second group, Los Zetas, group at its core was formed by deserters of the Mexican Special Forces. Both cartel groups experienced dramatic growth spurts in the 1990s and became veritable forces to reckon with since 2000 to today. The violence has erupted between the drug cartels, in part, because of the constrictions placed upon them by U.S. and Mexican law enforcement authorities.

Illegal immigration and drug smuggling are two major crimes of concern that have been the focus of significant debate since the early 1990s. The animosity and hatred expressed toward immigrants and foreigners has resulted in frustration and anger and contributed to the strain of exploited groups that respond to the culture of prejudice with

crime and violence. The cycle of violence and crime is exacerbated when depressed groups react to victimization negatively by committing more crime, coupled with the response by law enforcement and society (Walters, 2010).

The increase in violence can be attributed to the appearance of new groups that have inserted themselves into Mexico's drug economy and competed for control of the drug trade and its profits. Existing cartels, with longer histories and economic shares within the disputed territories, view these new groups as invaders. Such geographic strain has led to the eruption of violence because of fierce competition among drug cartels and specifically over trade routes and geographic territories. The cartel capitalized on the economic strain prior to the 1994 NAFTA economic policy and has gained momentum and strength since (Kellner & Pipitone, 2010).

The DHS and Mexico counter-narcotics enforcement, headed by the Immigration and Customs Enforcement (ICE) agency, conducted a study in 2010 that focused on how criminal enterprises move illicit proceeds across the border. The ultimate goal of these organized groups in their commission of crime is profit. Estimates placed the movement of cash supporting the criminal operations of drug cartels from the United States to Mexico between \$19 and \$29 billion annually. The mystery to law enforcement is the methods, locations, and logistics of the transportation and deliveries of these illicit funds. This study was an important step in understanding how these illicit funds are laundered to enhance strategies for law enforcement to investigate and dismantle the financial infrastructure of these criminal groups (DHS, 2010).

The supply chain and business methodology used by criminal enterprises in the United States and Mexico mirror the system used by legitimate business and commercial

supply chains that require interrelationships, logistics, and communication which allow smuggling products into the United States and provides cash flow into and out of Mexico. The DHS (2010) identified four critical roles that must function within the chain. The roles include an accountant, business manager, transportation coordinator, and money broker. These individuals are critical in the process that takes proceeds from the illicit acts, cycles cash profits, and resupplies the criminal groups, which allows them to grow (DHS, 2010).

The return of profits from the sale of the illicit product or service is then cycled back to the seller in Mexico. This method of returning the money back across the border is known as the bulk cash transportation. There are 417 official ports of entry that can be accessed by land, sea, and air. Numerous unofficial routes exist along the hundreds of miles along the U.S.-Mexico border. Many bulk cash seizures occur at airport exit inspection points. When customs border officers inspect luggage and conduct interviews with passengers, the information is digested and determinations are made regarding the final destination of the illegal funds. The decision on whether to arrest and prosecute or allow the suspect to travel on and advise authorities on the receiving end must be made. Individuals that carry money back and forth are known as mules (DHS, 2010).

Because of the limited amount of cash that individuals can carry on themselves or in luggage, a preferred method of smuggling bulk cash is in commercial or privately owned vehicles. One method is known as *ruta hormiga* (ant route), which involves moving smaller amounts of money, usually between \$5,000 and \$10,000 per load. Mules move smaller amounts of cash along routes used by daily border crossers and are compensated approximately 10% of the amount smuggled. Once the money makes it

across the border it is usually brought to a nearby border town or to a larger hub city. When illicit funds reach the destination, they are handed over to a member of the illicit organization and stored or stashed until the cash cell individual is able to secure the money and transfer it to a bank or financial institution for laundering (DHS, 2010).

This cycle allows the group to be a profitable operation. Money laundering operations in Mexico are weak and loosely regulated. Some financial institutions are regulated; however, currency exchange businesses, financial leasing, savings and loan, money remittance, and bond and fund companies have limited regulatory oversight. This lack of consistency in financial regulation is a breeding ground for money laundering in Mexico.

Additional data studied included geospatial graphs and satellite imagery of the region (southern border) and routes used by the NAFTA, UCR, and DOJ statistical database based on studies conducted by the CIA, DHS, and the FBI regarding drug smuggling and parallel social economic factors and societal strain caused by the NAFTA (Frontline, 2002). Geospatial maps outline strategic trade routes consistent with NAFTA routes that have given rise to crime in the form of drug smuggling and financial crimes (Frontline, 2002). Figures 1-3 illustrate the geospatial maps that show high drug traffic and crime routes. These drug traffickers and crime groups used the NAFTA's routes, which supports the theory that the NAFTA and crime are related in this geographical area.

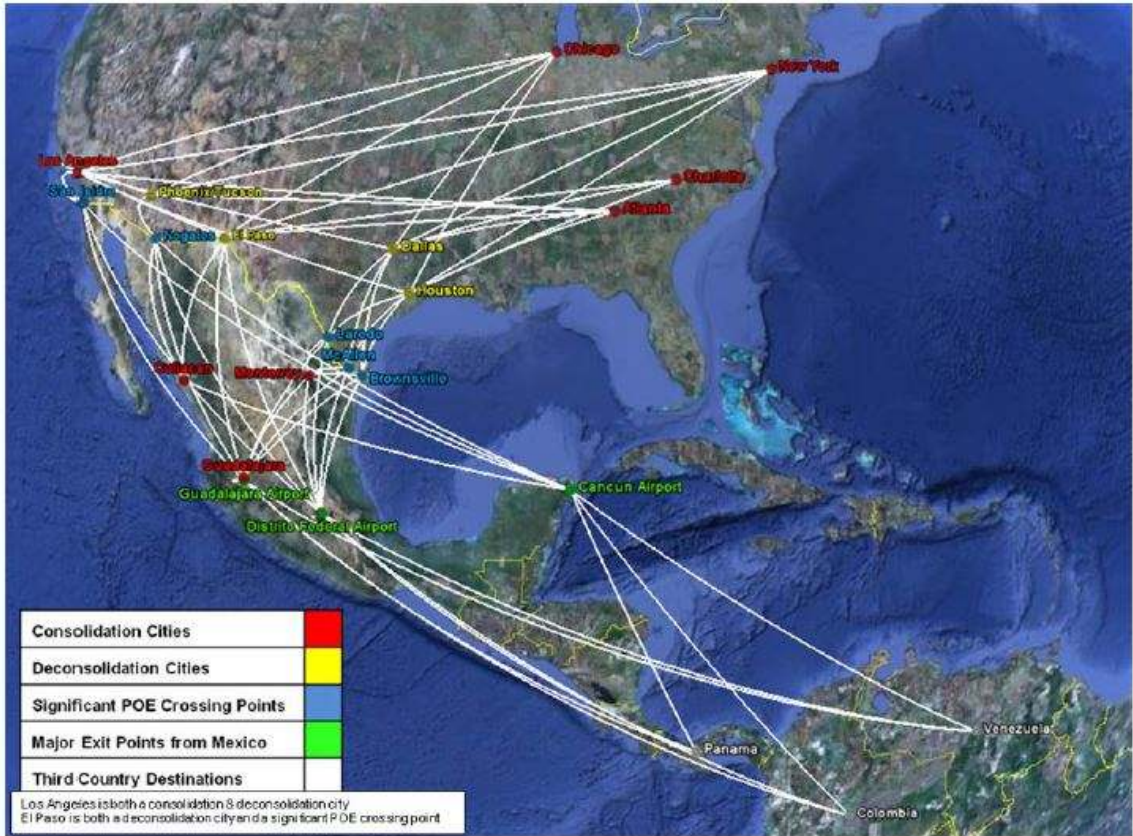


Figure 1. Geospatial map hub cities and routes (DHS, 2010).



Figure 2. Major narco-trafficking routes and crop areas (Frontline, 2002).



**Figure 3.** NAFTA superhighway new map (Finney, 2007).

Previous studies have examined the negative effects of the economy in the United States and Mexico with specific focus on drug crimes, smuggling, and violence that results from these crimes. This study focuses solely on pre- and post-NAFTA crimes and identifies and discusses the policies of NAFTA, globalization effects, and legal issues regarding the justice systems of Mexico and the United States (Boyum & Reuter, 2005). Comparisons point to similarities and differences in each country's approach to dealing with the problem of crime that has resulted from economic globalization and the political atmosphere in each country. Merton explained that the origins of deviant behavior and crime (as seen along the border) are caused by the gap between cultural goals and means, or lack thereof that, these individuals have to achieve those goals as seen in low SES areas of both countries (Akers & Sellers, 2009).

## **CHAPTER 3**

### **METHOD OF PROCEDURE AND DATA ANALYSIS**

A retrospective, longitudinal review was utilized in this quantitative methods approach to identify changes in crime pre-NAFTA and post-NAFTA. Differences are viewed to determine the approach in which the criminal justice response is deployed via policing and law enforcement tactics. The United States and Mexico have fundamental differences in their approach to criminal investigation and the overall judicial process (Uildriks, 2010).

#### **Research Question**

This study aimed to answer the following research question:

1. Did NAFTA have an effect on national crime rates?

#### **Research Hypothesis**

The following research hypothesis was tested:

1. There is no difference in criminal offending rates before and after NAFTA.

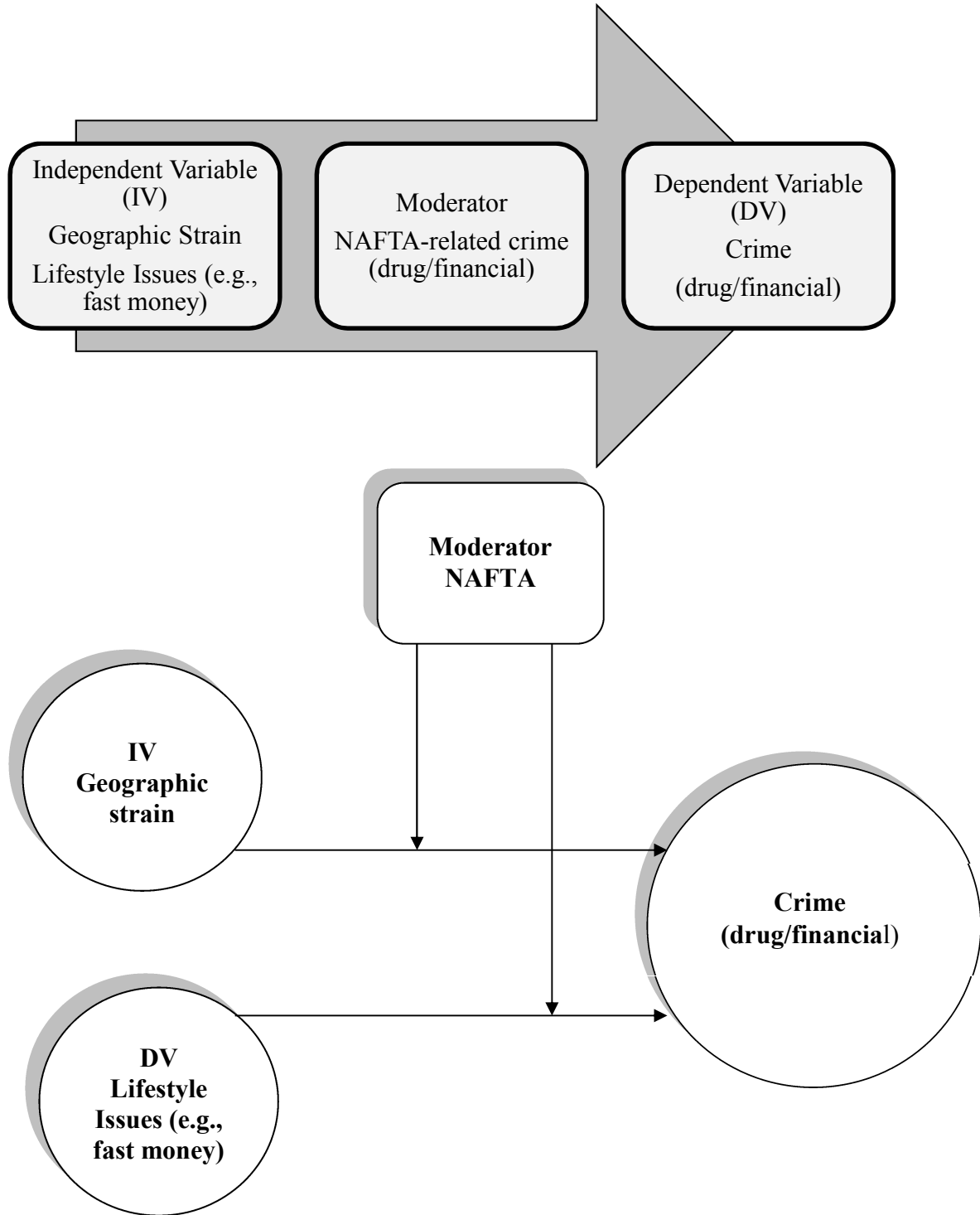
#### **Variables**

Variables for the analysis of variance (ANOVA) were collected from the UCR database, are continuous in nature, and represent actual crime statistics per 100,000 events from 1991-1999. Variables for data after 1999 were collected using a meta-analysis of the literature. Independent variables included geographic strain, lifestyle issues, low SES, and geographic region. The following constructs were included in the conceptual model (see Figure 4):

- Geographical strain => crime (moderated by NAFTA)
  - a. Poverty



- b. Low SES (Socioeconomic Status)
- Lifestyle strain => crime (moderated by NAFTA)
  - a. Economically disadvantaged (fast money)
  - b. Socially unequal (the desire to improve status in society)



**Figure 4.** Conceptual Model of the hypothesis that states that the NAFTA Policy caused strain on lifestyle issues and the desire for fast money caused crime to rise.

### **Data Collection**

Data were collected using a meta-analysis of secondary data obtained using a quantitative method. These secondary data were secured using the FBI's crime database, UCR, DOJ database, the U.S. Courts database, DHHS, the U.S. Office of Drug Control Policy, and the U.S. Border Patrol immigration enforcement expenditure data. In the United States, local state and federal agencies are dedicated to investigating crimes that are defined in their respective arenas. For example, homicide is investigated by state and local police as well as the FBI. White-collar crimes are divided into several state and federal agencies (e.g., State Police, FBI, Secret Service, the DHS, and the IRS). In Mexico, the Procureria General de la Republica (PGR) and Agencia Federal Investigaciones (AFI; a.k.a. Mexican FBI) are charged with the duty of investigating and policing in each of the respective legal systems. Although these agencies compile statistical data on arrests and reported crimes, publishing agencies are normally FBI and DOJ in the United States and the Mexican PGR. The limitations of this study included a lack of specific financial crime data published and the manipulation of data entry and submission by authorizing agencies. Both Mexico and the United States guard the manner and means of certain investigative details in certain cases, which prohibits public access (Delattre, 2006).

### **Procedure**

Secondary data were gleaned from the FBI's UCR database, which has collected crime data since the early 1930s and has provided statistics on types of crimes based on the arrest reports and other statistics provided to them by law enforcement agencies across the country. A meta-analysis of articles and publications from peer-reviewed

sources was conducted to view and compare data. This data comparison provided a method to contrast and combine the statistics and identify crime trends and patterns.

### **Limitations of the Data**

The foreseen limitations of the primary dataset were the limited data gleaned from the UCR, which could be biased by the local enforcement agencies that report crimes to the FBI. Additionally, a limited amount of information can be submitted to the FBI for placement into the UCR by any single law enforcement agency; specifically, not all aspects of a crime or violation are submitted for publishing. The research controlled for these limitations by comparing enough data from year to year and reviewing additional agency datasets. The data graphs show the overall crime data reported to the FBI.

Arrests and reported data of criminal offenses related to drug and money crimes are studied. The offenses inherent to border crimes, such as drug smuggling, money laundering, illegal immigration and aggravated crimes related to drugs, are reviewed. Although the FBI publishes much of this data, it lacks specificity and can be biased in the way crimes are reported by state, local, United States agencies. Moreover, Mexican arrests and crime data are not published in an open source format; therefore, these crime statistics were not used.

The ANOVA revealed no significant differences in crime between the observed years of 1991-1999 (see Table 1). A Post Hoc Tukey test also yielded no significant difference between individual year pairs (e.g., 1991-1992, 1992-1993, etc). Further, the data indicated no significant differences before and after the 1994 enacted NAFTA policy. The results of this analysis indicated no significant difference in any year studied,  $F(8,99) = .034, p = .05$ . A low  $F$  value indicates the low error in the data set regarding variance

between years, which may be due to the small sample size ( $N = 108$ ) and degrees of freedom ( $df = 8$ ).

Table 1

*ANOVA output of crime years studied, 1991-1999*

|                | Sum of Squares | df  | Mean Square | <i>F</i> | <i>p</i> -value |
|----------------|----------------|-----|-------------|----------|-----------------|
| Between Groups | .078           | 8   | .010        | .034     | 1.000           |
| Within Groups  | 28.227         | 99  | .285        |          |                 |
| Total          | 28.305         | 107 |             |          |                 |

Although the analysis revealed no statistical significance, the implementation of the 1994 NAFTA policy did result in a numerical and practical decrease in crime. In fact, crime decreased by nearly 200,000 events immediately after the NAFTA policy. While crime remained at this lower level through 1996, ecological factors may have affected reported crimes after 1996.

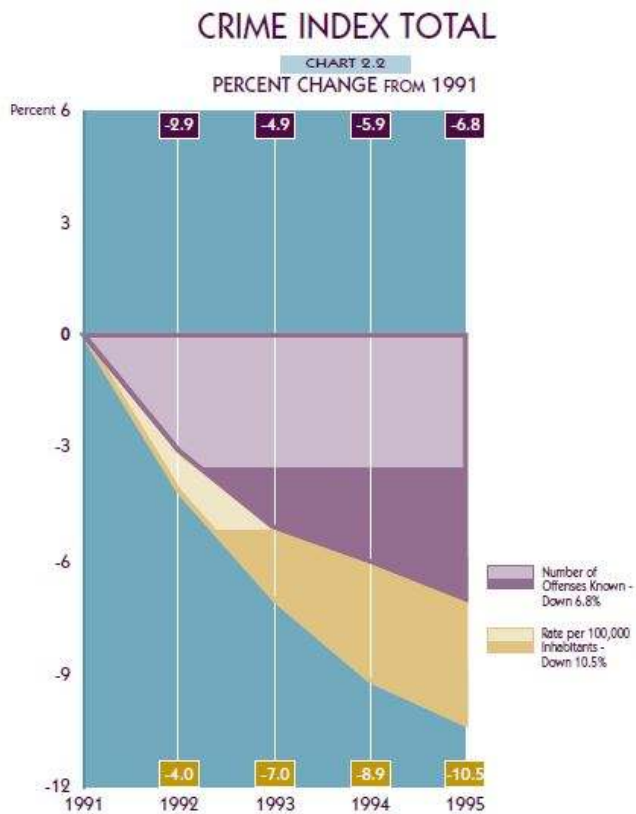
The UCR crime index from 1995 reported a downward trend for overall crime (including murder, violent crime, property crime, forcible rape, robbery, aggravated assault, burglary, larceny-theft, drug, and financial crimes) from 1991 to 1995; in 1991-1992, crime dropped 4% per 100,000 population. From 1992 to 1993 the drop was 7% and from 1993 to 1994 (when NAFTA was first introduced and went into effect) overall crime again dropped 10% from 1994 to 1995. Overall, from 1991 to 1995 crime was down an average of 6.8 percent (see Tables 2 and 3).

Table 2

*Crime index total by month 1991-1995.*

| Months          | 1991 | 1992 | 1993 | 1994 | 1995 |
|-----------------|------|------|------|------|------|
| January .....   | 7.9  | 8.3  | 8.0  | 7.6  | 8.1  |
| February .....  | 7.4  | 7.8  | 6.9  | 7.1  | 7.2  |
| March .....     | 8.1  | 8.2  | 8.1  | 8.2  | 8.2  |
| April .....     | 8.0  | 8.0  | 7.9  | 8.1  | 7.8  |
| May .....       | 8.4  | 8.3  | 8.2  | 8.5  | 8.4  |
| June .....      | 8.5  | 8.4  | 8.6  | 8.5  | 8.5  |
| July .....      | 9.1  | 9.0  | 9.1  | 9.1  | 9.0  |
| August .....    | 9.2  | 9.0  | 9.2  | 9.4  | 9.2  |
| September ..... | 8.4  | 8.4  | 8.4  | 8.5  | 8.5  |
| October .....   | 8.7  | 8.5  | 8.6  | 8.8  | 8.8  |
| November .....  | 8.0  | 8.0  | 8.1  | 8.3  | 8.2  |
| December .....  | 8.3  | 8.1  | 9.1  | 7.9  | 8.0  |

Source: FBI (1995)



**Figure 5.** FBI Uniformed Crime Report Crime Index, 1995

The UCR data for 1998 reported overall crime down from 1994 to 1998. From 1994 to 1995, crime dropped 4%; from 1995 to 1996, overall crime dropped an additional 6%; from 1996 to 1997, crime dropped 4%; and from 1997 to 1998, crime dropped 6%. Overall, from 1995 to 1999, the overall crime rate reported by the FBI dropped nearly 17% (see Figures 5 and 6). The UCR crime data analysis indicated a downward trend in crime from 1996 to 1999 of approximately 14% (see Figure 7). From 1999 to 2000, the downward trend leveled out and showed change of less than 2%.

Table 3

*Crime index total by month 1995-1999*

| <b>Crime Index Total by Month</b> |      |      |      |      |      |
|-----------------------------------|------|------|------|------|------|
| Percent distribution, 1995-1999   |      |      |      |      |      |
| Month                             | 1995 | 1996 | 1997 | 1998 | 1999 |
| January                           | 8.1  | 8.1  | 8.2  | 8.5  | 8.0  |
| February                          | 7.2  | 7.6  | 7.3  | 7.5  | 7.2  |
| March                             | 8.1  | 7.9  | 8.0  | 8.2  | 8.0  |
| April                             | 7.8  | 8.0  | 8.0  | 8.0  | 8.0  |
| May                               | 8.4  | 8.5  | 8.4  | 8.4  | 8.4  |
| June                              | 8.5  | 8.4  | 8.5  | 8.5  | 8.5  |
| July                              | 9.0  | 9.1  | 9.1  | 9.0  | 9.1  |
| August                            | 9.3  | 9.1  | 9.0  | 9.0  | 9.2  |
| September                         | 8.5  | 8.4  | 8.6  | 8.4  | 8.5  |
| October                           | 8.8  | 8.7  | 8.7  | 8.5  | 8.7  |
| November                          | 8.2  | 7.9  | 7.9  | 7.8  | 8.2  |
| December                          | 8.1  | 8.2  | 8.3  | 8.2  | 8.3  |

Source: FBI (1999)

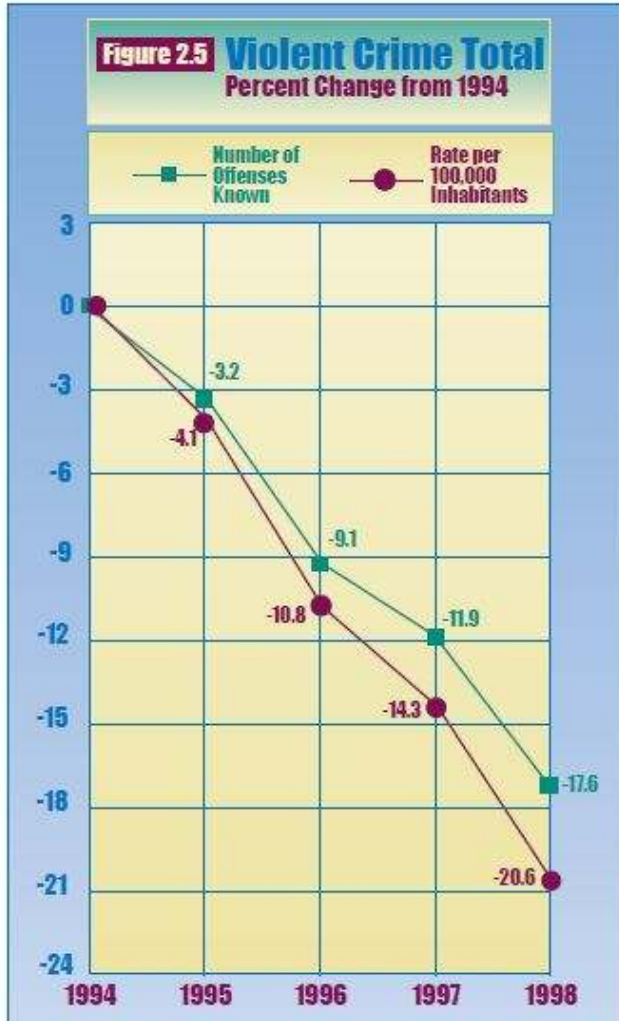
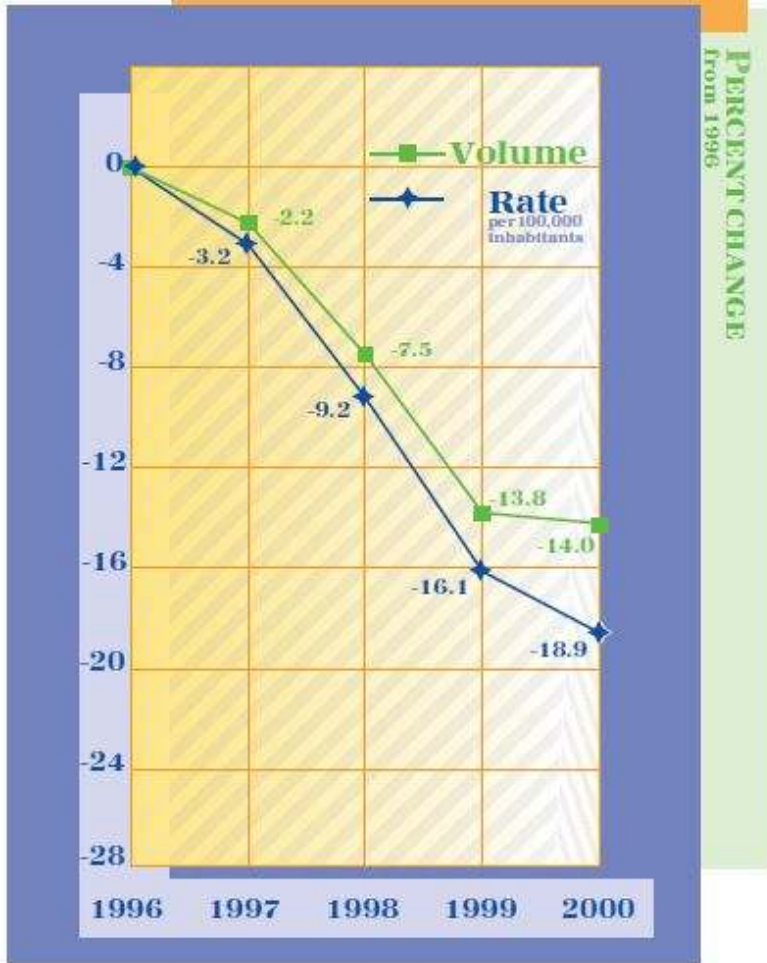


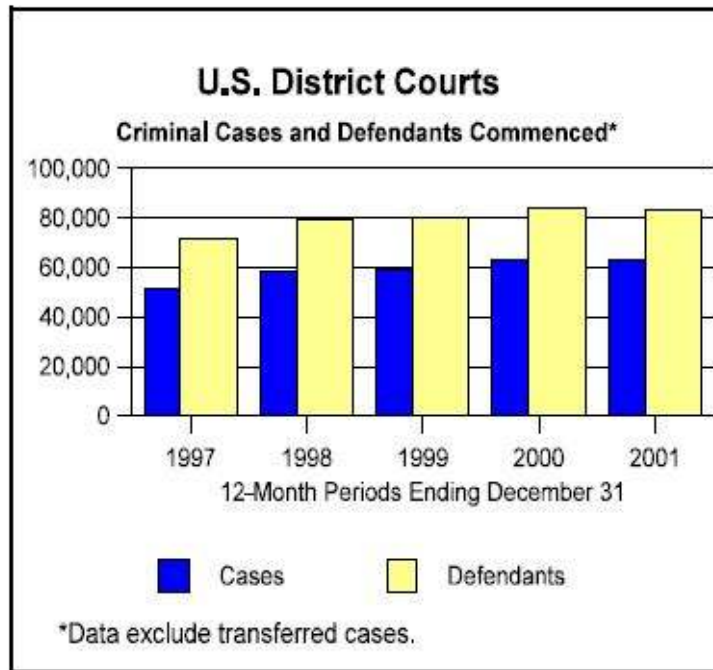
Figure 6. FBI Uniformed Crime Report Crime Index, 1998





**Figure 7.** FBI Uniformed Crime Report Crime Index, 1996-2000

According to the U.S. Courts, criminal court case filings increased between 1997 and 2000 by 23% (see Figure 8). Prior to 1997, case filings showed a slight decline of approximately 1% each year until 1997. The increase in criminal cases filed between 1997 and 2000 was largely due to drug and immigration cases, which yielded a 42% and 34% increase, respectively. Firearm defendants showed the largest increase of 68% and the rates of drug and nondrug defendants were 1.7% and 1.18%, respectively. These data show that the increase in immigration and guns occurred while there was a rise in aggravated and violent crimes identified in the later years of the UCR from 1996-2000.

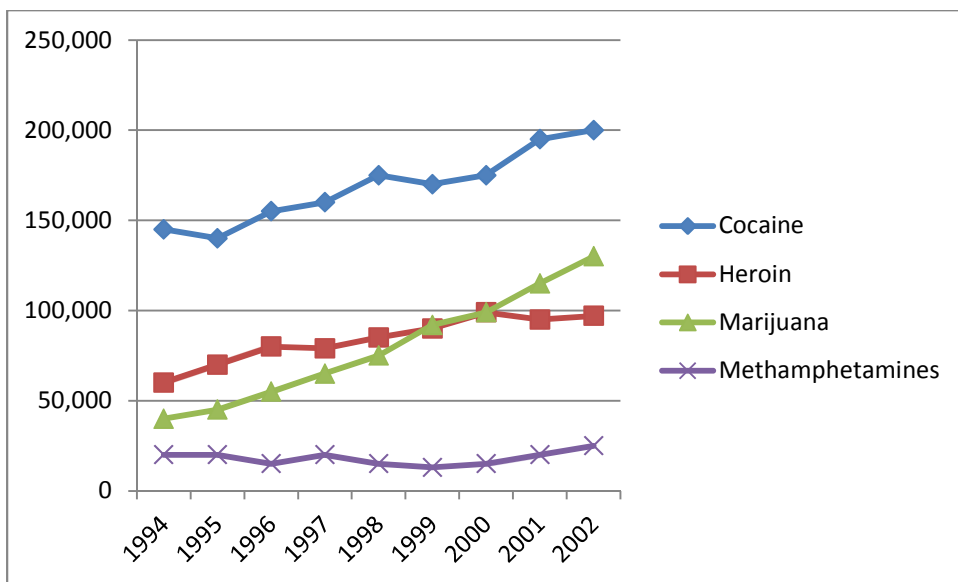


**Figure 8:** U.S. Courts data (Administrative Office of the United States Courts [AOUSC], 2001)

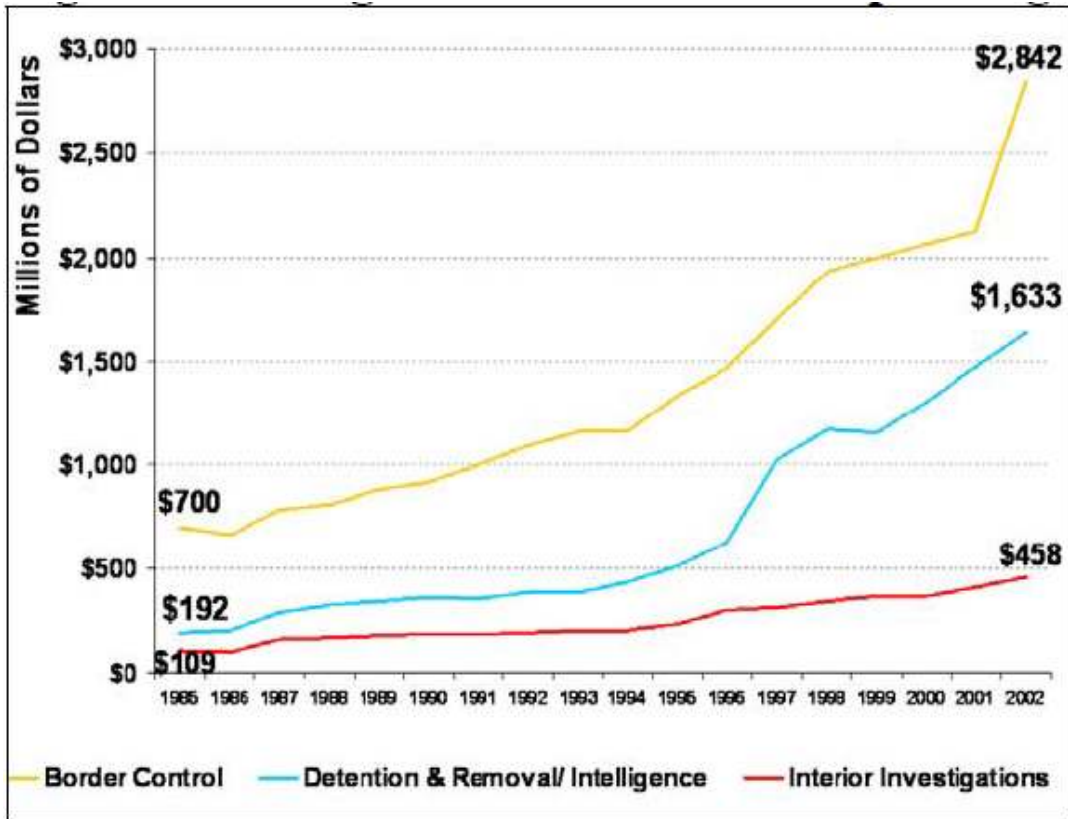
Data illustrated in Figure 9 represent drug use (cocaine, heroin, marijuana, and methamphetamines) from 1994-2002 (Boyum & Reuter, 2005). The data shown in Tables 2 and 3 indicates overall crime reported by the FBI from 1991 to 1999. Overall crime trends were down an average of 16% from 1991 to 1999. Over time, crimes related to drugs and money showed a steady leveling out.

The comparison of data from the DHHS Substance Abuse and Health Services Administration (SAHSA) and the DOJ revealed no correlation in overall crime pre- and post-NAFTA. However, when specific drug and money crime data were analyzed, trends coincided with NAFTA, and drug and financial crimes. In addition to the FBI crime index, the U.S. Court data revealed that drug and financial crimes cases experienced a steady increase from 1997 to 2001.

Data reviewed from the DHHS SAHSA showed a steady increase in the abuse of drugs (i.e., cocaine, marijuana, heroin, and methamphetamines). The DHHS SAHSA collected data by means of self-report survey. The findings revealed a steady increase in drug abuse by addicts from 1994 to 2002. These dates correspond with the 1994 NAFTA policy implementation. The data also show a positive correlation of drug abuse and the NAFTA implementation. As NAFTA policy increased over time, so did drug abuse.



**Figure 9.** DHHS SAHSA survey



**Figure 10.** Immigration enforcement spending: FY1985-2002. MPI analysis of data from DOJ Immigration and Naturalization Service, *Budget Requests to Congress*. (Dixon & Gelatt, 2005)

The U.S. Border Patrol experienced rapid growth in spending for enforcement from 1985 to 2002. Expenses related to inspections at ports of entry and other duties were 2.1 billion for detention and removal and \$349 million for investigations. The overall increase from 1985 to 2003 was approximately 806% from \$141 million in 1985 to \$1.3 billion in 2003. The sharpest increases are seen in 1994 and 2001. Immigration cases were also up by 50% during this time, and spending on immigration and enforcement rose dramatically from 1994 to 2001. The anti-crime laws and border initiatives implemented during this time-frame can be attributed to the increase in expenditures and higher immigration related arrests. However a focus on the 1994 events

that occurred during this period relates to crime rates along the border areas and corresponds with the year of the NAFTA enactment (Dixon & Gelatt, 2005).

Statistically, the researcher failed to reject the null hypothesis (the null hypothesis states that NAFTA has no effect on crime) for FBI crime data from 1991 through 1995 and from 1995 through 1999. Therefore, these data revealed no significant difference in crime before and after the NAFTA was enacted in 1994. However, there was a numerical difference in crime rates before and after NAFTA. The data show there were 200,000 fewer crime events from 1994 to 1995, which is certainly a practical outcome of the legislation and can be positively viewed by outside stakeholders. Additionally, two primary results can be seen with the data analyzed. First, the result of the ANOVA revealed a downward trend in crime, although not statistically significance. The comparison conducted between previous studies and these results showed the opposite effect. Specifically, the effect revealed an increase in arrests, prosecutions and convictions, drug addiction rates, and expenditure rates. These factors indicate an increase in law enforcement activities to deal with such crimes. In this cause and effect relationship, the cause is the NAFTA policy and the effect is the border crime increases.

## **CHAPTER 4**

### **DISCUSSIONS AND IMPLICATIONS**

#### **The Criminal Investigative Process**

The numerical, practical, and significant findings of this study lend themselves to a wider discussion of crime and theory. For example, the criminal investigative process that addresses this type of crime is rooted in the same principles and theories as other common types of investigations. Investigators proceed in a logical systematic manner, which includes examining all facts and evidence of the case. As Gibbons (1942) suggested, basic principles of criminal investigations have proved to lead to successful criminal prosecutions.

Investigators and their respective agencies must be dedicated, focused, unbiased, and duty bound to develop leads, interview witnesses, and conduct surveillance with the aim of prosecution and conviction. With effective training, proper intelligence, and practice, an investigator can reach a high level and degree of efficiency and accuracy to address contingencies as they arise in any investigation. Techniques that criminals use are constantly changing and improving.

The techniques used to examine forensics in electronic crimes such as money laundering, fraud, and bank fraud are derived from the same methods used in the forensics of physical evidence such as ballistics, fingerprint analysis, and blood spatter examination. For example, the science of determining gunshot patterns and firearm analysis uses ultraviolet and highly technical scientific techniques. Gunshot, powder burn patterns, and bloodstained clothing can be examined and analyzed to make forensic determinations of a crime. Electronic forensic investigations are conducted in the similar fashion as physical forensic investigations as they both use the same principles and scientific techniques. A

major difference between the two methods is the use of sophisticated equipment and software in collecting and preserving evidence versus older methods such as grab, bag, and tag techniques (Atwater, Durina, Durina, & Blackledge, 2006).

The divergence and appearance of crime has changed, which has required progress and change in the fields of science and technology (Bocaniala, Rusu, Coman, Pocora, & Savenco, 2011). The most serious of offenses that affect society and the nation's economy are born and perpetrated with the use of the most advanced technology available. Therefore, the qualifications necessary for a proper criminal investigation requires dedication, funding, and a commitment in the use of technology, electronic surveillance, and computer expertise (Bocaniala et al., 2011).

Criminal investigations that involve computer technology have changed (e.g., increased regulations) in a relatively short period. However, the judicial process has been slow to accept technological change largely in part to control for mistakes, dysfunctions, and deviations from criminal law and procedure and the admittance of flawed forensic analysis that could lead to wrongful decisions and convictions (Bocaniala et al., 2011).

To ensure successful investigations, new techniques in communication, database research, digital surveillance, and computer technology are used. With the advent of computer technology, aspects of the investigative process such as collecting, processing, analyzing, organizing, and storing evidence in databases have also advanced. The tools of the trade include personal computers, laptops, personal digital assistants, and micro storage devices.

The complexity of crime, policing, and security is serious and can become an unmanageable threat to society. As new technology emerges and crimes adapt over time,

technological crime waves occur. These waves become difficult to measure the detriment on society and next to impossible to predict (McQuade, 2005). Therefore, the importance of technology to the development of society is fundamental.

The positive contributions propagated by the advent of technological discoveries result in improvements in social functioning. Science, technology, and the interactive forces that converge affect the imagination, processes, economics, and politics, and allow society to function and progress in astonishing ways. Historically, little thought was given to the role of crime and technology and its effect on society. Eighteenth and 19th-Century theories of crime rarely considered the role of technology in crime. Likewise, early 20th-Century studies of criminal behavior also neglected the consideration of technology in criminal behavior (McQuade, 2005).

When technology is reliable and users are confident, these advances and techniques are adopted into mainstream practice. Society then chooses to engage in these new technologies, which leads to the adaptation of new marketplaces; this phenomenon is known as perpetual innovation (McQuade, 2005). Perpetual innovation occurs when individuals, groups, and organizations enable continual discovery and adopt new tools and techniques, which has been seen among criminal groups who use technology to evade discovery, capture, and incarceration for illegal activities aimed at growing their criminal enterprises (McQuade, 2005).

Many reasons exist for how and why criminal groups use technology; however, experts agree that the economic bottom line and increase in socioeconomic status (SES) is at the forefront (McQuade, 2005). An organization that can improve its bottom line by adopting new techniques and technologies will weigh its benefit versus cost and risk. The



consideration of equipping a criminal union with high-tech equipment becomes a nonissue when cost and benefit is analyzed. Specifically, these groups have more to gain and less to risk by using technology to aid in their enterprises (McQuade, 2005). The risks inherent to criminal activities is lessened if new and complex technology can add to the group's bottom line with little or no risk of detection, thus, the decision to use such technology is an easy one.

When advances in technology and techniques are used by criminal elements, strain is placed on the criminal justice system in society minimize the negative effects of these crimes. From investigation, to apprehension, to prosecution, a balance between technological advances, criminals' use of those advances and law enforcement must be reached. When the balance is not maintained, chaos and societal decay may ensue (McQuade, 2005).

Criminal enterprises have always taken advantage of new technologies. The groups that benefit from NAFTA-related crime are no different. Where police institutions are bound by budgetary, efficiency, and educational concerns regarding the use of technology, criminals are not. These groups are able to improve upon, discard, experiment, use, and improve upon technologies with more swiftness and flexibility than are institutions that operate within systematic bureaucracies where law enforcement and security must abide by rigid policies that can hinder efforts of investigating and policing.

Human ingenuity and complex functionality has become the most significant emergence to policing and security work since the investigative process became a standard in criminology and crime study. Therefore, the importance of state-of-the-art technological equipment and innovation is increasingly important. However, innovation and ingenuity in

the methods used to expose, deter, suppress, and prevent crime is most important. The systematic rethinking and recalibration of institutions with respect to education, training, equipment, organization, and preparation must be formulated and forward thinking to prevent, control, and limit the impact of criminal entities that use high tech crimes in direct conflict for preeminence in their criminal cultures (McQuade, 2005).

The emergence of new and criminally abusive technologies emerges are referred to as technology crime waves. These waves occur across geopolitical jurisdictions and with a range of force. Factors that affect technology crime waves are social, cultural, economic, and political. Media attention and other forces contribute to the spread of these crime waves. As crime wave increase in intensity, social abuses transform to more damaging and complex crimes making it extremely difficult for security, police, and law enforcement to keep pace. The crime associated with the NAFTA is an example of how quickly crime entities can adapt and incorporate economic policies to their benefit.

### **New Strategies and Tactics for Law Enforcement**

Not directly related to the statistics reviewed in this study are important issues of digital forensics. Digital forensics is a subject of discussion among the scientific community and law enforcement. Similar to NAFTA policies enacted for the improvement of trade, digital forensics is one investigative field that was born of necessity. However, this field has largely been led by academia rather than law enforcement as many computer experts are born from academia, rather than criminology or police. Therefore, a criminal investigation for cybercrime stands little chance of success if its training and methods are not partnered with academia to develop a forensic framework worthy of criminal prosecution. Forensic academic workshops such as the Digital Forensic Research Workshop collaborate with law

enforcement and provide frameworks and reference points that are crucial to meeting the difficult challenges presented by digital and computer forensics. These workshops help develop strategies and techniques in evidence collection, examination, analysis, and presentation that lead to decision making (Cisar & Cisar, 2012).

The basis of a good strategy to combat crime begins with a tested and accepted set of protocols to ensure the successful translation from investigation to use in court or a legal proceeding (Cisar & Cisar, 2012). The protocols for cybercrime were derived from traditional forensic protocols where techniques are continuously tested in court proceedings. Computer crime analysis and legal protocol is similar to standards used for digital forensic processes and consist of identification, strategy, collection, examination, and analysis. These steps must be followed precisely and accurately to ensure they are in accordance with the legal system (Cisar & Cisar, 2012).

Various investigative tools have been developed, implemented, and used for forensic investigations. Two of the most popular and in demand products used for data retrieval and storage are Encase Enterprise by Guidance Software and LiveWire by WetStone Technologies. These companies are similar in their accomplishments of data acquisition and recovery. These tools allow an investigator to report electronic examinations in a manner that takes from a widely dispersed environment, adapts the tools for forensic examination, reports the results of live systems with remote access, and analyzes volatile memory contents and network metrics that would be difficult to manipulate without these new tools. The fields of investigation where the examination of digital crime has been forced to adapt include but are not limited to identity theft, internet fraud, financial crimes, money laundering, hacking, theft of intellectual property and piracy, robbery, child

pornography, homicide, and terrorism. For the purposes of this study, border and money crimes were the focus (Cisar & Cisar, 2012) .

In the realm of digital forensics, years of practical experience and expertise is necessary for an investigator to follow and develop strategies to keep up with technological trends that may put a society's infrastructure at risk. Some solutions identified include better tools and equipment for first responders and law enforcement; better computers; software and training; improved data storage and evidence containers; data reduction and limited data formats; multi user expertise; file sharing applications that allow multiple investigators to view data; and emphasis on email, internet usage, time management, and data harvesting tools.

The commitment to addressing issues of evolving technology and computer-based crimes is a primary main concern of those charged with protecting society from criminals who engage in the limitless opportunistic environment that technology presents. The methodology in which the application of investigations of cyber and computer crimes progress forward must be applicable and flexible to identify trends and crime waves as they occur (Cisar & Cisar, 2012).

With the advent of the internet and social media, criminal gangs on both sides of the border have devised ingenious methods in which to delve and take advantage of these computer technology advancing systems. Gangs and drug cartels have used social networking systems such as Youtube, My Space, and FaceBook, as well as eBay and Craigslist as recruiting grounds and electronic underground markets for illicit activities. This process of online recruitment is referred to as net banging (Hanser, 2011). To curb these online activities, some companies have collaborated with law enforcement official to

identify cartel and gang members and their activities. This strategy has also been used to track violent criminals as well as nongang members who engage in criminal activities.

Law enforcement protocols allow for partnerships and liaison that otherwise would make investigating these groups nearly impossible. With the aid of these businesses, in accordance with licensing and privacy agreements, court orders and search warrants are available to law enforcement that allow them to investigate electronic media when the commission or recruitment of crime is suspected. Without the cooperation and without a subpoena, the retrieval of online data may not be obtained in a timely or usable manner (Hanser, 2011).

Limited funding and time can become issues and make it extremely difficult to overcome if providers do not comply with law enforcement requests expeditiously. Title 18 US Code, Section 2703 requires that service providers comply with investigative request to preserve information during a 90-day period that can be extended for an additional 90 days if necessary (Hanser, 2011). Once a subpoena or warrant is provided, data held by the provider becomes available to the investigator. Investigators and law enforcement agencies are bound by confidentiality laws not to disclose propriety information to the public. The law also maintains that service providers not disclose any investigative information to the public as well (Hanser, 2011). The above discussion serves as an example of the necessity for the cooperation of academia, law enforcement, and technology. Without these parties acting in the best interests of the law and society, an investigation and the security of these types of crimes would not be possible.

Other technologies used are location and tracking tools, which allow investigators to monitor criminals and decipher who may be using a computer or cell phone to conduct

illegal business. These applications and software tools allow an individual to locate a cell phone, recover a lost cell phone, and more commonly to locate a fugitive or wanted individual. The challenge with this method is when these individuals become suspicious of whom they share information with and become selective, which makes it difficult for an investigator to track these individuals.

Computer savvy criminals may also implore deceptive techniques such as using false internet service provider (ISP) logs, spoof electronic accounts, masking, redirecting, or punting to avoid detection. When advanced users employ these tactics, their actions become obscure then stand a good chance of avoiding detection (Patil, 2011).

Forensic accounting is an effective tool to monitor the financial moving of funds and identify corruption and misappropriation of funds using accounting techniques in the legal taxation and corporate world. Two fields that forensic accounting benefits is litigation services and investigative agencies. Forensic accounting is a specialized field that has increased in support and expertise (Patil, 2011). The earliest institution to engage in forensic accounting as an official documented procedure was the IRS. Since its inception, the IRS has been tasked with the oversight and collection of taxes, as well as investigating those who do not abide by the tax code. The IRS, FBI, Secret Service, and nearly all State Attorney Generals' offices have implemented policies to aid in the investigation and prosecution of individuals who fail to abide by the tax law or who intentionally commit fraud. In addition to the fraud associated with income tax, computer fraud, bank fraud, embezzlement, money laundering, theft, and wire fraud are criminal violations that more often are perpetrated using technology (Patil, 2011).

Forensic accountants have grown in popularity and have proven themselves to be in high demand (Patil, 2011). While demand is currently high, forensic accounting was slow to develop. In 2003, the FBI estimated the cost of white-collar crime at over \$300 billion annually. As discussed, these crimes are difficult to identify because of the expertise of the individuals who use the most advanced technology to commit series of complex transactions. Large volumes of financial information are involved to inundate the data and bury illicit transactions. The complexity of these investigations requires expensive resources and manpower that sometimes makes it next to impossible for the security aspect of the financial community to secure and police these activities. In 2004, the American Institute of Certified Public Accountants (AICPA) estimated that instances of fraud were on the rise and the use of forensic accounting will increase (DiGabriele, 2008).

Forensic accountants provide and apply a unique expertise to an array of financial assignments. Compared to auditors, forensic accountants have a different mindset and their procedures are adapted and specialized to discover fraud (DiGabriele, 2008). This specialization is necessary as fraud can be misrepresented from overvaluation of a company's inventory to improper expenditures and earnings that lead to embezzled funds (DiGabriele, 2008).

In addition to the evaluating a company's financial transactions, forensic accountants ensure that the financial situation and value of a company's assets and integrity is maintained. When a forensic accountant is involved with business transactions from the onset, signs of suspicious activity become evident and can benefit the company by avoiding litigation or criminal charges. As crime resulting from the NAFTA policy is analyzed, the

results of the study identifies the issues necessary to combat the problem and ensure society does not suffer the negative effects of financial crimes (DiGabriele, 2008).

### **Summary**

The results of this study on the crime associated with pre- and post-NAFTA resulted in correlations to the question regarding NAFTA and the advent of crime. The FBI UCR Data reviewed did not show a significant difference in drug and violent crime from 1991 to 1994 (the advent of NAFTA). A determination regarding overall crime during this same time either increased or decreased pre or post-NAFTA; however, did not yield a statistically significant correlation between pre- and post-NAFTA data. When additional data are viewed regarding drug crimes, such as drug use, drug arrests, and money crimes (e.g., laundering and bulk cash crimes), and the prosecution of these crimes, an increase in reciprocal negative effects is seen. These data reveal a positive correlation between crime and the NAFTA; which suggests a strong cause and effect relationship between the NAFTA and crime.

Over the period of this study, these crimes emphatically are attributed to the societal strain experienced in the affected areas, specifically, the border area between Mexico and the United States, which revealed the most strain caused by the NAFTA. The NAFTA economic policy created a free flow effect where normal channels and routes used for legitimate business were exploited for criminal use. This structure attracted a significant and steady stream of drugs, illegal immigration, and crime to travel with little or limited restriction prior to the events of 9/11 and terrorism. Adaptations to the implemented crime strategies can be seen; the biggest example is the voluminous



amounts of cash that are smuggled, seized, and laundered in the United States each year (Boyum & Rauter, 2005).

The purpose of this study is to focus on crimes reported and documented by the FBI, and other key governmental agencies responsible for dealing with crime, during the 5 years prior to and following the NAFTA. Although some datasets expanded more than 5 years prior and post NAFTA, a crime trend is still viewed and evaluated. One limitation of this study from the onset was that overall crime is a broad dataset maintained by the FBI. The specific datasets that relate to crimes associated with NAFTA (e.g., drug and money crimes) were limited because of a lack of specific data published in the UCR and other crime databases. The study was also limited by the lack of published crime data for Mexico.

Clearly many factors play a role in the increase and decrease of crime due to NAFTA. Crime trends and the priorities of government agencies shift. Robert Merton's strain theory is utilized to explain the possible causes of crime within the affected area. Strain theory applies on a macro and micro level, and suggests that societies and individuals that experience low SES do experience higher rates of crime. This theory is also relevant to this study as it supports the idea that globalization puts additional stressors and strains on the affected regions and causes an increase in crime because of a lack of a sense of belonging and loss of identity (cultural, national, and personal norms) (Boyum & Rauter, 2005).

To better understand and make sense of the economic and crime shifts, it is necessary to understand the causes and underlying factors that contribute to those societal dynamics and changing trends. These shifts include and are not limited to the swift

manner in which restrictions are loosened to encourage business, while encouraging crime at the same time. This study focuses on drugs and border crimes related to the NAFTA and the methods used in the transfer of illegal money to organized crime groups, which ultimately make its way into the legitimate economy. Once these causes are recognized and studied, the development of real and meaningful strategies to control and prevent crime can occur. Issues such as higher education and training of police and security forces must be addressed to insure a high level of preparedness is reached and maintained to effectively deal with complex crime. A closer examination of the way economic policies are implemented with accompanied regulatory and policing strategy is imperative. In turn, negative effects, such as the mistrust of individuals in government and institutions that can ultimately lead to the decay of society because of high crime rates can be mitigated. Additional examination of empirical data would benefit the specific negative or positive effects of crime related to the NAFTA.

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