

Testimony of
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Madam Chairperson and Members of the Committee, thank you for the opportunity to speak to you today on this important subject.

The attacks against the United States on September 11 stunned us all. They also made it very clear that the mission of the Bureau for International Narcotics and Law Enforcement Affairs (INL) -- to provide support to counternarcotics and other anti-crime efforts worldwide -- is more important now than ever.

While INL does not have the lead in the war on terrorism, we strongly support these efforts through our counternarcotics and crime control activities, which provide training, equipment and institutional support to many of the same host nation law enforcement agencies that are charged with a counter-terrorist mission. We are also working on the diplomatic front, both multilaterally and bilaterally, to strengthen our counternarcotics and law enforcement cooperation with other governments with a special focus on bringing these tools to bear in the fight against terrorism. For example, in the G8 we have since September 11 combined the efforts of Lyon (crime) and Roma (counterterrorism) experts groups to enhance cooperation on a range of specific issues, including counternarcotics in relation to Afghanistan.

SYMBIOTIC RELATIONSHIP

There often is a nexus between terrorism and organized crime, including drug trafficking. Links between terrorist organizations and drug traffickers take many forms, ranging from facilitation -- protection, transportation, and taxation -- to direct trafficking by the terrorist organization itself in order to finance its activities. Traffickers and terrorists have similar logistical needs in terms of materiel and the covert movement of goods, people and money.

Relationships between drug traffickers and terrorists benefit both. Drug traffickers benefit from the terrorists' military skills, weapons supply, and access to clandestine organizations. Terrorists gain a source of revenue and expertise in illicit transfer and laundering of proceeds from illicit transactions. Both groups bring corrupt officials whose services provide mutual benefits, such as greater access to fraudulent documents, including passports and customs papers. Drug traffickers may also gain considerable freedom of movement when they operate in conjunction with terrorists who control large amounts of territory.

SIMILARITY OF METHODS

Terrorist groups and drug trafficking organizations increasingly rely on cell structures to accomplish their respective goals. While there may be a strong central leadership, day-to-day operations are carried out by members of compartmentalized cells. This structure enhances security by providing a degree of separation between the leadership and the rank-and-file. In

addition, terrorists and drug traffickers use similar means to conceal profits and fund-raising. They use informal transfer systems such as "hawala," and also rely on bulk cash smuggling, multiple accounts, and front organizations to launder money. Both groups make use of fraudulent documents, including passports and other identification and customs documents to smuggle goods and weapons. They both fully exploit their networks of trusted couriers and contacts to conduct business. In addition, they use multiple cell phones and are careful about what they say on the phone to increase communications security.

The methods used for moving and laundering money for general criminal purposes are similar to those used to move money to support terrorist activities. It is no secret which countries and jurisdictions have poorly regulated banking structures, and both terrorist organizations and drug trafficking groups have made use of online transfers and accounts that do not require disclosure of owners. Moreover, bulk cash smuggling methods and informal networks such as "hawala" and the black market peso exchange are easy and efficient ways to launder money. Criminal networks are in a perfect position to use methods that require doctoring of passports or customs declaration forms. These methods are unlikely to change in the near term. Though many countries have been quick to update their regulations, few have the law enforcement structure in place to carry out interdiction. If law enforcement capabilities improve globally, in the long term traffickers and terrorists may increasingly use trusted individual couriers, or more complex balance transfers in informal networks.

INL has worked with the Departments of Justice and Treasury and with nations around the world to strengthen controls which could thwart the drug traffickers' attempts to launder their funds and to investigate and prosecute those who are involved in moving criminal proceeds. These same law enforcement controls also help prevent the movement of funds of terrorist organizations.

Moreover, many of the skills and types of equipment needed to attack organized crime are applicable to combating terrorism. Much of INL's assistance -- such as the provision of equipment for forensic labs; assistance with drafting asset forfeiture and money laundering legislation; and provision of basic training in investigation techniques, maritime enforcement and port security -- applies to both counternarcotics and counterterrorism. Migrant smuggling, document fraud, arms trafficking, auto theft, smuggling of contraband, and illegal financial transactions are tools for terrorists as well as narcotics traffickers.

FROM STATE-SPONSORSHIP TO DRUG TRAFFICKING

In the past, state sponsors provided funding for terrorists, and their relationships with terrorist organizations were used to secure territory or provide access to gray arms networks. Lately, however, as state sponsorship of terrorism has come under increased scrutiny and greater international condemnation, terrorist groups have looked increasingly at drug trafficking as a source of revenue. But trafficking often has a two-fold purpose for the terrorists. Not only does it provide funds, it also furthers the strategic objectives of the terrorists. Some terrorist groups believe that they can weaken their enemies by flooding their societies with addictive drugs.

Growing pressure on state sponsors of terrorism has increased the likelihood that terrorists will become involved in the drug trade. Interdiction of terrorist finances and shutdowns of "charitable" and other non-governmental front organizations have also contributed to their

convergence. Terrorist groups are increasingly able to justify their involvement in illicit activity to their membership and have largely abandoned the belief that it can damage the moral basis for their cause.

Listed below, by geographic region, are terrorist organizations that are known to have connections to drug-trafficking. Most of these organizations have been officially designated as Foreign Terrorist Organizations (FTOs) by the Secretary of State.

Latin America

In the Western Hemisphere, there is an historic link between various terrorist groups and narcotics trafficking. The Shining Path cut a brutal swath through Peru from the 1980s to the mid-1990s, largely funded by levies the group assessed on cocaine trafficking. In Ciudad del Este, Paraguay, and along the loosely controlled region that it borders with Brazil and Argentina, members of radical Islamic groups are reported to be engaged in money laundering, intellectual property rights piracy, alien smuggling, and arms trafficking.

The Andean region is the source of virtually all the world's cocaine. Colombia, Peru and Bolivia, in that order, are the primary producers of coca and the final products. The presence of terrorist organizations in Colombia and Peru -- and their need to finance operations -- establishes a natural symbiotic relationship to exploit drugs as a revenue source.

The linkage between drugs and terrorism in Colombia is one that particularly concerns us and one that we watch carefully. In the 1990s, the international drug cartels operating in Colombia embarked on a campaign of violence that severely challenged the authority and even the sovereignty of the Colombian state. The September 11 attacks illustrate in graphic detail the serious threat posed by forces hostile to the United States operating under the cover and protection of a narco-terrorist state. In light of recent events in Colombia, the potential for increased violence between the government and terrorist groups, and the growing linkage between terrorism and drug trafficking, we are reviewing our policy options there. At present, there are three terrorist groups operating in Colombia including the FARC, ELN, and AUC.

Revolutionary Armed Forces of Colombia (FARC) - Although the FARC-controlled safe haven, or "despeje" - which is situated between two of Colombia's largest coca cultivation areas -- is not considered a major area for coca cultivation or drug trafficking, many FARC units throughout southern Colombia raise funds through the extortion ("taxation") of both legal and illegal businesses, the latter including the drug trade. Similarly, in return for cash payments, or possibly in exchange for weapons, some FARC units protect cocaine laboratories and clandestine airstrips in southern Colombia. In addition, some FARC units may be independently involved in limited cocaine laboratory operations. Some FARC units in southern Colombia are more directly involved in local drug trafficking activities, such as controlling local cocaine base markets. At least one prominent FARC commander has served as a source of cocaine for a Brazilian trafficking organization. There are strong indications that the FARC has established links with the Irish Republican Army to increase its capability to conduct urban terrorism. In July 2001, the Colombian National Police arrested three members of the IRA who are believed to have used the demilitarized zone to train the FARC in the use of explosives.

National Liberation Army (ELN) - The ELN operates primarily along Colombia's northeastern border with Venezuela and in central and northwestern Colombia. The territories under ELN influence include cannabis and opium poppy growing areas. Some ELN units raise funds through extortion or by protecting laboratory operations. Some ELN units may be independently involved in limited cocaine laboratory operations, but the ELN appears to be much less dependent than the FARC on coca and cocaine profits to fund its operations. The ELN expresses a disdain for illegal drugs, but does take advantage of the profits available where it controls coca producing areas.

United Self-Defense Groups of Colombia (AUC) - The AUC umbrella group, which includes many Colombian paramilitary forces, admittedly uses the cocaine trade to finance its counterinsurgency campaign. The head of the AUC, Carlos Castano, stated in 2000 that "70 percent" of AUC operational funding was from drug money and described it as an undesired but necessary evil. AUC elements appear to be directly involved in processing cocaine and exporting cocaine from Colombia. In 2001, the AUC claimed publicly that it was getting out of the drug business, but it will be very difficult for this umbrella group to keep its many semi-autonomous units from continuing in the lucrative drug business.

Shining Path (Sendero Luminoso SL) (Peru) - The SL historically has operated in remote areas of Peru where central government authority is least prevalent--a condition conducive to drug producers, drug traffickers and terrorists. The geographic coincidence and reliance on violence to protect safe havens made the SL a natural to engage in protection and extortion rackets involving coca and cocaine. The SL cut a brutal swath through Peru from the 1980s to the mid-1990s, largely funded by levies it imposed on cocaine trafficking. As the SL waned in the late 1990s, so did its influence on the drug trade. But in 2001, the SL had a slight resurgence in areas like the Huallaga and Apurímac valleys where coca is cultivated and processed, indicating that the remnants of the group are probably financing operations with drug profits from security and taxation "services."

Tri-Border Islamic Groups - In Ciudad del Este, Paraguay, and along the loosely controlled region that it borders with Brazil and Argentina, members of radical Islamic groups are reported to be engaged in drug trafficking, money laundering, intellectual property rights piracy, alien smuggling and arms trafficking. One such individual is Said Hassan Ali Mohamed Mukhlis, a suspected member of the Egyptian Islamic Group with possible ties to Osama bin Laden. This group is linked to the murder of 58 tourists in Luxor, Egypt, and Mukhlis himself was arrested in 1999 by Uruguayan authorities in connection with foiled plots to bomb the U.S. embassies in Paraguay and Uruguay.

South Asia & Former Soviet Union

Throughout this region, proximity to cultivation and production, combined with the infrastructure provided by the traffickers, has encouraged mutually beneficial relationships between terrorist groups and drug trafficking organizations.

Al-Qaida - Since it transferred its base of operations to Afghanistan, al-Qaida has been sustained by a government that earned a substantial part of its revenue through taxes on opium production

and trafficking. Afghanistan's opiate trafficking, which accounts for more than 70 percent of the world's supply, was reportedly advocated by Osama bin Ladin as a way to weaken the West.

Kashmiri militant groups - These groups likely take part in the drug trade to finance their activities given their proximity to major production and refining sites and trafficking routes.

Liberation Tigers of Tamil Eelam (Sri Lanka) - Individual members and sympathizers worldwide traffic drugs --principally heroin -- to raise money for their cause, but there is no evidence of official LTTE involvement in the drug trade. The LTTE reportedly has close ties to drug trafficking networks in Burma, and Tamil expatriates may carry drugs in exchange for training from Burma, Pakistan and Afghanistan.

Islamic Movement of Uzbekistan (IMU) - The IMU has reportedly profited from the drug trade out of Afghanistan and trafficking through Central Asia to Russia and Europe.

Middle East

Hizballah - The Lebanese "Hizballah" group smuggles cocaine from Latin America to Europe and the Middle East and has in the past smuggled opiates out of Lebanon's Bekaa valley, although poppy cultivation there has dwindled in recent years. Its involvement in drug trafficking and other illicit activity may expand as state sponsorship declines.

Europe

Kurdistan Workers' Party (PKK) - The PKK "taxes" ethnic Kurdish drug traffickers and individual cells traffic heroin to support their operations.

Irish Terrorists - Although there is some evidence linking the Real IRA to drug trafficking, the extent to which the Real IRA or other terrorist groups in Ireland engage in drug trafficking is unclear.

Basque Fatherland and Liberty (ETA) - Reporting indicates the ETA or its members have been involved in a variety of crimes from drug trafficking to money laundering.

Southeast Asia

United Wa State Army (UWSA) (Burma) - The UWSA controlled major drug producing areas in Burma and used the proceeds to carry out an insurgency against the Burmese government until a ceasefire agreement that granted the UWSA enough autonomy to continue drug trafficking for profit. The Wa have also engaged in large-scale production and trafficking of synthetic drugs.

Thank you again, Madam Chairperson and Members of the Committee, for the opportunity to discuss these issues with you.