

**TRANSNATIONAL DRUG ENTERPRISES (PART II):
U.S. PERSPECTIVES ON THE THREATS TO
GLOBAL STABILITY AND U.S. NATIONAL SECURITY**

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY
AND FOREIGN AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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TRANSNATIONAL DRUG ENTERPRISES (PART II): U.S. PERSPECTIVES ON THE THREATS TO GLOBAL STABILITY AND U.S. NATIONAL SECURITY

WEDNESDAY, MARCH 3, 2010

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN
AFFAIRS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 2154, Rayburn House Office Building, Hon. John F. Tierney (chairman of the subcommittee) presiding.

Present: Representatives Tierney, Flake, Quigley, Foster, Mica, Leutkemeyer, Jordan, Welch, and Duncan.

Also present: Representative Chu.

Staff present: Orly Isaacson, LA; Catherine Ribeiro, CD; Robyn Russell, LA; Andy Wright, staff director; Elliot Gillerman, clerk; Talia Dubovi and Scott Lindsay, counsels; Steven Gale and LaToya King, fellows; Aaron Blackberg and Bronwen De Sena, interns; Adam Fromm, minority chief clerk and Member liaison; Tom Alexander, minority senior counsel; and Christopher Bright, minority senior professional staff member.

Mr. TIERNEY. Good morning, everybody. A quorum being present of the Subcommittee on National Security and Foreign Affairs, the hearing entitled, "Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats to Global Stability and U.S. National Security," will come to order.

I ask unanimous consent that only the chairman and ranking member of the subcommittee be allowed to make opening statements. Without objection, so ordered.

And I understand that Representative Judy Chu is joining us today on the subcommittee and would like to welcome her participation. As such I ask unanimous consent that Ms. Chu be allowed to participate in the hearing in accordance with committee rules. She will be allowed to question the witnesses after all official members of the subcommittee have had their turn. Without objection, so ordered.

I ask unanimous consent that the hearing record be kept open for 5 business days so that all members of the subcommittee be allowed to submit a written statement for the record. Without objection, so ordered.

And I ask unanimous consent the written testimony from Mr. James Bever from the U.S. Agency for International Development be submitted for the record. And without objection, that as well is so ordered.

[The prepared statement of Mr. Bever follows:]

**Statement for the Record of James A. Bever, Director
United States Agency for International Development's Afghanistan-
Pakistan Task Force
U.S. House Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
Hearing on
Transnational Drug Enterprises (Part II): Threats to Global Stability
and U.S. Policy Responses**

March 3, 2010

Mr. Chairman and Members of the subcommittee, thank you for inviting me to submit this statement for the record. I look forward to outlining the agriculture and alternative development activities of the United States Agency for International Development (USAID) in Afghanistan.

Overview

USAID has been involved in agriculture and alternative development activities in Afghanistan since 2002 and including 2010 resources has obligated over \$ 1.839 billion (\$746 million in agriculture and \$1.093 billion in alternative development) to this effort. Agriculture is one of the priority elements of the United States Government (USG) counternarcotics strategy. More than 85 percent of Afghans depend on some form of agriculture or related agribusiness and marketing, so our work in these areas is vital. As part of the "whole of government" approach to activities in Afghanistan, USAID works closely with our United States Department of Agriculture (USDA) and Department of Defense (National Guard) Agribusiness Development Teams' colleagues to provide comprehensive assistance to Afghans who depend on agriculture and agribusiness for their livelihoods. Our alternative development programming – aimed directly at moving farmers safely away from the farming of illegal crops – is extensively reinforced by the creation of long term job and income opportunities in agriculture, economic growth and infrastructure programming.

The purpose of our work on alternative development is to create permanent, licit alternatives to poppy production to help to break the annual cycle of farmers deciding whether to plant poppy or not. Only by helping farmers move beyond subsistence crops and helping them replant the orchards and vineyards they historically relied upon and by promoting and accelerating rural economic development can this cycle be broken. Our goal is to re-

establish and increase commercial agriculture opportunities, improve agricultural productivity, promote sustainable natural resource management, create rural employment and improve family incomes and well-being. New job opportunities and reliable and diversified incomes for farms and other businesses also reduce pressures on farmers and others to grow poppy or depend on the poppy industry. As a result, our programs accelerate broad-based, sustainable economic development in the poppy-growing regions, with major program activities throughout the country, followed by reintroducing historically successful investments and resources such as fruit and nut tree saplings, grape vines and trellises as well as vegetable and fodder seeds for yearly intercropping with new trees and vines until fruit and nut trees begin to bear marketable produce. We also work with Afghan private sector businesses to increase access to fertilizers, improved technology, processing and irrigation infrastructure, and both private and public sector expertise to help Afghans produce and market these high value licit crops.

Accomplishments

USAID has a record of substantial accomplishments in agriculture and alternative development programs, including:

- 1) Employing more than 300,000 people in cash-for-work activities;
- 2) Improving the agricultural productivity for 200,000 people through training in areas such as tree pruning and row planting;
- 3) Establishing and supporting over 600 private sector veterinary field facilities covering major parts of the country;
- 4) Cleaning and restoring 5,000 km of irrigation canals and water channels;
- 5) Facilitating the export of over 4,200 metric tons of fruit and vegetables, most recently apples to India this past fall;
- 6) Assisting villagers to plant 3.2 million trees, including one million high-value pomegranate trees;
- 7) Establishing 400 women-owned tree and vegetable seedling nurseries;
- 8) Establishing a market for the export of peppers and contracting with 25,000 farmers to grow them; and,
- 9) Distributing superior wheat seed to over 300,000 farmers – an estimated 16 percent of Afghan farmers – to increase yields by 30 to 40 percent.

The United Nations Office of Drugs and Crime Afghanistan Opium Survey for 2009 outlines important steps that are emerging in efforts to reduce opium poppy cultivation and production. For example, last year the total estimated opium poppy cultivation decreased by 22 percent from 2008 levels.¹ This in turn helped to decrease total opium production in 2009 by ten percent from 2008 levels, with virtually all production in the same provinces where cultivation is concentrated. Supporting this, a 2010 audit of one of USAID's alternative development programs in the south found that poppy production decreased only in those areas targeted by this program².

Lessons Learned

Over the past several years, USAID has learned several lessons from our alternative development activities. I will summarize four of them:

- **Road Security:** To grow alternative crops, farmers must be able to access inputs such as sapling, seeds, fertilizers and other supplies and know that they will then have the ability to get their goods to market free from both fear of physical threat or need to pay bribes to insurgents or corrupt officials controlling farm to market roads.
- **Quick Fixes Need Follow Up:** Targeted cash-for-work activities can be useful in the short term but are not sufficient if not linked to long term development needs and must be followed by the sustained transition to alternative crops and alternative longer term income and employment opportunities.
- **Availability of Supporting Institutions:** In order to help sustain their long term investments in alternative crops, farmers need access to both private and public sector institutions that will support this switch. Access to credit, to agricultural inputs, supplies, machinery, and infrastructure (e.g., seeds, fertilizers, trellises, greenhouses, canal repair), to training on improved techniques (e.g. pruning to increase production) and expanded domestic and international markets--- all require business and government institutions to work together

¹ United Nations Office of Drugs and Crime, "Afghanistan Opium Survey 2009: Summary Results," September 2009.

² ADP-South West audit by USAID Regional Inspector General (RIG) February 2010, preliminary findings 18 Feb 2010.

- Support to Strong Governors: While engagement and support of the people is essential in order to develop an environment that does not tolerate the growth of poppies and supports permanent agriculture solutions, identifying and helping those strong governors who enforce this shift is critical to success.
 - The Governor's efforts in Helmand province have been particularly effective in reducing and preventing poppy cultivation in that province. With support from the international community and USAID, Governor Mangal implemented an extensive Food Zone plan in a key poppy growing area of Helmand in 2009 to help transition farmers away from poppy. The plan includes a comprehensive pre-planting campaign, to prevent farmers from growing poppy; an agriculture phase, where provincial authorities provide fertilizer and wheat seed to farmers; and, a law enforcement campaign plan, to enforce the rule of law against farmers who have grown poppy.

Strategic Direction

We have developed a two-year USG agriculture strategy that summarizes our alternative development activities two main goals:

- 1) To increase agricultural sector jobs and income; and
- 2) To increase Afghans' confidence in their government.

Tactics for these goals are explained below:

- 1) GOAL: Increase agricultural sector jobs and income.
 - Increase agricultural productivity by increasing farmers access to inputs and effective extension services;
 - Regenerate agribusiness by increasing and improving linkages between farmers, markets, credit, and trade corridors; and,
 - Rehabilitate watersheds and improve irrigation infrastructure.
- 2) GOAL: Increase Afghans' confidence in their government.
 - Increase the Ministry of Agriculture, Irrigation, and Livestock's capacity to deliver services and promote the private sector and farmer associations through direct technical assistance to them to meet the needs of the people while also creating capacity for

the Ministry to eventually receive and adequately manage and account for direct funding from the USG.

Moving Forward

USAID will continue to work collaboratively with our USDA and DOD colleagues in this arena. We will reinforce alternative development through the actions of our agriculture, economic growth and infrastructure programs. Importantly USAID applauds DOD's recent decision to add improved road security to their targets for achievement in Afghanistan. In addition, our alternative development programs will continue to focus directly on building a viable and lasting agri-business industry in poppy-prone areas -- through creating jobs, ramping up the production of small and medium scale commercial agricultural enterprises and building market linkages. Finally, we are also working to expand our technical experts at the provincial and district levels concurrently with our efforts to increase the authorities for provincial teams to more legally and effectively approve smaller, locally-based projects. We continue to increase the use of Afghan staff at all levels both within USAID and among our implementing partners. While we have a core staff of USAID technical experts and managers, over 94% (1,661 of 1,762) of our implementing partner staff working on USAID agriculture programs are Afghans.

Conclusion

Thank you for the opportunity to outline our efforts in agriculture and alternative development in Afghanistan. We look forward to working with the subcommittee as you further explore the very important topic of transnational drug enterprises.

Mr. TIERNEY. With that all aside, again good morning and thank all the witnesses for joining us here today. We are continuing our oversight on national security and the threats from illicit global drug enterprises. In October we held our first hearing with a panel of nongovernment experts who focused on disrupting and dismantling drug operations in Southwest Asia, Latin America, and West Africa. We heard then about the mounting evidence that the drug trade is closely tied to international criminal and terrorist organizations and poses a national security threat to the United States.

Today we welcome witnesses from the Drug Enforcement Administration, the Department of Defense, the State Department, and the Treasury Department to respond to the recommendations that emerged from our October hearing. We are pleased to have with us today the White House Director of National Drug Control Policy.

The U.N. Office on Drugs and Crimes estimates that the global proceeds from illicit drugs range from \$100 billion to more than \$1 trillion per year. That is quite a range. The amount of money garnered by the drug trade puts enormous power in the hands of criminal actors who have every incentive to disrupt law enforcement, displace legitimate enterprise, and destabilize governments.

The President's drug control budget request for fiscal year 2011 is now before Congress. It asks for \$15.5 billion, of which \$6 billion is slated for international support in interdiction. This includes funding for efforts to halt drug flows from abroad into the United States.

One question we should address today is whether this overall amount is adequate. The second question is whether the amount targeted to international drug cartels in interdiction is sufficient to mitigate the national security threats emanating from the expanding global drug trade and associated criminal syndicates.

Our last hearing highlighted a number of policy and strategy issues. In Afghanistan the ever-changing and increasingly complex relations between the drug trade, the insurgency, and terrorism continue to challenge us. Our main counternarcotics initiatives over the past 9 years, eradication, interdiction, justice reform, and the promotion of alternative livelihoods, continue to evolve. These programs are supposed to be interwoven with our counterinsurgency efforts, but a recent Inspector General report questions whether those efforts are actually integrated.

The witnesses at our October hearing cautioned that no single counternarcotics approach will work successfully since traffickers are quick to adapt. They also emphasized that regional, cultural, and economic differences across the country must be taken into account for any effort to succeed.

The extreme violence we have seen in recent years along the Mexican border has exposed the tragic consequence of the drug trade as well as the acute threat these enterprises pose to our own Nation and to our neighbors. The United States has longstanding counternarcotics efforts in Latin America, including the multi-year, multi-billion dollar Plan Colombia and the ongoing Merida Initiative in Mexico and Central America. While eradication has been an entrenched aspect of U.S. drug control policy in Latin America for many years, in part because it has been seen as cutting a lot of drugs at their source, some witnesses told us that the forced crop

eradication in the absence of real alternative livelihood programs was a doomed drug control policy.

West Africa is fast becoming a preeminent international drug hub, and the threats of the region are still not fully understood. New transit routes where drugs travel from Latin America to West Africa and then to Europe represent lucrative opportunities for criminal enterprises. These organizations threaten stability in an area of the world that is already prone to violence and corruption and where we are seeing the rise of terrorist organizations such as al Qaeda in the Islamic Maghreb.

The United Nations Office of Drug Control estimated that close to \$2 billion worth of cocaine passed through West Africa in 2007, which would make cocaine one of the largest exports of that region.

Transnational drug enterprises did not evolve overnight and have shown remarkable flexibility, alliance building capacity, operational fluidity, and top to bottom organizational sophistication that many licit businesses would envy. The United States, working closely with our partners, must break the back of transnational drug enterprises and sever the drug terror nexus where the monetary proceeds from drug trafficking help fund terrorist organizations such as the FARC in Colombia, the Taliban in Afghanistan, and al Qaeda in the Islamic Maghreb.

While it is not the focus of our hearing today, I want to note the importance of addressing the demand for drugs that comes from within our own borders. Until we are more successful at reducing demand and taking the profits out of drug trafficking, we will continue to face significant challenges in our international counter-narcotics efforts.

With these sobering thoughts in mind, I look forward to hearing from today's witnesses, who have been charged by the American people with the challenging task of dismantling international drug enterprises, stopping the flow of money to terrorists and criminal organizations, and protecting our national security.

Mr. Flake, I welcome you to give your opening remarks.

Mr. FLAKE. Thank you, Mr. Chairman. Thank you for calling this hearing. I appreciate the witnesses coming forward. We have heard from the private sector nonprofit witnesses before, as mentioned, and it is good to hear now from every level of government, both those who are targeting the financial networks like we do at Treasury and those who are looking at other efforts.

I will be interested to see how targeting the heroin trade now will impact what we are doing with the surge in Afghanistan and then how those two items intersect, but also to see how your assessment of what our international partners are doing, if this has been a good year and a good trend or if we need some more help there.

But anyway, thank you all for coming. I look forward to the hearing.

Mr. TIERNEY. Thank you. The subcommittee will now receive testimony from the panel that is before us today. I will give a brief introduction of each of you, and then we will start going from left to right on the testimony.

Mr. Gil Kerlikowske is the White House Director of National Drug Control Policy, a position he has held since May 2009. In that

capacity he coordinates Federal drug control programs and oversees implementation of the President's National Drug Control Strategy. Prior to this position he served for 9 years as chief of police in Seattle. Mr. Kerlikowske holds a BA and an MA from the University of South Florida.

Ambassador David Johnson is the Assistant Secretary of State for International Narcotics and Law Enforcement Affairs. In that role he coordinates with the President and the Secretary of State to develop policies to combat crime and international narcotics. A career Foreign Service Officer, Ambassador Johnson has also previously served as a Deputy Chief of Mission for the U.S. Embassy in London and as the Afghan Coordinator for the United States. He holds a BA from Emory University.

Mr. Anthony Placido is an Assistant Administrator and Chief of Intelligence for the Drug Enforcement Administration. In that capacity he serves as DEA's senior officer for the U.S. intelligence community and manages the agency's Intelligence Division in the Organized Crime Drug Enforcement Fusion Center. Mr. Placido has served with the DEA since 1982 in a number of foreign and domestic posts. He holds a BS from Northeastern University and an MPA from Golden Gate University.

Mr. Adam Szubin serves as the Director of the Treasury Department's Office of Foreign Assets Control. In that capacity he is responsible for overseeing the U.S. Government's economic sanctions programs which target international narcotics traffickers. He has held this position since 2006 and has also previously served as a senior adviser to the Under Secretary of the Treasury for Terrorism and Financial Intelligence. A former Fulbright scholar, Mr. Szubin holds a BA from Harvard College and a JD from Harvard Law School.

Good to see so many Massachusetts educated people.

Mr. William Wechsler is the Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats. In that capacity he oversees the Department of Defense's Counternarcotics and Threat Finance Policies and Operations. He has previously served on the staff of the National Security Council as Director for Transnational Threats and is Director for Global Issues in Multilateral Affairs. Mr. Wechsler holds a BA from Cornell University and an MPA from Columbia University.

I want to thank all of you for making time on your schedules to join us here today and share your substantial expertise. It is the policy of this subcommittee to swear you in before you testify today or have you affirm your obligation to tell the truth. So I ask you to please raise your right hands and stand.

[Witnesses sworn.]

Mr. TIERNEY. The record will please reflect that all the witnesses answered in the affirmative. I think you all know that your complete written remarks by agreement are already going to be put in the hearing record, and I know that they were substantial. We appreciate them and they will be read. But I ask that you try to summarize those remarks in about 5 minutes if you would.

The lights reflect green while you are on the go time, with a minute to go it will turn to amber, and when your 5 minutes is up it will turn to red, the floor opens up, you drop down and that is

it. The Ambassador says, fine with me, I get to get out of here. Not so lucky. We will try to be as flexible as we can, but we do have five witnesses. We appreciate you trying to adhere as best you can to those time guidelines.

Mr. Kerlikowske, we are pleased to hear from you.

STATEMENTS OF R. GIL KERLIKOWSKE, DIRECTOR, WHITE HOUSE OFFICE OF NATIONAL DRUG CONTROL POLICY; DAVID T. JOHNSON, ASSISTANT SECRETARY OF STATE, BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT, U.S. STATE DEPARTMENT; ANTHONY P. PLACIDO, ASSISTANT ADMINISTRATOR AND CHIEF OF INTELLIGENCE, DRUG ENFORCEMENT ADMINISTRATION, U.S. DEPARTMENT OF JUSTICE; ADAM J. SZUBIN, DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL, U.S. TREASURY; AND WILLIAM F. WECHSLER, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR COUNTERNARCOTICS AND GLOBAL THREATS, U.S. DEPARTMENT OF DEFENSE

STATEMENT OF R. GIL KERLIKOWSKE

Mr. KERLIKOWSKE. Thank you for the opportunity to testify on this important subject of transnational drug enterprises. The Obama administration believes that a balanced drug control strategy includes comprehensive efforts to reduce our consumption of illicit drugs as well as drug production, trafficking and related violence at home and abroad. Consistent with this view, the President's fiscal year 2011 national drug control budget proposal seeks over \$2.3 billion to provide support to our international partners and counternarcotics programs, and that is an increase of \$20 million over the levels of the last fiscal year.

Now, although today's hearing focuses on transnational threats, it is important to note the administration's strong commitment to reducing drug consumption at home. As a long time police chief I have seen up close the terrible impact that drugs have had on individuals, families and communities. The earlier we can intervene to get people help, the better, and that is why community-based prevention will be a focus of our efforts.

Drug use and its consequences affect different places in very different ways, and in fact there is no single drug problem in this country, but a wide variety of drug problems. The drug issues in each community are closely tied to the makeup, the economy, the geography, and the culture of particular communities.

We will be expanding and enhancing existing prevention efforts and working to ensure drug abuse treatment services are made more widely available. These efforts will include expanded work to address the abuse of pharmaceutical drugs. That is a problem of increasing concern within the United States.

Let me turn to the serious transnational threat posed by drugs. In order to put the thrust of our efforts to combat transnational drug enterprises in context, it is essential to examine the manner in which these organizations function. They thrive in an environment of weak governmental institutions, insecurity, corruption, and limited legitimate economic opportunity, and their purposes are served by a culture of violence, intimidation, and impunity to cre-

ate the perception that they are the governing body in the areas that they operate freely.

A clear nexus has been established linking the revenue produced by illicit trafficking and their violent destabilizing activities. In light of this, government efforts against the international drug production and trafficking organizations typically include interdiction, direct organizational attack, and disruption of inputs to the trafficker's chain of production and distribution.

In Colombia we have witnessed an evolution from what many describe as a nearly failed state during the nineties to today's situation in which the drug funded terrorist organizations have been reduced in size and power. Additionally, security has returned to many parts of the Nation and the government is taking an increasing responsibility for implementation of programs formerly dependent on U.S. assistance.

I visited Colombia last September and I observed that it is a safer place than at any time in the last 20 years. They have also significantly improved their human rights record over the past 10 years. There are still certainly problems, but this remains a priority for the U.S. Government in working with Colombia. And the government is stepping up to take on more ownership of the counterdrug programs, I met with the national police chief there, from eradication to alternative development to demand reduction.

And in Mexico President Calderon's government is engaged in, as we well know, a violent struggle to dismantle major criminal organizations, and at the same time they are working to permanently reform and strengthen the democratic institutions of government.

The U.S. intelligence sharing, training and the provision of equipment through the Merida Initiative and other regional programs have been invaluable to our strategic partnership with Mexico, the Caribbean, and the Central American nations. Additionally, U.S. cooperation with Mexico also includes expanding collaboration and exchanges on prevention, treatment, and innovative criminal justice practices.

The most recent example is the U.S.-Mexico Demand Reduction Bi-National Policy Conference which ONDCP hosted last week here in Washington, DC, with many Federal partners, including the State Department. The conference brought together public policy leaders, researchers, program providers and local coalition organizers from both nations to address the science of addiction, and the effective prevention, treatment and recovery programs that we have here in the United States that can be outsourced. The conference concluded with a joint declaration of drug demand reduction cooperation, to include among other things the further implementation of best practices in the fields of prevention and treatment. Similarly, there is much that we can do to address the drug threats attacking both the United States and Mexico.

In June 2009, Secretary Napolitano, Attorney General Holder, and I released the National Southwest Border Counternarcotics Strategy in New Mexico. That strategy is a key component of our comprehensive national response to the threat along the border. The response includes cooperation with Mexico through the Merida Initiative. The Southwest Border Strategy also seeks to leverage information sharing with State and local partners.

And given the stop sign, I think I will stop here so the floor doesn't open up.
[The prepared statement of Mr. Kerlikowske follows:]



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

**Testimony
Of
R. Gil Kerlikowske
Director
National Drug Control Policy**

**Subcommittee on National Security and Foreign Affairs
Oversight and Government Reform Committee**

***“Transnational Drug Enterprises (Part II): U.S.
Government Perspectives on the Threat to Global Stability
and U.S. National Security”***

**Wednesday March 3, 2010
2154 Rayburn House Office Building
10:00 a.m.**

Thank you very much, Chairman Tierney, Ranking Member Flake, and other Members of the Subcommittee, for the opportunity to testify today on this important subject. I very much look forward not only to today's discussion, but also to working on drug issues with all the Subcommittee Members in the months and years ahead.

Before I provide a more detailed response on the issue of this hearing, I want to share with you the focus of my first year as Director of National Drug Control Policy. I have, with my Deputy Director, Tom McLellan, committed to continuing our strong domestic law enforcement efforts, especially along the Southwest border, and to evaluating the attention and funding provided to prevention and treatment in our national anti-drug efforts. The connection between the transnational drug threat and the domestic demand for drugs should not be overlooked.

Vital Role of Drug Prevention and Treatment

The Obama administration is emphasizing a comprehensive, balanced approach to drug policy. We are rebalancing our efforts, building on the hard-won knowledge we already have, but also incorporating new information, and new tools, that research and science have provided us. We recognize that drug addiction is a disease with a biological basis, although personal responsibility does play a role in recovery. Drug use – whether or not the user is addicted – raises the risk of traumatic accidents, infectious disease, psychiatric disorders, family violence, and a host of other health problems. One of my top priorities is to intensify efforts to reduce the demand for drugs, which fuels crime and violence around the world.

As a long-time police chief, I have seen up-close the terrible impact drugs have on individuals, families, and communities. The earlier we can intervene to get people help, the better – that's why community-based prevention will be a focus. Drug use and its consequences affect different places in very different ways. In fact, there is no single "drug problem," in this country, but a wide variety of drug problems, each closely tied to the makeup, the economy, the geography and the culture of particular communities. We will be expanding and enhancing existing prevention efforts and working to ensure drug abuse treatment services are made more widely available. These efforts will include expanded work to address the abuse of pharmaceutical drugs, a problem of increasing concern within the U.S.

This renewed focus on a balanced approach does not, in any way, diminish the critical role of law enforcement in addressing our drug control challenges. We continue to integrate border enforcement and interdiction, domestic law enforcement and international efforts so they are coordinated and mutually reinforcing. Federal, State, local and Tribal law enforcement efforts are focused on disrupting the drug trafficking organizations' domestic profits, assets, and money laundering operations.

The Administration is committed to using the criminal justice system effectively – violent criminals and drug traffickers must be incarcerated to protect public safety, but there are better alternatives for those caught up in the criminal justice system due to their drug involvement. We do not want to simply incarcerate drug addicts, while leaving their drug problems unaddressed. We must seize the opportunity to provide evidence-based treatment – either out of jail through diversionary programs like drug courts, or while in jail – to set them on a path to recovery. We

also want to make sure that those in the community correctional system can be held to account through swift and certain sanctions, which often can stop the cycle of drug use and crime. The Obama Administration is focused on providing treatment for Americans in need, so they can contribute to safe and healthy communities. Addressing these issues quickly saves both money and lives.

Fiscal Year 2010 appropriations increased funding for adult, juvenile, and family drug courts by one-third, tripled Federal support for treatment in state prisons, more than doubled prisoner re-entry funding, and provided \$30 million to fund the recently passed Second Chance Act.

Employing ONDCP's authority to review and certify national drug control program budgets under Public Law 109-469, Departments and agencies worked with ONDCP through the summer and fall of 2009 in the development of the President's Fiscal Year 2011 National Drug Control Budget. The budget requests \$15.5 billion to reduce drug use and its consequences in the U.S. This represents an increase of \$521.1 million (3.5 percent) over the FY 2010 enacted level of \$15.0 billion. The Budget seeks to increase drug prevention funding by 13.4 percent and to increase drug treatment funding by 3.7 percent over the FY 2010 enacted level.

More specific to the jurisdiction of this Subcommittee, the interdiction portion of the President's budget proposal seeks an increase of \$86.9 million (2.4%) over the FY 2010 level, with \$3.7 billion to support Federal interdiction efforts.

The Budget also requests over \$2.3 billion to provide support to our international partners and counternarcotics programs, an increase of \$20.1 million (0.9%) over the FY 2010 level. The Departments of Defense, Justice, and State perform a wide range of drug control activities primarily conducted in areas outside of the U.S., focusing on the disruption or dismantlement of the most significant international drug organizations, and increasing the drug enforcement capability of partner nations, and supporting programs to reduce drug demand and treat addiction.

Transnational Drug Enterprises and Their Threat to the U.S.

Now let me turn to the main purpose of the today's hearing, the serious national security threat posed by illicit drug production, trafficking, and consumption. Certainly this is an issue of great concern not only to me, but to all of my colleagues in the Obama Administration.

The production, trafficking, and use of illicit drugs have become a significant threat to our Nation, our hemisphere, and our planet. Transnational criminal organizations operate best in an environment of weak governmental institutions, insecurity, corruption, and limited legitimate economic opportunity. Their purposes are served by a culture of violence, intimidation, and impunity to create the perception they are the governing power in areas where they operate freely. They perpetuate their control and income-generating power with complete disregard for the negative impact their criminal enterprises have on the lives of individuals, on governmental and social structures, and even on the environment. The asymmetric threat posed by illicit trafficking has become global in scope. The revenue derived from these illicit activities has created a destabilizing effect on the fragile democracies and the rule of law in our own

hemisphere and throughout the world. A clear nexus has been established linking the revenue produced by drug trafficking organizations and their violent and destabilizing activities.

Governmental efforts against international drug production and trafficking organizations typically include interdiction, direct organizational attack, and disruption of inputs to the trafficker's chain of production.

Domestically, the High Intensity Drug Trafficking Area (HIDTA) program provides resources to Federal, State, local, and Tribal agencies to disrupt and dismantle drug trafficking organizations (DTOs) by targeting drug cultivation, distribution, drug-related violent crime, and demand reduction. The collaboration and cooperation among these agencies leads to an expanded jurisdiction and enhanced expertise for task force members in disrupting and dismantling both domestic and transnational DTOs. Without building probable cause and intelligence through the street-level case work and thorough criminal investigations by Federal and local law enforcement working together, major transnational DTOs would continue expanding their illicit enterprises. Identifying the source and denying the revenue originates with Federal, State, and local law enforcement officers building investigations, discovering links, and ultimately developing cases against these illicit organizations.

Interdiction efforts in the transit zone between South America and the U.S. have been successful over the past several years, to the extent they have impacted the drug trafficking business model. In response to increasing interagency successes in interdicting "go-fast boats" and multi-ton loads on the high seas, traffickers have shifted to moving their product in ever-more sophisticated self-propelled semi-submersibles (SPSS) capable of carrying five tons of cocaine per shipment. The Drug Trafficking Vessel Interdiction Act that Congress passed in 2008 outlawed the operation of these vessels and has enabled prosecution of their crews, even after they have scuttled the vessel and its contraband, facilitating significant progress in trying to stop this threat. To further minimize risk, traffickers have dispersed smaller loads among an increased number of go-fasts, and they are running them through littoral waters off the coasts of Central America to Mexico to take advantage of reduced partner nation interdiction capability in territorial seas.

Efforts to disrupt the trafficking organizations have been most successful in Colombia, where we have witnessed an evolution from what many described as a nearly failed state during the nineties, to today's situation in which the drug-funded terrorist organizations are reduced in size and power, security has returned, and the government is increasingly taking responsibility for implementation of programs formerly funded by the U.S.

In Afghanistan, we are focusing on disrupting the nexus between drug traffickers, insurgents, and government corruption, and denying them the revenue they generate from the illicit drug trade. In Mexico, President Calderon's government is engaged in a struggle to dismantle major criminal organizations, and at the same time, reform and strengthen the democratic institutions of government. United States information sharing, training, and the provision of equipment through the Merida Initiative and other regional programs have been invaluable in our strategic partnership with Mexico and the Caribbean and Central American countries. Beyond law enforcement, the U.S. cooperates with regional governments to strengthen democratic

institutions and provide citizens with economic and social alternatives to involvement with the drug economy (whether as producers, traffickers, or consumers). With our national interests as much at stake in the outcome as those of our partners, it is essential that we continue to amply support disruption of transnational criminal organizations in the hemisphere and elsewhere when they affect our national security.

President Calderon's efforts, combined with increasing security along our Southwest border, may have motivated drug cartels to expand outside of Mexico, and to move into less challenging markets in Europe, the Middle East, and possibly Central America (Guatemala). By moving into new markets, the DTOs have sparked a significant reaction. We are currently in the midst of an unprecedented period of international cooperation, which has been spurred by the realization that illicit drug trafficking is not just a domestic problem. Our South and Central American and Caribbean neighbors realize the rapidly growing threat to their own civil and social systems, and are calling for regional cooperative efforts against the DTOs. The DTO-related violence in Mexico and a clear understanding of our mutual interest in addressing this serious drug trafficking threat has facilitated unprecedented cooperation between the U.S. and Mexico.

The current situation has created a window of opportunity for a coordinated international effort to address this common threat. The U.S. must continue our law enforcement efforts to make best use of the current wave of international commitment by providing leadership and assisting our hemispheric partner nations and our international allies to develop the capability and capacity they need to play an enhanced role in the current struggle. We must also do the same with our non-law enforcement efforts, such as capacity building of democratic institutions, improving justice systems, strengthening community capacity to resist and prevent substance abuse, and providing opportunities to at-risk youth so they do not become involved in either drug abuse or the drug trade.

The Administration has a goal of increasing the cost of doing business for the DTOs, to the point where routine losses are no longer sustainable. Getting there will not be easy. Interagency forces, with the help of our international partners, have done heroic work in seizing increasing amounts of cocaine in the transit zone year after year. But we must do better. ONDCP, in its role as U.S. Interdiction Coordinator (USIC) and working through The Interdiction Committee (TIC), is currently engaged in a comprehensive interagency study, entitled the Western Hemisphere Transit Zone Performance Gap Analysis (PGA). The study will determine the resources required to improve seizures, and will provide a better basis for interagency budget requests to attain this objective.

The PGA will establish a comprehensive baseline for the capability and capacity required by U.S. agencies as well as our international partners. It can also serve as one component of the requirements document for several related initiatives, including the ongoing Merida Initiative, and the related Central American Regional Security Initiative (CARSI – formerly known as Merida Central America), the Caribbean Basin Security Initiative (CBSI), and the Maritime Interdiction Investment Plan (MIIP). Led by the Coast Guard with DOS support and incorporating input from DOD, DHS and DOJ, the MIIP will provide non-binding guidance to TIC regarding maritime interdiction investment priorities within the Western hemisphere. These initiatives have all been developed to foster an interagency approach designed to maximize the

return on investment of current and proposed counternarcotics funding mechanisms. This coordinated effort is essential. We will also endeavor to include partner nations in this process to ensure they can leverage these initiatives to maximize the return on their investments as well.

The U.S. already collaborates extensively with our partners in the region and around the globe to interdict shipments of illicit narcotics as close to the source as possible. Seizing large loads before they reach our borders, measured in metric tons is far more efficient and cost effective than seizing quantities measured in grams when they arrive in our neighborhoods. For years, our international partners have recognized the wisdom of this approach, and have provided ships, aircraft, and investigative personnel under the tactical control of the Joint Inter-Agency Task Force South (JIATF South). In response to the increasing eastward flow of illicit narcotics across the Atlantic, seven European countries have joined to establish the Maritime Analysis and Operations Centre – Narcotics (MAOC-N) in Lisbon, Portugal. JIATF South has established a permanent liaison at the MAOC-N to ensure a seamless exchange of tactical and investigative information.

Finally, disruption of the illegal drug supply chain needs to continue. The U.S. assists efforts in drug source countries to eliminate poppy and coca, to empower government control and the rule of law in drug-producing areas, and to defeat terrorist organizations that depend on drug trafficking as a significant source of income. When the security situation permits it, U.S. efforts to disrupt drug production at its source include assistance for development of sustainable income sources and institutional strengthening, with respect for human rights and democracy. One of the best examples of this occurred in Peru's San Martin area, where the Peruvian government, through a geographically-targeted, whole-of-government effort that included State Department-funded coca eradication and USAID alternative development assistance, reduced the number of hectares of coca in San Martin from over 18,000 to less than 325 today. Critical to this success was community participation in selecting the types of assistance provided and alternative development assistance in place before eradication began. Investments such as these need to be sustained to make it possible for allied governments in the heroin and cocaine source countries to stop drug production and increase stability. Continuing to increase and expand these kinds of international and regional partnerships is essential, if we are to achieve the level of supply reduction necessary to begin to impact trafficker success in a meaningful way.

Colombia

The U.S. has long-focused on the threats posed by drugs within our hemisphere. Colombia has made tremendous progress in reducing violence and disrupting the major drug trafficking organizations. During my visit to Colombia, I was impressed by the commitment of the Uribe administration to partner with the U.S. to reduce the flow of illicit drugs to the U.S. and to reduce the effect that drug trafficking has on Colombia. I also noted recognition by the Colombian government that drug trafficking is a regional problem. Colombia is using its years of experience fighting drug trafficking to partner with and assist the Mexican government.

Inside Colombia, President Uribe's government has shown remarkable progress in taking back control of the country from armed drug-trafficking groups, resulting in dramatic drops in violence, kidnappings, and impunity. Colombia's plan simply seeks to establish state control over portions of Colombia that have never had a government presence. This expansion of

governance into once-forgotten parts of rural Colombia will decrease the ability of insurgent and criminal groups to threaten the Colombian state; cultivate illicit crops; traffic narcotics, weapons, and ammunition; and perpetrate violence against Colombian citizens. It will also provide the secure environment for alternative development programs to succeed in permanently replacing illicit crops.

Of course, there is more work to be done, and the U.S. will continue to partner with Colombia in attacking all aspects of the drug trade. To avoid a reversal of our successes, it is important that we enable Colombia to sustain their gains and replace illicit enterprises with productive commerce. Greater U.S. private sector engagement with their Colombian counterparts will go far to create the investor confidence and market openings Colombia needs to push out the drug business, while also providing opportunities for U.S. companies.

Mexico

In October 2007, Mexico and the U.S. announced a strategic partnership against transnational crime. Through the Merida Initiative, the U.S. committed to provide \$1.4 billion in equipment, technical assistance, and training to Mexico, as well as improve our communications and information sharing with Mexico, Central American, and Caribbean countries in support of anti-drug and anti-crime programs. Mexico has taken the lead in directly confronting transnational criminal organizations that threaten its national security.

On August 9, 2009, at the North American Leaders' Summit in Guadalajara, President Obama commended Mexican President Felipe Calderón and his government for their determination and courage in taking on these cartels. He spoke of the violence and death the cartels cause, and our shared commitment "to continue confronting the urgent threat to our common security" they pose. President Obama said the U.S. would, "remain a full partner in this effort," working "to make sure Mexico has the support it needs to dismantle and defeat the cartels."

I have nothing but the greatest respect for the courageous efforts made by President Calderon in taking on the cartels. He and his administration deserve our sustained support. Mexico faces a tremendous challenge, and they have shown the will and commitment to meet it. The U.S., through the Merida Initiative, is providing information about the whereabouts of transnational criminal leadership. Over the longer term, the U.S. is also providing rotary wing mobility to facilitate take-downs of criminal cells and criminal leadership, with the support of Congress. The U.S. is also sharing information on the trafficking of drugs north into U.S. territory and is developing programs to impede bulk currency and weapons trafficked south from the U.S. into Mexico.

In implementing its cartel-focused strategy, Mexico has relied heavily upon the military and federal police to control territory where there is a strong criminal presence. Those institutions have disrupted criminal infrastructure through arrests and seizures of transportation assets. According to the Government of Mexico, arrests increased from 40,630 in the previous administration to 79,301 for a comparable period in the Calderon administration. Of the nearly 80,000 arrests, about 55,000 - or 70 percent - had ties to organized crime.

Cartel leaders have also been put at greater risk. Even in advance of full integration of United States technical assistance into Mexico's national security structure, 9 of 37 kingpins and lieutenants identified by Mexico as their "most wanted" had been arrested as of January 12, 2010. In December, Mexican forces killed or captured two of the Beltran Leyva brothers, heads of the eponymous cartel.

It is true that the threat of violence, on both sides of the Southwest border, is serious and troubling. However, there is some good news in the scale of Mexico's commitment to reform their Federal, State, and local agencies and the degree to which our two nations have been able to closely collaborate. This cooperation does not just consist of high-level meetings, but also regular exchanges of case-specific information through the Mexican liaison officers now based in a number of United States centers, such as the El Paso Intelligence Center (EPIC). This regular collaboration, buttressed by the Merida Initiative, is building a strong foundation for an enduring full-scale effort to push back against the international drug cartels based in Mexico. Both the U.S. and Mexico recognize that extensive use of the military for counternarcotics is not a permanent solution to the challenge of the drug cartels, but a response to a crisis. We are collaborating on efforts to train their law enforcement agencies so they can take over leadership of this effort and are concurrently working to support the Mexican Government's efforts to more fully protect the human and civil rights of its citizens who are too often caught in the violent crossfire of this difficult struggle.

In addition, it is important to note that U.S. cooperation with Mexico also includes expanding collaboration on prevention, treatment, and innovative criminal justice policies. The most recent example is the US-Mexico Demand Reduction Bi-National Policy Conference, which ONDCP hosted last week in Washington, DC. I was encouraged that First Lady Margarita Zavala of Mexico participated. The conference resulted in a joint declaration, in which both countries agreed to pursue bi-national collaboration in seven key areas: developing strong, resilient communities that resist criminal organizations and develop a culture that sustains lawful authorities; supporting community-based prevention efforts and anti-drug coalitions; integration of substance abuse prevention, intervention, and treatment into medical education and healthcare systems; Screening, Brief Intervention, and Referral to Treatment; drug treatment research leading to better and more accessible programs; credentialing / licensing of healthcare and treatment professionals; and innovations in criminal justice to reduce recidivism and interrupt the cycle of drug use and crime.

The Southwest Border

Of course, there is much we can do to address the threat drug trafficking poses to the U.S. and Mexico. In June 2009, Secretary Napolitano, Attorney General Holder, and I publicly released the *National Southwest Border Counternarcotics Strategy* in New Mexico. The Strategy is a key component of our comprehensive national response to the threat along the border. This response includes: cooperation with Mexico through the Merida Initiative and enhancement to border-related personnel, technology, and equipment.

Under my leadership, and in close collaboration with DHS, DOJ and other agencies, the Administration is moving forward to aggressively implement this Border Strategy. Just two weeks ago, I convened relevant Department and Agency representatives and a participant from

our Southwest Border HIDTA, to review the status of the Strategy. Significant progress has been made in many areas, including information sharing with State and local partners, as well as employing Treasury Department authority to disrupt trafficking operations. It further includes an increased focus on interdiction of southbound currency and weapons, and sharing information on gun shipments among law enforcement agencies. Some challenges remain. ONDCP will be preparing a public report on the implementation of the Border Strategy which will be provided to Committee Members this spring. DHS and DOJ will begin the process of updating the National Southwest Border Counternarcotics Strategy for 2011, as required by statute.

I have heard from many of my former colleagues in State and local law enforcement about the importance of working together as one U.S. team to stem the flow of drugs into our country, as well as the outbound flow of bulk currency and weapons. This is a large, complex, and important undertaking. Strengthening this national partnership will be essential to our efforts to stop the flow of bulk currency and weapons from the U.S. across the border to Mexico. I applaud Secretary Napolitano and Attorney General Holder for their emphasis on stopping the flow of outbound money and guns that empowers the violent Mexican drug cartels. Clearly, the money and weapons are just as important to the cartels, if not more important, than the drugs. Of course, the purpose of the whole cartel enterprise is to garner profits and power; drugs are just a means to those ends.

The violent international drug cartels operating on both sides of the border are criminal, and they collectively pose a national security threat to our Nation. International drug trafficking organizations operate in our cities, suburbs, rural areas, in our national parks and our public lands, and in our prisons. Information about their operations must be made available to our federal, state, local, and tribal law enforcement partners. Without their involvement, we will never have the detailed knowledge of local drug-trafficking cells and their drug, money, and weapons distribution networks necessary to dismantle the international criminal organizations that threaten not only our Nation, but also our partners throughout the region.

Using funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Homeland Security is making major investments at the border, including: \$100 million for nonintrusive inspection systems; \$60 million for tactical communications equipment and radios; and \$420 million for planning, management, design, alteration, and construction of CBP Ports of Entry. In addition, also using Recovery Act funds, much-needed Department of Justice law enforcement funds will provide: \$2 billion for Byrne Memorial Justice Assistance Grants; \$225 million for Byrne Competitive grants; \$125 million for Rural Law Enforcement; \$40 million for the Southern Border, \$10 million of which is specifically for ATF's Project Gunrunner; and \$225 million for Tribal Law Enforcement Assistance. I am not going to tell you we can solve this problem with a new strategy or with budget initiatives in a single year. But I do want to tell you that I am confident we have already begun to move in the right direction.

Central America and the Caribbean

The Caribbean represents another U.S. border region that is exploited by drug trafficking organizations. President Obama, as one of his first actions in 2009, met with the leaders of the Western Hemisphere at the Summit of the Americas in Trinidad and Tobago. He pledged to strengthen security and promote citizen safety in the region. That is a key objective of the

Caribbean Basin Security Initiative (CBSI), through which the governments of the Caribbean nations and the U.S. will partner to work together in the areas of law enforcement, public safety, security, and social justice. Through this security cooperation partnership, the governments will work to substantially reduce illicit trafficking of narcotics and associated crime, advance public safety and security, and further promote social justice across the Caribbean Region. We are working closely with the Department of State to enhance the capacity and capability of the forces in the Caribbean to reduce the flow of drugs through the region and the corruption, consumption, and destabilization that accompany drug trafficking.

Our Central American partners are experiencing the consequences of the criminal organizations operating in their countries. In part, that is because it has become relatively more difficult for trafficking organizations to operate in Mexico. We are working through our partnership with the Organization of American States' Inter-American Drug Abuse Control Commission (CICAD) experts to provide training on resisting drug use and improve administration of treatment efforts. Drug trafficking, and the money and violence that accompany it, challenge local police forces in Central America. We are working closely with the Department of State in the execution of the Central America Regional Security Initiative (CARSI – formerly the Merida Initiative) for those countries, in order to assist with basic law enforcement training and equipment, and to strengthen those governments in the areas of money laundering, asset forfeiture, and firearms interdiction.

Russia

At their July 2009 summit meeting in Moscow, President Obama and President Medvedev created a Bilateral Commission to improve relations between our two countries in numerous areas. As part of this effort, I have been named as Co-Chair of the Drug Trafficking Working Group with my Russian counterpart, Director Viktor Ivanov. I traveled to Moscow and met with Director Ivanov on February 4th to advance the important work of this Commission. Director Ivanov and I have committed to partnering to combat the flow of illegal narcotics from Afghanistan and the Andean region that affect the strategic interests of both the U.S. and Russia. Additionally, both nations recognize the importance of increasing demand reduction efforts, specifically in the areas of prevention, treatment, and recovery. Russian authorities are especially interested in our experience with Drug Treatment Courts, which have existed for over 20 years in the U.S., and now number greater than 2,300. I look forward to making significant strides in our partnership, as both the U.S. and Russia work to develop new, comprehensive drug control strategies for our respective nations.

Afghanistan

During my recent trip to Afghanistan and Russia, I was able to view first-hand the impact illegal drugs are having on both societies. At the source, illicit drugs from Afghanistan are fueling a growing regional drug addiction problem that extends northward into Central Asia, Europe, and Russia. As you know, most of the drugs that originate in Afghanistan do not make it to U.S. streets, but they do provide a financial support structure for the Taliban and their associated networks. As part of the U.S. counter-drug effort for Afghanistan, we are enhancing interdiction to deprive the illegally generated drug funding to the Taliban and their allies. We are also working closely with the host government of Afghanistan, our international partners, and multilateral organizations such as the United Nations Office of Drugs and Crime (UNODC) to

broaden our engagement with affected nations and counter the threats Afghan illegal narcotics pose to our respective national security interests.

West Africa

We will also remain focused on assisting other countries and regions, especially in the developing world, grappling with the terrible impact of the drug trade. West Africa is one example. The UNODC has been instrumental in calling international attention to the rise in narco-trafficking, particularly from the Andean source countries through West African nations. Already, this increased trafficking has been harmful to stability and good governance. Though domestic consumption in West African nations is not significant yet, we know from experience elsewhere that transit states develop domestic markets. There are signs this is beginning to happen in West Africa. The U.S. will work with the UNODC and the European Union to build capacities in this and other regions of the developing world to address the rising threat posed by illicit drug trafficking and use.

Asia/Pacific

Whereas Central and South America continue to be the source and transit zones for cocaine destined for the U.S., and Afghanistan remains the world's top producer of heroin destined for markets mostly outside of the U.S., the Asian region generates the majority of the important precursor chemicals that are diverted to produce synthetic drugs, such as methamphetamine and 3,4-Methylenedioxyamphetamine (Ecstasy or MDMA). ONDCP, in close partnership with our interagency colleagues, plays an important role in coordinating a coherent response to this threat. In 2009, we hosted the Executive Working Group of the Joint Interagency Task Force (JIATF)-West, responsible for anti-drug efforts in the Pacific Region. As the synthetic drug threat grows, JIATF-West's mission becomes more important. I am committed to ensuring the success of this important task force in a region that has traditionally received less attention when it comes to drug trafficking. As part of our anti-drug efforts in the Pacific region, I have also committed to working more closely with China. During a meeting with the Chinese Ambassador in August 2009, I reaffirmed our intention to work closely with China to stem the diversion of precursor chemicals to illegal synthetic drug production. The abuse and trafficking of methamphetamine and other synthetic drugs pose a significant threat to the health and safety of citizens in the U.S., China, and other nations around the world.

Conclusion

As a major drug consuming nation, it is in our best interest to work collaboratively with our international partners to reduce the global drug trade. Such efforts not only protect the public health and safety of our citizens, they also fulfill our responsibilities to assist those nations which have been severely impacted by drug use outside their borders. Success against international drug trafficking organizations will require close and sustained partnerships with other countries. These partnerships should include, but not be limited to, interdiction and eradication – it is also vital that we help countries build their institutions and grapple with their own drug abuse and drug-related crime and violence. Building such partnerships can be challenging, due to varying levels of capability and commitment and conflicting priorities and interests. Regardless, for long-term success there is no substitute for local knowledge and strong partnerships with international allies. Fortunately, the past two decades have witnessed a strengthening worldwide resolve to address the threat of drug production, trafficking, and abuse.

At home, we must also do a better job of building partnerships. As a former police chief I recognize that sometimes these relationships can be difficult and that greater effort is required by Federal agencies to share information, eliminate duplication, and provide, to the extent possible, financial support.

Finally, let me commend this Committee's effort to address the shared regional public health and safety threats we face from drug production, trafficking, and abuse. ONDCP looks forward to working with the Committee's Members to address these challenging and important issues. I recognize that none of the many things ONDCP and my Executive Branch colleagues want to accomplish for the Nation are possible without the active support of Congress. I stand ready to come back to testify again in the future, and to meet with Committee Members, to ensure you have all of the information you need. Thank you very much for the opportunity to testify and for the support of the Committee on this vital issue.

Mr. TIERNEY. Thank you very much. We will try to give you an opportunity to get where else you want to go in terms of questioning on that.

Ambassador Johnson.

STATEMENT OF DAVID T. JOHNSON

Mr. JOHNSON. Thank you, Mr. Chairman, Ranking Member Flake, members of the subcommittee, thank you for the opportunity today to discuss an issue of great concern to me and to my colleagues at the Department of State: transnational drug enterprises and their associated illicit networks.

Mr. Chairman, I am grateful for your leadership and the awareness that today's hearing brings to this important national security issue. We believe that transnational drug enterprises directly threaten the security interest of the United States as well as the health and safety of our fellow citizens. These criminal enterprises actively work to subvert the rule of law wherever they operate. They undercut democratic institution building and economic growth in developing countries.

As you noted at the first part of this hearing, the large profits generated by the drug trade and the efforts to hide and launder them can distort economies and governing institutions even in developed states. Drug trafficking organizations are at their core business enterprises often closely linked to other transnational crime groups and regularly engaged in a broad range of illegal activities that affect American values, business, and our security and health.

The Department shares this subcommittee's deep concerns over links between international drug trafficking and terrorism. As the international community has clamped down on terrorism and pressured governments from financially supporting terrorist organizations, some groups have resorted to drug trafficking as a source of revenue. Much of the work my colleagues and I do at the State Department involves foreign assistance and cooperation programs to isolate, minimize, and neutralize transnational drug enterprises. Using bilateral, regional and global initiatives and assistance programs, we seek to build the law enforcement capacity of foreign governments so they can confront these threats before they reach or impact on U.S. soil.

We help them strike directly at these organizations by disrupting their operations, arresting and imprisoning their leaders, and seizing their assets. This can include destroying drug crops on the ground before they can enter the processing chain, particularly in areas where farmers have viable alternatives, as Mr. Mansfield pointed out in Part I of this hearing. And in other cases with our partners at the U.S. Agency for International Development we provide substantial programs to help wean growers away from drug farming through alternative livelihood and economic development.

Mr. Chairman, countering the power of transnational drug and crime enterprises requires a global effort. It requires enormous strategic political, operational and financial coordination and commitment and, most importantly, it requires building and further developing good and capable governance capacity in the regions where transnational drug enterprises operate.

Thank you for your invitation this morning. I look forward to addressing any questions you have, in particular any questions you might have about the programs and initiatives that my Bureau operates around the world. Thank you, Mr. Chairman.
[The prepared statement of Mr. Johnson follows:]

Statement of David T. Johnson
Assistant Secretary
Bureau of International Narcotics and Law Enforcement Affairs
United States Department of State

Before the

House Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs

“Transnational Drug Enterprises (Part II): U.S. Government Perspective on
Threats to Global Stability and U.S. National Security”

March 3, 2010

Chairman Tierney and Ranking Member Flake, I want to thank you and the other members of the Subcommittee on National Security and Foreign Affairs for inviting me here to talk about an issue of great concern to me and my colleagues at the Department of State – transnational drug enterprises and their associated illicit networks.

There is no question in my mind that transnational drug enterprises directly threaten the national security of the United States. As Director Kerlikowske has pointed out, illicit drugs directly jeopardize the lives and livelihoods of Americans of all stripes, socio-economic and geographical backgrounds. Illegal drug use and the associated crime waste lives and devastate families, schools and communities in our country. They overload our prisons, strain our law enforcement sectors, and tax our public health system. We only need to recall the crack epidemic of the 1980’s and the meth epidemic of this past decade, especially in many rural areas, to see how quickly illicit drugs can damage neighborhoods and communities, with long-lasting effects.

Much of the work that I do at the State Department involves efforts to isolate, minimize, and neutralize transnational drug enterprises through foreign assistance programs to develop and enable international partnerships that instill justice and enhance security. Transnational drug enterprises, which we at State refer to as Drug Trafficking Organizations (DTOs), are at their core, business

enterprises. They are constantly in search of higher profits and new business opportunities to turn higher profits, and they do not care about collateral damage so long as the end-state is maximum financial profitability. Drug enterprises are often closely linked to other transnational crime groups –and are often the same groups – engaged in a broad range of illegal activities that affect American values, business, and our security and health. These include the trafficking and smuggling of persons and contraband, including trafficking in adulterated and fake prescription and other drugs that can damage the health of users, intellectual property theft, trafficking in small arms, and cybercrime, including identity theft -- a rapidly growing form of crime often masterminded by criminal groups thousands of miles away.

These illicit drug and criminal networks also have proven to be profitable funding sources for terrorist groups. Such links are not a new phenomenon. In the 1970s and 1980s, for example, groups like the Red Army Faction, the Red Brigades and the domestic Symbionese Liberation Army financed violent terrorism with violent crimes like bank robbery.

In recent years, many transnational crime groups have focused almost exclusively on using narcotics as a means to finance their activities. As the international community clamped down on state-sponsored terrorism and pressured governments from financially supporting terrorist organizations, many groups resorted to drug trafficking and other illicit activities as sources of revenue. According to the U.S. Drug Enforcement Administration, 18 of the 44 groups that the U.S. Government has designated as Foreign Terrorist Organizations (FTOs) participate in the illegal drug trade and many also engage in financial and other forms of crime.

We also remain concerned about potential crime-terror links in an increasing number of ungoverned or insufficiently governed spaces, such as Yemen and the Sahel belt, where insecurity and other destabilizing factors provide opportunities for illicit networks to thrive and find safe haven – and as possible staging platforms to project their terror campaigns abroad.

In places like West Africa, we now see how increased drug flows from Latin America produce opportunities for criminal groups that might also provide financial opportunities for Al Qaeda in the Islamic Maghreb. In December 2009, for example, US prosecutors in the Southern District of New York charged three men who claimed to have links to an Al Qaeda affiliate with conspiracy to smuggle cocaine through Africa. In Afghanistan, we have long known that among the

Taliban's funding sources were informal taxes on heroin traffickers. Two years ago, U.S. and Colombian investigators were able to dismantle an international cocaine-smuggling and money-laundering gang that funneled some of its profits to Hizballah, a U.S. designated Foreign Terrorist Organization. In Peru, remnants of the terrorist group Sendero Luminoso have become increasingly reliant on drug trafficking for funding. In the Horn of Africa, we are seeing illicit routes established by criminal groups to smuggle immigrants, arms, narcotics and other contraband, and know these illicit activities will create opportunities for terrorist groups to exploit.

Such criminal enterprises actively work to subvert the rule of law wherever they operate, whether South and Central Asia, Africa, or in our own hemisphere. They undercut democratic institution-building and retard economic growth in developing countries. And the large profits generated by the drug trade -- and the efforts to hide and launder them -- can distort economies even in developed states. Some experts estimate that more than \$2 trillion in illicit proceeds were laundered last year, which is more than the GDP of many countries, including many EU member states.

The major drug trafficking groups are cutting-edge organizations -- sophisticated, well-funded, committed, and violent. Their weapons and other equipment -- communications, encryption, and surveillance and transportation, -- can surpass the equipment available to law enforcement officials charged with bringing them to justice.

Perhaps the most ominous aspect of the transnational drug groups is the speed with which they adapt and learn how to thrive in today's globalized economy. They are extremely mobile, capable of running far-flung operations across several countries and even in other continents. The Internet, including social networking websites and disposable cell phones have unfortunately become international crime's "dynamic duo". The growing presence of Colombian cartels in some West African states, and even in parts of Europe, is a striking example of this global reach.

Finally, drug trafficking and related crime groups are increasingly expert at seeking out safe-havens where they can live and operate without interference from the law. These are countries or parts of countries where criminal laws are missing or inadequate or where law enforcement itself is weak, lax or has been co-opted. In some cases, the drug traffickers become so powerful that they rival or effectively co-opt the host government. In some cases, officials may actively work

with criminal organizations – supplying them with information or other services or even cede power to them, becoming criminal-states.

To meet these challenges, the State Department supports a comprehensive range of bilateral, regional, and global initiatives and assistance programs to build up the law enforcement capacity of foreign governments so they can confront these threats before they reach or impact U.S. soil. To carry out these programs and initiatives, the Department and U.S. Agency for International Development partner with a broad range of other interagency players, including the White House Office of National Drug Control Policy and the National Security Staff, the Departments of Defense, Justice, Homeland Security, and Treasury and the Intelligence Community.

We work with them to build foreign partner government capacities to strike directly at trafficking organizations by disrupting their operations, arresting and imprisoning their leaders, and seizing their assets. For major source countries of cocaine and opium/heroin, we also work with our U.S. interagency and foreign law enforcement partners to build foreign partner capacity to reduce the supply of illicit drugs at their source and along trafficking routes. The State Department and U.S. AID also have substantial programs designed to provide long-term alternatives to help wean growers away from drug farming through alternative livelihood and more general economic development. Our efforts go beyond assistance to law enforcement elements to include building and further developing governance capacity and strengthening civic culture – the ability of citizens to monitor public functions and hold leaders accountable.

Mr. Chairman and Ranking Member Flake, we face enormous challenges in countering the increasing power of such transnational drug and crime enterprises. This is not something that we can do alone. The problem is too large for any one country or even for groups of countries to manage. Rather it requires that we and our international partners work together closely at the bilateral, sub-regional, regional and global level.

COLOMBIA

After ten years of close cooperation and more than \$7 billion in U.S. assistance, Colombia is a much different and safer country than it was at the start of Plan Colombia. We have partnered with Colombia to disrupt drug trafficking operations, reduce the supply of cocaine entering the global market, curb the power of terrorist groups, and restore public security and build the rule of law.

This partnership was developed in response to a campaign of intimidation and violence by the powerful Colombian drug cartels and terrorist groups, each for their own reasons, that threatened to topple the Colombian government, holding out the chilling prospect of a narco-state or even a narco-terrorist state in our own hemisphere. Coordinating closely with DOD, DEA, DOJ, the Coast Guard and other agencies, and with strong Congressional support, the Department of State provided support for Plan Colombia and continues to offer its assistance for Colombian-led follow-on program and consolidation efforts.

Our support has focused on building the capacity of the Colombian police and military to establish state presence, improve security, interdict drugs, and eradicate illicit crops. For the second consecutive year, Colombian security forces seized over 200 metric tons of cocaine and coca base -- a major feat by any standard. We have also helped reform the judicial sector, and Colombia has now successfully implemented a modern oral adversarial system of criminal justice throughout the country, improving conviction rates from less than three percent to over 60% under the new system. This has been a long up-hill struggle but there has been major progress on all fronts.

Our aggressive aerial eradication program has also prevented several hundred metric tons of refined cocaine from reaching the United States each year. The U.S. Government estimates that Colombia's maximum potential production of pure cocaine dropped 39 percent in 2008 to 295 metric tons and that cultivation dropped by 29 percent as a result of aerial spraying and factors such as the lower productivity of replanted coca. The job, however, is not complete and we must continue to use all the tools available to further reduce the growth of coca in Colombia since the country provides about 90 percent of the cocaine consumed in the United States.

Following our sizable investment in Colombia over the past decade, we can stand proud of what we have accomplished with the Colombian government and its people. In fact, because of its extensive experience and law enforcement modernization over the past several years, Colombia is in position to, and has in fact, provided significant counter-drug, criminal investigative, and other training to Mexico under a Mexico-Colombia bilateral cooperation program. This presents an important leveraging of our assistance to Colombia for our regional and global partners contending with similar problems, which affect U.S. national security interests.

However, we should not let progress thus far allow us to be complacent about the continuing threat posed by drug and terrorist groups.

VENEZUELA

While Venezuela is not a source country for cocaine, it is a well-documented transit route for cocaine traveling to Hispaniola and West Africa, undermining security throughout some regions. According to the Interagency Assessment of Cocaine Movement, transit quantities jumped from 160 metric tons in 2006 to 240 metric tons in 2008 (about 25% of the world's total). There is increasing intelligence indicating that Venezuela serves as a transit point for cocaine moving to West Africa and then to Europe. More and more this is being done by private jets capable of crossing the Atlantic and landing at one of the many unmonitored landing strips in West African states or at regular airports where customs enforcement is lax or compromised. Colombian drug cartels have become increasingly involved in this trafficking, which complicates Colombian and U.S. efforts to disrupt their operations.

At this point we have no evidence that the Government of Venezuela is directly involved in or directly supports such transit operations. It could, however, be doing much more to help prevent them. Bilateral cooperation effectively ended in 2005. The State Department has made clear our strong interest in reestablishing the good counterdrug relationship that existed in the past and we appreciate the Government of Venezuela's decision to turn over Julio Cesar Menendez to U.S. authorities for trial.

AFGHANISTAN

On the other side of the world, the United States has been taking steps to counter a very different drug threat. Like Colombia, Afghanistan is the world's largest producer of an illegal drug; in this case opiates. Unlike Colombia, most of those drugs do not come to the U.S. but either remain in the region or go to Europe, Russia, China, the Middle East or West Africa. However, the drug trade poses a threat to Coalition efforts to stabilize the region and Afghanistan itself. Funding from the drug trade supports the Taliban and the Afghan insurgency. It also fuels the extensive corruption that undermines the ability of the Government of Afghanistan to provide security, expand development, and strengthen the rule of law.

To ensure a comprehensive and coordinated approach to the drug problem in Afghanistan, we are currently working with our interagency and international partners to target narcotics traffickers and drug lords and enhance our focus on agriculture, interdiction, demand reduction, public information, and rule of law. All of our efforts aim to connect the Afghan people to effective government institutions, build the capacity of central and provincial authorities, provide legal alternatives to poppy, and target – and dismantle – the very intersection where corruption, insurgency, and narcotics threaten the progress of Afghanistan, its neighbors, and the United States.

CENTRAL ASIA (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan)

Most of the opiates produced in Afghanistan pass through Iran and Pakistan en route to regional and international markets. However, Central Asia is an important route for opiates destined for the Russian market. To help stem the flow of Afghan opium and heroin through Central Asia and onward to Europe and Russia we work closely with drug control agencies and border services in the region to improve interdiction, law enforcement information sharing, and border controls.

For my bureau, the central focus is Tajikistan, which shares a porous 828 mile border with Afghanistan. Since 2005, we have reconstructed border posts at three key locations and provided training and equipment that have made the Tajik Drug Control Agency one of the best in the region. To enhance regional cooperation, we provide substantial political and financial support for the Central Asian Regional Information Coordination Center (CARICC) located in Kazakhstan, which serves as a hub for the Central Asian nations, Russia, and Azerbaijan to exchange law enforcement information and facilitate international cooperation on drug investigations. In 2009, CARICC conducted three international “controlled delivery” operations involving Central Asian governments, Russia, and Ukraine that led to the dismantling of three transnational criminal organizations. Prior to the creation of CARICC, there was no such regional coordination mechanism at the operational level. In southern and central Europe, the Southeast European Cooperative Initiative’s Center for Combating Trans-border Crime (or SECI Center), which the Department of State helps to support, plays a similar coordinating role among 13 states. Both organizations represent important steps forward in regionalizing law enforcement efforts and strategies in order to match the transnational reach of criminal organizations.

MERIDA AND CARSI

The United State has partnered with Mexico, along with Central America, Haiti and the Dominican Republic, in one of our most innovative foreign policy initiatives, the Merida Initiative, which has since given birth to the Central American Regional Security Initiative for the nations of Central America. Our aim is to combat narcotics trafficking and to establish a more effective regional security partnership. In 2006, newly elected Mexican President Calderon found himself confronting violent drug cartels threatening his country. In addition to drug trafficking, the cartels were expanding into bulk cash smuggling, firearms trafficking, kidnapping and extortion. Associated corruption was rampant and violence was escalating. He concluded that, to gain the upper hand, Mexico needed not just to do more than it was already doing but to totally reform its criminal justice sector, from police to courts to prosecutor and judges to its correction system.

When President Calderon approached the U.S. for assistance, we agreed. As you are aware, Mr. Chairman and Ranking Member Flake, we estimate that 93 percent of the illegal drugs entering the United States pass through Mexico. This means that we are very much part of Mexico's drug trafficking problem and must therefore be part of the solution. As Secretary Clinton said in Mexico City, this includes reducing the demand for drugs on this side of the border, which Director Kerlikowske has already addressed.

Mexican drug cartels have become increasingly active in the United States. Mexican "superlabs" operating in California and Mexico produce much of the methamphetamine consumed here. Using U.S. national forest areas, Mexican-related groups grow much of the marijuana sold in the American market. The cartels are also branching out into other areas of crime, such as human trafficking and smuggling and smuggling of other contraband. And, unfortunately, we see disturbing accounts of how the cartels have bribed and corrupted U.S. border officials.

We realized early on, however, that as we succeeded in Mexico, traffickers would diversify their operations and move into neighboring regions, such as Central America and the Caribbean –Mexican traffickers now operate throughout Central America, especially Guatemala and Honduras and move shipments of cocaine through the Caribbean. Accordingly, our assistance programs, while focused heavily on Mexico, also target Central America and the Caribbean.

In Central America, programs focus on building capacity and providing limited equipment and technical assistance to justice sectors – police, prosecutors, judges, and corrections – to deal with the trafficking of drugs and arms, money launder, and crime and violence against citizens, which is often a byproduct of the drug trade. We are also working with Central American governments to identify and break up criminal gangs, some with active links to U.S. counterparts, and on crime and violence prevention initiatives, including community policing.

U.S. assistance for Mexico is designed to augment Mexico's own very large investment (\$6 billion thus far). It will help reform Mexico's law enforcement institutions as rapidly as possible, including helping to root out corruption, assist in the reform of border control, reinforce the rule of law through judicial reform, and help transform Mexico's corrections systems.

For example, using Spanish speaking trainers from both federal and local law enforcement agencies, such as Chicago and Houston, we have initiated training that will produce 9,000 new vetted university-trained federal police investigators. To improve mobility and intelligence-driven rapid response capabilities, the Department of State has provided five Bell helicopters to the Mexican Army (SEDENA) with three Blackhawk helicopters scheduled for arrival in late summer to assist the Mexican Federal Police (SSP). New computers and software will help consolidate a variety of law enforcement and civilian data bases to speed up and improve investigations and to allow better data sharing among Mexican law enforcement agencies. Perhaps most ambitious and most important, Mexico is transforming its judicial sector to a system of oral adversarial trials. To support this, we plan to provide extensive retraining for prosecutors, defense lawyers, and judges.

On the border, we are working with Mexico on a special plan for Ciudad Juarez to lower the level of violence there and provide greater security for its citizens. To provide robust inspection capability, we have provided non-intrusive inspection equipment – capable of checking an entire tractor trailer – for both border points and for several interior checkpoints that Mexico uses in the search for illegal drugs, money, and weapons.

Other assistance will improve the vetting of law enforcement personnel, help reform and improve management for the correction systems, upgrade communications, and provide a range of protective gear for the field. The key point to keep in mind is that this assistance is designed to augment aggressive changes already undertaken by President Calderon over the past several years.

While our Merida assistance, in and of itself, will not solve the current wave of violence and crime in Mexico, it signals to our Mexican partners that we are ready and willing to do our part, and it is building valuable relationships that will endure to address international cross-border security issues that require shared assistance in the future.

WEST AFRICA

About 40 percent of the cocaine trafficked to Europe transits through West Africa. Since law enforcement there is generally weak, under-resourced, and notoriously corrupt in almost all of the countries, these states can offer a series of safe havens where traffickers can operate with impunity. Even where police are able and willing to make arrests, convictions are rare and prison sentences even rarer. The power of traffickers has become pervasive in Guinea Bissau. Such areas serve as a natural magnet for other crime groups – whether trafficking in persons, firearms, or other contraband – and could eventually attract terrorist groups seeking to train and operate with minimal interference. Finally, there is clear evidence that Colombian cartels have branched out and are now operating on the ground in some of the West African states. This creates an additional source of income that strengthens the mother organizations back in South America.

The State Department has been leading interagency assessments throughout the region. AFRICOM, DEA, and other USG agencies participate. These have been a valuable source of information on how narco-trafficking is affecting West African countries, the capability and will of regional governments to confront narco-trafficking, and the steps our international partners are taking to address the problem. Our goals in the region are to create an inhospitable operating environment for international drug trafficking organizations operating by strengthening host nation criminal justice institutions and to improve West African counterdrug cooperation with the United States. Since some EU states are also stepping up their activities there, the Department coordination with the EU promotes mutually reinforcing programs.

MULTILATERAL COOPERATION

State Department and USAID programs are also designed to enhance international cooperation and coordination among states. We work with international organizations and groups, such as the United Nations, the Organization of American States, the G-8, the European Union, and the Financial

Action Task Force and its regional sub-groups, and with foreign governments to set international counterdrug and anti-crime standards, deny safe-havens to criminal groups, pool skills and resources, and improve cross-border cooperation.

Two of the new international legal tools to combat organized crime are the UN Convention against Transnational Organized Crime (and its three protocols against human trafficking and smuggling and trafficking in arms) and the UN Convention against Corruption (UNCAC). These international instruments, along with the three UN counter-drug conventions, create a broad legal framework for mutual legal assistance, extradition, and law enforcement cooperation. They also contain unique provisions, such as those on asset recovery found in the UNCAC, providing new tools for U.S. law enforcement.

The United States continues to promote the implementation and practical application of the Conventions. For our part, the Justice Department, for example, has used the Convention Against Transnational Organized Crime on more than 35 occasions as the basis to augment existing extradition authorities and to make mutual legal assistance requests, including for illegal arms dealing, money laundering and fraud prosecutions.

DEMAND REDUCTION

Thus far, my remarks have focused on supply reduction, programs and initiatives to attack and disrupt organizations and the supply train at various points in the process and to change the economic environment that encourages drug production. The Department of State also has programs to help foreign governments reduce their own domestic demand for drugs, an increasing problem for many societies that previously regarded themselves as largely immune to drug abuse. This includes many developing countries, some of which now have the highest rates of serious drug addiction in the world. In 2009, we worked with approximately 400 community groups in 30 countries.

As we say in my bureau, our demand reduction program punches above its weight. A little goes a long way. Department assistance to volatile regions of the world, for example, provides access to major Muslim-based organizations and networks that are critical for advancing America's national security interests in those parts of the world and helps prevent at-risk youth from falling into drug trafficking and terrorist organizations through programs to reduce drug abuse and drug-related violence. Collaboration in Afghanistan, Pakistan, and Indonesia with our network of Muslim-based, anti-drug programs that prevent and reduce drug use

(e.g., outreach and drop-in centers) also provides additional alternatives to radical schools that recruit young people into terrorist organizations. The demand reduction network has provided an inroad into previously inaccessible enclaves such as mosques and madrassas in many societies that have helped establish a *prevention component* to our collective efforts to fight terrorism.

More generally, we have found that demand reduction assistance in source countries has made community leaders with whom we work more receptive to supply reduction efforts. Moreover, since a relatively small percentage of chronic drug users consume the majority of drugs in many foreign countries, getting such users into treatment not only reduces drug consumption, but also helps to undermine local drug markets and reduce the profitability of drug dealing. Our demand reduction programs not only improve the quality of life, but also help undermine the illicit networks, including those with insurgent and terrorist connections.

As you can see, Mr. Chairman, the State Department makes use of a broad range of tools to attack transnational drug and other criminal enterprises. Our primary focus is on improving the criminal justice sectors – police, prosecutors, courts, and administration -- of foreign governments so that they can confront such threats directly on their home turf and before they reach our borders. In key drug source countries, this also includes support for drug crop elimination and assistance programs to wean farmers away from drug crops. By modernizing police methods and criminal laws, we also improve the ability of such governments to cooperate with U.S. law enforcement agencies at the operational and prosecutorial level.

Some other steps to identify, isolate and eliminate bad actors, or at least reduce or minimize their impact on U.S. national security include the Department's Counternarcotics and Terrorist Rewards Program, which pays for information leading to the arrest or conviction of key traffickers and terrorists; PP 7750, an anti-kleptocracy program that bars those who have looted their national treasuries from entering the United States; the annual International Narcotics Control Strategy Report, which monitors and assesses the counterdrug and money laundering policies and practices of more than 120 countries and jurisdictions; and the annual Presidential List of major drug source and trafficking countries process, which can include sanctions for countries that have failed to meet their international counterdrug obligations.

Mr. TIERNEY. Thank you, Ambassador.
Mr. Placido.

STATEMENT OF ANTHONY P. PLACIDO

Mr. PLACIDO. Thank you, Mr. Chairman, Ranking Member Flake, distinguished members of the subcommittee. On behalf of the men and women of the Drug Enforcement Administration, I would like to thank you for your continued support, and I will cut directly to the chase.

Drug trafficking and abuse exacts a significant toll on the American public. More than 31,000 Americans or approximately 10 times the number of people killed on 9/11 die each year as a direct result of drug abuse. Approximately 7 million people who are addicted to controlled substances squander their productive potential. Many of these addicts neglect or abuse their children and commit a variety of crimes under the influence of or in an attempt to obtain illicit drugs. Tens of millions more suffer from this erstwhile "victimless" crime as law abiding citizens are forced to share the roads with drugged drivers, to clean up toxic waste in clandestine laboratories, rehabilitate addicts, incarcerate criminals, and put together the pieces of shattered lives.

However, if we want to assess the true cost of this threat we have to go further and we have to look at the impact that transnational drug trafficking has on corrupting government institutions, undermining confidence in the rule of law, fueling violence, undermining regional stability and funding terrorism.

Those who organize, finance, and direct this criminal enterprise thrive in areas where government control is weak. It is no coincidence that the so-called kingpins who run this global trade do not reside in the United States where they would be most exposed to our criminal justice system. They operate from locations which they perceive to be safe havens and they direct the activity of subordinates and surrogates who supply drugs to the United States.

Drug trafficking is a global enterprise that generates a staggering \$394 billion a year. This figure dwarfs the proceeds from all other forms of organized crime. Let me put this number in context. In aggregate, that \$394 billion exceeds the gross domestic product of many national governments around the globe. Some would argue that legalization and regulation even at the cost of untold human suffering and misery would at least strip the proceeds of this economic fund from the market. But both common sense and history have taught us that those who are displaced from the drug trade don't move into corporate life, they morph into other areas of criminality. And what we are really faced with is fighting people who put personal greed above all else.

Parts of Central America, West Africa and Asia have become havens for criminals who pursue illicit activities largely undeterred by law enforcement or local government. Drug traffickers use these regions for the production, transshipment, and storage of illicit drugs. Violent traffickers are relocating to take advantage of these permissive environments and importing their own brand of justice, contributing to further instability.

Unfortunately, areas with limited or poor governance are also the breeding grounds for other types of criminal activity, to include ter-

rorism. Eighteen of 44 international terrorist groups have been linked to some aspect of the international drug trade.

Today the FARC is primarily funded through the drug trade. It sells multi-ton quantities of cocaine and uses the proceeds to purchase weapons for use in the FARC's decades long fight to topple the legitimate government of Colombia.

Similarly, insurgents in Afghanistan and terrorists in the Middle East, Europe and Africa fund their activities through the drug trade. The DEA has documented hundreds of millions of dollars in proceeds from drug trafficking flowing to the Taliban.

In Africa international terrorist organizations such as al Qaeda and the Islamic Maghreb rely on criminal specialists closely linked to the drug trade for money laundering, document forgery, transportation, security, weapons, corruption, and other criminal activities.

In Europe the Madrid train bombing was funded through the sale of hashish and Ecstasy. And DEA investigations have disclosed significant linkages between Hezbollah and the drug trade in Africa, the Middle East, and Latin America.

However, these transnational threats do not have to involve insurgency or terrorism to warrant our concern. In spite of President Calderon's extraordinary steps to deploy more than 45,000 military troops to assist the police in combating cartel influence, there have still been more than 18,000 murders, drug-related murders, in the last 3 years. More troubling is the fact that many of these murders were intentionally committed to try and intimidate the public and influence the government to stop its activities.

From the war on terrorism to our southwest border transnational drug trafficking threatens the security of Americans at home and abroad. In Afghanistan, U.S. soldiers are fighting an insurgency that is substantially funded by the drug trade. In our own hemisphere ever increasing rates of violence threaten the security of our borders and those of our neighbors.

Let me conclude by saying that the consequences of drug trafficking have never been higher. We must continue our efforts to mitigate this damage or we will certainly pay a higher price later on. Thank you.

[The prepared statement of Mr. Placido follows:]



Department of Justice

STATEMENT OF

ANTHONY P. PLACIDO
ASSISTANT ADMINISTRATOR FOR INTELLIGENCE
DRUG ENFORCEMENT ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES

ENTITLED

"TRANSNATIONAL DRUG ENTERPRISES (PART II): THREATS TO GLOBAL
STABILITY AND U.S. POLICY RESPONSES"

PRESENTED

MARCH 3, 2010

**Statement of Anthony P. Placido
Assistant Administrator for Intelligence
United States Drug Enforcement Administration
Before the House Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
March 3, 2010**

**“Transnational Drug Enterprises (Part II): Threats to Global Stability
And U.S. Policy Responses”**

INTRODUCTION

Chairman Tierney, Ranking Member Flake, and distinguished members of the Subcommittee, I want to thank you for your continued support of the men and women of the Drug Enforcement Administration (DEA), as well as for the opportunity to testify today on the threat transnational drug enterprises represent to global stability and U.S. national security.

OVERVIEW

Drug trafficking and abuse exacts a significant toll on the American public. More than 31,000 Americans – or approximately ten times the number of people killed on September 11, 2001, die each year as a direct result of drug abuse. Approximately seven million people who are classified as dependent on, or addicted to, controlled substances squander their productive potential. Many of these addicts abuse or neglect their children and commit a variety of crimes under the influence of, or in an attempt to obtain, illicit drugs. Tens of millions more suffer from this erstwhile “victimless” crime, as law-abiding citizens are forced to share the roads with drugged drivers, pay to clean up toxic waste from clandestine laboratories, rehabilitate addicts, and put together the pieces of shattered lives. However, in order to calculate the true cost of this threat we must go further and examine the impact that transnational drug crime plays in corrupting government institutions, undermining public confidence in the rule of law, fostering violence, fueling regional instability, and funding terrorism.

Drug Trafficking is a global enterprise that, according to the U.N. Office on Drugs and Crime, generates approximately \$394 billion per year. This figure dwarfs the proceeds from other forms of organized criminal activity and provides a revenue stream for insurgents, terrorists, and other nefarious activity. To put this sum in perspective, the proceeds of the global drug trade exceed the gross domestic product of many national governments and provide ample motivation to those who peddle poison for profit. Some argue that legalization and regulation – even at the cost of untold human suffering and misery – would at least strip the traffickers of these enormous profits. Both common sense and history have taught that those who are displaced from the drug trade do not move into corporate life; they morph into other areas of criminality. We face an ongoing effort to mitigate the damage done by criminals who put personal profit above all else.

Those who organize, finance, direct and control this criminal enterprise thrive in areas where government control is weak. While the drug trade fuels corruption and instability in America, as well as in foreign countries, it is no coincidence that the so-called “kingpins” who run this global trade do not reside in the U.S. where they would be most exposed to our highly effective criminal justice system. Rather, they operate from locations which they perceive to be safe havens and direct the activity of subordinates and surrogates who supply drugs to the U.S. market. This model is intended to not only frustrate attempts to successfully prosecute these criminals, but also to maximize the autonomy of these organizations in the countries where they are headquartered.

Perhaps the most prescient example of the relationship between drug trafficking and national security can be found just south of our border. A stable and secure Mexico is in the best interests of both the U.S. and Mexico, but the violent actions and corrupting influence of drug trafficking organizations threatens that security. Since President Calderon took office in December 2006 and immediately set out to break the power and impunity of these cartels, his government has deployed more than 45,000 military troops to assist police in combating cartel influence and related violence. Despite these heroic efforts, there have still been approximately 17,900 drug-related murders in that country since President Calderon began his counter offensive against the cartels in 2007. More troubling is the fact that many of these brutal murders were committed with the specific intent to intimidate the public and influence government to suspend action against the cartels. Fortunately, the Calderon Administration has been resolute and steadfast in its commitment to break the power and influence of these criminals.

The Calderon Administration also has aggressively investigated allegations of corruption within the government, arresting hundreds of officials for taking bribes from the cartels. Even the deputy attorney general responsible for prosecuting traffickers was allegedly protecting them, for a fee of \$450,000 a month. The problems uncovered in Mexico during the past few years reflect increasing threats to the rule of law and regional stability. The concept of “plato o plomo” (bribes in silver or lead bullets) is well documented in Mexican drug trafficker culture and refers to the choice public and police officials must make when first confronted by this powerful criminal element. The confluence of brutal violence and corruption makes it difficult to enforce drug laws and undermines public confidence in government. Left unchecked, the power and impunity of these criminal bands could grow and become an even greater threat to the national security of Mexico. This is why our partnership with Mexico under the Merida Initiative and our shared responsibility to contend with this threat is so vital.

Parts of Central America and West Africa are increasingly becoming havens where traffickers pursue illicit activities largely undeterred by law enforcement or the local government. Drug traffickers use these regions for the transshipment, storage, cultivation and manufacture of narcotics. Violent traffickers are relocating to take advantage of these permissive environments and importing their own brand of justice. Unfortunately, areas with limited or poor governance are also the breeding grounds for other types of criminal activity, to include terrorism.

Eighteen of 44 designated international terrorist groups have been linked to some aspect of the international drug trade. In the 1990s, the Revolutionary Armed Forces of Colombia (FARC), a U.S.-designated foreign terrorist organization (FTO), began taxing all aspects of the cocaine trade within its geographic control. Today, the FARC is funded primarily through drug trafficking. The FARC purchases or produces multi-ton quantities of cocaine and uses the proceeds to purchase weapons and military equipment for use in their decades-long fight to topple the legitimate government.

Similarly, insurgents in Afghanistan and Africa fund their terrorist activities through the drug trade. The DEA estimates that over a period of years, hundreds of millions of dollars in proceeds from drug trafficking flow directly to the Taliban. The Taliban taxes opium poppy farmers, brokers, and laboratories that process opium into heroin, as well as traffickers passing through Taliban-controlled areas. They also collect donations from drug traffickers and sell drugs themselves to finance arms and munitions for their continued fight against U.S.-led forces in Afghanistan. In Africa, international terrorist organizations such as Al-Qaeda in the Islamic Maghreb (AQIM) rely on independent, transnational criminal specialists closely linked to the drug trade for money laundering, document forgery, transportation, security, weapons, strategic corruption, and other criminal activities.

From the War on Terror to our southwest border, drug trafficking threatens the security of Americans abroad and at home. U.S. soldiers in Afghanistan are fighting an insurgency whose primary goal is to kill Americans that is substantially funded by the Afghan and regional drug trade. In our own hemisphere, ever-increasing rates of violence threaten the security of our borders and those of our allies. The consequences of drug trafficking have never been higher for the international community.

GLOBAL REACH OF THE DEA

As the lead U.S. law enforcement agency responsible for enforcing the drug laws of the United States, DEA has been at the forefront of U.S. efforts to work with foreign law enforcement counterparts in confronting the organizations that profit from the global drug trade. DEA recognizes that in order to effectively attack the international drug trade it has to forward deploy its personnel into the foreign arena. DEA has the largest federal law enforcement presence overseas. DEA has 83 offices in 62 countries and works with host governments in assessing drug threats, gathering intelligence, targeting major drug trafficking organizations (DTOs), and, in coordination with the Department of State, assisting host governments in developing comprehensive counternarcotics strategies. DEA agents understand the importance of working to establish relationships of trust with host nation governments in order to accomplish DEA's mission.

Organizational Attack

The nexus between drugs and terrorism is well established, and the threat to our national security is evident. This is not a new phenomena, there have been numerous links identified between drugs and terrorism in recent years. In order to prioritize and maximize the use of DEA's manpower and financial resources, DEA works with partners within the Department of

Justice (DOJ), Department of Homeland Security, Department of State, and Department of the Treasury to identify those organizations having the most significant impact on international drug availability. The result of this collaboration has been the identification and targeting of the full scope of an organization's criminal activities.

In FY 2009, 24 of the 55 organizations on the Consolidated Priority Organization Target (CPOT) list—a unified list of the most significant international drug and money laundering targets around the world that affect the supply of illegal drugs in the United States—have been identified as being associated with terrorist organizations. DEA also has identified 41 percent (18 of 44) of the organizations on the FTO list as having ties to some aspect of the drug trade. Terrorist-linked DEA Priority Target Organization investigations increased from 55 cases in FY 2004 to 103 through the first quarter of FY 2009, an 87 percent increase.

International Drug Flow Attack Strategy

A key element in combating international drug trafficking is the concerted and coordinated efforts of the inter-agency community to jointly identify chokepoints vulnerable to enforcement efforts and simultaneously direct assets to vigorously target the identified chokepoints on a coordinated and sustained basis. To this end, DEA developed an International Drug Flow Attack Strategy, which has the primary objective to cause major disruption to the flow of drugs, money, and chemicals between the source zones and the United States. The strategy includes an integrated intelligence-enforcement process that rests on four pillars: intelligence-driven enforcement, sequential operations, predictive intelligence, and law enforcement deception campaigns. To stem the flow of drugs into the U.S., DEA will continue to implement this successful Drug Flow Attack Strategy by expanding enforcement initiatives with the Intelligence Community, our global law enforcement partners, and the U.S. military.

Financial Attack

The principal reason terrorist organizations engage in the narcotics trade is money. Terrorist groups are increasingly using monies from drug trafficking to fund their ideological agenda. The UN World Drug Report affirms that the global illicit drug trade is as lucrative as it is poisonous. This global illicit drug trade generates far more than the estimated profits from international human trafficking, arms trafficking, and diamond smuggling combined. To make a significant impact on the drug trade in the U.S. and internationally, DEA is tracking and targeting illicit drug money back to the sources of supply before it can be used to finance the next production cycle of illegal drugs. DEA's financial investigations are driven by strategies designed to inflict permanent damage against DTOs. By denying DTOs the revenue from the distribution of illegal drugs, the drug traffickers' capability to acquire or produce additional drugs and support their organizations is hampered. DEA's perspective on the money laundering threat is two-fold: first, DEA is focused on proceeds generated by the illegal drug industry; second, DEA is addressing the threat that drug proceeds represent as a means of financing international terrorist organizations.

Extra-territorial Authority

DEA has the legal authority to investigate and charge drug traffickers with extraterritorial offenses under U.S. Code Title 21 § 959. Section 959 gives DEA extra-territorial jurisdiction to investigate and prosecute drug offenses with a nexus to the U.S. even though the drugs in question have not actually entered the United States. The 959 statute has proven to be an invaluable investigative tool in pursuing drug trafficking organizations overseas where we can satisfy the requirement for a nexus to the U.S.

Additionally, Title 21 U.S.C § 960a gives DEA an enforcement tool for narco-terrorism. Like Section 959, Section 960a gives DEA jurisdiction to investigate and prosecute extra-territorial offenses if a link between the drug offense and a specified act of terrorism or a terrorist organization can be established. Under this statute, the prescribed punishment is twice the punishment provided for the underlying drug offense. Significantly, there is no requirement for a nexus to the U.S. for the underlying drug offense, a concept that is particularly important in cases involving heroin from Afghanistan, and could also be applied to international terrorists involved in the African drug trade.

Sections 959 and 960a and traditional conspiracy charges under 21 U.S.C. §§ 846 and 848, provide the legal authority to prosecute transnational DTOs, and the robust sentencing provisions in these statutes provide incentive for defendants to cooperate with investigators, promoting success in investigations.

In 2006, DEA initiated an investigation targeting the head of a Kabul-based DTO operating a major heroin-processing laboratory in Afghanistan and as the source of supply for heroin groups in West Africa and Europe. During undercover (UC) operations in Ghana and Afghanistan, DEA agents negotiated a 100-kilogram heroin deal, which was intended for distribution in the U.S. In the fall of 2007, the principal target and an associate were arrested by Ghanaian authorities based on a U.S. request for their expulsion or, alternatively, provisional arrest. The United States based its request on an arrest warrant issued under a Title 21, Section 959 indictment from the Eastern District of Virginia. A Ghanaian court issued an expulsion order for both defendants, who were transferred to U.S. custody and returned to Virginia to face charges. Based on their conviction, in June 2008, the subjects of the investigation received prison sentences of 24 and 17 years, respectively. This investigation is very significant as it disrupted the West African trafficking operations of a major Afghan heroin DTO, included successful DEA UC operations in Ghana and Afghanistan, and was the first time Title 21 / Section 959 authority has been used by DEA in Africa.

NARCOTICS TRADE AND TIES TO TERRORISM AND TRANSNATIONAL CRIME

A narco-terrorist organization is an organized group that is complicit in the activities of drug trafficking to further or fund premeditated, politically motivated violence to influence a government or group of people. Although the DEA does not specifically target terrorists, some of the powerful international drug trafficking organizations we have targeted have never hesitated to use violence and terror to advance their political interests.

Mexico

The United States and Mexico are committed to cooperative action to reduce the drug threat from which both nations suffer. Mexico is a drug producing, drug transit, and drug consuming country, in large part as a result of its strategic location between South America and the United States. It is confronting entrenched cross-border smuggling operations; and diversified, poly-drug, profit-minded drug trafficking organizations. On our side of the border, an appetite for illicit drugs causes billions of U.S. dollars and an unknown number of weapons to enter Mexico annually. Many of the smuggled weapons are used against the Mexican security forces. The single objective of those who ply the drug trade is profit: for Mexican traffickers, that profit is estimated by NDIC at \$18-\$39 billion per year. For all of these reasons, the U.S. and Mexican governments share the responsibility to defeat the threat of drug trafficking.

The drug trade in Mexico has been rife with violence for decades. Without minimizing the severity of the problems we are confronted with today, it is nonetheless critical to understand the background of the "culture of violence" associated with Mexican DTOs and the cyclical nature of the "violence epidemics" with which Mexico is periodically beset. Though no previous "epidemic" has exacted as grisly a toll as 2009, we do not have to go very far back in history to recall the cross-border killing spree engaged in by Gulf Cartel Zeta operatives in the Laredo-Nuevo Laredo area during 2004-2005. But one thing must remain clear in any discussion of violence in Mexico, or violence practiced by Mexican traffickers operating in the United States: drug gangs are inherently violent, and nowhere is this more true than in Mexico, where Wild West-style shootouts between the criminals and the cops, and/or elements of opposing trafficking groups is far too common. In fact, according open source reporting and the PGR, over 90 percent of the homicides in the past few years have been of DTO or cartel members or associates vying for market share.

The United States is engaged in cooperative efforts with Mexican law enforcement to provide information, training, and equipment that will allow Mexican authorities to capture these dangerous criminals. The Calderon Administration is taking the fight directly to the cartels. The quantifiable impact of huge drug, weapons, and money seizures presents an incomplete picture. While more difficult to measure, the enormous psychological impact of high-level arrests and record numbers of extraditions completes the picture. No other action by the Government of Mexico strikes quite so deeply at cartel fears than an arrest and extradition... Beginning only weeks after his inauguration, President Calderon began extraditing high-profile criminals to the United States. In January 2007, President Calderon took the politically

courageous step of extraditing 15 individuals to stand trial in the United States, including notorious Gulf Cartel head, Osiel Cardenas-Guillen.

Since that day, the Government of Mexico has extradited in excess of 280 criminals to the United States, including a group of 10 in December 2008. These criminals were associated with some of the most notorious Mexican drug trafficking organizations – the Gulf Cartel, the Arellano Felix Organization and the Sinaloa Cartel. Also, on February 25, 2009, Miguel Angel Caro-Quintero, who assumed control of the family organization after the arrest of his brother Rafael Caro-Quintero, who was complicit in the kidnapping, torture, and murder of DEA Special Agent Enrique Camarena. During the past year, the GOM has achieved unprecedented success in apprehending high value targets (HVT) based in the country of Mexico.

For example, in March of 2009, Sinaloa Cartel leader and DEA fugitive Vicente Zambada Niebla (son of Ismael Zambada Garcia) was located and arrested in Mexico City. On February 19, 2010, Zambada Niebla was extradited to the United States. In October of 2009, Sinaloa Cartel leader and DEA fugitive (CPOT) Oscar Nava Valencia aka "El Lobo" was apprehended and arrested near Guadalajara, Mexico. Nava is also currently incarcerated pending extradition to the United States. In December 2009, the "Boss of bosses" CPOT Arturo Beltran Leyva aka "Barbas" was located and killed in Cuernavaca, Mexico after a two-hour gun battle with GOM forces. Beltran was considered one of the most powerful drug lords in Mexico. And finally, on January 12, 2010, DEA and U.S. Marshals Service personnel on the ground identified the residence of one of Mexico's most wanted fugitive's and co-leader of the AFO cartel, Teodoro Garcia Simental (a.k.a. "El Teo"), who was responsible for the majority of the homicides, kidnappings, and tortures in Tijuana. The Secretaría de Seguridad Pública (SSP) Policia Federal Sensitive Investigative Unit (SIU), with support from the Grupo de Operaciones Especiales (Mexican Army Special Operations Group, GOPES), initiated the search and arrest of El Teo at the target location; he was arrested without incident.

All these high-impact actions – seizures, arrests and extraditions serve to make one important point: drug traffickers are inherently violent, but desperate, vulnerable drug traffickers operating under unprecedented stress are exceedingly violent.

South America

The U.S. Department of State has designated the National Liberation Army (ELN), the FARC, and the former United Self-Defense Groups of Colombia (AUC) as Foreign Terrorist Organizations. Overall, the former AUC members who have not demobilized, ELN, and FARC all benefit as organizations and derive some proceeds from the drug trade, as well as other illegal activities such as kidnapping, extortion, and robbery.

One of the most prominent regions where the drug and terrorism nexus is at its strongest is the Tri-border Area in Latin America, where the borders of Brazil, Argentina, and Paraguay align. The relatively small quantity of drugs being smuggled out of the tri-border area would not necessarily be a top priority for the DEA when contrasted with the multi-ton shipments transiting the Eastern Pacific and Caribbean corridors. However, with the cost of drugs being far lower in

this region they can be resold in other countries for large profits desired by those seeking funds to further terrorist activity such as Hezbollah.

DEA continues to assist its Latin American host nation counterparts through interagency coordination and bilateral agreements to combat money laundering and terrorist financing. Some DTOs based in the Tri-border Area have ties to radical Islamic terrorist groups such as Hezbollah. It is important to note that this is not an emerging threat per se, but one that has existed since the late 1980s or early 1990s. Investigations into these groups as part of DEA's Drug Flow Prevention Strategy reveal DTOs are exporting cocaine from South America to Europe and the Middle East. There are numerous reports of cocaine proceeds entering the coffers of Islamic Radical Groups (IRG) such as Hezbollah and Hamas in Europe and the Middle East. The danger of DTO's and IRG's profiting from the lucrative cocaine trade can lead to an unlimited source of cheap and easy revenue to carry out potential terrorist acts.

DEA's primary efforts against these groups focus on the identification, targeting, disruption, and dismantlement of DTO's in the Tri-border Area. We are also attempting to identify the cocaine sources of supply from the Andean Ridge, identify any arms-for-drugs nexus, and identify and track IRG networks in Latin America, Europe and the Middle East, which are reaping the financial benefits from the lucrative European and Middle East cocaine markets. Key to these efforts will be to attack the financial narcotic nexus.

DEA reporting indicates that persons affiliated with the FARC, and to a lesser extent the remnants of the former AUC, are working with Mexican and Central American trafficking organizations to facilitate cocaine transshipments through the region. Consistent with these reports, a Government of Mexico (GOM) official recently stated that members of the former AUC and the FARC are carrying out drug-trafficking activities in Mexico. There have been numerous instances of drugs-for-weapons exchanges occurring in the region, particularly in Central America, that are exemplified by the November 2002 takedown of Operation WHITE TERROR which resulted in the dismantling of an international arms and drug trafficking network linked to the AUC. DEA continues to work with host nation counterparts in Latin America to pursue and disrupt the drug trafficking activities of these vast traditional criminal networks providing financial support to the AUC and the FARC.

Afghanistan

There is a clear and direct link between the illicit drug trade and insurgent groups in Afghanistan. The Taliban and other anti-government elements exploit the illicit drug trade to facilitate their financial, logistical, and political objectives and thereby jeopardize the prospect of long-term security and stability, reconstruction, and effective governance. Drug trafficking in Afghanistan has provided over 90 percent of the world's opium, fueled an insurgency characterized by death and destruction, corrupted public officials, undermined political stability, and diminished respect for the rule of law. Due to the significant role that the trafficking of opium, morphine, heroin, and hashish play in destabilizing Afghanistan, the DEA is in a unique position to assist the Government of the Islamic Republic of Afghanistan (GIRoA), the United States mission in Afghanistan, the entire region, and the international community.

Illustrating how profitable the drug trade can be, a drug ledger seized in Afghanistan showed ten months of transactions yielding \$169 million from the sale of eighty-one tons of heroin. Whether in Afghanistan or South America, drugs facilitate massive revenues that go into the pocket of terrorist organizations and the networks that support and harbor them.

As insurgents and terrorists become more heavily involved in the drug trade, hybrid organizations are emerging. These hybrids have morphed into one part terrorist organization, one part global drug trafficking cartel. The Taliban and FARC are two perfect examples, and they are, in essence, the face of 21st century organized crime. They represent the most significant security challenge facing governments worldwide. The DEA has tracked the evolution of drug cartels and terrorist organizations for a long time, and estimates that the Taliban is currently at the organizational level of operations at which the FARC operated ten years ago.

Africa

The threat of narco-terrorism on the African continent is a real concern, having the presence of international terrorist organizations, such as Al-Qaeda. In addition, DEA investigations have identified elements of Colombia's FARC as being involved in cocaine trafficking in West Africa. In a large number of African countries, there also are insurgent/anti-government groups undermining stability, the rule of law, and the central governments, all of which are conditions exploited by international drug and precursor chemical trafficking organizations. The weak economies throughout Africa make drug trafficking one of the more profitable ways for criminal organizations to generate money, a point not overlooked by terrorist and insurgent organizations. The transportation, money laundering and logistical infrastructures utilized by DTOs in Africa are vulnerable, wittingly or unwittingly, for use by terrorist organizations.

Drug trafficking and terrorist organizations often rely on independent transnational criminal specialists for money laundering, document forgery, transportation, security, weapons, strategic corruption, and other criminal activity. These "shadow facilitators" have been a link between drug trafficking and terrorist organizations.

THE DESTABILIZING EFFECTS OF THE DRUG TRADE ON GOVERNMENTS

Over the past decade, international drug law enforcement efforts have focused principally on the major source and transit countries involved in delivery of illegal drugs to the United States. Limited resources have been dedicated to other areas impacted by the global drug trade, such as the African continent. The versatility of transnational criminal organizations is well known, as is their penchant for finding and exploiting vulnerable regions of the world to further their illicit activities. Unfortunately, there are several key areas of the world that we find such environments, with strategic geographic locations, and, in many instances, weak governments, endemic corruption, and ill-equipped law enforcement agencies.

Our ability to operate in these challenging environments is made possible principally through our SIU programs. The mission of the SIU program is to cooperatively train, equip, and support specialized units within host nation police forces and military commands with law enforcement authority, in order to develop and share intelligence to target, disrupt, dismantle and prosecute major international drug trafficking organizations impacting the United States. SIUs members undergo robust background investigations and polygraph examinations.

South America

Many areas within Bolivia and Venezuela have become extremely challenging environments, with official cooperation from both governments reaching the lowest levels in recent history. The corruptive influence of the drug trade makes it difficult to successfully investigate drug movements and conduct bilateral investigations with host nation counterparts. Additionally, when DEA is able to conduct successful investigations that have led to a U.S.-based indictment, further obstacles exist in bringing these accused to justice. Despite these handicaps, DEA has managed to work within the parameters established by the Government of Venezuela and maintains a presence in the country.

Bolivian President Evo Morales rose to power as the leader of the coca growers union and established a high-profile opposition to the U.S.-funded eradication of coca crops. After a gradual downslide in U.S.-Bolivian relations, the respective ambassadors were expelled. The U.S. also determined that Bolivia had "failed demonstrably" to adhere to its obligations under international counternarcotics agreements, but provided Bolivia with a national security waiver to enable certain foreign assistance programs to continue. On September 26, 2008, the U.S. suspended the Andean Trade Promotion and Drug Eradication Act (ATPDEA) trade preferences for the country, again based primarily on Bolivia's failure to adhere to international counternarcotics obligations.

On November 1, 2008, President Morales suspended DEA operations in Bolivia and delivered a diplomatic note requesting immediate departure of all DEA personnel. On November 25, 2008, President Bush signed a proclamation that suspended the designation of Bolivia as a beneficiary country under the Andean Trade Preference Act (ATPA) and ATPDEA. The suspension, which took effect on December 15, 2008, was the result of Bolivia's failure to adhere to its international narcotics obligations.

Finally, on January 29, 2009, all DEA employees departed Bolivia ending a 35-year presence in that country. Although DEA no longer has a presence in Bolivia, DEA offices located in countries bordering Bolivia continue to mount an “outside in” investigative strategy to bring to justice Bolivia-based DTOs that continue to supply the U.S. and international drug markets. DEA also has initiated an internal U.S.-based Bolivia Strategy Group (BSG) to coordinate all foreign and domestic investigations with links to Bolivian DTOs.

Afghanistan

The current situation in Afghanistan is illustrative of the challenges posed by a deadly mix of drug trafficking, terrorism, and a developing criminal justice system. Opiate production has reached record heights and its role as the leading opiate producer in the world is unchallenged. Afghanistan is the world’s leading producer of illicit opiates, accounting for over 90 percent of the global supply, according to a 2009 estimate by the United Nations Office on Drugs and Crime (UNODC). The Taliban continues to receive substantial funding from the Afghan and regional drug trade, enabling them to challenge the ability of the GIRoA to enforce the rule of law and effectively govern the country through the use of force and corruption. Additionally, these monies fuel attacks on U.S. and coalition military personnel and interests.

DEA's presence in Afghanistan reduces the amount of illicit drugs that are trafficked from the country, helps develop the capacity of the Afghans to conduct counterdrug operations themselves and supports and augments U.S. efforts against insurgents and terrorism, all of which aid in the long-term stabilization of the country and the region.

Africa

Africa, plagued by decades of political unrest and economic stagnation, is comprised of perhaps more ungoverned areas than any other continent. Drug traffickers are adept at manipulating the dire circumstances of failing nations to push drugs on a global scale. The current political and economic environment presents an unprecedented opportunity for drug traffickers and terrorists to flourish and expand their operations in Africa.

The proliferation of ungoverned areas in Africa threatens the U.S. Rapid destabilization in multiple African nations demonstrates that failed, and failing, states can become complicit hosts to both drug trafficking organizations and even terrorists. These developments pose critical threats to Europe, other U.S. interests (including our African allies) and ultimately the U.S. itself. Left unchecked, DTOs will overtake many of the fragile countries in Africa, undercutting U.S. efforts to counteract and eliminate significant drug and terror threats.

Africa is experiencing an unprecedented rise in drug trafficking and the growth of organized crime in Africa is increasing, moreover criminal groups are exploiting governmental weakness. There are obvious signs that Africa’s instability and vulnerability are being exploited by some of the world’s most dangerous DTOs, from South American groups moving multi-ton quantities of cocaine through West Africa to Mexican Cartels diverting multi-ton shipments of methamphetamine precursor chemicals through central and southern Africa. The global

expansion of West African drug trafficking syndicates, such as Nigerian DTOs, has been documented from Bangkok to Kabul; Nairobi to Cape Town; and Lima to Detroit. This expansion would not be possible without safe bases of operation on the African continent.

In July 2008, Sierra Leone authorities seized approximately 600 kilograms of cocaine from a twin-engine airplane that landed at Lungi International Airport in Freetown. The aircraft was marked with the Red Cross emblem and had originated in Venezuela. The flight crew fled the area upon landing; however, Sierra Leone officials quickly apprehended the flight crew and subsequently arrested other South American nationals in Sierra Leone involved in the smuggling operation. The investigation revealed the defendants and cocaine were linked to a major South American DTO. DEA worked with international partners and Sierra Leone officials to develop a criminal prosecution against those involved. In April 2009, 15 individuals involved with this DTO in Sierra Leone were convicted on narcotics charges, several of which were subsequently expelled to the U.S. to face charges under Title 21, U.S.C. § 846.

THE IMPACT OF THE GLOBAL DRUG TRADE ON U.S. NATIONAL SECURITY

DEA's drug trafficking and money laundering enforcement initiatives support and augment U.S. efforts against terrorism by denying drug trafficking and/or money laundering routes to FTOs, and by preventing the barter of drugs for munitions destined to support terrorism. The information obtained through DEA investigations (debriefings, surveillance, undercover operations, wiretaps, etc.) is used to directly support the prosecution of drug trafficking figures worldwide. However, information collected from DEA investigations also contains valuable intelligence that can be of value to our national security. DEA has a number of key initiatives to coordinate terrorism-linked investigative information with the interagency.

In February 2006, the Attorney General and the Director of National Intelligence (DNI) signed a Joint Memorandum designating the DEA's Office of National Security Intelligence (NN) as a member of the Intelligence Community (IC). NN's membership was reaffirmed in Executive Order 12333, as amended in July 2008. One of NN's primary functions is to identify, analyze, and report to a wide audience, DEA information that is of value to national security. Fully exploiting DEA investigative and intelligence information is significantly enhancing the amount and quality of intelligence that is analyzed and provided to national level policy makers. In FY 2002, DEA formally established what is now called the Counter-Narco-terrorism Operations Center (CNTOC) within the Special Operations Division (SOD). The CNTOC is DEA's central hub for addressing the increase in narco-terrorism related issues and coordinates all DEA investigations and intelligence linked to narco-terrorism. Let me cite just a few recent examples in which DEA investigations led to the arrest of major narco-terrorists and international arms traffickers:

- Khan Mohammed was captured for drug trafficking in October 2006 by the National Interdiction Unit of the Counter Narcotics Police – Afghanistan and DEA's Foreign-deployed Advisory and Support Team (FAST) in Nangarhar Province. On May 15, 2008, Khan Mohammed was convicted on charges in violation of 21 USC 959 and 960a. Mohammed was sentenced to two life sentences. This represented the first instance in

which a defendant was convicted in U.S. federal district court of narco-terrorism since the statute was enacted in 2005.

- October 23, 2008, Indonesian authorities arrested and expelled Haji Juma Khan (HJK) based on a U.S. request for his lawful return, based on a U.S. arrest warrant stemming from a narco-terrorism (21 USC 960a) indictment in the Southern District of New York. HJK was placed into DEA custody and transported to New York where he awaits trial. HJK is one of the world's most significant heroin and opium traffickers, who provided direct support to the Taliban from his drug trafficking revenue.
- Since the early 1970s, Monzer Al Kassar has supplied weapons and military equipment to armed factions engaged in violent conflicts in Nicaragua, Brazil, Cyprus, Bosnia, Croatia, Somalia, Iran, and Iraq. Some of these factions have included known terrorist organizations, such as the Palestinian Liberation Front. In June 2007, based on a multinational DEA investigation coordinated by DEA's Special Operations Division, Al Kassar was arrested in Madrid, Spain on U.S. charges of conspiring to sell millions of dollars worth of weapons to the Revolutionary Armed Forces of Columbia (FARC). Al Kassar was extradited from Spain to the U.S. in June 2008 and his November 2008 trial concluded with his conviction on all counts. Of note, Al Kassar financed and supplied the weapons that were used in the 1985 Achille Lauro cruise ship highjacking. These weapons were used to shoot wheelchair bound U.S. citizen, Leon Klinghoffer, in the head. His body was then dumped overboard. Until Al Kassar's conviction on November 2008, none of the terrorists involved in Mr. Klinghoffer's murder had been brought to justice in the United States. On February 24, 2009, Al Kassar was sentenced to 30 years in prison. Furthermore, Al Kassar was ordered to forfeit all foreign and domestic assets, including his mansion in Marbella, Spain.
- Viktor Bout first became known in the 1990s as a major weapons trafficker to a number of wars and armed conflicts in Africa. More recently, he was suspected of supplying weapons to the Taliban and Al Qaeda. In March 2008, Bout, also known as the "Merchant of Death", met with DEA cooperating sources in Bangkok, Thailand and agreed to a multi-million dollar deal that involved the sale of weapons to the Colombian narco-terrorist group, the FARC. Thai authorities arrested Bout, based on a U.S. request for his provisional arrest under the U.S.-Thailand Extradition Treaty. DEA's nine-month investigation into Bout spanned multiple countries, including Curacao, Copenhagen, Romania, Russia, and Thailand. In May 2008, Bout was indicted by a Federal Grand Jury in the Southern District of New York on charges of conspiracy to kill U.S. nationals and U.S. officers or employees, to acquire and use an anti-aircraft missile, and to provide material support or resources to a designated foreign terrorist organization. The United States is actively pursuing Bout's extradition from Thailand. Though a lower court has found Bout not extraditable, that decision is on appeal. The United States continues to actively pursue Bout's extradition from Thailand.
- On December 16, 2009, Oumar Issa, Harouna Toure and Idriss Abelraham were arrested by DEA's Ghanaian counterparts based upon a United States arrest warrant stemming from a narco-terrorism (21 USC 960a) indictment in the Southern District of New York.

All three suspects were placed into DEA custody and transported to New York where they await trial. Issa, Toure and Abelraham are suspected members and facilitators for Al Qaeda in the Islamic Magreb (AQIM), reportedly transporting drugs throughout Africa for another Drug Trafficking Organization. This investigation demonstrates Al Qaeda's willingness to use drug proceeds to fund operations, as well as their willingness to support other terrorist organizations who oppose Western ideals.

- On March 1, 2006, a federal grand jury in the U.S. District Court for the District of Columbia returned a one-count indictment against 50 leaders of the FARC on charges of importing more than \$25 billion worth of cocaine into the United States and other countries. Included in this indictment were FARC 24th Front Commander and member of the FARC's Estado Mayor Jorge Rodriguez Mendieta, and FARC 1st Front Commander Gerardo Aguilar Ramirez. Rodriguez-Mendieta allegedly directed the purchase of hundreds of thousands of kilograms of cocaine base and transmitted billions of Colombian pesos in cocaine proceeds to other FARC officials. Ramirez was captured during a 2008 covert Colombian Army operation that freed fifteen hostages, including three American contractors. On December 16, 2009, both Ramirez and Mendieta pled guilty to conspiring to import ton-quantities of cocaine into the U.S. To date, four of the fifty FARC members named in the indictment have been extradited to the United States. One has been captured and is awaiting extradition and six were killed in Colombian military operations or are presumed dead. In addition, the two founders of the FARC, Pedro Antonio Marin and Martin Villa, died of natural causes.

Although DEA has experienced major successes in bringing to justice some of the most significant criminals that control organizations which threaten the security of the U.S., its allies, and partner nations, several key areas of the world remain of principal concern in terms of the impact of the global drug trade on U.S. national security.

CONCLUSION

The road ahead for DEA is full of complex challenges, and the DEA is committed to disrupting and dismantling the world's most significant drug trafficking organizations, particularly those that seek to undermine the security of the U.S. The DEA brings unique authorities and capabilities to the fight against international drug trafficking and its resultant threats to national security. Working with our host nation counterparts, DEA brings a wealth of experience to bolster bilateral investigations. DEA agents develop investigations with the goal of having these criminals extradited and prosecuted in the U.S. or other competent jurisdiction. While enforcement programs alone cannot curb the seemingly insatiable appetite for illicit drugs, they can transform national security threats into problems which can be managed as traditional criminal justice matters; they can also prevent criminal justice matters from escalating to the level of national security crises. In the turbulent post September 11, 2001 era, we cannot allow organized criminals to grow in power or operate with impunity, thereby gaining a foothold in any region of our increasingly interconnected world.

Thank you for the opportunity to appear before you today to discuss these important issues. I will be happy to answer any questions you may have.

Mr. TIERNEY. Thank you, Mr. Placido.
Mr. Szubin.

STATEMENT OF ADAM J. SZUBIN

Mr. SZUBIN. Thank you, Chairman Tierney, Ranking Member Flake, members of the committee. Thank you for the opportunity to appear before you today to discuss the role played by the Treasury Department in combating the threat posed by transnational drug enterprises. We work alongside the agencies represented here and many others in our government to add financial expertise and our unique authorities to our collective counternarcotics efforts, and financial sanctions can be a powerful tool.

Top level Colombian traffickers have told us that they fear three things above all else: The first, arrest and extradition to the United States; second, seizure of their assets; and three, being placed on the OFAC sanctions list.

There is a heightened awareness of sanctions among the drug trafficking community and a fear of their consequences. Individuals and entities designated by OFAC lost access to the U.S. financial system. And U.S. persons, whether they be here or abroad, are forbidden from doing business with them. Any of their assets are immediately frozen if they are or come within possession of a U.S. person or financial institution.

And while these direct legal consequences can be highly disruptive, the informal ripple effects of our designations go much farther. In practicing their own due diligence and risk avoidance, many foreign, non-U.S. banks will immediately close the accounts and deny service to anyone who is placed on the OFAC list. Foreign companies that have no legal obligation to comply with U.S. sanctions will likewise often refuse to do business with designated parties, thereby further isolating them from legitimate commercial markets.

This type of reaction is now common in Colombia, and we are beginning to see the same type of isolating impact played out in Mexico.

Treasury has been targeting international drug enterprises for 15 years. In 1995, President Clinton signed Executive Order 12978 which targets Colombian drug traffickers and organizations. In 1999, Congress globalized the concept enacting the Foreign Narcotics Kingpin Designation Nation Act, or the Kingpin Act, which has allowed us to act against the network of cartels worldwide. Since 1999, the President has identified 82 Tier I kingpins and OFAC has identified over 500 individuals and companies that make up their support and financial networks.

Just yesterday we designated two of Colombia's most wanted drug lords; Daniel Barrera Barrera, known as "El Loco" Barrera, and Pedro Oliviero Guerrero Castillo, a/k/a "Cuchillo." These druglords operate primarily in eastern Colombia and are closely aligned with the FARC, whose criminal and destabilizing activities were highlighted by Mr. Placido.

In a good example of OFAC's network approach, at the same time yesterday we also named and targeted the assets of 29 individuals and 47 companies in these druglords' distribution, money laundering, and money concealment networks.

Cooperation with host governments is vital to our work. These are transnational threats, and they warrant a transnational approach. A good example are our collective actions against the Amezcua Contreras organization. In October 2008 we designated a company named Collins Pharmaceuticals and its associated officials. The company had manufactured pseudoephedrine and diverted it to drug trafficking organizations for the production of methamphetamine. As a result of this action nearly \$3 million was immediately blocked in U.S. bank accounts.

But following our action, Mexico's Attorney General's office blocked bank accounts in Mexico belonging to the same individuals and entities that we had listed.

In September 2009, we followed up again on the action and designated additional individuals and front companies who had been working to circumvent the earlier sanctions. Of course we have also intensified our efforts greatly against narcotics traffickers in Afghanistan and Pakistan to support the efforts alluded to earlier by others on this panel. Treasury is actively supporting those efforts to disrupt and dismantle the narcotics networks in those countries using the same approaches that have yielded results elsewhere.

In sum, economic sanctions can be a highly effective tool which when used in concert with United States and foreign law enforcement authorities can advance U.S. efforts to combat these dangerous transnational drug efforts.

Thank you for your invitation and for your interest in this important matter.

[The prepared statement of Mr. Szubin follows:]

STATEMENT
OF
ADAM J. SZUBIN
DIRECTOR
OFFICE OF FOREIGN ASSETS CONTROL
UNITED STATES DEPARTMENT OF THE TREASURY
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS
ON
“TRANSNATIONAL DRUG ENTERPRISES”
MARCH 3, 2010

Chairman Tierney, Congressman Flake, Members of the Committee, I appreciate the opportunity to appear before you today to discuss the role played by the Treasury Department in countering the threat that transnational drug enterprises pose to our country and the world. In particular, I will describe Treasury’s implementation of the Foreign Narcotics Kingpin Designation Act, commonly known as “The Kingpin Act,” and Executive Order 12978, “Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers.” These authorities, in use by Treasury since 2000 and 1995 respectively, provide powerful complements to the dedicated efforts of U.S. and foreign law enforcement authorities. First, though, I would like to describe the impact of our sanctions against narcotics traffickers.

Impact of Counter-Narcotics Sanctions

Colombian narcotics traffickers have noted that they fear three things: 1) arrest and extradition to the United States; 2) seizure of assets; and 3) **the Office of Foreign Assets Control’s (“OFAC”) Specially Designated National’s List (“SDN List”)**. Interviews of Mexican individuals who had been placed on the SDN List suggest that Mexican traffickers feel the same way. Traffickers fear OFAC SDN List because OFAC sanctions work. Drug traffickers rely on a vast support network, including money launderers, transportation, logistics, procurement, communications, security and other personnel, to support their nefarious activities.

They need to disguise their enormous profits in ostensibly legitimate businesses, such as drug stores, pharmaceutical manufacturers, real estate companies, a beach front resort, an armored truck company, a restaurant, a retail chain, cattle businesses, a working dairy farm, daycare centers, and money service businesses. These illicit businesses undermine the integrity of the financial system. With our law enforcement partners in the U.S. and abroad, OFAC is working hard to identify the individuals working on behalf of or materially assisting the drug trafficking organizations. OFAC sanctions enable us not only to protect the integrity of the financial system, but also to strike hard at the heart of the financial operations of illicit actors.

Treasury's Counter-Narcotics Mission

Treasury's efforts to combat narcotics trafficking and other threats to our national interests are headed by Under Secretary for Terrorism and Financial Intelligence Stuart Levey, with our sanctions authorities delegated to the Office of Foreign Assets Control. OFAC administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities supporting the proliferation of weapons of mass destruction, and others who are threats to the national security, foreign policy, or economy of the United States. OFAC acts under the national emergency powers of the President, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

The authorities delegated to OFAC are national security and foreign policy tools that provide power and leverage against a foreign country, regime or non-state actors, such as foreign narcotics traffickers and terrorists. One of our most powerful instruments, the Specially Designated Nationals List is used to identify, expose, isolate, and disrupt foreign adversaries with the intended result of denying them access to the United States financial and commercial

system and immobilizing their resources. OFAC's authorities are administrative in nature; but for persons subject to U.S. jurisdiction, violating OFAC sanctions carries both civil and criminal penalties.

The Kingpin Act

On December 3, 1999, the President Clinton signed into law the Foreign Narcotics Kingpin Designation Act (the "Kingpin Act"), which prohibits transactions with, and blocks all property and interests in property, subject to U.S. jurisdiction, of, significant foreign narcotics traffickers identified by the President. At OFAC, we refer to these individuals as "Tier I" narcotics traffickers. The Kingpin Act provides for the President to identify "significant foreign narcotics traffickers" prior to June 1 of every year and to report those actions to the Congress. Since 2000, 82 Tier I traffickers have been identified, including 66 individuals and 16 entities. These Tier I traffickers are located in many different countries, including Mexico, Afghanistan, Pakistan, Burma, Colombia, and Venezuela. OFAC works with other agencies, including the Drug Enforcement Administration ("DEA"), the State Department, and the Department of Defense ("DOD"), to identify, track, and address drug trafficking threats worldwide.

The Kingpin Act also provides authority for OFAC to designate individuals and entities that materially assist in or provide support to the international narcotics trafficking activities of Tier I traffickers or those that are owned or controlled by, or acting for or on behalf of, Tier I traffickers or the designated kingpins, allowing OFAC to reach the kingpins' networks of front companies, facilitators, and strawmen. In addition, these "Tier IIs" – also referred to as derivative designations – allow us to target the money launderers, the family members that are complicit in narcotics trafficking activities, the criminal members of the organization, and the transportation, logistics, procurement, and communications cells that comprise the financial and support networks of drug trafficking organizations. It is these support networks that are most

vulnerable to disruption by financial sanctions, and it is here that we have concentrated our efforts.

The Kingpin Act: Mexico

Last year, President Obama, recognizing the urgency of the threat posed by Mexican traffickers to the safety and security of the United States and our Mexican neighbors, identified three Mexican narcotics trafficking organizations as significant foreign narcotics traffickers: the *Sinaloa Cartel*, *Los Zetas*, and *La Familia Michoacana*. In addition to the three organizations President Obama identified last year, President George W. Bush identified the *Gulf Cartel*, the *Beltran Leyva Organization*, *Arrellano Felix Organization*, *Amezcu Contreras Organization*, *Arriola Marquez Organization*, and the *Carrillo Fuentes Organization* as Tier I traffickers. OFAC continues to target these and other drug trafficking organizations aggressively to incapacitate their networks.

Since 1999, 82 Tier I traffickers have been identified, 37 of which are Mexican. Of the 37 Mexican Tier I traffickers, 28 are individuals, including Joaquin “Chapo” Guzman Loera, Ismael “Mayo” Zambada Garcia, Osiel Cardenas Guillen, and Ignacio “Nacho” Coronel Villarreal, and nine are drug trafficking organizations.

Since 2000, OFAC has designated just over 300 “Tier II” individuals and entities working for or on behalf of Mexican traffickers and their organizations. OFAC’s Tier II designations have targeted the finances of the *Arrellano Felix Organization*, the *Arriola Marquez Organization*, the *Amezcu Contreras Organization*, the *Beltran Leyva Organization* and also key *Sinaloa Cartel* leaders, Joaquin “Chapo” Guzman Loera, Victor Cazares Salazar, and Ismael “Mayo” Zambada Garcia.

In December 2007, OFAC, in concert with other U.S. and Mexican authorities, struck at the *Sinaloa Cartel* by targeting a key financial node controlled by Mexican money launderer

Blanca Cazares Salazar and the 19 companies and 22 individuals that comprise her financial network. Included in this designation action were a popular Tijuana restaurant, several unregulated money service businesses, and a 20-store chain of jewelry and cosmetic boutiques. Three months later, Mexican authorities arrested six associated individuals in Mexico City, including Blanca's former husband and a key business associate.

In October 2008, OFAC designated ten individuals and six entities associated with a pseudoephedrine diversion cell operating on behalf of the *Amezcuca Contreras Organization* – a methamphetamine organization. The focus of the designation was *Productos Farmaceuticos Collins*, a company long suspected of diverting pseudoephedrine to methamphetamine producers. After the designation, the Mexican Office of the General Prosecutor, known in Mexico as the *Procuraduría General de la República* or “PGR” – the agency responsible for enforcing federal crimes in Mexico, came forward and linked this pseudoephedrine diversion cell with *La Familia Michoacana*. U.S. banks blocked approximately \$2.7 million worth of funds in the United States related to this designation, and a \$2 million contract to purchase an airplane was cancelled as a result of this designation.

OFAC, of course, works closely with its U.S. counterparts. In July 2009, OFAC designated four *Gulf Cartel* and *Los Zetas* leaders: Jorge Eduardo Costilla Sanchez, Ezequiel Cardenas Guillen, Heriberto Lazcano Lazcano, and Miguel Trevino Morales. On the same day, the U.S. Department of Justice unsealed charges against Miguel Trevino and other *Gulf Cartel* members, and the State Department announced rewards of up to \$20 million for various *Gulf Cartel* and *Los Zetas* members, including Cardenas, Lazcano, and Trevino. These efforts support those of Mexican authorities, who are also targeting these individuals, including by offering rewards of up to 30,000,000 pesos for information leading to their arrest.

In October 2009, OFAC designated Mexican national Edgardo Leyva Escandon, five members of his financial network, and one Mexico-based company for their ties to the *Arellano Felix Organization* (sometimes called the Tijuana Cartel or the AFO), Francisco Javier Arellano Felix, or Tijuana Cartel member Edgardo Leyva Escandon himself. Leyva Escandon is the AFO's primary ammunition and firearms supplier.

Recently, in December 2009, OFAC exposed 22 individuals and ten companies connected to the *Beltran Leyva Organization* and the now deceased Marcos Arturo Beltran Leyva. These *Beltran Leyva* operatives control companies involved in air and vehicle shipping, electronics retailing, the import/export of health products, business consulting, and hospitality services. In the weeks following this action, Marcos Arturo Beltran Leyva was killed by the Mexican navy during a counterdrug raid in Cuernavaca.

Mexican President Calderon's resolve to combat drug trafficking organizations in Mexico has led to increased cooperation and sharing of information between Mexican authorities and OFAC. For example, since President Calderon took office in 2006, Mexican law enforcement has consulted with OFAC regarding seizure warrants issued against the *Arellano Felix Organization*. OFAC's May 2007 designation targeted Ismael "Mayo" Zambada and his network of key family members and criminal associates. Vicente Zambada Niebla, the son of "Mayo" who was among the May 2007 designees, was arrested in March 2009.

OFAC sanctions work in part because they expose and delegitimize businesses owned or controlled by drug traffickers, identifying them as money laundering fronts used to penetrate the legitimate economy with the proceeds of illicit action. In addition, by exposing traffickers publicly, OFAC sanctions can remove barriers to action by other authorities, who might otherwise have hesitated to act against these powerful and violent organizations while the identities of key operatives and front companies were not publicly known.

OFAC continues to target organizations even as they take measures to evade OFAC sanctions. OFAC does not relax its attention after one round of designations. For example, an OFAC investigation revealed six individuals and two entities to be assisting previously designated *Productos Farmaceuticos Collins* evade OFAC sanctions; on September 3, 2009 OFAC designated those individuals and entities. The *Arellano Felix Organization*, which is near decimation, has been an OFAC target in seven Tier II actions.

The Kingpin Act: Afghanistan/Pakistan

Since 2001 six Tier I traffickers from Afghanistan have been identified. Two of the Tier I traffickers from Afghanistan, Haji Bashir Noorzai and Haji Baz Mohammad, were subsequently captured and convicted on drug trafficking charges in the United States. Both of these individuals supported the Taliban with their illicit drug proceeds. The most recent Tier I trafficker from Afghanistan is an entity. On May 29, 2009 President Obama identified the *Haji Juma Khan Organization*, an international drug trafficking organization based in the Baluchistan region of Afghanistan, as a significant foreign narcotics trafficker. The *Haji Juma Khan Organization* deals in opium, morphine, and heroin. Drug Enforcement Administration Acting Administrator Michele M. Leonhart has noted that proceeds from the *Haji Juma Khan Organization* have funded terrorist activities of the Taliban. Haji Juma Khan himself was captured in 2009 and is awaiting trial in the U.S. OFAC is working closely with other U.S. government agencies to ensure that Kingpin Act targeting in Afghanistan compliments our ongoing military and law enforcement efforts there.

Since 2001, six Tier I traffickers from Pakistan have been identified. Among these Pakistani Tier I traffickers is the notorious international criminal Dawood Ibrahim, who was identified as a significant foreign narcotics trafficker on June 1, 2006. The *Dawood Ibrahim Organization*, also known as the *D Company*, was identified as a Tier I trafficker on the same

day and is active in Pakistan, India, and the United Arab Emirates. Another Pakistani Tier I trafficker is Shabaz Khan, who was identified as such by the President on June 1, 2007. He is currently serving a life sentence in the United Arab Emirates for drug trafficking and just recently lost the final appeal of his drug trafficking conviction by the Federal Appeals Court in Abu Dhabi, United Arab Emirates. On November 27, 2007, OFAC targeted Shabaz Khan and his organization with derivative designations. OFAC designated nine individuals and 13 companies located in the United Arab Emirates, Pakistan, Spain, Germany, the Netherlands, and Belgium.

The Kingpin Act: Southeast Asia

Since 2001, the President has identified five significant foreign narcotics traffickers from Southeast Asia. OFAC has focused its Tier II efforts against two of these significant foreign narcotics traffickers – the *United Wa State Army* (“UWSA”) and one of its senior leaders, Wei Hsueh Kang. On November 3, 2005, OFAC designated 11 individuals and 16 companies that formed part of the commercial network led by the UWSA and Wei Hsueh Kang. Included among the individuals was one of Wei Hsueh Kang’s wives and her brother, who were acting as front persons but were also involved in narcotics trafficking activities. On November 13, 2008, OFAC expanded sanctions against the UWSA and Wei Hsueh Kang by designating an additional 26 individuals and 17 companies, which are located in Burma, Hong Kong, Singapore, and Thailand.

The Kingpin Act: Colombia

Since 2003, the President has identified three Tier I traffickers from Colombia, two of which are entities. On May 29, 2003, the President identified the *Autodefensas Unidas de Colombia* (“AUC”) and the *Fuerzas Armadas Revolucionarias de Colombia* (“FARC”) as

significant foreign narcotics traffickers. On May 29, 2009, the President identified Daniel Rendon Herrera (a.k.a. Don Mario) as a Tier I trafficker.

Most of OFAC's Kingpin Act derivative designations have been focused against the FARC. Since the presidential identification of the FARC pursuant to the Kingpin Act in 2003, OFAC has designated 43 key leaders of the FARC. In addition, OFAC has also exposed FARC financial networks, FARC international representatives, and foreign government officials providing material support to the FARC's narcotics trafficking activities.

In the past two years, OFAC has targeted a wide array of FARC members and supporters. Multiple currency exchange businesses in Colombia have been designated for their support of the FARC's narcotics trafficking and money laundering activities. OFAC's actions against the FARC have also impacted the FARC's ability to garner and maintain support internationally. In September 2008, OFAC designated two Venezuelan government officials and one former Venezuelan government official for materially assisting the narcotics trafficking activities of the FARC. On September 30, 2008, OFAC designated eight FARC International Commission members operating in the following 11 foreign countries: Argentina, Chile, Uruguay, Paraguay, Brazil, Peru, Ecuador, Venezuela, Panama, Mexico, and Canada. On January 14, 2009, OFAC designated three more FARC International Commission members who represent the organization in Spain, France, Italy, Switzerland, and Australia.

OFAC's continued targeting of the financial and support networks of the FARC further enhances the damage inflicted on the FARC's capabilities, denies this narco-terrorist organization access to both the Colombian and U.S. financial systems, and impedes its abilities to obtain materials and support. OFAC's targeting of the FARC's financial and support networks complements the efforts of the Colombian government and U.S. law enforcement agencies

against the FARC and results in overall increased impact against this narco-terrorist organization.

The Colombia Model

The Kingpin Act is modeled upon the successful Colombia program – the original Specially Designated Narcotics Trafficker (“SDNT”) program. In 1995, President Clinton, invoking his powers under the International Emergency Economic Powers Act (IEEPA), found that there was a significant threat to the national security, foreign policy and economy of the United States posed by Colombian narcotics traffickers. On October 21, 1995, President Clinton signed Executive Order 12978, “Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers.”

The SDNT program has enjoyed enormous success in the United States and Colombia. OFAC’s work has been instrumental in dismantling the *Cali Cartel* and also key elements of the *Norte Valle Cartel*. Additionally, the vigilance and cooperation of the Colombian government and the Colombian business and financial community is extraordinary. OFAC, through its Attaché office, works closely not only with other elements of the U.S. Embassy in Bogota, Colombia and U.S. law enforcement, but also with the Colombian *Fiscalia* (Attorney General’s office), the Colombian National Police, and the Colombian Financial Intelligence Unit (the *UIAF*), to identify and designate the financial and commercial networks of Colombian traffickers. Non-U.S. companies that have no obligation to comply with U.S. sanctions often refuse to work for, supply, or otherwise do business with designated commercial enterprises or employ persons on the SDN List, thereby isolating them commercially. Many Latin American banks, for example, have advised OFAC that they close the accounts of all persons (individuals and entities) on the SDN List as a matter of risk avoidance. As a result, designated persons are impeded from functioning effectively in the legitimate economy or business world. The

vigilance of non-U.S. businesses and financial institutions is a significant contributor to the program's success.

In September 2006, OFAC's success in exposing the networks of two notorious *Cali Cartel* leaders, Miguel and Gilberto Rodriguez Orejuela, alongside dedicated and aggressive efforts by the Justice Department and other law enforcement agencies, culminated in guilty pleas by the two cartel leaders. The Rodriguez Orejuela brothers not only admitted to over two decades of drug trafficking, but also confessed to laundering the proceeds through the network of companies that OFAC had targeted in over a dozen investigations from 1995 to 2004. They agreed to a forfeiture in the amount of \$2.1 billion in assets to be levied against their narcotics-related assets found anywhere in the world, as well as all Rodriguez Orejuela business entities worldwide. These entities are mainly the 246 front companies already designated by OFAC over a nine year period in 12 separate OFAC designation actions.

In connection with the Rodriguez Orejuela brothers' guilty pleas, 28 of their family members, who were previously designated as SDNTs, entered into an agreement with the U.S. Department of Justice and the U.S. Department of the Treasury in September 2006. As part of this agreement, the 28 family members were obligated to identify all "forfeitable property" financed in whole or in part with narcotics proceeds and to identify all other assets of any nature whatsoever that are owned or controlled by any family member who is a party to the agreement. In exchange, the U.S. Government agreed to remove the family members from SDN List after certain conditions were fulfilled, including final forfeiture and/or divestiture of all forfeitable property under the agreement.

OFAC worked closely with the Colombian authorities to ensure that these Rodriguez Orejuela family members were complying with this agreement. It was discovered, however, that certain parties to this agreement had hidden assets during the negotiation of this agreement in

2006 and continued to hide them. On January 28, 2009, OFAC designated two new entities that were among the assets being hidden by certain Rodriguez Orejuela family members. Colombian authorities followed up on the OFAC action with a major operation against the Rodriguez Orejuela family. In late February 2009, Colombian authorities arrested multiple Rodriguez Orejuela family members. The charges against the family members arrested in February 2009 included the laundering of narcotics proceeds and fronting for assets obtained with illicit proceeds. In addition, many assets were seized as part of this operation. Colombia's Attorney General at the time acknowledged the close working relationship between the Colombian authorities and OFAC on this case as a key factor in the success of this operation. Many of the individuals arrested in February recently pleaded guilty to money laundering charges before a Colombian judge. They have received prison sentences and have agreed to forfeit their rights and interests in assets worth millions of U.S. dollars. Again, the combination of OFAC sanctions with Colombian and U.S. law enforcement actions has led to the dismantling of one of the most important drug cartels in history. OFAC will continue to monitor the Rodriguez Orejuela family member's compliance with the agreement.

In recent actions take under Executive Order 12978, OFAC has targeted Colombian drug trafficker networks centered in Medellin but operating in both Colombia and Mexico. The working relationship between Colombian and Mexican drug traffickers is well known. In some instances, Colombian traffickers have become as comfortable living and operating in Mexico as in their native country. Some Colombian drug traffickers have begun to spend much of their time and money in Mexico and, thus, have established financial networks in both countries.

On March 28, 2007, OFAC designated Medellin-based drug trafficker Fabio Enrique Ochoa Vasco along with 45 companies and 64 individuals in his extensive criminal and financial network. Many of these companies were based in Medellin, but two of them were located in

Mexico. Also designated in this action was Ochoa Vasco's Mexican wife, who holds assets on his behalf. On June 12, 2009, OFAC designated additional front companies associated with Ochoa Vasco and his key financial associates. Five of these are located in Guadalajara, Mexico. Following the June 12th designations, Colombian authorities arrested several members of the Ochoa Vasco organization on money laundering charges and seized many properties, including a water park.

Another Colombian trafficker from Medellin who has strong ties to Mexico is Pedro Antonio Bermudez Suaza (alias "El Arquitecto"). On May 27, 2009, OFAC designated Bermudez Suaza and 13 individuals and 14 companies in his network. Bermudez Suaza began his career in narcotics trafficking many years ago as a pilot smuggling cocaine for members of the old Medellin drug cartel. In Mexico, Bermudez Suaza owned an aviation company, a currency exchange business, and a real estate company that owned numerous properties throughout the country. Bermudez Suaza even moved much of his family to Mexico. However, he still appears to have invested most of his drug profits into his home country. Among the notable properties controlled by Bermudez Suaza through front persons is Hosteria Llanogrande, a resort frequented by professional soccer teams. This resort, which is located near the international airport in Rionegro, Antioquia, was also designated by OFAC.

Cooperation with Other Agencies

OFAC does not impose sanctions actions in a vacuum. In particular, we gratefully acknowledge the outstanding investigative and enforcement work of the DEA. While OFAC works with all the law enforcement agencies, as well as with State, Justice, Defense, Homeland Security, and the Intelligence Community, and has enjoyed many successes with them, OFAC's counter-narcotics designations sections and our three foreign Attaché offices work especially

closely with DEA and its agents in the field. Instrumental to OFAC's success is DEA Financial Operations.

Conclusion

OFAC's counter narcotics sanctions programs under the Kingpin Act and Executive Order 12978 provide a powerful mechanism for acting against the threat to the United States posed by foreign narcotics cartels. OFAC's employment of these sanctions programs provides a growing opportunity for partnership in combating the scourge of the drug trafficking organizations. It is a force multiplier, and it presents opportunities not only in support of efforts by DEA and other U.S. criminal enforcement agencies, but also to foreign authorities. The Kingpin Act and Executive Order 12978 are important elements in achieving a unity of effort among U.S. federal, state, and local agencies and with our foreign government counterparts, and in disrupting the infrastructures of the drug trafficking organizations and making the cost personal to the individuals who lead them.

Thank you very much for the opportunity to be here today. I welcome any questions.

Mr. TIERNEY. Thank you Mr. Szubin.
Mr. Wechsler.

STATEMENT OF WILLIAM F. WECHSLER

Mr. WECHSLER. Thank you very much. Mr. Chairman, Ranking Member Flake, distinguished members of the committee, thank you for the opportunity to testify here. And it is particularly appropriate that you invite me to testify with all my interagency colleagues because this panel represents the whole of government approach to this issue that we find vitally important.

We have all seen the disruptive effect of illegal trafficking. Unfortunately, looking back over time, most governments around the world, including ours, have historically compartmentalized these threats into categories that fit our bureaucratic organizations. There are national security threats, there are intelligence threats, there are law enforcement threats, there are health concerns, there are commerce concerns, there are education concerns. As a result, again, historically, each bureaucratic arm addressed the threat according to its respective organization's perspective without as much crosscutting organization and integration as to maximize our effectiveness. The predictable result in those instances has been lack of uniformity and marginal results. Where we have had on interagency, coordinated approach we have had quite powerful results.

Under the Obama administration the United States is attempting to address these shortcomings by providing a whole of government approach designed to dismantle bureaucratic barriers that have long prevented a centralized method of attacking these threats to global stability and U.S. national security.

As my colleagues have described, in some parts of the world broken communities become breeding grounds for criminal activities of all kind, including all types of illicit trafficking: drugs, weapons, people, cash. Lawless environments make inviting sanctuaries for religious zealots, political ideologues, insurgents, and terrorists, all sharing a common proclivity for violence and destruction. Such groups seek to evade or neutralize the forces of order. Their common needs allow them to cohabit in an environment where the government is weak and the populace can be controlled by bribes, intimidation, violence, and corruption. All types of organizations expand power bases and corrupt and control more communities. They become more formidable. Eventually criminal and extremist organizations may be able to carve out safe havens in parts of the world and at times they become direct threats to U.S. national security in which the Department of Defense has to become involved directly. A coordinated interagency response is critical to defeating the threats posed by these transnational drug enterprises.

My office's principal role is to provide counternarcotics support to domestic law enforcement agencies and foreign security forces conducting counternarcotics missions. The Department has also concluded from experience, quite often painful experience, that the kinds of enemies that we are fighting on the battlefield today and the kinds of enemies that we expect to fight on the battlefield in the years to come are going to be financed, supported, and organized in part by transnational illicit networks and especially drug networks.

Therefore, we in the Department of Defense have to reach out to our interagency colleagues who have much more experience, expertise and particular authorities in dealing with these threats in order to integrate them into our military efforts to make our efforts as successful as possible.

In addition to these kinds of support that we provided in the past, the Department of Defense is trying to increase its supporting role in addressing threat finance more generally. Terrorists and insurgents typically rely on irregular ways to fund their activities, including crime, donation from nongovernmental organizations, using front companies, and various black market activities that Adam talked about. Only recently we have developed all the weaponry that we need to really attack these financial networks, and we cannot overemphasize enough that a successful effort in this nature will be accomplished only with an interagency whole of government approach. It is critical for us, for our way of thinking, of addressing the asymmetric warfare that we are confronting today and we expect to confront in the future.

Chairman, ranking member, thank you again for the opportunity to discuss this issue. I look forward to answering all the committee's questions.

[The prepared statement of Mr. Wechsler follows:]

STATEMENT FOR THE RECORD

MR. WILLIAM WECHSLER
DEPUTY ASSISTANT SECRETARY OF DEFENSE,
COUNTERNARCOTICS AND GLOBAL THREATS

BEFORE THE
HOUSE SUBCOMMITTEE ON NATIONAL SECURITY AND
FOREIGN AFFAIRS

MARCH 3, 2010

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to testify about the growing problem that transnational drug enterprises pose to U.S. national security and to the stability and security of the global community. It is appropriate that I join this panel with representatives from several key U.S. Government agencies. In effect, this panel represents the “whole-of-government” approach we are taking to counter transnational drug networks.

The global drug trade is the largest criminal industry in the world. It includes several integrated syndicates, or cartels, as well as a wide variety of more loosely associated gangs, which operate in almost every country in the world, including the United States. The expansive reach of drug criminals threatens U.S. national security, both directly and indirectly.

In our country, as well as internationally, we have seen the disruptive effect of illegal trafficking on health, public order, governance, social cohesion and national security. Unfortunately, governments, including ours, have historically compartmentalized threats into categories that fit our bureaucratic organizations: law enforcement, health, security, commerce and education. As a result, each bureaucratic arm addresses a threat according to its respective organization’s perspective, without cross-cutting coordination. The predictable result has been a lack of uniformity and limited results.

The United States is addressing these shortcomings with a whole-of-government approach designed to dismantle bureaucratic barriers. This approach recognizes the interrelated and interdependent nature of these threats as well as the common denominator -- the illegal drug trade.

The Current Trend

Direct threats are the most obvious form of harm to the United States and our partners across the globe. Direct threats are typically confronted by militaries, law enforcement and justice agencies: defeating enemies; intercepting drug shipments; arresting drug dealers; and prosecuting violent criminals.

For today's discussion, I want to focus on the less obvious, "indirect" threat. When drug revenues are used to bribe public officials overseas the rule of law is undermined. The harm caused by the selective enforcement of laws, the rise of a privileged criminal class, and ensuing public cynicism may rupture the social fabric of a community. The corrosive nature of indirect threats is often invisible until it is too entrenched to overcome.

In some parts of the world, communities which have been weakened by the illegal drug industry become breeding grounds for other criminal activities, such as the trafficking of weapons, people and cash. Lawless environments may make inviting sanctuaries for religious zealots, political ideologues, insurgents, and/or terrorists. Such groups may or may not share strategic objectives, but they all seek to evade or neutralize the forces of order. Their common needs allow them to cohabit in an environment where the government is weak and the populace can be controlled by bribes, intimidation, or violence. Both profit-seeking criminals and ideologically-inspired extremists need to engage in clandestine operations such as the use of safe houses, aliases, and counter-surveillance techniques to move materials, people and information. Eventually, criminal and extremist organizations may be able to carve out safe havens in parts of the world, whether they cooperate with one another directly or only indirectly.

Despite the common interests shared by transnational drug enterprises and extremist groups, there are important differences between the two. First, drug enterprises primarily seek profit, while extremists generally see profit as a means of financing an ideological end. Second, drug enterprises and related criminal operations are parasitic and seek to undermine and exploit weak governments, while extremists are predatory and seek to destroy and replace government. These distinctions, however, are not always sharply drawn.

In some locations, we are seeing a breakdown in the differences between transnational drug enterprises and extremists, as greed trumps ideology. The Revolutionary Armed Forces of Colombia (FARC), originally a Marxist insurgency, has mutated through the decades into a drug trafficking organization as it has become more and more reliant on the illegal drug trade to finance itself. In Peru, remnants of the Shining Path use terrorism primarily to protect drug production, rather than using drug money to finance an ideological revolution. While there are differing views about the extent of Al-Qaida's involvement in drug trafficking, we know that some organizations associated with or inspired by Al-Qaida rely on drug money to finance their activities. The most notorious example is the 2005 Madrid train bombing, where the bombers financed their operation in part by selling hashish. In Afghanistan, the Taliban continues to tax, protect and smuggle opiates for profit and to finance its insurgency.

We also see mergers evolving from the opposite direction - where drug organizations adopt terrorist tactics or insurgent methods to protect the drug trade. Mexico, for example, does not face an insurgency or significant levels of terrorism. Mexican drug cartels, however, are now reacting to increased pressure from the Mexican

authorities with escalating levels of violence as they battle for territory and border crossing points. While this violence remains largely directed at other traffickers, as the pressure continues, traffickers have increased targeting of Mexican public security and other officials. The danger also exists that the drug cartels may target U.S. interests as anti-drug cooperation efforts become more widely publicized.

Like insurgencies, drug cartels sometimes seek to control local populations and dominate territory through propaganda and financial incentives. If these tactics fail, cartels resort to intimidation to co-opt competing institutions, and threaten or attack family members of non-compliant security personnel, government officials and opinion leaders such as journalists. Whether extremists are compromised by greed or transnational drug enterprises adopt terrorist or insurgent tactics, the result is proliferation and escalation of indirect threats to U.S. security interests.

We are seeing organizational changes as regional criminal organizations expand to become global criminal enterprises. Some organizations are shifting from hierarchical syndicates toward multipurpose, decentralized criminal franchises characterized by fluid alliances and varying degrees of specialization and influence within different countries. For example, on the Makran Coast of Pakistan, maritime smuggling groups are moving drugs, weapons, and, possibly, extremists. Another example is the growth in North America of networked, ethnically-based street and prison criminal gangs, including MS-13 and the 18th Street gangs. While these gangs present a significant law enforcement challenge in the United States, they can, in some parts of Central America, seriously threaten governability.

The Interagency Response

A coordinated interagency response is critical to suppressing the threats posed by transnational drug enterprises and the indirect threat posed by drug organizations' creating lawlessness which can be exploited by extremist groups. My office's principal role is to provide counternarcotics support to domestic law enforcement agencies and select foreign security forces. Key categories include: detection and monitoring of ground, maritime and air movements; training, equipping and sharing information; National Guard support to law enforcement within the United States; and numerous other activities. It is important to stress that everything DoD does in this area is in support to another U.S. or foreign partner, embodying the whole-of-government approach.

There is a critical link between transnational drug enterprises and instability in certain regions of the world. In these cases, the goal of the U.S. Government is to achieve stabilization, peace and security. Whole-of-government approaches are always required. Stabilization in this sense is defined as strengthening the ability of governments to extend effective authority over what has been described above as "undergoverned space" and provide adequate governance to under-served populations. In this paradigm, health, education, infrastructure, economic development and other activities, facilitated or implemented by government, is as important in eradicating criminal networks as military or police efforts. It is analogous to killing a disease by boosting the immune system.

While this stabilization approach is not entirely new in counternarcotics efforts, the current trend is to emphasize stabilization as the foundation upon which other counternarcotics activities must be built. Those would include: drug crop eradication; smuggling interdiction; criminal investigation, arrest and prosecution; and many others.

The point is not to replace longstanding efforts with stabilization, but to have all the efforts mesh under a stabilization paradigm. Some efforts in this direction are already underway, and will require a purposeful and clearly defined collaborative model to bring about cooperation between local, national and foreign law enforcement agencies, intelligence organizations, the banking industry, and other key sectors of societies. If we can make this model work for ourselves and our partners, we believe it will be as critical to ensuring our national security as military alliances have been in the past. The effects of cooperative efforts among governments and agencies can encompass a vast spectrum of activity, including but not limited to: equipment; training; information sharing; sea, air, and land domain awareness; combined operations; extraditions; asset forfeiture and many other activities.

One of the emerging challenges to interagency and international government cooperation, which has been a particular interest of mine, is strengthening the Department of Defense's supporting role in addressing threat finance as part of the Administration's larger efforts. "Follow the money" has long been a central tenant to counternarcotics. It is also one of our key strategies in counterterrorism, but it also has become one of our biggest challenges.

Terrorists and insurgents typically rely on irregular ways to fund their activities, including: organized crime; donations from non-governmental organizations; using front companies; various black market activities; and clandestine support from foreign governments. Only recently, with the 21st century explosion in information technology, have we had the weaponry available to locate and disrupt these financial supply lines.

We cannot over-emphasize that a successful effort of this nature cannot be accomplished without an interagency and international collaborative paradigm.

Consider the cases in Afghanistan and Iraq. At first, U.S. forces with a very light footprint enjoyed extraordinary success in enabling Afghan militias to rout the Taliban. However, simply removing the Taliban from power was insufficient to stabilize Afghanistan. This instability allowed the opium industry to flourish, which in turn, helped finance a resuscitated Taliban and enabled a major insurgency. In late 2008, the Department of Defense adjusted its rules of engagement to allow U.S. military forces to work more effectively with Coalition and Afghan law enforcement agencies. Further, the Department of Defense has trained and equipped the Afghan Counternarcotics Police, built border crossing points, trained and equipped border police, and assisted DEA's expansion in Afghanistan. The Department of Defense has also supported U.S. Government efforts to create Threat Finance Cells in Afghanistan and Iraq, which helped identify insurgent financiers and build cases against them. In Iraq, the Iraq Threat Finance Cell (ITFC) has yielded concrete results. The ITFC provided intelligence analysis that targeted key facilitators and financiers, which helped deny Al-Qaida in Iraq funding, contributing to a significant degradation in Al-Qaida in Iraq's capability. One of the key lessons of Iraq and Afghanistan is that combating insurgent funding streams and cover mechanisms is a key element to counter-insurgency.

I have outlined some of the destabilizing effects of transnational criminal enterprises and networked criminal organizations. I have also briefly outlined what the Department of Defense is doing to support a whole-of-government approach to addressing these challenges as well as the associated threats to U.S. national security.

The implication is that it is urgent that the United States and the global community facilitate integration of military, intelligence, law enforcement, economic development and other efforts with the goal of promoting stability in broken communities and lawless regions of the world. Using the whole-of-government approach as a blueprint and a tool, we will be able to disrupt and eventually suppress the direct and indirect threats to our country.

Future U.S. wars will probably resemble the current conflicts in Afghanistan and Iraq more than they will the first Gulf War. As governments continue to adapt to the changing realities of 21st Century threats and 21st Century wars, there will be a growing recognition and acceptance of the superiority of this partnering model as the best defense against terrorists, transnational drug enterprises and other extremists who threaten global stability and our national security.

Mr. Chairman, I look forward to answering the Committee's questions. Thank you.

Mr. TIERNEY. Thank you, Mr. Wechsler. Thank all of you for your testimony.

This is a perplexing area, to say the least. I know your jobs are challenging. We appreciate what you do.

Mr. Kerlikowske, let me start with sort of a procedural question here. I understand you don't yet have in place all the key staff you need. What expectations do you have on staffing up and where is the status of that?

Mr. KERLIKOWSKE. We are working very hard at getting the people on board. One of the concerns has been the Deputy Director. One of the Deputy Directors was voted out in November and is still awaiting confirmation.

Mr. TIERNEY. He is out of committee and waiting full Senate confirmation?

Mr. KERLIKOWSKE. That is exactly right, Mr. Chairman. So I think it is difficult sometimes to get the job done if you don't have all the folks in place.

Mr. TIERNEY. Perhaps we can engage our colleagues here and maybe we will be able to communicate with the Senate our desire at least that this office get staffed up and that you have the tools that you need to move forward on that. I am sort of always struck by this idea that this all is driven by money, at least it seems to all have been driven by money and therefore the power and everything else on that basis, and I wonder of all the different methods that we have to address that, which ones are really, really effective or are we just chasing our tails on some of this stuff. I can imagine the frustration of the DEA fighting the same fight over and over again every day and it seems to pop up somewhere else.

So I want to ask each of you a question and answer it if you can. We have the drugs obviously, so you can go after the drugs, interdiction on that, you can go after the money on that, you can go after the precursors if you can so that they can't make the drugs in the end, or you can sort of attack the one thing that we have some control over, I guess, in this country, which is the end user, and try to diminish that. Of those, if I have missed something please tell me that, but of all those ideas which do you think is the more effective, just so I can get something from each of you.

Mr. KERLIKOWSKE. The money. I think choking off the money has not been as much of a whole of government approach as you are seeing here today. I also don't think that when it comes to seizing those assets that State and local law enforcement, and I spent the vast majority of my career at the local level, I don't think that they have been as engaged in working with Federal partners on choking off money.

We have all seen the press conferences with the arrests and the people in handcuffs, we have seen the seizures of guns and drugs laid out on the table. It is not that exciting to seize a bank account. And I think that if we really concentrate the way it has been expressed here I think that we will have a better opportunity to choke off money and in turn that is the life blood of these cartels.

Mr. TIERNEY. Ambassador Johnson.

Mr. JOHNSON. I think that the monetary driver of this is something you always have to keep your eye on. It is the reason these people get up in the morning. They are not interested in trading

cocaine for its own sake. But I think it is important to peel back a little bit and figure out how you go about that. And from my point of view, and this is, I guess this is because of what I do for a living, but helping foreign governments build the institutions of governance is the long run, durable answer to this problem, and that gets at the money as part of that. Getting at the money is a first level, is a rifle shot and it has to be followed up and followed up and followed up. But helping build those institutions with our foreign partners gives people in the DEA and the Treasury and other places in our government partners to work with.

And it goes back to the main problem here, and that is that ungoverned space will bite you. And whether it is ungoverned space in a remote part of the world or it is ungoverned space in a neighborhood, in a close-by country, that is I think where the key is to dealing with this problem, and it goes directly to that question of how do you make money on the street.

Mr. TIERNEY. Mr. Placido.

Mr. PLACIDO. Thank you, Mr. Chairman, for the question. I would just say that I have spent the better part of my 31 years in this profession wrestling with the question that you have asked and I have come to the conclusion that there is no silver bullet, there is no one tool that will eliminate this problem, but rather many. What I will say is a matter of personal preference, and my organization of the Drug Enforcement Administration has come to the conclusion that the notion that we have a war on drugs suggests that we are fighting against the contraband itself and we don't believe that is true. We are really fighting against organizations and it is an organizational attack strategy designed to go after the people and the greed of those who put personal profit above all else. And I believe you heard Mr. Szubin and others talk about the things that these traffickers fear most is really their own well-being. Certainly they are concerned about their money, and the profit is the reason that they get involved in the business. But it is actually taking these people out of circulation where their money can't buy corruption, can't help them where they can't benefit from that and actually incarcerating these people for long periods of time, I think that is the reason why the so-called kingpins, or as we now call them, the consolidated priority organization parties, don't reside here within the confines of the United States. We do a pretty fine job of motivating people to stay out of our jurisdiction.

That is not true around the world, and that is why we have to build these partnerships around the globe as they are looking for safe havens and refuge.

Mr. TIERNEY. Mr. Szubin, if you can quickly.

Mr. SZUBIN. It won't come as a surprise for us that the focus is money.

Mr. TIERNEY. I knew what everybody's focus was. I think people have been pretty good about stepping outside of that to find something else that was effective.

Mr. SZUBIN. I think the effectiveness can be really significant for all the reasons mentioned. And when we are talking about the money of these traffickers it is not just the bulk cash smuggling that people often picture that is secreted in a compartment in a

truck heading down to Mexico. It is what are these narcotics organizations doing with the money, doing with their profits. They are not putting it under their mattresses. They are investing it in often appearing seemingly legitimate businesses. And they will develop networks of companies, whether or not they are companies that they use directly in their trafficking enterprises. We have just this week designated a trucking company that was affiliated with a narcotics organization. Well, a trucking company is very useful; small aircraft companies are very useful. But more broadly, retail operations are very useful. If you have a pharmaceutical company you have an excuse for coming into banks with large sacks of cash because you have customers coming in and you have receipts. So we see them putting the money in these accounts in these companies to launder it, to conceal it. And when we talk about going after the money we are talking about going after their treasure houses, going after their bank accounts, their financial holdings abroad. And I think the impact there can be palpable. And not just the impact on the worst of the traffickers but the deterrent impact on those who otherwise might have said, I will go into business with you, I will agree to serve as a corporate officer. We try to name all of those people who are found on the Dun & Bradstreet sheets for these companies, and we see them then coming to us and saying, I want off the list, I won't have anything to do with, you fill in the blank, drug organization, just take me off your list. And so it is a behavior changing tool as well.

Mr. TIERNEY. Thank you.

Mr. Wechsler.

Mr. WECHSLER. I would echo in many ways what Tony has said, that rather than looking for one the critical element that is too often missing is the integration of all of these efforts. And I would suggest as one place to look for a successful effort to date, although not final, is in Colombia. There in the late 1990's the Colombian people when polled, two-thirds of them believed that it was very likely that the FARC was going to take Bogota and take over the whole country. Now the FARC controls only a sliver of territory and is a shadow of what it was. There are so many problems there, we don't want to discount them. But taking a long range multi-year approach, bringing in all the lines of operation, the financial operation, the law enforcement operation, the capacity building operation to foreign countries, the military and Special Forces operation, the intelligence operations and integrating it as a whole under the leadership of strong local leadership as we had in Colombia is what can succeed and can really change the game.

Mr. TIERNEY. Thank you.

Mr. Flake, take 8.

Mr. FLAKE. Thank you. I have enjoyed this testimony. It is been very enlightening. Mr. Szubin, you have mentioned the importance of having agreement with host countries while we are trying to target some of this illicit action.

Can you talk a little about third countries, particularly in Europe, with the banking system? A lot of this money as you said isn't put under mattresses, it moves throughout the system. How has the cooperation been with our European allies, for example, with

regard to movement of money to South America or Middle East or elsewhere through Europe?

Mr. SZUBIN. I would say it has been very good in our area, and I would certainly leave it to Ambassador Johnson and others to talk more broadly. But when it comes to isolating named kingpins and their networks, the Europeans are extremely supportive of our efforts. And the European banks are, even without the cooperation of their governments, large reputable banks in Europe do not want to be doing any business with somebody who ends up on the wrong side of a kingpin listing. And it is a very powerful, reinforcing impact because it means what is technically, perhaps legally a unilateral sanction under the congressionally enacted Kingpin Act ends up spilling out in terms of its effect across the globe.

Mr. FLAKE. Thank you.

Now, Mr. Szubin is too much of a diplomat to say this but I will. I think part of the issue, you mentioned that, Mr. Kerlikowske mentioned that in the past maybe a weaker link has been the money side, and part of the issue we have had is the wide portfolio that OFAC, the Office of Foreign Assets Control, has had. Few people outside of government realize that OFAC administers the travel ban we have on Cuba. And in the past I think far too much time and resources has had to be devoted, not their choice, it is Congress's edict, to issuing travel licenses for individuals to travel to Cuba and looking at that angle. And I think that has the effect of diverting too much attention from the real matters that matter right now, and that is to intercept these money transfers.

I have worked with Mr. Szubin before and I know that they have the right priorities and they are doing well and focusing more partly because some of those restrictions on travel have been lifted and it perhaps has made it easier and less of a drain on that office. But I want to commend you for how you are handling that. And also I want to appeal to my colleagues to change it and free up OFAC to do what it needs to do with more of their time and resources.

Did you have a comment on that?

Mr. JOHNSON. I just wanted to say that European governments have been very careful in trying to work with us on this issue. They probably exercise more care than sometimes we would like to make sure that they don't get a bad precedent set which would tie their hands. But the issue that Adam raised about the banking institutions themselves I think has been probably the most important and the most effective, and that is the banking institutions, particularly those that hang up signs that you see, are extremely concerned about their own reputational risk. And bringing things to their attention about what those risks are and helping them with their compliance programs has been an extraordinarily effective tool that Treasury has worked very hard with the Europeans.

Mr. FLAKE. It sounds as if the contacts are made with the banks themselves as opposed to the governments in which these banks are located.

Mr. JOHNSON. It is both. But I think that it has been more creative, if you will, on the reputational side, and this is a new tool. And I compliment Treasury because they have really worked this issue hard.

Mr. FLAKE. That is good to hear, that is good to hear. Mr. Kerlikowske, the Southwest Border Initiative you mentioned earlier, the announcement, how is that going to change what is going on from the Southwest border. Those of us from Arizona are particularly interested in this.

Mr. KERLIKOWSKIE. I have been to the Southwest border now three times. Over my career my colleagues in the major cities all along those States have oftentimes in our meetings reflected upon the real problems that they have been facing. I think there are a couple of important changes with the Southwest Border Initiative. One is that there has been a very active involvement of State and locals that I don't think had been brought into the fold as much before. There was concern in the past that, look, we are already pretty busy in these sheriff's departments with literally thousands of square miles, as you know, and not an awful lot of deputies. But they have really stepped up to the plate. They really understand that partnering with the Federal Government is important.

The second thing that I think is important is this new initiative and focus on guns going south and cash or the assets or proceeds going south. And so the government of Mexico making those choices to inspect cars coming into the country, which had really not been done in the past, those things are important. So I see the continuing cooperation and work of everybody coming together having perhaps some significant effects in the course of this year.

Mr. FLAKE. Thank you.

Mr. FOSTER [presiding]. Thank you. And now I will recognize myself for 5 minutes.

Director Szubin first. Which countries currently provide safe haven for the drug traffickers' finances? Is there a short list of countries that are most prominent?

Mr. SZUBIN. No, I don't think we find that there are countries that are affirmatively stepping up to operate as safe havens. Certainly there are areas that are less well regulated. And where the banking sector, the financial industry writ large, is less aware of the types of risk factors that I was talking about earlier that have become so central to banks in Latin America. And our efforts alongside State, alongside all of our colleagues, are of course to raise the tide for all boats and to try to see the kind of careful compliance efforts by banks around the world and to see governments also doing more across the board.

When they improve their anti-money laundering practices, that helps in terms of the narcotics effort. When they improve sanctions implementation efforts, that helps. You know, narcotics is touching on so many different areas that our technical assistance activities, our capacity building activities that have been flagged so well by Director Kerlikowske and Ambassador Johnson are helping us throughout the world.

Mr. FOSTER. And how connected is this to the efforts to get at bank secrecy laws used for tax evasion? Are these very similar efforts or are these really disjointed?

Mr. SZUBIN. I would say they are separate, and people tend to make a distinction in foreign discussions between tax issues and counternarcotics or other sort of mainstream criminal organization

issues, and so I see them as separate. But I would certainly defer to my colleagues to comment.

Mr. JOHNSON. I think they are separate. Obviously some of the capacity building about bank regulation can have an impact on both issues. But on tax regulation we are looking more at what our own citizens are doing. And in the money laundering we are tending to focus on what others are doing. And those tend to involve as much domestic transactions as they do international transactions.

Mr. FOSTER. And are there additional legislative tools or international agreements that you really need to make these financial pressures on the drug cartels more effective?

Mr. SZUBIN. The main tool we use, as I noted, is the Kingpin Act, and it is a very powerful authority that Congress gave the administration back in 1999. It allows the President to name what we refer to as Tier I kingpins, whether an organization or a major trafficker. And then it falls on us in the Treasury to followup. And when I say us in the Treasury, I am not really speaking about a single agency effort by any means, because it is the intelligence, the law enforcement information from our colleagues at this table that are the fuel for these actions.

But what we ideally do is go after the companies, the front companies, shell companies, money laundering vehicles, the accountants, the lawyers that are propping up these networks and that are allowing them to launder and to conceal their funds and ideally put them out of commission.

Now, I don't want to give you the mistaken impression that every time we take a sanction action it means the company closes down. There are times when we have to keep at it for years and employ diplomatic efforts and persuasion to try to bring foreign law enforcement to bear, whether that is in a seizure, a forfeiture, or pulling the company's registration altogether. But sometimes the coordination works so well that the effects really are immediate.

Mr. FOSTER. So you think it is a fair statement that you are limited by your manpower and foreign cooperation at this point rather than your legislative authority.

Mr. SZUBIN. I don't view the legislative authority as holding us back in any way.

Mr. FOSTER. I guess a question just for anyone who wants to field it. Has there ever been any attempt at a sort of unified economic analysis to see where we should put our money to get the most bang for the buck, you know, just to try to figure out some sort of metrics for how to minimize the economic damage caused by drugs in the United States and the indirect cost to our military and just some sort of bottom line and say, OK, given that where do we put our resources? You know, you could put them anywhere from bribing Afghan farmers to grow something else to try to, you know, better enforcement on the streets and cities in the United States and anywhere in between.

Has there ever been any group that just tried to look at the whole, the economics of the whole thing and identify the best return on investment?

Mr. KERLIKOWSKA. It depends on which group I am talking to. It is been interesting, but an area that actually you left out, the

prevention programs, are critically important. If we reduce our demand here in the United States, if these other countries, and I just came back from Russia, I have heard from every country now that I have visited of their growing addict populations, it is a significant drain on dollars. A small amount of investment and prevention, we know that treatment is about half the cost of incarceration and that treatment can in fact be effective. None of this means that we are reducing the power of law enforcement or the importance of law enforcement. And in fact oftentimes people go into treatment with handcuffs on. So I think that might be important.

When it comes to the other areas that you have talked about, it has often been said that if our goal in eradication is to reduce the amount of drugs coming into the United States, it would be analogous to reducing the number of diamonds by removing the lumps of coal. There are a lot of good reasons for various eradication programs, a number of good reasons for it. But if you really look at how it is going to reduce the amount of drugs that are in the United States, that is probably at the lowest end of that tier.

Mr. FOSTER. Thank you. I guess my time has expired, and so now I will recognize Representative Mica.

Mr. MICA. Thank you. And I am glad that we are conducting this hearing. I had the privilege of chairing this subcommittee or its predecessor back in 1998 to 2000, and I think responsibility for oversight is extremely important. I am dismayed, however, at the systematic dismantling, and we heard we are not even supposed to talk about a war on drugs. When this administration comes in and takes your position, Mr. Kerlikowske, takes it out of the Cabinet to me lessens its importance, of, visibility. Some of the efforts to promote legalization may be well intended, but they do have consequences. And some of the reduced enforcement, all of this will end up with more young people, in particular, who look to role models and also look to leadership, believe it or not, and the direction from the highest office of the United States toward their attitudes of drug use and drug abuse. So I think we are headed downhill.

I saw some statistics the other day I thought were disturbing. With crime down generally across the country, we still have young people addicted. And was it Mr. Placido, who gave the statistic, 31,000 deaths? It is by far the worst social and criminal problem that we have in the United States.

The other thing, too, is you are talking about putting resources and what is most effective on the international scene, and that is important. I want to talk about that. But aren't most of the drugs still coming into the United States from the Caribbean and South America through the Southwest border and Florida? Is that right, Mr. Kerlikowske, Mr. Placido? Is that right, Mr. Placido?

Mr. PLACIDO. Particularly with cocaine we estimate now, the interagency estimates about 91 percent of the cocaine crosses the Southwest border, significant amounts of meth and marijuana.

Mr. MICA. I was down in San Juan and got a briefing by the Coast Guard and they showed me the charts of the drugs coming out of South America. They traced the planes coming out. There were solid red lines coming still out of there. So it is coming into Florida, some of it was going up to Mexico and then transiting in.

Were you consulted, Mr. Kerlikowske, or anyone else here when the administration proposed to cut the Coast Guard positions by 1,100, to mothball five recently upgraded helicopters, reducing the Coast Guard's antidrug operations in Florida, where I just happen to live? And the Caribbean, which we just cited, was the main source of these people bringing this crap in. That would dramatically reduce our Nation's capability. Were you consulted on these cuts?

Mr. KERLIKOWSKE. No.

Mr. MICA. Were you consulted, anyone on the panel?

OK. I was appalled. I am going to the budget hearing in a few hearings and speak about that. I have gone to the Coast Guard hearing. And actually both sides of the aisle were just stunned at the administration's proposal.

Furthermore, in the same budget to cut border protection fencing technology and infrastructure by more than—well, it is almost a quarter of a billion dollars, \$225 million. Were you consulted Mr. Kerlikowske, the Drug Czar, on this?

Mr. KERLIKOWSKE. I wasn't consulted on the fencing, but I do know there are significant concerns about how effective that program has been.

Mr. MICA. Well, again, our job is to take the resources and make them effective, and I am looking for that. I am not here just to criticize you. We want this to be successful. Those kids are dying in our streets. I can tell you the names of parents I have talked to in the last year that have lost their kid with drug overdoses and drug abuse.

Ambassador Johnson, most of the heroin that is produced in Afghanistan, I haven't been up to the border in a long time, but it used to go to Europe. Is still about 90 some percent going to Europe of that heroin?

Mr. JOHNSON. I don't think 90 percent goes.

Mr. MICA. OK. How much?

Mr. JOHNSON. Almost none of it comes to the United States.

Mr. MICA. All right. That was my point. You said in your statement, I took it down, requires a global effort. Now, I don't think the United States, and I used to be involved in these panels, in legislative panels, and you guys listen here, the new Members here who haven't been around. We need to get some of our folks into these discussions again, legislative people who set the policy, and get with the commissioners, get with the European Union and others because they do have clout. And if we talk to them Member to Member, interparliamentary discussions to get the EU to do more, that crap is coming into Europe and they are suffering. How much are they doing as far as programs in Afghanistan, what share are they doing now?

Mr. JOHNSON. The Europeans are contributing significantly to the ISAF forces, notwithstanding the—

Mr. MICA. For the drugs, crop substitutions, others.

Mr. JOHNSON. Yes, particularly the European Union Commission and the British Government.

Mr. MICA. I can tell you whatever they are doing is peanuts compared to what the United States is doing. They have lost personnel, too, and we have lost personnel. But they have a distinct interest

in stopping this heroin. And I used to go to those meetings, and we would sit there and the Europeans would pooh-pooh us about cocaine. We did such a good job, up until most recently, of stopping that cocaine from getting into the United States and the price down here that it is being diverted to Europe because it gets more dollars, right, and now they are transiting they have a cocaine problem from South America in Europe.

But we need to get more engaged as a subcommittee and committee, and you guys need to get over there. And I know this is an election year. Talk to these parliamentarians who make that policy and get them engaged, not only for their benefit and stop this stuff, but also for our benefit.

I thank you for letting me go over my time. I have additional questions to submit to the record.

Mr. FOSTER. Representative Quigley is the next in subcommittee seniority.

Mr. QUIGLEY. Thank you, Mr. Chairman.

Mr. Kerlikowske, just taking this a slightly different way, we have been told by many, including the Secretary of State, that 90 percent of the weapons, including assault weapons that are used in these drug wars that take place, are coming from the United States.

Your thoughts on reextending the assault weapon ban as it relates to these weapons?

Mr. KERLIKOWSKE. No. I have been on the record as a police chief for a number of years along with many, many, many of my colleagues on the assault weapons ban. There were a number of issues surrounding that, how effective it was. I would tell you that right now that the assault weapons ban issue has not even been something that I have considered only because of the amount of time that I have been devoting on the drug issue.

But I will tell you this: that I think with the ATF's implementation of electronic tracing data that has now been put into Mexico in a Spanish version, we will know with much more certainty the number of guns being seized in Mexico and where they actually came from, whether it was Guatemala, Honduras, or whether it was the United States. And I think that information will in fact then impact future discussion.

Mr. QUIGLEY. It will do that?

Mr. KERLIKOWSKE. I think that information about where the guns are coming from that are being seized in Mexico and are being used to kill prosecutors, judges, and others, I think the information about where those guns come from will be helpful to any administration.

Mr. QUIGLEY. Let's just say that it allows us to determine that 70 or 80 or 90 percent of the assault weapons are coming from the United States, that they are purchased through straw purchasers or whatever. I know that is valuable information, but I have a pretty good hunch that is the ballpark number now, and doesn't it make sense to go forward more strongly and reinstate the assault weapon ban?

I don't know that it gives anybody comfort whose lost family members through assault weapons that we know where they came from.

Mr. KERLIKOWSKA. I think it makes sense to take that information as an administration and to very carefully review it and consider also the problems that have existed in the past around the assault weapons ban. Other than that, there are a number of other agencies and Secretaries that have a vested interest in this issue, also, and I would probably defer some of those comments to them.

Mr. QUIGLEY. I have asked just about everybody who has come before this committee the same question. But for the time allowed, if anyone else on the panel would like to provide their insight on that thought.

Mr. PLACIDO. Thank you, Mr. Quigley. I just have one comment. That is that this committee may be pleased to hear that through the use of the asset forfeiture fund; that is, moneys that have been seized from the drug traffickers themselves, we have rolled out a picket line of license plate readers in general proximity to the Southwest border to inspect vehicles southbound into Mexico looking for bulk cash and firearms, and I believe that we are having some success, at the early stages now, but in actually stopping those firearms from reaching Mexico in the first place.

Mr. QUIGLEY. I appreciate that but you realize you are not going to catch them all, right?

Mr. PLACIDO. That is right.

Mr. QUIGLEY. And having a greater source or greater volume of weapons purchased initially legally makes it tougher to stop all of them. There is a bigger pool coming into the country of Mexico, therefore putting more innocent people, including Americans involved in this war, at risk?

Mr. PLACIDO. Yes, sir.

Mr. QUIGLEY. Thank you.

Mr. FOSTER. And we will now recognize Representative Luetkemeyer for 5 minutes.

Mr. LUETKEMEYER. Mr. Wechsler, I am very familiar with the program that we have, the National Guard troops over in Afghanistan trying to teach the Afghan farmers how to produce other crops so that they will no longer produce poppies, which we get heroin from. How successful do you believe that program to be?

Mr. WECHSLER. That program, which is quite important, is integrated into a number of other programs for alternative crop development. The Secretary of Agriculture has personally gone out there to give his advice and guidance.

It is, from the Department of Defense's recent experience at least, the first time that we are integrating the Department of Agriculture into our war efforts. It is critical that we do so.

One that I would call your attention to is that not too long ago, in the 1970's, the area of Afghanistan that we are talking about was not a massive source of drugs. It was a massive source of regular agricultural produce that was part of the global market and made its way to market, and people had healthy, vibrant communities based on that.

The efforts that we are doing there are to do crop substitution and alternative development. Efforts are not going to succeed overnight. In fact, they are going to take quite a long time, given how much damage has been done, and they are integrated into our wider COIN efforts to do so.

But it at least gives some degree of comfort to note that there was a time not in the too distant past where that provides a vision of where we might be going again.

Mr. LUETKEMEYER. I come from Missouri. Our National Guard group was the first one to go over there, and we have our group over there for the third tour. And meeting with Colonel Lepper last week with regards to his oversight with regards to the program, it has been, in my view, pretty successful. And I think it is probably, as you indicated, it is probably an integral part of any sort of ability of us to transform that country and cutoff the flow of drug money. If they don't produce the agricultural crop from which they derive the drug, it is going to be more difficult for the Taliban to fund themselves.

So as a result of the success of the program, are you thinking about promoting it somewhere else in the world, or is this the pilot project and the verdict still yet to be determined?

Mr. WECHSLER. We still have a lot of work to do in Afghanistan, and again, this work is going to take place over a number of years. And it is not, of course, going to be just a military activity but a wider whole-of-government activity to do so because once we take the territory we have to hold the territory and build the territory. And building the territory means a lot of things, and one of the things it means is bringing this territory back into an economic zone where they can feed themselves and meet their own needs without having to rely on the drug trade.

And it is also important to note for the individual farmer, there are a number of crops that provide a lot more in the way of money and value to that farmer that are completely legal than opium. We just need to build the infrastructure around and build the security structure around that so they can make the logical financial decision to move in that direction. Right now they are not in that position, too many of them.

Mr. LUETKEMEYER. I realize it is a long-term process, but it is a huge step in the right direction. If you transform the economy, you can earn the trust of the people. If you can earn the trust of the people, you can root out the Taliban, and I think that is where we are headed. And I think from my discussions and my knowledge of the programs, it seems to be working very, very well.

Mr. PLACIDO, with regards to threats around the world, what do you feel right now is the most significant threat or what you feel is the rising threat from whatever area, whatever country that is sort of top of mind, ones we really need to focus in on?

Mr. PLACIDO. I think it is very difficult to put them in a rank order because we are not comparing apples to apples. My personal opinion—and I think where this administration has been—is to really focus on Mexico, which is the arrival zone for three of the major four drugs that are abused in the United States and because of its geographic proximity to the United States. While we are concerned about lawlessness across the globe, be it West Africa or Afghanistan, there is a certain urgency that is felt when there is instability to our immediate south. And so I think that this administration and my agency have spent a lot of time focusing on Mexico, and I think that is appropriate.

Mr. LUETKEMEYER. Mr. Kerlikowske, what do you think about that?

Mr. KERLIKOWSKE. When I look at the 2,000-mile border and the level of violence, I would say that Mexico is very clearly one where we should concentrate time, effort and resources. General McCaffrey was just recently down there along with a number of other people. I don't think it quite gets the attention right now that other places in the world do get. But after that, I think working on the global cartel issues—because we not only see the flow coming through Mexico at times and into the United States, we see a flow coming out of South America into West Africa, Europe, the UK, etc.

And somebody had mentioned we are all in this lifeboat together, with increasing addict populations and increasing drug problems. So when Tony talks about this shared cooperation, particularly among law enforcement agencies regardless of nation, I think that has the most potential. But Mexico would be at the top of my list.

Mr. FOSTER. Mr. Duncan, you are recognized for 5 minutes.

Mr. DUNCAN. Thank you, Mr. Chairman.

It was mentioned a while ago that 90 percent of the heroin comes up from South America, but Mr. Placido just said three of the four major drugs are primarily coming through Mexico. Do we know what percentage of the drug activity overall is coming from Mexico?

Mr. PLACIDO. Sir, if I misspoke let me correct myself. The inter-agency assesses that 91 percent of the cocaine which enters the United States actually, whether it comes through the Caribbean or up the isthmus of Central America, finds its way into Mexico to cross the border in the Southwest. So that is cocaine.

The four principal illicit drugs of abuse would be marijuana, methamphetamine, heroin, and cocaine, and what we know is that in addition to 91 percent of the cocaine transiting Mexico before it arrives, a very large percentage of the methamphetamine abused in the United States is either manufactured in or comes from Mexico. I don't know that we can put a number on it with precision. I have heard numbers that range from the 70 to 80 percent range. Whether those are accurate or not, it is a significant amount.

And we also get a very large percentage of the heroin, which is either manufactured in Mexico or South American heroin, principally from Colombia, that transits Mexico on its way to the United States.

So Mexico has become a very critical transshipment point for many of the drugs that arrive in the United States.

Mr. DUNCAN. How are those drugs coming in? I know there are thousands of trucks that come from Mexico every day. Is most of it coming in on these trucks, or how is it coming in?

Mr. PLACIDO. Well, I suspect that if we knew with precision the answer we could really do something about it. What we know is the seizures that we do effect reflect ingenuity by the traffickers. Million-dollar-a-copy, self-propelled, semi-submersible vessels, essentially a poor man's submarine, that are used on a one-way trip where the drugs are ballast, bring it up into the isthmus of Central America and into Mexico where it is staged and moves across the border. We see backpacking of marijuana and other drugs across the border between ports of entry, ingenious concealments in vehicles and on railcars going across the border.

Given the enormous profits that are at stake, the traffickers have used planes, trains, and automobiles, and I am sure some modes of conveyance that we have not even learned of yet. But what we do know is that based on the seizures that we make, the arrests, and the information that we develop, that despite our best efforts they are successful in smuggling large quantities of drugs into this country.

Mr. DUNCAN. What percentage of the vehicles coming from Mexico are inspected for drugs each day?

Mr. PLACIDO. I am afraid I am not the best person to address that question. That would probably be best addressed by somebody in the Bureau of Customs and Border Protection.

What I can say for the record is that it is a relatively small number, and there is a constant tension between facilitating lawful commerce across the border and inspecting for contraband.

Mr. DUNCAN. Yes, sir.

Mr. JOHNSON. In some manner of speaking, there is 100 percent inspection, but the CBP, Customs and Border Protection, has to make a decision as to whether a vehicle or a trailer deserves further. They have a range of equipment to do so. But as Tony was mentioning, the ability and ingenuity of these individuals to secret their product in places, in cavities in cars that people don't really know exist really requires kind of a special touch by the customs people to discern who might be a little dodgy and go after them in a very concentrated way.

Mr. DUNCAN. Well, it seems to me a few minutes ago it was said that almost none of these drugs in Afghanistan are coming to the United States, they are going to Europe. Seems to me that we should direct almost all of this effort in Mexico, where the problem really exists, instead of to places where the problem doesn't exist.

Thank you very much, Mr. Chairman.

Mr. TIERNEY [presiding]. Thank you very much, Mr. Duncan.

Ms. Chu, you are recognized for 5 minutes.

Ms. CHU. Thank you. Unfortunately, I know all too well how the violence of the Mexican drug cartels can affect us here in the United States. Last December, one of my constituents was the innocent victim of the drug cartels in Mexico. His name was Bobby Salcedo, and he was abducted and murdered along with five other men while visiting family members in Durango, Mexico. He was an elected official and a rising star in our community. Neither he nor the other five men had any connection to the cartels or the drug trade. They were just in the wrong place at the wrong time.

Since Mr. Salcedo was murdered, I have been in touch with the Secretary of State, representatives for the FBI and representatives from the Mexican Government to try to understand how we can bring the killers to justice and also how we can curb the violence of the drug cartels.

So I have questions on the Merida Initiative and money laundering, specifically with regard to Mexico.

First on the Merida Initiative, we know that this was started in 2007 but that out of the \$830 million that has been appropriated for Merida, only \$26 million has been spent as of September 2009.

What I would like to ask is the Merida Initiative, I believe, was a very important first step toward a strong cooperative relationship

between the United States and Mexico, but the official agreement ended last year and the administration has not yet come up with a comprehensive plan to succeed this initiative.

What are the plans for the future and what would be your recommendations?

Mr. JOHNSON. Thank you, Madam Congresswoman. A couple of preliminary comments.

I think that the Merida Initiative represents a new and comprehensive method of cooperation between us and the Mexican authorities and the type of engagement we have had with them during the course of this is in a different plane than it has been before. This is an ongoing program. What we are trying to do, working with the Mexicans, is trying to figure out what the next steps are beyond what we are already committed to do together, what sort of Merida II, if you will, will be. But our work with them under the current program continues unabated and is very, very aggressive.

The second point I would like to make is while that \$26 million number that you cited from the GAO report is correct in terms of "expended," it doesn't really reflect what has been done. For example, the appropriation for the Blackhawk helicopters that have been purchased, that will not appear as an expended fund for some time because we don't actually pay the bills until the product is delivered, accepted, and everything is done in order to protect the taxpayer. Those aircraft have already been manufactured, they have been delivered by Sikorski, they are in Huntsville, AL, being modified for the Mexicans' needs and they will be delivered to them we believe sometime in the early to mid-summer.

So many of these programs continue even though they are not reflected in that number. That doesn't mean that we don't want to accelerate that just as rapidly as we possibly can. We are very grateful to Sikorski and the Army for having found a place in the queue, if you will, to accelerate this delivery in a way that didn't affect our own Army's delivery of these helicopters, for example. We are taking as many steps like that as we can. We have delivered about 50 of these nonintrusive inspection vehicles that they require for their police and their border officials, a like number of armored vehicles. Programs we have developed to train investigators that bring in our own law enforcement authorities from DEA, from FBI, from State and local government in Houston and Chicago and Los Angeles.

So there are a number of aggressive programs going on that I think reflect more clearly the effort that we have underway with Mexico.

Ms. CHU. Can you tell me what Merida II might look like?

Mr. PLACIDO. I think that what the distinction will be that much of the, if you will, big ticket items have been covered under the current appropriation: aircraft, nonintrusive inspection equipment, things of that nature that are truly quite expensive. As we look forward, we are going to want to concentrate much more on training and institution building and helping the Mexicans transform their police service and their courts and their prosecution so that they are much more effective.

Ms. CHU. In fact, I am glad you talked about the equipment because when I talked to Ambassador Sarukhan he did express concern that the Mexican Government has not yet received some of the equipment that was promised under the Merida Initiative.

Are the items that you talked about the main items that are really on the books but have not yet been delivered?

Mr. PLACIDO. The items that I mentioned to you have in fact transited to the border and are in the hands of the Mexican authorities. I appreciate that the Mexicans want to push this as hard as they can go and get materials as quickly as they can. There has been a number of deliveries already. The Bell helicopters are there as of last fall. These things are ongoing, but we are working with the Mexican authorities to move them just as quickly as we can.

Ms. CHU. My next questions have to do with the money laundering aspect.

I understand that they have made progress on electronic transfers that have to do with money laundering but that there is a big problem with the bulk cash smuggling and that there need to be more remedies along those lines.

Could you talk about that?

Mr. PLACIDO. The effort that we have underway with the bulk cash smuggling issue that I am primarily responsible for has to do with giving the Mexicans greater capacity to detect cash that is being smuggled into Mexico. As Director Kerlikowske was mentioning a few minutes ago, the Mexicans are now inspecting southbound cargo in a way that they have never done before, and they are utilizing some of this equipment that we have provided both at the land border and at air transit points and at marine points as well. These are the points of capabilities that will allow them to see into things as odd as tractor axles where moneys are secreted.

I think that will get to part of the problem, but I have to say that is an integral part of the larger effort to stop money laundering through financial institutions, and that continues to be a work in progress. We have made some progress on that, but there is much more work to be done because we know there are billions flowing in through the accounting systems that we have in our banking system and theirs, and we are only catching a sliver of that.

Ms. CHU. Thank you.

Mr. TIERNEY. Mr. Flake.

Mr. FLAKE. I just have one more question.

It has been said in your testimony and also we have heard from others that West Africa is becoming a transit point, Guinea Bissau in particular, some of the other countries.

What are we doing proactively? What structures can we put in place now, both financially and otherwise, with DOD to try to head this off before it becomes more of a problem? Is there something that, looking back now at Latin America and South America and everything else, that we could have done more easily before it became such a big problem that we can do in West Africa?

And I will go with Mr. Szubin first on that.

Mr. SZUBIN. It is a real challenge that you are raising, and I think that the financial system there, the capacity of the regulatory system, the government, is really not where it needs to be in order

to replicate what we have been able to do in some other places, and it is not a quick fix.

I get a lot of e-mails from Nigerians every day. I would encourage you not to send money.

Mr. FLAKE. Good advice. Thanks.

On DOD's side, anybody want to add anything, or anybody else, on proactively what can we do to make it easier before it becomes more of a problem than it is?

Mr. JOHNSON. As Adam mentioned, this is going to be probably harder than Latin American rather than easier, and that is because of the weak nature of these governments and the institutions that they have. We have jointly done some assessments of their capabilities. We have worked with DEA to help build their partners, and this is a nascent effort.

But we believe that the most effective way is going to be investing in building institutional capacity in those governments so that they can detect, prosecute, incarcerate people as well as build the type of linkages that we need so that they can extradite people to the United States, if indeed their activities implicate activities that are prosecutable under our laws.

Mr. PLACIDO. The only thing I would add, Mr. Flake, is that through the generosity of Congress, the Drug Enforcement Administration has been able to open a second office in West Africa in 2009 in Accra, Ghana, and it was through the opening of that office and the creation of vetted teams that we are working with that we are able to, for example, this latest investigation linking AQIM, al-Qaida in the Islamic Maghreb, with drug trafficking. And our colleagues in Ghana expelled these folks and they are sitting in a prison in New York awaiting trial.

So there are things that can be done. I believe this is an order of magnitude problem. We are not resourced at a level that is commensurate with the problem that we face over there, and there is engagement with organizations like ECOWAS, the Economic Council of Western African States, and perhaps ILEA training for some of our counterparts over there. There is much in the works but a long, long way to go.

Mr. FLAKE. Thank you, Mr. Chairman. I believe you are going to take care of this, but several Members on this side want to submit questions. So if we can unanimous consent to allow them to submit them for 5 days.

Mr. TIERNEY. There is unanimous consent to allow all Members to submit remarks and questions to the witnesses within the next 5 days.

Do any of the witnesses have any objection to that? The record will reflect that they are all willing to do that, and by unanimous consent that will be the case.

Just one last set of brief questions.

Mr. Szubin, you properly staff the Treasury. Does it have enough personnel in collaboration with your colleagues here and your own staff to address this at the level that you want to address it?

Mr. SZUBIN. We are a much smaller outfit obviously than some of my colleagues located here, and that is as it should be. We don't need to do the very difficult work of drug eradication.

Mr. TIERNEY. I am assuming that you leverage them for some of the things that you need. Would that be a correct statement?

Mr. SZUBIN. That is very accurate. And it is DEA's field investigators, the information they are obtaining, the information that our intelligence colleagues are obtaining that then feeds and fuels our targeting efforts to apply sanctions.

Mr. TIERNEY. Do you find like other aspects of this drug situation that when you shut off one avenue there are still too many avenues that are left available, and those would be countries that don't cooperate with the United States, and what other impediments do we have?

Mr. SZUBIN. I didn't hear the last few words.

Mr. TIERNEY. The impediments that we have for getting this right? Some countries still just don't cooperate and are there other impediments as well?

Mr. SZUBIN. I heartily agree that wherever you hit them, they then move to another area. Whether that is another means of transmitting money, whether we are talking about moving from financial system to the gray market, casa de cambios, and bulk cash. There is also, as soon as we designate a company, we know that there is going to be efforts to circumvent sanctions, to create a new company, a new shell, a new front, and disguise the assets. This is our bread and butter, is not just designating a network and walking away from it but then monitoring very closely to see what are springing up as the attempts at evasion and hammering them again. There is a cat-and-mouse aspect to it which I think is common to all law enforcement efforts, and we have to keep at it.

Mr. TIERNEY. I want to give each of you an opportunity. If anybody feels they want to contribute something but feels they weren't given that chance, just give me some acknowledgement here, and I will be happy to give you an opportunity to make a closing statement on that.

Mr. Kerlikowske.

Mr. KERLIKOWSKA. Mr. Chairman, there was some discussion about efforts to promote legalization. The administration is on the record 100 times over that legalization of drugs is not in the President's vocabulary, it is not in mine, and it is not anything being discussed.

Role models. There is only one anti-drug messaging system out there. The President requested \$70 million for that, and I think that is important.

And then Mr. Placido brought up the number of deaths in this country, the tragic number of deaths in this country that exceed gunshot wounds that are due to drugs. That has been spiked by prescription drugs, drugs coming right out of medicine cabinets and pharmaceutical places, not necessarily drugs flowing into the country from other countries.

Mr. TIERNEY. Anybody else? Ambassador.

Mr. JOHNSON. Just to followup on a couple of points, on the issue that Mr. Flake raised with respect to West Africa, we are doing our best to get ahead of this problem. The Presidential request for assistance to West Africa for institution building goes up sharply in this budget from a relatively small base but to \$13½ million, and while it is dwarfed, if you will, by some of our other programs there

is a capacity takedown from the governments involved that we have to pay attention to. Showering them with more and more resources may be not be the best way. We are going to have to build and work with our partners, as Tony was mentioning, both within our government and without.

The second point I would make is, as Will was mentioning earlier, this is very much an every agency at the table operation. There is a role for Africa on here, there is a very big role for DEA, there is a role for institution building as well, and a role for institution finance.

The second point to followup I would make, there was a question raised earlier about whether we should drop everything else we are doing and work just on Mexico. That is a very important challenge that we have, and the law of concentric circles certainly works. But we have an incredible national interest in addressing the problems of Afghanistan in order for our colleagues in the military to succeed.

So while the heroin problem from Afghanistan affects largely its immediate neighbors, particularly Iran and the Central Asian countries, as well as Europe and the Russian Federation, we have an enormous interest in helping deal with that problem because if we don't we are not going to succeed there in any other way at all.

Thank you.

Mr. PLACIDO. Mr. Chairman, if I could just add to briefly clarify the record. It has been mentioned several times that hardly any of the heroin from Afghanistan comes to the United States. In point of fact, we run a forensic chemistry program that identifies the source geographically of the heroin that is seized in the United States, and there is a small percentage, about 4 percent, of the heroin seized and analyzed by our DEA laboratories has its origins in Southwest Asia, Afghanistan. But more importantly is that a large percentage of the heroin abused in Canada today comes from Southwest Asia and Afghanistan, and so it would be a mistake to simply say that this is a European problem or a problem in Iran or Russia or other places which feel the bite of Afghan heroin more strongly today because these networks that are smuggling into Canada could very easily move that heroin into the United States and undercut the market quickly. So it is not something that we can take our eye off the ball on.

Mr. TIERNEY. Let me leave this closing question with you. When we look at a range of drugs that cause problems for people, either result in deaths or addiction or health problems, alcohol is way up there. In fact, it is way over some of these drugs that we are talking about here today.

So how do we reconcile that, that alcohol is way up there, we spend very little attention on that. Marijuana, for instance, is way down there, and we spend an incredible amount of attention on that. Are we prioritizing any of our efforts on that, or are we taking that into account at all?

Mr. Kerlikowske, I am going to let you do that one.

Mr. KERLIKOWSKE. Mr. Chairman, the issue of underage drinking has been in all of the past National Drug Control Strategies, a discussion about it. I think it is well recognized. It isn't exactly in my portfolio, but we are certainly able to address it and talk about it

because we also see that combination of alcohol and other types of drugs. And your points, sir, are well taken.

Mr. PLACIDO. Sir, I would just add that our guidance from the Department of Justice and from ONDCP, for that matter, on the prioritization from these drug threats is crystal clear, and while there has been much news about law enforcement operations targeting medical marijuana, pain clinics and the like, I can tell you it is a miniscule part of DEA's overall effort that is spent on those kinds of operations and that when we do get engaged in those it is because the people engaged in that activity are violating both State and Federal law and we are doing it with the help and at the request of State governments.

Mr. TIERNEY. So you are going to tell me, Mr. Placido, that every time the Federal DEA goes into a State that has legalized medical marijuana and makes a bust or an arrest in there or gets involved in that, you have been requested to go in by the State?

Mr. PLACIDO. We are working in conjunction with the States. That is right, sir.

Mr. TIERNEY. You are working in conjunction with them, but have you been requested to go in by them or is it an initiative of the Federal Government?

Mr. PLACIDO. It depends on at what level you are talking about, the request. There is not a formal request coming from the Governor's office but oftentimes working with local, municipal, and community authorities who have requested assistance.

Mr. TIERNEY. I have read quite a bit lately that there seems to be some discontent with the fact that the policy was that people were legalized for medical use in different States and the Federal Government would basically allow that policy to be implemented, but the DEA seems to be, according to these accounts, a bit of a rogue agency and just going off and doing it anyway.

Mr. PLACIDO. I would assert that is not the case, sir, and I would be glad to provide you with a briefing on that.

Mr. TIERNEY. Mr. Kerlikowske.

Mr. KERLIKOWSKE. Mr. Chairman, also the guidelines from the Attorney General's Office to the U.S. Attorneys in those States with medical marijuana, there is a sentence that says that they should listen to the concerns voiced by local law enforcement and prosecutors to be receptive to that issue.

Mr. TIERNEY. I understand that to be the case, but what we are reading about is that there aren't any complaints and they decide that they are going in anyway despite local considerations otherwise. So I do want to clarify that and I would like at least a staff briefing on that so we can clarify that issue.

I want to thank all of the witnesses for being here today for your testimony and expertise. We will do the followup questions. And I know that Members were not leaving because of disinterest, but there is a ceremony for Mr. Murtha, who passed away, right now that has drawn a lot of Members away.

This hearing is adjourned.

[Whereupon, at 11:50 a.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]



UNODC

United Nations Office on Drugs and Crime

Crime and instability

Case studies of transnational threats

February 2010

INTRODUCTION

The United Nations Security Council has recently paid much attention to the threat posed by transnational organized crime. In the December 2009 Presidential Statement on Peace and Security in Africa, "The Security Council invite(d) the Secretary-General to consider mainstreaming the issue of drug trafficking as a factor in conflict prevention strategies, conflict analysis, integrated missions' assessment and planning and peacebuilding support".¹ The Secretary-General, speaking at the African Union summit in January 2010, also emphasized the perils of illicit trafficking, particularly drugs. He noted that "Criminal networks are very skilled at taking advantage of institutional weaknesses on the ground."² This paper illustrates what happens when transnational criminal activities intersect with a region's governance problems. TOC can present a major challenge even where the state is strong, but when, for a variety of reasons, the rule of law is already weakened, it can pose a genuine threat to stability. As this crime further undermines governance and stability, countries can become locked in a vicious circle where social trust is lost and economic growth undermined. This challenge is sometimes overstated, but, as this paper illustrates, it is very real in some parts of the world.

Organized crime fuels insurgency and hampers peace building

The clearest examples are found in countries where insurgents draw funds from taxing, or even managing, organized criminal activities, particularly drug trafficking. South-West Asia, South-East Asia, and the Andean region are cases in point, and troubled areas in these regions have become the world's leading sources of illicit drugs. In the absence of the sort of outside funding found during the Cold War, rebel groups must derive their sustenance from the regions they control, and these unstable areas are often already enmeshed in drug trafficking. The money associated with organized crime can be so great that militants may forget about their grievances and focus on satisfying their greed. Even where this is not true, drugs pay for bullets and provide a lifestyle to combatants that makes them less likely to come to the negotiating table.

Drugs trafficking is not the only organized crime activity that can keep a rebellion afloat, however. As the example of the Democratic Republic of the Congo illustrates, insurgents can harvest and traffic the natural resources present in the areas they control, generating incomes for warlords that dwarf

what they could earn in peacetime. Some of the world's poorest countries have been robbed of their most valuable resources in this way, and untold environmental damage has been done. Africa is especially vulnerable to this type of abuse, as diamond-fuelled wars in Angola and Sierra Leone demonstrate. The oil-driven conflict in the Niger Delta provides a current example.

The map opposite overlays some of the major trafficking flows discussed in this paper with some of the stability challenges experienced around the world. It illustrates the interplay between conflict, both current and recent, as well as global trafficking flows. The presence of United Nations Peacekeepers in many of the post-conflict areas highlights the importance of the issue for the international community.

Organized crime can become even more important when rebels gain exclusive control of a portion of a country. The pseudo-states thus created have no international accountability and, particularly when strategically placed, often become trafficking hubs and retail centres for all manner of illicit goods and services. They also continue to pose a threat to national and international security, providing a safe haven for international fugitives, including terrorists. A large number of UN peace missions are operating in regions affected by transnational organized crime, including West Africa (UNOCI in Côte d'Ivoire, UNMIL in Liberia, UNOGBIS in Guinea-Bissau, UNIPSIL in Sierra Leone and UNOWA for West Africa as a whole), Central Africa (MONUC in the Democratic Republic of the Congo and BONUCA in the Central African Republic), East Africa (Somalia), South-West and Central Asia (UNAMA in Afghanistan, UNRCCA in Central Asia), and South-East Europe (UNMIK in Kosovo).

Organized crime undermines the rule of law through violence and corruption

But conflict zones are not the only places where transnational organized crime can pose a threat to the state. There are a number of areas around the world where criminals have become so powerful that, rather than seeking to evade the government, they begin to directly confront it. In these cases, a pattern of symptoms is typically manifest. Investigators, prosecutors, and judges who pursue organized criminals are threatened and killed. Journalists and activists may also be targeted. Corruption is detected at the highest levels of government, and law enforcement can become paralysed by mistrust. Portions of the country may effectively drift beyond

state control. This is the situation presently confronted in some parts of Central America and West Africa, both of which have suffered from a long history of violence and instability.

Drug trafficking can also have a catastrophic effect on local violence levels. Drug “wars” can rival some conflicts in terms of body counts. Of the countries with the highest murder rates in the world today, many are primary drug source or transit countries. Most of these are discussed in the regional profiles that follow.

Organized criminals generally do not seek to topple the state, but they can provoke a reaction that can also threaten long-term peace prospects. A clear sign that crime has become a national security threat comes when exceptional legal and security measures are taken, including calling on the military to help re-establish the government’s authority.

While sometimes necessary to reacquire lost territory, the long-term use of regular military forces to police civilian populations presents risks for the rule of law and civil liberties. Military and police officials may become frustrated with a corrupt or ineffective criminal justice system and begin to engage in extrajudicial executions. The public may form civilian vigilante groups as well. Over time, these

paramilitary vigilantes can become as big a security challenge as the criminals they were formed to combat.

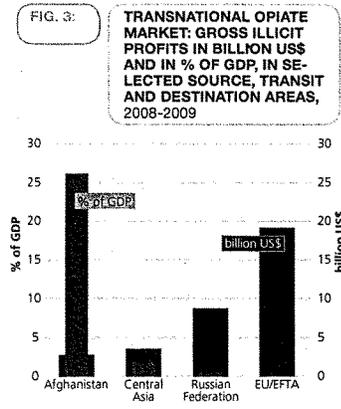
Global stability challenges require both local and global solutions

In all of these cases, the criminal activity is transnational because the main sources and destinations of contraband are typically found in different parts of the world. The profits from drug trafficking, for example, are drawn from consumers in the wealthiest nations. In absolute terms, transnational organized crime is strongest in the richest countries, but its share of total economic activity there is so small that it does not rise to become a substantial threat to state security (Figure 3). But when this wealth is levelled against countries with much smaller economies, organized crime is given the resources to overwhelm local law enforcement. To cope, these agencies need international support for local interventions.

All affected countries must play their part, but these are truly transnational problems, and require transnational solutions, where all aspects of the market chain are assessed and addressed strategically. Too often, organized crime is seen only as a national law enforcement problem. Because the criminal justice

FIG. 2: AREAS AFFECTED BY KEY TRANSNATIONAL ORGANIZED CRIME THREATS, AND UN PEACE MISSIONS, BY CHAPTER

	Chapter 1. Trafficking in cocaine	Chapter 2. Trafficking in heroin	Chapter 3. Minerals smuggling	Chapter 4. Maritime piracy
Africa	1.2 West Africa		3. Central Africa	4. Horn of Africa
<i>UN peace missions</i>	<i>Côte d’Ivoire Liberia Guinea-Bissau West Africa (regional) Sierra Leone</i>		<i>Democratic Republic of the Congo Central African Republic</i>	<i>Somalia</i>
Americas	1.1 Andean countries 1.3 Mesoamerica			
Asia		2.1 South-West and Central Asia 2.3 South-East Asia		
<i>UN peace missions</i>		<i>Afghanistan India/Pakistan Central Asia (regional)</i>		
Europe		2.2 South-East Europe		
<i>UN peace missions</i>		<i>Kosovo</i>		



system is focused on putting individual criminals in prison, efforts against organized crime tend to focus on organized groups. But the markets are much bigger than the people who presently ply them; cocaine has been trafficked from the Andean region for over three decades, and while the groups involved have changed over time, the flow continues. So too do the security challenges it creates. The success of the Kimberley Process³ in stopping the flow of blood diamonds from West Africa illustrates how strategic measures designed to tackle the entire transnational market can be far more effective than armed interventions at the national level.

Of course, sound national law enforcement remains essential, and has proven effective in reducing stability-threatening organized crime problems to more manageable proportions. For example, from the 1970s to the early 1990s, fuelled by money gained in processing and trafficking heroin to the United States, Cosa Nostra was able to threaten the stability of Italy, a G8 country and the third largest economy in Europe. In a situation very similar to that faced in Central America today, these transnational criminals sought to undermine public will to combat them by assassinating a number of high ranking public officials and engaging in a bombing campaign throughout the country. Resolute action against the mafia brought this onslaught to an end. While Cosa Nostra and the other regional Italian mafias still exist, Sicily is no longer a transshipment point for heroin, and direct attacks against the state are few.

To experience these sorts of results, affected states must be supported in strengthening their domestic

institutions, but this must be done in the context of an international strategy aimed at addressing the entire trafficking flow. While Sicily ceased to be a major heroin hub, the problem moved on to other regions. Over time, the problem may be displaced to precisely those areas least capable of coping, where organized crime can pose a significant challenge to the state.

What this report includes

The following pages look in more detail at the ways transnational organized crime is posing a challenge to stability in areas around the world. In particular, a number of case studies are presented in four main chapters, concerning:

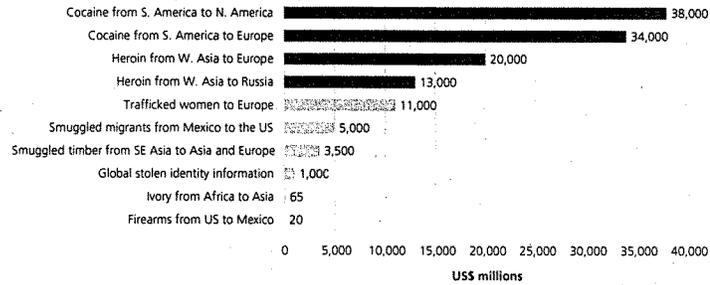
- the impact of cocaine trafficking on the Andean Region, Mesomerica and West Africa;
- the impact of heroin trafficking on South-West/Central Asia, South-East Europe and South-East Asia;
- the impact of minerals smuggling on Central Africa; and
- the impact of maritime piracy on the Horn of Africa.

Each of these discussions will look first at the major TOC problem confronting the region; though many of these regions are subject to multiple contraband flows, a single one is usually dominant, particularly with regard to its impact on political stability. Next, the history, sometimes quite protracted, of instability in the region is explored. Finally, the interaction between these two factors – the organized crime problem and political stability – is described.

Many other examples could have been included, but these are some of the best known instances for which there are supporting data. Other areas, including Aceh (Indonesia), Sri Lanka, or the Philippines, have similarly been affected. There is virtually no region of the world with stability problems where organized crime is not an issue.

Most of these examples involve drug trafficking, for the simple reason that drug trafficking generates greater revenues than any other form of transnational criminal activity in the world today. In addition to health and social consequences they bring, drugs provide the economic clout for insurgents and organized criminals to confront the state. They pay for arms and bribes. Competition for these profits is typically violent, and the targets for this violence can easily shift from rival traffickers to officials and other members of the public.

FIG. 4: ESTIMATED VALUES OF SELECTED TRANSNATIONAL TRAFFICKING FLOWS, 2008



Source: UNODC

There are a variety of reasons why other forms of trafficking are less relevant. Some forms of transnational organized crime that generate high revenues, such as human trafficking to Europe, do not concentrate this wealth sufficiently to pose a stability threat. Firearms trafficking was specifically excluded as a topic in this report. Weapons are a necessary part of armed violence, of course, but the transfer of weapons is usually episodic, rather than part of a sustained flow. The weapons themselves are dangerous, but the organized criminal activity of trafficking them rarely affects a region's stability.

U.S., Mexico Join Efforts To Combat Drug Traffic

February 28, 2010

Last week, American and Mexican officials met in Washington to ramp up efforts to combat illegal drug use and the problems it causes. Some of those issues are all too visible in the U.S., where addiction touches the lives of millions, as well as in Mexico, where thousands of soldiers, police, prosecutors and civilians have been murdered in the battle between the government and drug traffickers. Liane Hansen speaks with Gil Kerlikowske, the Director of the White House Office of National Drug Control Policy, about recent efforts to stem the flow of drugs from Mexican by decreasing the demand in the U.S.

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LIANE HANSEN, host:

This is WEEKEND EDITION from NPR News. I'm Liane Hansen.

Last week, American and Mexican officials met in Washington to ramp up efforts to combat illegal drug use and the problems it causes. Some of those issues are all too visible in the United States, where addiction touches the lives of millions, as well as in Mexico, where thousands of soldiers, police, prosecutors and civilians have been murdered in the battle between the government and drug traffickers.

Gil Kerlikowske is the Director of the White House Office of National Drug Control Policy. He helped lead the meetings last week and he's in our Washington studio.

Nice to meet you, welcome to the program.

Mr. GIL KERLIKOWSKE (Director, White House Office of National Drug Control Policy): Thank you for having me, Liane.

HANSEN: The outcome of these meetings is a call for more emphasis by both countries on reducing the demand for drugs, including prevention efforts and treatment for drug users. Why put more effort into that rather than targeting the supply of illegal drugs?

Mr. KERLIKOWSKE: Well, we've worked hard at reducing supply, but this is a shared responsibility. Our ability to reduce the use of drugs within our country can certainly help other countries when it comes to the violence issues and other problems.

HANSEN: Well, we've been hearing about the horrible violence in Mexico. More than 8,000 murders last year in that country are believed to be drug related, according U.S. State Department figures. So why shouldn't fighting the traffickers be the focus of increased coordination efforts?

Mr. KERLIKOWSKA: It is. The Southwest Border Initiative for us to stop the flow of guns and cash going into Mexico is critical, the work that President Calderon is doing to take on the traffickers. But, as important, preventing drug use whether here in the United States or in Mexico, treating people who have become drug addicts, those things are just as important.

HANSEN: I want to ask you about a report in The Washington Post last week, because there've been some questions about the nature of U.S. coordination with the Mexican government in the fight against the drug cartels.

The paper reported that for the first time, the U.S. would embed American intelligence agents in Mexican law enforcement units to help pursue drug cartel leaders and their hit men. Is that going to happen?

Mr. KERLIKOWSKA: No. What is happening and will happen in a more robust fashion is this: The sharing and exchanging of information about the financiers, the cartel members, the traffickers, the information that law enforcement exchanges with the government of Mexico has increased. And the ability for the government of Mexico to take these issues on is very important. But the United States is not in the business of enforcing the laws within the sovereign territories of Mexico.

HANSEN: When you were first appointed last year, you said you would seek - and I'm quoting - "a more balanced approach to drug policy?" What has the balance been in the past?

Mr. KERLIKOWSKA: The balance has been primarily a criminal justice problem. And, frankly, that isn't the best way to go about this. A balanced way is what President Obama believes will be a better way.

HANSEN: You've been consulting with a lot of groups and officials and soliciting ideas for how U.S. drug policy needs to change. Your office is supposed to release a new national drug control strategy.

What have these groups, officials and so forth, what have they been telling?

Mr. KERLIKOWSKA: The drug problem has affected everyone. It is killing more people than gunshots in the United States. So we need to start approaching this not being soft on drugs, but being smart on drugs.

HANSEN: And you've declared the war on drugs is over and just using that phrase.

Mr. KERLIKOWSKE: I did. That was pretty easy, actually, to just end it.

HANSEN: Uh-huh. But...

Mr. KERLIKOWSKE: The hard part is going forward, of course.

HANSEN: Sure, but are people surprised to hear you talk about dealing with people's addictive problems? Because you were a police chief in Seattle. You come from law enforcement.

Mr. KERLIKOWSKE: No, they're not. And, in fact, what's interesting to me is my colleagues, I never heard them talk about the war on drugs. I've heard some elected officials talk about the war on drugs. But I've never heard police chiefs, prosecutors and many others talk about it that way. They understand it is a really difficult and complex problem and a simple bumper sticker answer isn't right.

HANSEN: What drug, do you think, is the most problematic?

Mr. KERLIKOWSKE: It's coming out of medicine cabinets and it's prescription drugs. And it is clearly something that we can prevent.

HANSEN: How?

Mr. KERLIKOWSKE: First of all, we educate parents and we talk to them about the importance of recognizing what's in their medicine cabinet. The other thing we can do is look at programs called Prescription Drug Monitoring. Forty states have those in effect and they allow public health officials, or in some cases, law enforcement, to look at doctors who may be over prescribing or to look at patients who may be doctor shopping.

HANSEN: Gil Kerlikowske is the director of the White House Office of National Drug Control Policy. Thanks so much for coming into the studio.

Mr. KERLIKOWSKE: Thank you.

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News Release

FOR IMMEDIATE RELEASE
 December 18, 2009
 Contact: DEA Public Affairs
 (202) 307-7977

Three Al Qaeda Associates Arrested on Drug and Terrorism Charges

DEC 18 - DEA Acting Administrator Michele Leonhart and United States Attorney Preet Bharara announced today the arrests of three individuals for drug and terrorism charges. OUMAR ISSA, HAROUNA TOURÉ, and IDRIS ABELRAHMAN arrived in the Southern District of New York early this morning to face charges of conspiracy to commit acts of narco-terrorism and conspiracy to provide material support to a foreign terrorist organization. The charges stem from the defendants' alleged agreement to transport cocaine through West and North Africa with the intent to support three terrorist organizations -- Al Qaeda, Al Qaeda in the Islamic Magreb ("AQIM"), and the Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia, or "FARC"). All three organizations have been designated by the United States Department of State as Foreign Terrorist Organizations.

The charges in this case mark the first time that associates of Al Qaeda have been charged with narco-terrorism offenses. ISSA, TOURÉ, and ABELRAHMAN were arrested in Ghana on December 16, 2009, at the request of the United States; thereafter, they were transferred to the custody of the United States and transported to the Southern District of New York. The defendants are expected to be presented in Manhattan federal court later today before United States Magistrate Judge JAMES C. FRANCIS IV.

"Today's arrests are further proof of the direct link between dangerous terrorist organizations, including Al Qaeda, and international drug trafficking that fuels their violent activities," said DEA Acting Administrator Michele Leonhart. "These narco-terrorists do not respect borders and do not care who they harm with their drug trafficking conspiracies. Working with our narcotics law enforcement partners in Ghana and across the globe, DEA is making unprecedented progress in dismantling illicit drug networks in western Africa and around the world, and putting the criminals who operate them behind bars, where they belong."

"Today's allegations reflect the emergence of a worrisome alliance between Al Qaeda and transnational narcotics traffickers. As terrorists diversify into drugs, however, they provide us with more opportunities to incapacitate them and cut off the funding for future acts of terror," said United States Attorney PREET BHARARA. "We will continue to work with our partners at the DEA, in Ghana, and around the world to meet the threat narco-terrorism poses to our national security."

According to the Complaint unsealed today in Manhattan federal court:

Al Qaeda And AQIM

Founded in 1989, Al Qaeda is a terrorist organization which has as its principal goal to attack the United States. Al Qaeda functions on its own and through various terrorist organizations that operate under it. The group now known as AQIM -- formerly the Salafist Group for Preaching and Combat ("GSPC") -- was founded in the late 1990s with the assistance of USAMA BIN LADEN. On September 11, 2006, AYMAN AL ZAWAHIRI, a high-ranking Al Qaeda member and close associate of BIN LADEN, announced that GSPC had joined Al Qaeda and called for "our brothers of the GSPC to hit the foundations of the Crusader alliance, primarily their old leader the infidel United States."

The FARC

From 1964 until the present, the FARC has been an international terrorist group dedicated to the violent overthrow of the democratically elected Government of Colombia. The FARC is highly structured and organized as a military group. To further its goals, the FARC actively engages in narcotics trafficking as a financing mechanism and has evolved into the world's largest supplier of

cocaine. For at least the past five years, the FARC has directed violent acts against U.S. persons and commercial and property interests in foreign jurisdictions, including in Colombia. The FARC leadership has directed the kidnapping and murder of U.S. citizens and attacks on U.S. interests in order to dissuade the United States from continuing its efforts to disrupt the FARC's cocaine manufacturing and trafficking activities.

The Narco-Terrorism And Material Support Conspiracies

Between September 2009 and December 2009, ISSA, TOURÉ, and ABELRAHMAN, who stated that they were associated with Al Qaeda, conspired to assist purported representatives of the FARC in transporting hundreds of kilograms of cocaine from West Africa through North Africa and ultimately into Spain. In a series of telephone calls and meetings with two confidential sources working with the DEA who claimed to represent the FARC (the "CSs"), the defendants stated that they had a transportation route from West Africa through North Africa, and that Al Qaeda could provide protection for the cocaine along that route.

At an initial meeting with one of the DEA confidential sources ("CS-1"), ISSA stated that his boss, TOURÉ, could facilitate this cocaine transportation. At a subsequent meeting, ISSA introduced CS-1 to TOURÉ, describing him as a leader of a criminal organization that worked with Al Qaeda-affiliated groups in North Africa.

During meetings with the CSs, TOURÉ described his strong relationship with Al Qaeda groups that controlled areas of North Africa, and discussed other instances in which he had transported drugs with Al Qaeda's assistance. TOURÉ stated that Al Qaeda would protect the FARC's cocaine shipment from Mali through North Africa and into Morocco en route to Spain. More specifically, TOURÉ discussed the option of two different transportation routes: one through Algeria and Libya, and the other through Algeria and Morocco. TOURÉ also discussed the possibility of kidnapping foreign nationals to raise money for the cause.

TOURÉ later agreed to introduce CS-1 to a representative of the group that would handle the security of the cocaine while it was being transported. The CSs subsequently met with TOURÉ and ABELRAHMAN, who was introduced as a leader of a "militia" of armed men. ABELRAHMAN discussed with the CSs the shared goals of the FARC and ABELRAHMAN's organization, including the fact that they were committed to the same anti-American cause.

* * *

The defendants each are charged with one count of narco-terrorism conspiracy, which carries a mandatory minimum sentence of 20 years and a maximum sentence of life in prison, and one count of conspiring to provide material support to a foreign terrorist organization, which carries a maximum sentence of 15 years in prison.

The charges unsealed today were the result of the coordinated efforts of the United States Attorney's Office for the Southern District of New York and the DEA's Special Operations Division and Ghana Office. Mr. BHARARA praised the outstanding investigative work of the DEA and thanked the Department of Justice's Office of International Affairs, its National Security Division, and the Department of State for their assistance. Mr. BHARARA also thanked the Government of Ghana for its cooperation.

Assistant United States Attorneys JEFFREY A. BROWN and CHRISTIAN R. EVERDELL are in charge of the prosecution.

The charges contained in the Complaint are merely accusations and the defendants are presumed innocent unless and until proven guilty.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY

Washington, D.C. 20503

June 18, 2010

The Honorable John F. Tierney
Chairman
Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
U.S. House of Representatives
B-371C Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

In response to your letter of March 18, 2010, I have enclosed my responses to the Subcommittee's questions for the record pertaining to the March 3rd hearing entitled, "*Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats to Global Stability and U.S. National Security.*"

I sincerely appreciate the opportunity you provided me to discuss this important issue. If you have any further questions, please do not hesitate to contact me directly at (202) 395-6700, or have your staff contact Mr. Rob Reed of our Office of Legislative Affairs at (202) 395-6912.

Sincerely,

A handwritten signature in cursive script that reads "R. Gil Kerlikowske".

R. Gil Kerlikowske
Director

Enclosure: Responses to Questions for the Record

cc: The Honorable Jeff Flake, Ranking Member

Questions for the Record Submitted to
Director R. Gil Kerlikowske by
Chairman John F. Tierney
Subcommittee on National Security and Foreign Affairs
House Committee on Government Reform
March 3, 2010

Q1. What efforts have been made to quantify the relative cost-effectiveness of various anti-drug programs?

Answer: Because of the Administration's commitment to accountability, transparency, and effective management, efforts to evaluate the relative cost-effectiveness of anti-drug programs are critical activities of the Office of National Drug Control Policy (ONDCP). To enhance our capacity in this regard, ONDCP has recently instituted a Performance Reporting System (PRS). As part of this process, there are Working Groups tasked with assessing the major pillars of our *National Drug Control Strategy*, including Prevention, Early Intervention, Treatment, Domestic Law Enforcement, International Partnerships, and Data Development. These PRS Working Groups will review and strengthen the fundamental metrics necessary for program achievement, effectiveness, and accountability.

ONDCP, as detailed in the 2010 *National Drug Control Strategy*, is making a major effort to expand, fortify, and ensure budgetary support for the essential data reporting structures upon which policy decisions depend. The President's 2011 Budget includes \$42.6M to improve existing data systems and create a community based drug monitoring system. The strategic value of cost-effectiveness studies for drug policy will be enhanced by these efforts to provide more robust and timely drug data.

Background:

In the recent past, there have been several interagency (as well as academic) analyses of anti-drug programs associated with this office. Their focus has ranged across all dimensions of drug policy, from prevention programs, to treatment efforts, to criminal justice and law enforcement programs, as well as interdiction and source country initiatives. These analyses have been quantitatively rigorous, but all such efforts are limited by inadequacies in the fundamental underlying data sets. Many studies have examined supply reduction efforts domestically and internationally (in particular looking at interdiction and eradication strategies) and tried to assess their overall impact as well as their cost-effectiveness.

For instance, the RAND Corporation examined the impact of a large seizure of precursor chemicals on the methamphetamine market in California in 1995, concluding that there were significant positive consequences for methamphetamine price and purity, as well as an impact on treatment admissions and arrests. However, the analysis argued that the effects were not permanent, lasting no more than 18 months. Unfortunately, the RAND analysis was confined to the market impact in only one region, and was conducted too early to capture the major changes in the methamphetamine market brought about by the interdiction of bulk precursors from

Canada post-2001 and the consequences of the Combat Methamphetamine act, which severely restricted domestic precursor access.

More recently, the Government Accountability Office (GAO) provided an analysis, with implications for cost-effectiveness, of source country interventions in their study of Plan Colombia, which concluded that while security has improved, the drug reduction goals were not fully met. A major limitation of the GAO examination, however, is that the pertinent data from Colombia did not include information on cocaine production, flow, seizures, price/purity and prevalence data past the year 2006. The very positive and dramatic nature of the trajectory in these data since 2006 would likely have a material impact on the GAO conclusions, were they to be revisited.

A final example would be the assessment of two studies overseen by the National Research Council, one by the RAND Corporation and one by the Institute for Defense Analyses. The committee examined the assumptions, data, methods, and findings of these two cost-effectiveness studies. The results of the NRC study were published in *Informing America's Policy On Illegal Drugs* (2001). The National Research Council concluded that neither study's findings could constitute a persuasive basis for the formation of cocaine control policy.

In an evaluative assessment of U.S. drug policy published in 2005, Peter Reuter and David Boyum examine the question of interdiction policy effectiveness, and conclude; "Summing up, it is clear that interdiction imposes considerable costs on drug traffickers. Import prices are much higher than they would be if American borders were un-policed ... (on the actual cost contribution) data are inconclusive." As Reuter and Boyum note, a continuing limitation on such efforts is the inadequacy of precision and timeliness of the fundamental data sets upon which they must rely, given the covert nature of the drug business.

Q2. What are the metrics by which the cost-effectiveness of various drug interdiction efforts can be judged?

Answer: In an effort to review and strengthen the fundamental metrics that enable cost-effectiveness studies of anti-drug programs, including drug interdiction efforts, ONDCP has recently instituted a Performance Reporting System (PRS), which has several Working Groups examining the major pillars of our *National Drug Control Strategy*, including Prevention, Early Intervention, Treatment, Domestic Law Enforcement, International Partnerships, and Data Development. Much of this calendar year will be devoted to developing the PRS which will include metrics for program achievement, effectiveness, and accountability. The PRS will be released as part of the 2011 Strategy.

Of particular importance is the work of the Data Development Working Group. A continuing limitation on all efforts to perform cost-effectiveness studies of various drug policy programs, by academics, interagency cooperation, or by ONDCP, is the relative inadequacy in terms of precision and timeliness of the fundamental data sets upon which we must rely, given the covert nature of the drug business. In response to this deficiency, the *2010 National Drug Control Strategy* has devoted an entire chapter (Chapter 7, beginning on page 91) to address this critical need. We are making a major effort to expand, fortify, and ensure budgetary support for the essential data reporting structures upon which all policy decisions depend. The President's 2011 Budget includes \$42.6M to improve existing data systems and create a community-based drug

monitoring system in partnership with communities and focusing on a limited number of local indicators of drug-related consequences (e.g., school dropout rates, drug overdoses, and drug-related crime).

Finally, in addition to studying broad dimensions of our drug control strategy, ONDCP also undertakes studies of specific programmatic outcomes. A good example is our current effort to understand our transit zone interdiction performance and the resources necessary to attain our current national goal of a 40 percent "removal rate" of cocaine by 2015. In November 2006 the United States Interdiction Coordinator tasked The Interdiction Committee, a committee of agency heads who have international counterdrug authorities and responsibilities, to conduct a Western Hemisphere Performance Gap Analysis (PGA) under the auspices of the Interdiction Planning and Asset Management Group – the interagency body charged with periodically assessing the adequacy of assets committed by all Federal Agencies to international drug interdiction to ensure sufficiency, integration and optimization. PGA tasking included linking individual agency counterdrug requirements to the budget process on a year-over-year basis for the next five years, thus closing the performance gap by 2014.

Q3. Is it possible to perform an end-to-end economic analysis of the illegal drug business to identify which interventions have the greatest impact-per-dollar, specifically on the drug cartels?

Answer: End-to-end economic analysis can be done, but without a great deal of precision. The lack of precision is a function of inadequate data sets regarding the covert nature of drug transactions, which is why ONDCP is currently launching a major initiative to strengthen those data sets upon which the entire interagency depends. In service of this initiative we are also instituting an ONDCP Advisory Committee composed of subject matter experts in drug policy who will provide advice and guidance on policy options.

There are both previous and current efforts to perform an economic analysis of the illegal drug business and of the various cartel organizations which operate them, with the goal of identifying which interventions have the greatest strategic impact and which provide the greatest impact-per-dollar. Most have concentrated on the cocaine and the heroin trades. Some have been performed by ONDCP which modeled the nature of the cocaine supply chain and its organizational implications. Additionally, ONDCP oversees yearly analytic efforts that draw together the intelligence community and interagency partners to produce the Interagency Assessment of Cocaine Movement, which examines in great detail the production and consumption metrics for cocaine being vectored not only to the United States but to the rest of the world, from all three Andean nation suppliers.

Our international and interagency partners have also researched similar questions. Recently, research conducted by the Drug Enforcement Administration's (DEA) Operation Breakthrough based on carbon-dating of cocaine seizures has validated the overall conclusions of the ONDCP cocaine supply chain model and provided a major advance in our strategic understanding of this market. DEA is considering a proposal to construct a complete drug supply chain market analysis conducted by a major accounting firm. DEA also conducts on-going market studies, particularly in Colombia, examining the way farmers produce coca leaf, as well as studying the operations of processors and traffickers in cocaine. Such efforts in source countries from

Colombia to Afghanistan can also provide insight on the impact of alternative development investments as they seek to transform illicit drug economies into stable licit markets.

“The Department of Homeland Security’s Office of Counternarcotics Enforcement and U.S. Immigration and Customs Enforcement recently partnered with the Mexican Financial Intelligence Unit to conduct a U.S. – Mexico Bi-National Criminal Proceeds Study, which provides a strategic overview of the movement of bulk currency from the United States into Mexico and beyond. The study identifies four distinct roles that enable key processes and functions within the supply chain and provides insight into what the impact of disruptions to any one of these roles would be on the end-to-end supply chain network. The study indicates that, in the criminal proceeds supply chain, eliminating a particular step or function by eliminating the role that enables it will result in cascading failure throughout the network.”

Also, the Crime and Narcotics Center has produced reports, in the classified realm, examining the drug finance market for both Colombian cocaine and for Afghan heroin, looking at both drug cartels and international terrorist organizations, and has provided analytic assessments of the respective revenue models for several drugs, including cannabis.

Finally, there are several on-going efforts to conduct organizational network models of drug trafficking groups, some of them criminal justice efforts and some from the intelligence community. Internationally, the United Nations Office of Drugs and Crime operates an on-going global drug market analytic effort, published yearly in their Global Drugs Report, while various research efforts by academic and think-tank partners, ranging from the RAND Corporation to the Institute for Defense Analysis, have considered this question.

Drug policy relies on a balance between supply and demand reduction programs. Their interaction is complex and continually changing, which makes predictive modeling difficult. For example the cocaine market distribution sequence is: farmers, base processors, hydrochloride processors, transportation, consolidation, transfer to Mexicans, plazas, wholesale distribution to US metropolitan areas, retail sales, and finally consumption. At each stage, the value and composition of the drug may be changing, as do the supply reduction programs and resources that target a specific stage. Therefore, the uncertainties are largely due to the covert nature of the drug business and the complexity of the smuggling sequence.

Q4. Are the uncertainties of such analyses small enough to be useful for re-balancing and optimizing our expenditures in this area?

Answer: Such analyses provide valuable input to drug policy, and can help inform our programmatic decisions. Moreover, studies which examine the strategic impact of various interventions can stimulate the formulation of testable hypotheses about the illicit drug market and criminal organizations. Finally, such studies can assist in determining cost-effectiveness and accountability for performance regarding choices within a constrained budgetary environment.

It is important to stress, however, that because of current data limitations and the hidden nature of the illegal drug market, none of these analyses by themselves can be the sole basis for drug policy decisions, though they can illuminate the impact of our efforts.

Studies which examine only one dimension of our efforts, in isolation from their impact on the strategic whole, often fail to capture the reality that a balanced strategy, which combines demand

reduction and supply reduction efforts, produces the most consequential and cost-effective outcomes, as a balanced strategy allows the respective efforts to work in concert.

Taken by itself, no single study can be sufficient to determine our policy choices. The underlying data are insufficiently precise to settle important questions, while the covert nature of the drug trade prevents our using important scientific tools, such as controlled comparisons. Finally, the inherent degree of uncertainty of our drug data estimates makes for compounded uncertainty when we try to optimize our choices between them.

We are, as mentioned above, initiating a major effort to strengthen those underlying data. Based on our efforts to compile many data sets into an integrated whole, the inherent uncertainties of each can be reduced.

Q5. The Administration's budget contains funds for international aid programs to Mexico and other Latin American countries in order to cut down on drug related violence. U.S. government entities like the Drug Enforcement Administration (DEA) and Immigration and Customs Enforcement also have programs that operate in the United States, but affect the cartels. What programs in your budgets are focused on combating drug violence in Mexico and illegal activity along the border?

Answer: The President's FY 2011 request includes nearly \$2.8 billion in funding for efforts that support the National Southwest Border Counternarcotics Strategy. These programs consist of National Drug Control Program agencies, as well as other federal agencies not captured in the National Drug Control Budget. This is part of a comprehensive national response to the threat working towards the disruption and dismantlement of international drug trafficking organizations.

FY2011
Request

Programs in the National Drug Control Budget

Intelligence and Information Sharing Efforts

DHS/Immigration and Customs Enforcement	7,900
<i>Subtotal, Intelligence and Sharing</i>	<i>7,900</i>

Efforts at and between the Ports of Entry

DoD/Drug Interdiction and Counterdrug Activities	51,482
DHS/Customs and Border Protection	763,397
<i>Subtotal, Ports of Entry</i>	<i>814,879</i>

Efforts against Air and Marine threats

DoD/Drug Interdiction and Counterdrug Activities	45,230
DHS/Customs and Border Protection	310,212
<i>Subtotal, Air and Marine</i>	<i>355,442</i>

Investigations and Prosecutions

DHS/Immigration and Customs Enforcement	100,000
DoJ/Drug Enforcement Administration	510,373
DoJ/Organized Crime Drug Enforcement Task Force	176,154
<i>Subtotal, Investigations and Prosecutions</i>	<i>786,527</i>

Cooperation with Mexico

DoD/Drug Interdiction and Counterdrug Activities	54,228
DHS/Immigration and Customs Enforcement	1,300
DoS/International Narcotics and Law Enforcement	310,000
<i>Subtotal, Cooperation with Mexico</i>	<i>347,528</i>

Other Federal Programs (not in National Drug Control Budget)Investigations and Prosecutions

DoJ/Criminal Division	13,649
DoJ/Federal Bureau of Investigation	37,620
DoJ/Office of Federal Detention Trustee	159,700
DoJ/U.S. Attorneys	175,205
DoJ/U.S. Marshals Service	42,639
<i>Subtotal, Investigations and Prosecutions</i>	<i>428,813</i>

Efforts against Weapons smuggling/trafficking

DoJ/Alcohol, Tobacco, Firearms and Explosives	80,969
ICE/Weapons Smuggling and Trafficking	10,000
<i>Subtotal, Weapons</i>	<i>90,969</i>

Q6: Members of the Subcommittee have been working with the Mexican Ambassador and U.S. officials to ensure that the Bobby Salcedo investigation brings his killers to justice. We have found that American officials face significant hurdles to effective cooperation with the Mexican government when it comes to criminal investigations. What can the United States do to enhance law enforcement cooperation between our two countries?

Answer: Enhancing law enforcement cooperation between our two countries is an important goal of this Administration. The United States is now engaged in cooperative efforts with Mexican law enforcement under the Merida Initiative to provide information, training, and equipment that will allow Mexican authorities to investigate, capture, and prosecute members of Mexico's most dangerous and powerful drug cartels. The quantifiable impact of huge drug, weapons, and money seizures together with high-level arrests and record numbers of extraditions illustrate the level of successful cooperation and coordination. While the U.S. Government has no formal authority to investigate or prosecute crimes committed in Mexico, U.S. consulate officials are in close contact with law enforcement officials in Durango and offered U.S. government assistance. It is incumbent on Durango state authorities to conduct a thorough investigation, detain those responsible and prosecute them to the full extent of Mexican law. Each country's law enforcement agencies conduct operations on their own side of the border, but

increasingly they are sharing information and coordinating these operations to more effectively confront drug trafficking organizations that respect no borders. I was recently part of the Merida Initiative High Level Group led by Secretary of State Clinton and Mexican Foreign Secretary Espinosa that met to endorse a plan for further training, technical assistance and equipment for Mexican law enforcement agencies and even closer law enforcement cooperation.

Q7. The Administration has touted the Organized Crime Drug Enforcement Task Force teams, the Border Enforcement Security Task Force teams, and other inter-agency task forces in order to cut down on illegal activities along the Southwest Border. Now the agencies have asked for additional funding for these programs. How do we know these programs are effective? How are these programs different from other counternarcotics programs?

Answer: The DOJ-led OCDETF and DHS-led BEST teams enhance the layered approach to border security. Continued funding, support, and execution of these task force teams are vital to the protection and defense of the U.S. Southwest Border.

BESTs

ICE-led Border Enforcement Security Task Forces (BESTs) are multi-agency task forces that leverage Federal, state, local, tribal and foreign law enforcement and intelligence resources in an effort to identify, disrupt, and dismantle organizations that seek to exploit vulnerabilities along the border and threaten the safety and security of the American public. BESTs are represented nationwide, including 10 along the southwest border and one in Mexico City.

In FY 2008, BEST teams were responsible for 1,000 criminal arrests and 1,256 administrative arrests. In addition, BEST investigations in FY 2008 resulted in 401 indictments and 392 convictions. Since March 2009, analysts working with the BESTs, in coordination with ICE's Border Violence Intelligence Cell, have produced 400 intelligence reports, over 80 comprehensive intelligence dossiers on criminal organizations, and 362 investigative leads relating to suspected weapons traffickers.

BEST teams made significant seizures of drugs and assets in FY 2008, seizing approximately 1,803 pounds of cocaine, 52,420 pounds of marijuana, 121 pounds of methamphetamine, 25 pounds of crystal methamphetamine, 850 pounds of ecstasy, and 66 pounds of heroin. In addition, 432 weapons, 299 vehicles, and more than \$8.8 million in U.S. currency and monetary instruments were seized. Since the implementation of the Southwest Border Initiative (SWBI) in March 2009, ICE BESTs have seized over 1,914 pounds of cocaine, 53,721 pounds of marijuana, 630 pounds of methamphetamine, 131 pounds of crystal methamphetamine, 537 pounds of ecstasy, and 50 pounds of heroin, 1,956 weapons, 345 vehicles, and \$18 million in U.S. currency and monetary instruments.

The BEST program has provided the investigative platform for one of ICE's centerpieces of the SWBI, Operation Armas Cruzadas, which is a collaborative, intelligence-driven effort with the Mexican government to identify, disrupt, and dismantle the criminal networks that illicitly transport arms across the border. Since its creation, Armas Cruzadas has resulted in the seizure of 1,880 weapons, 206,412 rounds of ammunition, criminal arrests of 257 individuals, and confiscation of more than \$7.9 million. This bilateral law enforcement and intelligence-sharing

operation between U.S. and Mexican law enforcement agencies has helped to curtail the illegal activities of drug cartels and criminal organizations that have sought to acquire more powerful and dangerous firearms, which perpetuate the violence along the Southwest border.

OCDETFs

The OCDETF Program is a key contributor to accomplishing the priorities of the Administration's Southwest Border Initiative, specifically to the endgame results of Operation Xcellerator and Project Reckoning. In addition, OCDETF task forces are a part of the DOJ-led Mexican Cartel Strategy, which is in concert with the 2009 National Southwest Border Counternarcotics Strategy. The Mexican Cartel Strategy focuses on working with Federal prosecutor-led task forces that bring together all DOJ and DHS law enforcement components to identify, disrupt, and dismantle the Mexican drug cartels through investigation, prosecution, and extradition of key leaders and facilitators, and seizure and forfeiture of their assets. One of the cornerstones of ODETF's work is the Consolidated Priority Organization Target (CPOT) list, which is a unified agency list of the top international drug trafficking and money laundering targets, and the Regional Priority Organization Targets (RPOTs), which represent the most significant national or regional drug trafficking and money laundering organizations. OCDETF also supports the SWBI through its Fusion Center (OFC) - a comprehensive interagency data center containing drug and related financial. The OFC provides critical law enforcement intelligence support for long-term and large-scale investigations, complementing the mission of DEA's Special Operations Division (SOD) by providing non-communications intelligence at an operations level.

Q8: In December 21, 2006 remarks to the Atlantic Council, General James L. Jones (in his capacity as the Supreme Allied Commander Europe) stated that "the Achilles' heel of Afghanistan is the narcotics problem." General Jones suggested that the solution "has to be broad. It's not any one thing. There's no recipe for this. It's not just eradication, not crop substitution. It's a lot of things that can be combined to begin to wean the economy." Is the U.S. Government surging its counternarcotics effort in Afghanistan in tandem with the troop surge? If so, can you offer specific examples?

Answer: We are pursuing our counternarcotics objectives in Afghanistan through a "whole-of-government" counterinsurgency approach. Counternarcotics efforts are weaved into the broader civil-military strategy to help secure the Afghan population and connect the Afghan people to legitimate alternatives. Over the past year the U.S. Government has significantly increased the overall number of non-military positions on the ground in Afghanistan in support of the overall strategy, of which counternarcotics is a subset (currently there are approximately 1,000 civilians in Afghanistan from across the interagency). We expect to further increase our civilian staffing in Afghanistan over the course of 2010 and 2011 by about 20 to 30 percent. Some of these new civilian personnel will work directly in the area of counternarcotics to support the U.S. Counternarcotics Strategy for Afghanistan, and our renewed emphasis on agriculture development and interdiction.

In support of agriculture and rural development, the United States Agency for International Development (USAID) and the United States Department of Agriculture (USDA) are increasing civilian staffing levels to promote high-value agriculture crops and provide expertise and technical support to Afghan farmers. For interdiction efforts, the Drug Enforcement

Administration (DEA) is expanding its presence to attack the drug-insurgency nexus and reduce the financial support that the Taliban receives from the drug trade. DEA is working very closely with the Government of the Islamic Republic of Afghanistan, NATO, and others to disrupt the narcotics-insurgency nexus, provide training and mentoring to the Counternarcotics Police of Afghanistan, and support for the Afghan Threat Finance Cell (ATFC). By the end of 2010, DEA will have gone from 13 to 82 permanent positions in Afghanistan, to include five 11-man Enforcement Groups forward-deployed to Kabul, and Regional Commands in Herat, Kandahar, Konduz, and Jalalabad. In addition, DEA currently has four Special Agents assigned full time to ATFC.

Q9. The President's budget request for Fiscal Year 2011 includes a 3.5 percent increase for drug control programs. What programs will the additional funding augment?

Answer: The President's Fiscal Year (FY) 2011 National Drug Control Budget requests \$15.5 billion to reduce drug use and its consequences in the United States. This represents an increase of \$521.1 million (3.5 percent) over the FY 2010 enacted level of \$15.0 billion. These resources are categorized around five major functions (1) Substance Abuse Prevention (\$1.7 billion), (2) Substance Abuse Treatment (\$3.9 billion), (3) Domestic Law Enforcement (\$3.9 billion), (4) Interdiction (\$3.7 billion), and (5) International Support (\$2.3 billion).

The largest increases are for a variety of education and outreach programs aimed at preventing the initiation of drug use (a 13.4% increase), as well as increased funding for early intervention and treatment services for individuals with drug problems (3.7% increase). Major prevention efforts include the creation of a national, community-based prevention system to protect our adolescents and the continued development of drug-free community coalitions throughout the United States. Major treatment increases will support work to train and engage primary healthcare to intervene in emerging cases of drug abuse, expand and improve specialty addiction care for addiction, and develop safe and efficient paradigms to manage drug-related offenders in community corrections.

Q10. The NATO Secretary General sees an opportunity for Russia to cooperate with NATO on training Afghans and Central Asian authorities. As you mentioned in your testimony, drug addiction is a growing problem in Russia and the region.

What can the United States and NATO do with Russia to curb counternarcotics without Russia deploying its forces or drug enforcement personnel to Afghanistan?

Answer: We are working closely with the Russian Federation on all aspects of counternarcotics, including Afghanistan. As part of the Bilateral Presidential Commission, in February my Russian counterpart Viktor Ivanov and I signed the Counternarcotics Working Group's framework documents which address regional drug flows, demand reduction, and judicial cooperation.

As a result, the Drug Enforcement Administration and Russian Federal Drug Control Service have shared law-enforcement information, and are working towards joint operations against regional drug traffickers and controlled international deliveries to target the financial network supporting the drug trade. We also agree that cooperation on counternarcotics training is an important component of our joint approach, and we support Russia's continued training of

Afghan counternarcotics officers through the NATO-Russia Council training program at Domodedovo.

In addition, demand reduction programs also constitute a new approach within the Russian Federation, and we are eager to share our expertise. By modeling functioning programs in the United States, Russia can avoid many of the growing pains we experienced in building our prevention, treatment, and recovery infrastructure. The implementation of these programs will help to reduce the public health threat to Russia posed by Afghanistan-produced heroin.

Q11: On February 13, NATO's International Security Assistance Force launched its biggest offensive since the start of the mission, a much-publicized assault on the insurgent stronghold of Marja in Helmand province. During the first week of March, Afghan and NATO-led troops seized over 15 tons of opium poppy in Helmand and found 3,000 kilograms of opium and 16 kilograms of heroin in Marja. Once we move into the "hold and build" phase of counter-insurgency in Marja, what are the U.S. and NATO plans for ensuring that Afghan farmers have access to alternative crops and can sustain their livelihoods by legal means?

Answer: The primary tool for USAID is the Afghanistan Voucher for Increased Productive Agriculture plus Program (AVIPA plus), which is a \$250 million program for Helmand and Kandahar provinces. There are four components to this program: Cash-for-Work, Small Grants, Vouchers, and Training.

The Cash-for-Work program will quickly provide employment in Marja, especially for young men. Projects have included: reservoir restoration, cleaning lateral irrigation canals, pruning fruit trees on demonstration farms, and rehabilitating farmers markets by constructing new stalls and market shops.

Small Grants to cooperatives, associations, and villages, averaging \$100,000, are provided to procure agricultural items including tractors, farming implements, and processing equipment.

The Vouchers portion of AVIPA plus targets high value horticultural crops. Vouchers are basically a 65% off coupon for targeted agricultural inputs given to individual farmers. Vouchers are available for: fruit and nut tree whips, grape trellises, row tunnels (small greenhouses), irrigation systems, and cashmere combs. Seed and fertilizer packages are also available for improved vegetable and melon production.

Training components are included in each of the above components to improve the level of technology. The AVIPA plus program offers several training programs for: Extension agents, farmers in a train-the-trainer program, and Afghan AVIPA staff. Currently AVIPA employs 17 American expatriate staff, 16 third country nationals, and 677 Afghans in Helmand and Kandahar Provinces.

Q12. Are there indications that Mexican drug trafficking organizations have cooperated with terrorist organizations to traffic people and illicit cargo into the United States?

Answer: The definition of "Foreign Terrorist Organization" (FTO) is clearly established and under the purview of the State Department. There are some 40-plus designated FTOs worldwide, of which, more than one-third are involved in the distribution or facilitation of illicit

drugs to fuel their respective enterprises. Presently there are no Mexican cartels designated as FTOs. There is no substantiation that Mexican DTOs are facilitating or cooperating with designated FTOs; however, that does not mean that Mexican DTOs may not adopt terrorist type tactics.

As of this time, there is no indication that the Mexican cartels have cooperated with terrorist organizations for the purpose of transporting human and illicit cargo into the U.S. We are very concerned that terrorist organizations could take advantage of the same vulnerabilities along our borders that drug trafficking and human smuggling organizations currently try to exploit.

**Questions for the Record Submitted to
Assistant Secretary David Johnson by
Chairman John F. Tierney
Subcommittee on National Security and Foreign Affairs
House Committee on Government Reform
March 3, 2010**

Question:

The Administration's budget contains funds for international aid programs to Mexico and other Latin American countries in order to cut down on drug related violence. U.S. government entities like the Drug enforcement Administration (DEA) and Immigration and Customs Enforcement also have programs that operate in the United States, but affect the cartels.

- What programs in your budget are focused on combating drug violence in Mexico and illegal activity along the border?

Answer:

The Merida Initiative was launched in 2008 as a partnership among the governments of the United States, Mexico, and Central America to confront the violent national and transnational gangs and organized criminal and drug trafficking organizations that plague the entire region. Following extensive review of the Initiative and discussions with the Government of Mexico, the partnership is now moving "Beyond Merida", with the aim of forging strong partnerships to enhance citizen safety in affected areas by fighting drug trafficking, organized crime, corruption, illicit arms trafficking, money-laundering, and demand for drugs on both sides of the border, and beginning to address some of the root causes of crime and violence, particularly among youth.

At bilateral working group meetings leading up to the March 23rd Merida U.S.-Mexico High Level Consultative Group, the governments of the United States and Mexico agreed on new goals to broaden and deepen our cooperation to effect lasting change. Consistent with these goals, we are accelerating our efforts to support and strengthen democratic institutions in Mexico (especially police and other justice sector institutions) and to promote civil society engagement in citizen security initiatives. We are also expanding our focus beyond interdiction of contraband at the border to include facilitation of legitimate trade and travel, and

we are helping to build stronger communities resistant to the corrupting influence of organized crime. With the acute violence in certain border areas, such as Juarez, we are also currently collaborating with the Government of Mexico on how best to support their efforts to promote the rule of law in those areas.

The FY 2011 budget request includes \$310 million for the Merida Initiative in Mexico. Broadly speaking, the programs will focus on four strategic goals (described below), which support Mexico's substantial efforts to reform and increase the capacity of justice sector and law enforcement institutions. Specific programs to be supported with these funds will be defined through further discussions with the Government of Mexico, and depend on progress made with current programs and changes in the situation on the ground. This assistance also complements significant U.S. efforts domestically to decrease drug demand through treatment, prevention, and enforcement, and to stem the southbound flow of illicit arms and cash into Mexico through programs such as the Southwest Border Initiative.

Four strategic goals of Merida assistance in Mexico

- **Disrupt Organized Criminal Groups:** the United States and Mexico will continue to collaborate to disrupt and dismantle organized criminal groups. We will do so by focusing our efforts on intelligence collection and analysis, training and equipping special units, enhancing investigative capacity, conducting targeted work against money laundering, improving interdiction capability, building effective command and control centers across Mexico, and developing effective task forces.
- **Institutionalize Reforms to Sustain Rule of Law and Respect for Human Rights:** the United States will partner with Mexico to help institutionalize justice-sector reforms to sustain the rule of law and respect for human rights. We will continue large-scale institution building projects with security and justice sector institutions at the federal level and expand these efforts to include additional federal agencies and to state and local institutions. The goal of these efforts is to support sustainable changes in the judiciary and in other justice sector institutions to strengthen the rule of law, promote respect for human rights, and engage with civil society.
- **Create a 21st Century Border:** Our goal is to create efficient, economically competitive border crossings along the U.S./Mexican border that ensure "secure two-way flows" of travelers and trade. We will also work to improve enforcement cooperation between ports of entry. Our immediate law enforcement challenge is to greatly reduce the flow of drugs to the north, and guns and bulk cash to the south.

- **Build Strong and Resilient Communities:** Mexico will take the lead to enhance the rule of law, promote respect for human rights, and create a culture of lawfulness by targeting specific areas for building community organizations, reducing demand for drugs, encouraging civil society participation, creating sustainable economic opportunities, and promoting community cohesion and violence reduction strategies. The United States will support specific, geographically focused programs that advance these goals.

Question:

Members of the Subcommittee have been working with the Mexican Ambassador and U.S. officials to ensure that the Bobby Salcedo investigation brings his killers to justice. We have found that American officials face significant hurdles to effective cooperation with the Mexican government when it comes to criminal investigations.

- What can the United States do to enhance law enforcement cooperation between our two countries?

Answer:

The U.S. Government has no formal authority to investigate or prosecute crimes committed in Mexico. It is incumbent on Durango state authorities to conduct a thorough investigation, detain those responsible and prosecute them to the full extent of Mexican law; however, Consulate officials are in close contact with law enforcement officials in Durango and have emphasized this point and offered U.S. government assistance.

Law enforcement cooperation between the United States and Mexico has been improving in recent years as a result of Merida Initiative training and technical assistance and the experience of working together to combat drug trafficking and organized crime. Each country's law-enforcement agencies conduct operations on their own side of the border, but increasingly they are sharing information and coordinating these operations to more effectively confront drug trafficking organizations that respect no borders.

Led by Secretary of State Clinton and Mexican Foreign Secretary Espinosa, the Merida Initiative High Level group recently met to endorse a plan for further training, technical assistance and equipment for Mexican law enforcement agencies, and even closer law enforcement cooperation.

Question:

On February 13, NATO's International Security Assistance Force launched its biggest offensive since the start of the mission, a much-publicized assault on the insurgent stronghold of Marjah in Helmand province. During the first week of March, Afghan and the NATO-led troops have seized over 15 tons of opium poppy in Helmand and found 3,000 kg opium and 16 kg heroin in Marjah district. Once we move into the "hold and build" phase of counter-insurgency in Marjah, what are the U.S. and NATO plans for ensuring that Afghan farmers have access to alternative crops and can sustain their livelihoods by legal means?

Answer:

Military clearance operations in Marjah were launched at the end of the poppy growing season, with harvest activities beginning the week of April 10th.

We are engaged in a number of activities to support licit farming and other activities in the legal economy.

- U.S. civilian and military assistance, along with UK assistance, has been made available to farmers who chose not to harvest their poppy.
- Support to farmers in Marjah to encourage and sustain licit crop production comes from the Afghan government and United States.
- The Afghan government has dispatched various agricultural experts supplies to the area to begin the provision of agricultural services to Marjah farmers.
- U.S. support to the area, not to displace GIRoA efforts but to supplement them, comes from a combination of programs that will provide improved access to seed, as well as small direct grants to farmers who participate in food crop production programs.
- U.S. agricultural experts on the ground or near Marjah continue to provide mentoring and other support to Afghan officials.
- U.S. agricultural experts in the region give advice and counsel to the UK and U.S. military who are also focused on stabilizing the environment for licit crop production.

Recent civ-mil operations in Marjah are part of the wider Operation Moshtarak, which in Dari means "together" and includes not only Marjah, but the larger Nad-e-Ali district. Currently three civilians under chief of mission authority work at District Support Team (DST) Marjah: one USAID program officer, one State officer, and one USDA officer. We believe current staffing at the DST is adequate and do not plan to add additional civilians under Embassy control until

security improves in the Nad-e-Ali District, which includes Marjah, thereby permitting GIROA to augment the relatively few civil servants currently working out of the Marjah District Center. More U.S. civilians could overwhelm the current GIROA presence and damage its credibility in the eyes of local residents.

Stabilization/Agriculture Activities in Nad-e-Ali District

- Funding disbursed to date: \$1.5 million
- Planned Funding: \$19 million
- OTI and AVIPA program staff are on-the-ground and embedded with Nad-e-Ali South (Marjah) DST.
- AVIPA program staff have been on-the-ground and delivering for three months in Northern Nad-e-Ali.
 - An average of 2,500 Afghans participate in cash-for-work activities each day to rebuild Agricultural Infrastructure
 - Dozens of farmers' cooperatives are receiving in-kind and grant support. Some 2,000 farmers have benefited and 4,000 water pumps and agricultural packages have been delivered.
 - Agriculture vouchers for discounted seed and fertilizers are being distributed by the thousands in preparation for upcoming spring planting.
- The Afghan Government pre-identified key projects that need to be addressed immediately, and OTI took actions to pre-clear grantees and contractors in order to speed implementation. These include:
 - Cash for work: canal cleaning and road repair
 - Provision of education supplies
 - Government building and refurbishment
 - Support to Marjah Radio station: equipment procured and shipped

Question:

The international effort to train the Afghan National Police (ANP) is essential. The ANP training has been much less effective than the Afghan National Army (ANA) training for various reasons, including different national training methods, shortage of trainers, and problems with recruitment and retention of the Afghans. The ANP is frequently the first interface an average Afghan has with the Afghan government. Insufficient salaries and endemic corruption lead to the ANP's complicity in or turning a blind eye to the drug trade.

- a.) How do you assess the effectiveness of the ANA and ANP forces, including their counternarcotics mission, which have been stood up and serve (for example in Marja), alongside the NATO forces?
- b.) What counternarcotics training or mentoring do the ANA and ANP receive from NATO forces?
- c.) How can the ANP training be improved?
- d.) What other means is NATO using in its counternarcotics efforts?

Answer:

- a.) With regard to the counternarcotics mission, the Counternarcotics Police of Afghanistan, in particular the specialized vetted units which are mentored by the DEA, have greatly increased their capabilities in recent years and are now able to request their own warrants and conduct independent investigations and operations. INL provides Operations and Maintenance support to the vetted units' compounds in Kabul and Kunduz, as well as two mentors for the units (in addition to the DEA officers who conduct joint operations with the units) and salary stipends for the officers. In 2009, the specialized units of the CNPA, in conjunction with their DEA mentors, carried out 82 joint interdiction operations resulting in the seizure of 25,000 kilograms of opium and poppy; 6,651 kilograms of heroin and morphine base; 53,000 kilograms of hashish; 180,000 kilograms of dry precursor chemicals; and 30,765 liters of liquid precursor chemicals. Twenty-five clandestine drug conversion labs were also destroyed; 54 people were arrested, and 43 others were detained in these operations. Since the beginning of Operation Moshtarak in Marja, Afghan Counternarcotics Police units, working alongside their DEA mentors and ISAF combat forces, seized over 650 kilograms of opium, 7 kilograms of heroin, and over 7,500 kilograms of precursor chemicals. More importantly, the operation has denied drug manufacturers and traffickers a key area in

which they previously thrived. Please refer to the Department of Defense for additional details on the effectiveness of the ANA and ANP overall, as DOD has directive authority to develop all Afghan National Security Forces.

- b.) The Department of State defers the question on ANA and ANP counternarcotics training to the Department of Defense, as they are the lead agency for this effort. While INL administers the contract for ANP training with funding transferred from DOD, the Department of Defense has ultimate responsibility for curriculum decisions.
- c.) Please refer to the Defense Department, which has directive authority to develop all Afghan National Security Forces.
- d.) INL defers this question to the Department of Defense for details on ISAF engagement in counternarcotics operations.

Question:

To what extent do Mexican drug trafficking organizations use commercial trucks to get drugs into the United States as well as to distribute drugs throughout the U.S.?

Answer:

Criminal organizations will use any and every means possible to try to get illegal drugs into the United States, which is why increased U.S.-Mexican cooperation is so beneficial and important to both countries. We have seen press reports of drugs found hidden in commercial trucks on both sides of the U.S.-Mexico border, which would seem to indicate that commercial trucks are being used to smuggle drugs into the United States. We would refer you to Customs and Border Protection (CBP) for further information on this topic.

Question:

What percentage of trucks crossing the southern border into the United States are put through a thorough hands-on inspection?

Answer:

We understand that Customs and Border Protection (CBP) uses risk management strategies that allocate its staff and inspection resources to the vehicles and cargos of most concern, rather than setting a fixed target for intrusive inspections. We would refer you to CBP for more detailed information about its inspection program.

Question:

Are there indications that the Mexican drug trafficking organizations have cooperated with terrorist organizations to bring people and illicit cargo into the United States?

Answer:

There are no indications that Mexican drug trafficking organizations have cooperated with terrorist organizations to bring people and illicit cargo into the United States. However, both we and the Mexican government remain alert to the possibility that terrorist organizations will seek to make use of drug and human trafficking networks in the future.



U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

August 12, 2010

The Honorable John Tierney
Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Please find enclosed responses to questions stemming from the appearance of Drug Enforcement Administration Assistant Administrator for Intelligence Anthony Placido, before the Subcommittee on March 3, 2010, at a hearing entitled "Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats to Global Stability and U.S. National Security." We hope that this information is of assistance to the Subcommittee.

Please do not hesitate to contact this office if we may be of additional assistance. The Office of Management and Budget has advised us that there is no objection to submission of this letter from the perspective of the Administration's program.

Sincerely,

A handwritten signature in cursive script that reads "Ronald Weich".

Ronald Weich
Assistant Attorney General

Enclosure

cc: The Honorable Jeff Flake
Ranking Minority Member

Drug Enforcement Administration
Responses to Questions for the Record
U.S. House Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
“Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security”
March 3, 2010

1. The Administration’s budget contains funds for international aid programs to Mexico and other Latin American countries in order to cut down on drug related violence. U.S. government entities like the Drug Enforcement Administration (DEA) and Immigration and Customs Enforcement also have programs that operate in the United States, but affect the cartels.

- **What programs in your budgets are focused on combating drug violence in Mexico and illegal activity along the border?**

DEA is an agency with a global reach who works vigorously with law enforcement counterparts in both the United States and Mexico to address the violence in Mexico through joint investigations and the sharing of intelligence. We routinely collect and share intelligence pertaining to those violent drug trafficking organizations (DTOs) and armed groups operating in and around “hot spots” along the Southwest Border (SWB). Additionally, DEA has the largest U.S. law enforcement presence in Mexico with offices in Mexico City, Tijuana, Hermosillo, Nogales, Ciudad Juarez, Mazatlan, Guadalajara, Monterrey, Matamoros, Nuevo Laredo, and Merida.

As of July 2010, DEA has 1,205 Special Agent positions working in domestic offices with responsibilities for the SWB, representing approximately 30 percent of DEA’s total domestic Special Agent workforce. In addition, DEA presence in Mexico is 62 Special Agents. Overall, some 24 percent of DEA’s total Special Agent workforce is assigned to either Mexico or the SWB.

As the lead U.S. law enforcement agency responsible for enforcing the drug laws of the United States, DEA has been at the forefront of U.S. efforts to work with foreign law enforcement counterparts in confronting the organizations that profit from the global drug trade. DEA’s success is due, at least in part, to its single-mission focus. DEA is well positioned to place sustained pressure on the command and control elements of drug trafficking organizations; however, DEA does not operate in a vacuum. Rather, DEA, works with other Department of Justice (DOJ) components; the Department of Homeland Security (DHS); the Department of Defense (DoD); the Intelligence Community, and the Department of State; and other state, local, federal and foreign counterparts to combat all levels of the drug trade with an aim of disrupting the command and control elements of these organizations.

Several noteworthy interagency efforts are being coordinated along the SWB:

- In June 2009, in Albuquerque, New Mexico, Attorney General Holder, DHS Secretary Napolitano, and Office of National Drug Control Policy (ONDCP) Director Kerlikowske released the Administration's *National Southwest Border Counternarcotics Strategy*, designed to stem the flow of illegal drugs and their illicit proceeds across the SWB and to reduce associated crime and violence in the region.
- The *SWB Initiative* is a multi-agency, federal law enforcement operation that attacks Mexico-based DTOs operating along the SWB by targeting the communication systems of their command and control centers. The SWB Initiative has been in operation since 1994. As part of a cooperative effort, DEA, the Federal Bureau of Investigation (FBI), U.S. Customs and Border Protection (CBP) Immigration and Customs Enforcement (ICE), and U.S. Attorneys' Offices around the country conduct wiretaps that ultimately identify all levels of Mexico or Colombia-based DTOs. This strategy allows tracking of the drugs as they flow from Colombia or Mexico to the streets of the United States.
- The Southwest Border Intelligence Collection Plan (SWBICP) was initiated by DEA in October 2009 to provide a regional intelligence collection framework to support enforcement operations on the SWB of the United States. The SWBICP provides operational, tactical, strategic, and policy-level intelligence used to support investigations, regional planning, and resource decision-making. Intelligence gathered under the guidance of the SWBICP is shared with the Intelligence Community, and other federal, state, and local law enforcement agencies. The SWBICP also provides a mechanism to collect information needed to assess counterdrug measures and security threats along the U.S.-Mexico border. The SWBICP evolved from DEA's previous highly-successful SWB-focused intelligence collection plan, Operation Black Flag.
- The DEA led, multi-agency Special Operations Division's (SOD) mission is to establish seamless law enforcement strategies and operations aimed at dismantling national and international trafficking organizations by attacking their command and control communications. SOD is able to facilitate coordination and communication among law enforcement entities with overlapping investigations and ensure tactical and operational intelligence is shared and that enforcement operations and investigations are fully coordinated among and between law enforcement agencies.
- Organized Crime Drug Enforcement Task Forces (OCDETF) – The OCDETF program was initiated in 1982 to combine federal, state, and local law enforcement efforts into a comprehensive attack against organized crime and drug traffickers. DEA is an active component of the OCDETF program responsible for initiating 79 percent of all OCDETF investigations in FY-2010 (80 percent in FY-2009). DEA is also an active participant in 86 percent of the total number of current OCDETF investigations initiated in FY-2010 (87 percent in FY-2009). DEA also plays a major role in OCDETF Strike Forces. OCDETF Strike Forces collaborate with the Southwest Border High Intensity Drug Trafficking Area (SWB HIDTA) regional task forces in Arizona, California, New Mexico, West Texas and

South Texas. Southwest Border HIDTA Task Forces represent federal, state, and local partnerships that target Mexican drug cartels and their smuggling and transportation networks that spawn cartel violence along the Border. The SWB HIDTA is one of 28 HIDTAs which are funded via the ONDCP. DEA Task Forces, OCDETF Strike Forces and HIDTA Task Forces have had enormous success dismantling major Mexican drug trafficking organizations linked to Mexico-based cartels.

- The OCDETF Fusion Center (OFC) provides investigative and operational intelligence support to OCDETF investigations through the development of organizational target profiles and the development of specific investigative leads. These leads and intelligence products are disseminated to the appropriate field elements of the OCDETF agencies through SOD. Intelligence and leads relating to other criminal activities, including terrorism, are disseminated through SOD to the appropriate agencies.
- DEA's Drug Flow Attack Strategy (DFAS) is an innovative, multi-agency strategy, designed to disrupt significantly the flow of drugs, money, and chemicals between source zones and the United States by attacking vulnerabilities in the supply chains, transportation systems, and financial infrastructure of major drug trafficking organizations. DFAS calls for aggressive, well-planned, and coordinated enforcement operations in cooperation with host-nation counterparts in global source and transit zones. Operation All Inclusive (OAI) is the primary DFAS enforcement component in the source and transit zones. Iterations of OAI have been staged annually since 2005.
 - Operation Doble Via (ODV), the domestic component of OAI, was conducted between April and September 2007 to disrupt the flow of drugs, chemicals, and money across the SWB. ODV took place on both sides of the border and the main participants were DEA, CBP, Texas Department of Public Security, and several Mexican agencies including the Federal Investigative Agency (AFI), the Federal Preventive Police (PFP), the military, and the Deputy Attorney General's Office of Special Investigations on Organized Crime (SIEDO). Operation Doble Via II will be conducted this year, with a focus on the Arizona-Mexico border. Through the collection of law enforcement intelligence and the development of investigations specifically targeting the Arizona border region, ODV-II will seek to dismantle those drug trafficking organizations and other armed groups responsible for the violence in Sonora, Mexico and the movement of drugs, weapons, and money across the border with Arizona.
- The El Paso Intelligence Center (EPIC) is a national tactical intelligence center that focuses its efforts on supporting law enforcement efforts in the Western Hemisphere, with a significant emphasis on the SWB. Through its 24-hour Watch function, EPIC provides immediate access to participating agencies' databases to law enforcement agents, investigators, and analysts. This function is critical in the dissemination of relevant information in support of tactical and investigative activities, deconfliction, and officer safety. EPIC also provides significant, direct tactical intelligence support to state and local

law enforcement agencies, especially in the areas of clandestine laboratory investigations and highway interdiction.

- EPIC's Gatekeeper Project is a comprehensive, multi-source assessment of trafficking organizations involved in and controlling movement of illegal contraband through "entry corridors" along the SWB. The analysis of Gatekeeper organizations not only provides a better understanding of command and control, organizational structure, and methods of operation, but also serves as a guide for policymakers to initiate and prioritize operations by U.S. anti-drug elements. Numerous "Gatekeepers" have direct links to Priority Target Organizations (PTO) and/or Consolidated Priority Organization Targets (CPOT).
- Implementation of License Plate Readers (LPR) along the SWB by DOJ and DHS has provided a surveillance method that uses optical character recognition on images that read vehicle license plates. The purpose of the LPR Initiative is to combine existing DEA and other law enforcement database capabilities with new technology to identify and interdict conveyances being utilized to transport bulk cash, drugs, weapons, as well as other illegal contraband. Almost 100 percent of the effort and cost associated with monitoring southbound traffic is directed at the identification, seizure, and forfeiture of bulk cash and weapons, while the effort and cost of monitoring northbound traffic is both enforcement and forfeiture-related, in that suspect conveyances can be identified for later southbound monitoring. DEA components have the ability to query and input alerts on license plates via an existing DEA database, and other law enforcement agencies can do the same via EPIC. DEA and CBP are currently working together in order to merge existing CBP LPRs at the points of entry with DEA's LPR Initiative.
- The Concealment Trap Initiative (CTI) targets those vital service providers who build concealed trap compartments or use natural voids in vehicles or other conveyances and residences for DTOs to conceal bulk cash or other contraband. Drug traffickers recognize that "bulk" currency is subject to seizure and easily forfeited when discovered by law enforcement authorities. To counter this, drug traffickers employ a myriad of techniques, including the use of concealment traps, to impede and frustrate law enforcement's efforts to discover and seize illicit drug proceeds. The CTI addresses the challenge of helping law enforcement officers and agents keep up with the technology behind these traps, including training them to identify and locate the traps, and establish probable cause toward obtaining a search warrant or consent to search the vehicle or residence in which the trap is located. DEA expended \$3 million on the CTI program in 2009, and seized over \$28 million, in addition to drugs and weapons.
- Bulk cash seizures represent the cash proceeds obtained from the illegal trafficking of drugs, weapons and persons and are targeted by DEA, FBI, ICE and other federal and state and local law enforcement partners for use in obtaining valuable investigative leads and intelligence data. EPIC also maintains the National Seizure System (NSS) which serves as a repository for information related to the seizure of contraband including drugs, weapons and currency. EPIC provides a broad spectrum of interagency information and intelligence

systems which are capable of immediately assessing the information and assisting law enforcement agencies in obtaining probable cause for search warrants, link cases together and follow up on existing cases.

- DEA is a member of the DHS Border Enforcement Security Task Force (BEST), an ICE-led initiative designed to increase the flow of information between participating agencies regarding transnational criminal organizations and violent gangs operating along our shared borders.

2. Members of the Subcommittee have been working with the Mexican Ambassador and U.S. officials to ensure that the Bobby Salcedo investigation brings his killers to justice. We found that American officials face significant hurdles to effective cooperation with the Mexican government when it comes to criminal investigations.

- **What can the United States do to enhance law enforcement cooperation with Mexico?**

DEA currently enjoys an excellent working relationship with the current Mexican administration of President Calderon. Through the Merida Initiative, DEA, partnering with the Department of State, along with other federal law enforcement components of the United States Government, provide much needed assistance to the Mexican Government in its fight against the powerful drug cartels.

The drug trade in Mexico has been rife with violence for decades, though the level and the severity of violence we are seeing today is unprecedented. Without minimizing the severity of the problems we are confronted with today, it is nonetheless critical to note that this is not unprecedented. There is a “culture of violence” associated with DTOs results in cyclical “violence epidemics” with which Mexico is periodically beset. We do not have to go very far back in history to recall the cross-border killing spree engaged in by Los Zetas operatives in the Laredo-Nuevo Laredo area during 2004-05. But one thing must remain clear in any discussion of violence in Mexico, or violence practiced by Mexican traffickers operating in the United States: drug gangs are inherently violent, and nowhere is this more true than in Mexico where wild west-style shootouts between the criminals and the cops, and/or elements of opposing trafficking groups is far too common. Since 2007, there have been over 22,000 drug related murders in Mexico, as reported by the Mexican Attorney General’s office.

With regard to the murder of Bobby Salcedo, the Federal Bureau of Investigation (FBI) has primary jurisdiction for the investigation, and DEA will fully support the FBI’s efforts to bring the murderer(s) to justice.

3. The Administration has touted the Organized Crime Drug Enforcement Task Force teams, the Border Enforcement Security Task Force teams, and other inter-agency task forces in order to cut down on illegal activities along the Southwest Border. Now the agencies have asked for additional funding for these programs.

- How do we know these programs are effective?
- How are these programs different from other counternarcotics programs?

OCDETF is the centerpiece of the Attorney General's drug supply reduction strategy. The types of investigations that are needed to attack the powerful criminal organizations operating along and across the Southwest Border today are typically so complex and labor intensive that they could not be effectively conducted without cooperation among the OCDETF agencies. Most, if not all, of these investigations require a mix of skills, experience, and jurisdiction that no single agency has. In order to enhance the OCDETF Program's ability to contribute to the Administration's mandate to reduce the drug supply, the Program focuses the resources of its seven member agencies from the Departments of Justice, Homeland Security, and Treasury on coordinated, nationwide investigations, targeting the entire infrastructure of major drug trafficking organizations. It has also assisted in the development of the Justice Department's Consolidated Priority Organization Target (CPOT) list, a unified agency target list of international "command and control" drug traffickers and money launderers. The OCDETF Program's direct attack of these major drug trafficking organizations will not only disrupt the drug market, resulting in a reduction in the drug supply, it will also bolster law enforcement efforts in the fight against those terrorist groups supported by the drug trade. The following is a summary of significant accomplishments related to the CPOTs:

- Since development of the first CPOT list in June 2002 through second quarter of FY 2010, federal law enforcement has cumulatively dismantled 42 CPOTs and disrupted the operations of another 20. In addition, during that same time period OCDETF agencies disrupted or dismantled a total of 1,421 CPOT-linked drug trafficking organizations – organizations working with or otherwise associated with a CPOT.
- Since its inception, 101 of the 134 CPOTs identified on the FY 2010 CPOT list (75 percent) have been indicted. In addition, 68 of the 134 individuals (51 percent) have been arrested, and 34 of the 134 (25 percent) have been extradited to the U.S.

The OCDETF Program is unique in that it utilizes the resources of Federal law enforcement under the power of a prosecution-driven initiative. The Department of Justice is the only federal agency that employs federal prosecutors, who make case intake decisions and handle prosecutions in federal court. OCDETF prosecutors participate in the development of the investigative strategy from the inception of every OCDETF case and provide the necessary legal services and counsel that investigators require. Attorney involvement throughout the investigation ensures that prosecutions are well-prepared, comprehensively charged, and expertly handled. This multi-function, multi-agency aspect of all OCDETF cases serves as a force multiplier that allows for a coordinated and effective approach.

The OCDETF Co-located Strike Forces bring a synergy to drug trafficking investigations by literally combining, side-by-side, the resources and expertise of all of OCDETF's participating investigative agencies, including state and local law enforcement officers and prosecutors. By coordinating their efforts, the participants in these Co-located Strike Forces eliminate superfluous effort, save valuable resources, and produce some of the largest and most successful cases against national and international level drug trafficking organizations.

Recent successes with these types of investigations include "Project Deliverance", targeting the transportation infrastructure of the Mexican drug trafficking organizations operating along the Southwest border, "Project Reckoning," targeting the transportation and distribution cells of the Gulf Cartel, "Operation Xccelerator," targeting the powerful Sinaloa Cartel, and Project Coronado, targeting the La Familia Cartel. Project Coronado was the largest single strike to date against Mexican drug cartels, a 44-month investigation that led to the arrests of 1,254 persons in 19 states in the U.S., and the seizure of more than 2,000 kilograms of cocaine, 19,000 pounds of marijuana, 3,900 pounds of methamphetamine, 269 vehicles, five maritime vessels, 389 weapons, five clandestine drug labs, and more than \$73 million in U.S. currency and other assets.

- At the end of the second quarter of FY 2010, 21 of the 59 organizations on the FY-2010 CPOT list were associated with terrorist organizations. Terrorist-linked DEA Priority Target Organization (PTO) investigations increased from 55 cases in FY 2004 to 89 through the second quarter of FY 2010, a 62 percent increase.

DEA is a member of the Department of Homeland Security (DHS) Border Enforcement Security Task Force (BEST), an Immigration and Customs Enforcement (ICE)-led initiative designed to increase the flow of information between participating agencies regarding transnational criminal organizations and violent gangs operating along our shared borders. In particular, BESTs target the underlying source of cross border violence along the SWB: weapons smuggling, narcotics and human smuggling as well as bulk cash smuggling. Although DEA is one of several participants in the BEST Program, under the direction of ICE, DEA defers to DHS/ICE to elaborate on the effectiveness of the BEST program as well as to how it is different from the other successful counternarcotics programs.

4. How is the recent troop surge in Afghanistan interfacing with current drug interdiction efforts conducted by federal agencies, including DEA?

The U.S. Government pursues its counternarcotics objectives in Afghanistan through a "whole of government" counterinsurgency approach. Counternarcotics efforts are weaved into the broader civil-military strategy, including the recent troop surge, to help secure the Afghan population and connect the Afghan people to legitimate alternatives. Over the past year, the U.S. Government has increased the overall number of civilians on the ground in Afghanistan. To support the U.S. Counternarcotics Strategy for Afghanistan and our renewed emphasis on agriculture development and interdiction, some of these new civilian personnel will work directly in the area of counternarcotics. To support agriculture development, the U.S. Agency on International

Development (USAID) and the U.S. Department of Agriculture (USDA) are increasing civilian staffing levels to promote high-value agriculture crops and provide expertise and technical support to Afghan farmers. In support of interdiction, with the Department of State support, DEA is expanding its civilian presence to attack the drug-insurgency nexus and to reduce the financial support that the insurgency receives from the drug trade. DEA provides training and mentoring to the Counternarcotics Police of Afghanistan, and continues to provide leadership for the Afghan Threat Finance Cell (ATFC). DEA is also working very closely with the Government of the Islamic Republic of Afghanistan, the North Atlantic Treaty Organization International Security Assistance Forces (NATO ISAF), the Australian Federal Police (AFP), UK Serious Organized Crime Agency (SOCA), Canada, the U.S. Department of State, the Federal Bureau of Investigation, the Department of Homeland Security, Immigration and Customs Enforcement, and the U.S. Treasury to disrupt the narcotics-insurgency nexus. By the end of FY 2010, DEA will have increased its presence in Afghanistan from 67 positions in December of 2009, to 81 permanent positions. This increase includes five 11-man Enforcement Groups forward deployed to Kabul, and Regional Commands in Herat, Kandahar, Konduz, and Jalalabad. In addition, DEA currently has four Special Agents assigned full time to the Afghan Threat Finance Cell.

DEA has always worked closely with the military on counternarcotics matters. Out of 78 DEA counternarcotics operations in FY 2009, the military participated in 54 operations in Afghanistan and provided extensive support. A campaign plan initiated in February 2010 ("Operation Southern Fury") for counternarcotics investigations and operations in southern Afghanistan is a good example of a fully coordinated and synchronized operation with the U.S. military and NATO ISAF operating in the south, predominately in Helmand Province. This campaign targets drug trafficking networks supporting the insurgency, insurgent leaders actively engaged in drug trafficking, and corrupt government officials involved in the drug trade. As of July 30, 2010, "Operation Southern Fury" has resulted in the seizure of approximately 829 kilograms of opium, 1294 kilograms of heroin, and over 14,344 kilograms of heroin precursor chemicals.

5. What effects have U.S. military operations had on efforts to eliminate Afghanistan's illicit poppy trade?

Improved security is essential to achieving sustainable reductions in Afghanistan's illicit opiate trade. Over the last five years, Afghan opium cultivation and production became increasingly concentrated in Afghanistan's insecure south and southwest, and the narcotics industry there flourished unabated. In the last eighteen months, combined operations with Afghan, US, and NATO ISAF military and counter narcotics forces in the heartland of the narcotics-insurgency nexus have begun to provide an environment that will enable the Government of Afghanistan to establish the Rule of Law and will permit sustainable licit economic development in place of the opium industry. For example, military operations over the last eighteen months were essential to the highly successful Helmand Food Zone Plan because they provided a more secure environment within which aid programs could more effectively be implemented and because counter narcotics law enforcement focused on breaking the narcotics-insurgency nexus. The positive results of military operations targeting the narcotics-insurgency nexus is further

evidenced by the dramatic opium price increases over the last twelve months reported by the UNODC, with opium prices reaching levels not seen in over three years. The greatest price increases have been recorded in the south, where the greatest increase in coalition presence and activity has also occurred.

Opium prices increased in the areas along the opium supply lines in Helmand to both Pakistan via Bahram Chah and to Iran via Farah and Nimruz, and particularly, in the specific areas of force build ups (Marjah, Helmand) and counternarcotics operations (Bahram Chah, Helmand). The knowledge of pending military operations in Marjah had major effects on narcotics traffickers who began buying significant amounts of stocks, settling debt, and closing and moving their business to avoid risk of impending interdiction. Short-term price changes are usually linked to trafficking networks or labs in the region dismantling, creating a temporary glut in the market with increases in price due to large-scale purchase. These operations contributed to an overall down turn in drug-related activity and availability of opium. Due to the environment of sustained risk, buyers and transporters are unwilling to absorb the risk and therefore, narcotics business has significantly decreased in the corresponding operational areas.

Despite decreases, potential production over the last two years and forecasted for this year, narcotics production and trafficking remains a serious problem in Afghanistan. Funds gained from the opium trade continued to be a significant source of funding for insurgents and a source of government corruption. Opium production remains highest in areas with the least security, predominantly the south, and military operations there will be crucial to making progress on counter narcotics. Interdicting narco-insurgency networks has been a priority for increased U.S. operations in southern Afghanistan. These ongoing efforts advance the strategic goal of bringing security and stability to the region.

6. To what extent do Mexican drug trafficking organizations use commercial trucks to get drugs into the United States, as well as to distribute drugs in the United States?

According to the National Drug Intelligence Center's *2010 National Drug Threat Assessment*, from January through November 2009, U.S. seizures of illegal drugs in transit exceeded 1,626 metric tons, indicating that DTOs succeed in moving several thousand tons of cocaine, methamphetamine, marijuana, heroin, and MDMA into the United States annually. There are unique smuggling and transportation methods associated with each drug type, but overall, drug seizure data and law enforcement reporting indicate that overland smuggling and subsequent transportation by vehicle exceed all other methods combined.

EPIC reports that Mexican drug trafficking organizations use commercial vehicles widely. The contraband is usually hidden in produce commodities. There have been many seizures at CBP check points attesting to this preferred conveyance. Operation Tourniquet is a DEA Houston Field Division initiative targeting the transportation infrastructure of the Mexican cartels. The El Paso Field Division has joined "Operation Tourniquet" to expand the program across the entire Texas-Mexico border. However, while DEA has several offices along the SWB and five offices

on the northern border of Mexico, DEA is an “investigative” agency, not an “interdiction” agency such as CBP, which is a component of DHS.

7. What percentage of trucks crossing the southern border into the United States is put through a thorough, hands-on inspection?

DEA is an investigative agency with a large investigative capacity along the SWB. Those Department of Homeland Security agencies responsible for inspections at the ports of entry are best positioned to offer a perspective on the capacity to conduct hands-on inspections.

8. Are there indications that Mexican drug trafficking organizations have cooperated with terrorist organizations to traffic people and illicit cargo into the United States?

DEA does not possess any direct evidence or intelligence indicating that Mexican drug trafficking organizations have cooperated or conspired with known terrorist organizations to traffic people and/or illicit cargo into the U.S.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

The Honorable John F. Tierney
Chairman
Committee on House Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
U.S. House of Representatives
Washington, DC 20510

Dear Representative Tierney:

Thank you very much for the opportunity to appear before your subcommittee's hearing on March 3, 2010 entitled, "Transnational Drug Enterprises." This letter responds to your letter sent on March 18, 2010 with questions for the record. I am pleased to answer these as fully as possible and hope that these answers are of help to you.

1. "The Administration's budget contains funds for international aid programs to Mexico and other Latin American countries in order to cut down on drug related violence. U.S. government entities like the Drug Enforcement Administration and Immigration and Customs Enforcement also have programs that operate in the United States, but affect the cartels. What programs in your budgets are focused on combating drug violence in Mexico and illegal activity along the border?"

The primary means through which OFAC plays a role in combating drug violence in Mexico and illegal activity along the border is through our administration and enforcement of the Foreign Narcotics Kingpin Designation Act (Kingpin Act). The Kingpin Act requires the President to publicly identify "significant foreign narcotics traffickers" appropriate for sanctions prior to June 1 of every year and to report those actions to the Congress. OFAC coordinates an interagency process to ensure that these Presidential identifications occur each year. To date, 37 Mexican kingpins have been identified by the President. Pursuant to the Kingpin Act, OFAC also targets for sanctions those individuals and entities who are: 1) materially assisting in, or providing financial or technological support for or to, or providing goods and services in support of, the international narcotics trafficking activities of a significant foreign narcotics trafficker or person designated pursuant to the Kingpin Act; 2) owned, controlled, or directed by, or acting for or on behalf of, a significant foreign narcotics trafficker or a person designated pursuant to the Kingpin Act; or 3) playing a significant role in international narcotics trafficking. To that end, since the inception of the Kingpin Act in 1999, OFAC has designated 246 individuals and 119 entities involved in or related to Mexican drug trafficking organizations. The consequence of designation is that any assets that these individuals and entities may have in the United States are

frozen, and U.S. persons are prohibited from conducting financial or commercial transactions with them. Essentially, sanctions deny the designated Mexican individuals and entities access to the United States financial and commercial systems and immobilize their resources.

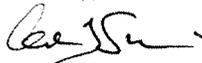
2. “Drug Cartels are laundering money in increasingly novel ways. They are using money-services businesses to transfer cash and smuggling cash using money orders and traveler’s checks. They are increasingly using online services. How is the Department of the Treasury adapting to these new money laundering techniques?”

While OFAC does not engage in criminal investigation or prosecution of money launderers, OFAC is cognizant of the ever-evolving ways in which drug trafficking organizations launder money. OFAC targets individuals and entities for sanctions to the extent that they meet the criteria for designation pursuant to the Kingpin Act, including money launderers. For example, in December 2007, OFAC targeted the financial and commercial network of Blanca Cazares Salazar, a key Sinaloa Cartel money launderer. In this action, OFAC designated 23 individuals and 19 companies.

The Department of the Treasury continuously monitors and evaluates the various and evolving methods employed by the drug cartels to launder funds through the formal financial systems. We are working closely with Mexican and other international authorities – including through information sharing and the provision of technical assistance – to safeguard the U.S., Mexican, and *global* financial systems from the illicit activities of these transnational enterprises.

Please do not hesitate to contact me if I can be of further assistance.

Sincerely,



Adam J. Szubin

CHARRTS No.: HOCR-02-001
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #1

Question: The Administration's budget contains funds for international aid programs to Mexico and other Latin American countries in order to cut down on drug related violence. U.S. government entities like the Drug Enforcement Administration (DEA) and Immigration and Customs Enforcement also have programs that operate in the United States, but affect the cartels.* What programs in your budgets are focused on combating drug violence in Mexico and illegal activity along the border?

Answer:

Pursuant to validated requests, the Department of Defense Counternarcotics Central Transfer Account (DoD CN/CTA) program provides equipment, training, information sharing, subject matter expert exchange and related support to Mexican security organizations with CN responsibilities as well as support to U.S. Government agencies' CN activities with respect to Mexico. This is executed primarily via the U.S. Northern Command and complements the Merida Initiative of security-related cooperation among Central America, Mexico and the United States.

Highlights of DoD CN/CTA direct support to Mexico include:

- Counternarcotics Security Force Capacity-Building: helicopter and fixed wing flight and maintenance training; maritime law enforcement, littoral, and riverine training; and medical, protective, and associated equipment and training.
- Drug Smuggling Interdiction Support: reconnaissance aircraft repairs and equipment upgrades; naval vessel maintenance and repairs; military tactical and operational training, including for night operations.
- Counternarcotics Information Sharing: sharing air and maritime tracks of interest; and strengthening CN communications among U.S. and Mexican authorities.

Within the United States, the DoD CN/CTA supports federal, state and local law enforcement primarily through Joint Task Force North (JTF-N) employment of active duty forces and via the National Guard State Plans Program, under the authority of the state governors, which provide National Guardsmen on a full time basis to support law enforcement agencies and community based organizations.

Pursuant to validated requests, and in accordance with the law and DoD policy, JTF-N and/or the National Guard provides information and military support to civilian law enforcement agencies. Performing these missions provides training to U.S. military forces, as well as helping carry out

DoD's responsibility for the detection, monitoring and communication of air, sea and surface traffic toward the United States. JTF-N additionally supports law enforcement agencies by facilitating interagency and international operational synchronization and building interagency/multi-jurisdictional capacity to counter transnational illicit activities.

Highlights of domestic CN support include:

- Operational Support: manned and unmanned aerial reconnaissance; ground sensors; air and maritime transportation; command, control, communications and computer networks for improved integration of law enforcement and military activities; and radar systems.
- Analytical Support: developing intelligence requirements to meet law enforcement needs; threat assessments; criminal case analysis support; and linguistic support.
- Engineering: personnel and vehicle barriers; lights; roads; and bridges.
- General Support: mobile training teams; tunnel detection; transportation; and sustainment.

CHARRTS No.: HOG-02-002
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #2

Question: In December 21, 2006 remarks to the Atlantic Council, General James L. Jones (in his capacity as the Supreme Allied Commander Europe) stated that "the Achilles' heel of Afghanistan is the narcotics problem." General Jones suggested that the solution "has to be broad. It's not any one thing. There's no recipe for this. It's not just eradication, not crop substitution. It's a-lot of things that can be combined to begin to wean the economy." *Is the U.S. Government surging its counternarcotics effort in Afghanistan in tandem with the troop surge? *If so, can you offer specific examples?

Answer:

DoD is working in partnership with the Counternarcotics Police of Afghanistan and the Drug Enforcement Administration to help the Afghan government enforce its CN laws and break the narcotics and insurgency nexus. DoD provides coordination support for law enforcement operations through the Interagency Operations Coordination Center (IOCC) and the Combined Joint Interagency Task Force – Nexus (CJIATF-N) in Regional Command – South. The majority of the CN operations are focused on southern Afghanistan in tandem with our main effort. Additional personnel are being assigned to CJIATF-N in order for ISAF to provide support to CN law enforcement operations and help military commanders target nexus insurgents. Members of CNPA's National Interdiction Unit (NIU) and their colleagues from the DEA's Foreign-deployed Advisory Support Team (FAST) work closely with ISAF in Southern Afghanistan to investigate and arrest narcotics traffickers in areas cleared by ISAF.

As an example of the CN effect the surge is producing, combined Afghan-ISAF patrols discovered two significant drug caches in the Bakwah district of Farah province in mid-March. The first cache contained 37 pounds of morphine, more than a half-ton of opium, 220 pounds of soda ash, 66 gallons of ammonium hydroxide, 50 bottles of hydrogen chloride, multiple bags of processed heroin, and narcotics-processing equipment. The second cache, discovered two hours later and about a half-mile away by a separate patrol, contained 10 (55)-gallon drums of liquid opium, 50 bags of a cutting agent, a large pile of heroin and opium on the ground, pressure cookers with opium cooking inside, scales and narcotics-processing equipment. The drugs and equipment were destroyed on site.

CHARRTS No.: HOCR-02-003
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #3

Question: The President's budget request for Fiscal Year 2011 includes a 3.5 percent increase for drug control programs. What Department of Defense programs will the additional finding augment?

Answer:

The President's budget request for FY 2011 is a decrease over the FY 2010 budget. In FY 2010, the Drug Interdiction and Counterdrug Activities, Defense appropriation is \$1.5B, with an additional \$94M FY 2010 Supplemental request. The amount requested for counternarcotics efforts in FY 2011 is \$1.131B, with an additional request of \$457.1M FY 2011 Overseas Contingency Operations (OCO). Therefore there is a \$10M net decrease in the FY 2011 program. This decrease primarily reflects Congressional adjustments to the Drug Interdiction and Counterdrug Activities account in FY 2010.

CHARRTS No.: HOCR-02-004
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #4

Question: How is the recent troop surge in Afghanistan interfacing with current drug interdiction efforts conducted by federal agencies, including DEA?

Answer:

The current U.S. troop buildup in Afghanistan provides the additional forces necessary to enable coalition forces and Afghan National Security Forces to clear and hold contested areas. Once formerly contested areas are secure, effective counternarcotics operations can take place. Host nation and international law enforcement elements coordinate their operations with ISAF through established coordination mechanisms and the Integrated USG Civil-Military Campaign Plan. DEA and the Counternarcotics Police of Afghanistan (CNPA) are currently working closely with ISAF in Marjah, Helmand to plan and execute law enforcement operations. Security provided by ISAF has enabled the DEA and CNPA to conduct joint investigations and operations.

CHARRTS No.: HOCR-02-005
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #5

Question: What effect have U.S. military operations had on efforts to eliminate Afghanistan's illicit poppy trade?

Answer:

U.S. Military operations have enabled host nation security forces to provide security and stability enabling improvements to the livelihoods of the local population. U.S. military operations have also enabled host nation police forces to enforce the rule of law. Improved livelihoods, security, and stability help create an environment where farmers are no longer coerced into poppy cultivation by the insurgents and have access to licit economic opportunities. US Military commanders are authorized to conduct operations against facilities and personnel with links to the insurgency. The revised DoD International Counterdrug Policy provides more flexibility for commanders to support operations against traffickers and processors that provide support to the insurgency. As a result, US military has been able to conduct numerous operations aimed at the drug-insurgency nexus. From January 1 – March 12, 2010; the Afghan National Police, DEA and ISAF have seized 16,355 kilograms of opium, 1214 kilograms of heroin, and 8,925 kilograms of pre-cursor chemicals. This is a significant increase over previous years. Increased operational tempo against CN targets will hasten the dismantling of narcotics trafficking networks.

CHARRTS No.: HOG-02-006
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #6

Question: On February 13, NATO's International Security Assistance Force launched its biggest offensive since the start of the mission, a much-publicized assault on the insurgent stronghold of Marja in Helmand province. During the first week of March, Afghan and NATO-led troops have seized over 15 tons of opium poppy in Helmand and found 3,000 kilograms of opium and 16 kilograms of heroin in Marja. *Once we move into the "hold and build" phase of counter-insurgency in Marja, what are the U.S. and NATO plans for ensuring that Afghan farmers have access to alternative crops and can sustain their livelihoods by legal means?

Answer:

Implementation of alternative livelihood programs is not the primary responsibility of DoD, we recommend this question be directed to the Department of State. Military commanders will work closely with their civilian counterparts to provide support to the delivery of alternative livelihoods and access to alternative crops through the USG Integrated Civil-Military Campaign Plan as well as more detailed planning for specific operations with key international partners. ISAF works with the Afghan National Security Forces (ANSF) to ensure security and stability for delivery of alternative livelihoods. U.S. forces are using Commanders' Emergency Response Program (CERP) funding to meet urgent relief and reconstruction requirements, including programs which provide short-term employment and repair infrastructure that support licit agricultural activity.

CHARRTS No.: HOG-02-007
House Government Reform Committee
Hearing Date: March 03, 2010
Subject: Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threats
to Global Stability and U.S. National Security
Congressman:
Witness: Mr. Wechsler
Question: #7

Question: The international effort to train the Afghan National Police (ANP) is essential. The ANP training has been much less effective than the Afghan National Army (ANA) training for various reasons, including different national training methods, shortage of trainers, and problems with recruitment and retention of Afghans. The ANP is frequently the first interface an average Afghan has with the Afghan Government. Insufficient salaries and endemic corruption lead to the ANP's complicity in or turning a blind eye to the drug trade. *How do you assess the effectiveness of the ANA and ANP forces, including their counternarcotics mission, which have been stood up and serve (for example in Marja), alongside the NATO forces? *What counternarcotics training or mentoring do the ANA and ANP receive from NATO forces? *How can the ANP training be improved? *What other means is NATO using in its counternarcotics efforts?

Answer:

Improving the operational capability of the ANP and ANA is critical to transitioning the responsibility of security to host nation forces. The ANA does not engage in deliberate counternarcotics operations, but has destroyed narcotics and drug infrastructure in the course of counterinsurgency operations and has enabled the CNPA to operate in contested areas. The CNPA is charged with investigating narcotics smuggling. The CNPA and its specialized units require significant support from the international community in order to conduct operations. The DoD has established a CNPA Development Cell (CDC) under CSTC-A/NTMA with experts from DOJ's International Criminal Investigative Training Assistance Program (ICITAP). The CDC will assist the MOI develop and implement a comprehensive development plan for the CNPA. DoD provides training, infrastructure and equipment support to the CNPA. NTMA has been established to improve coordination of the development and training of Afghan National Security Forces (ANSF); a major focus is improving the quality and quantity of the police. Critical to ANP development and CN efforts is the improvement of the justice systems throughout Afghanistan. NATO forces do not provide counternarcotics training or mentoring to ANA. NATO provides intelligence and coordination support for counternarcotics operations.