

Testimony of

Mr. John P. Clark

May 20, 2003

Good Morning, Chairman Hatch, Senator Leahy, and distinguished members of the committee. It is a pleasure and a privilege to be here today to discuss the efforts undertaken by the Bureau of Immigration and Customs Enforcement (BICE) in its role in investigating international drug smuggling and money laundering as it relates to narco-terrorism. Prior to beginning my specific testimony, I would like to provide some background on our new Bureau. With the creation of the new Department of Homeland Security, the investigative and intelligence functions of the former U.S. Customs Service and the Immigration and Naturalization Service have been merged to form the Bureau of Immigration and Customs Enforcement under the Department of Homeland Security. In addition, the Bureau includes the Air and Marine Interdiction Division, the Detention and Removal Program, and the Federal Protective Service. In part, the mission of BICE is to protect the United States and its citizens by deterring, interdicting, and investigating threats arising from the movement of people and goods into and out of the United States.

BICE utilizes the broad legal authorities of its legacy components to investigate and enforce violations of law as they had previously, and under BICE, will continue, to protect the United States and its citizens from the dangers posed by criminal organizations, including those linked to narcotics trafficking and terrorism. BICE has the authority to investigate numerous violations, including violations of Immigration laws, export laws, money laundering, smuggling, fraud, and cyber crimes -including child pornography.

BICE investigations have led to the identification, penetration, and prosecution of individuals and groups who were identified as being members of, or are linked to, designated terrorist organizations such as the FARC (Revolutionary Armed Forces of Colombia) and the AUC (United Self-Defenses of Colombia). Furthermore, BICE, with its formidable money laundering and counter narcotics programs and initiatives, has disrupted and dismantled narcotics smuggling organizations and the financial mechanisms utilized to launder their criminal proceeds.

Background

It is one of our top priorities to identify, investigate, and dismantle the criminal organizations that specialize in the transportation and smuggling of contraband and illegal aliens. The title of this hearing today, "Narco-Terrorism: International Drug Trafficking and Terrorism-A Dangerous Mix" is in essence the challenge faced by BICE special agents on a daily basis. The transportation organization that is paid to smuggle cocaine today may very well be contracted to smuggle instruments of terror or terrorists tomorrow. Historically these smuggling organizations have easily adapted to law enforcement efforts to detect their activity. As a result, BICE investigations have become increasingly complex.

It is clearly evident that the illicit narcotics trade generates enormous profits for criminal organizations. These organizations thrive on their ability to amass huge sums of money. BICE utilizes a multi-pronged approach to investigate these organizations. In an effort to disrupt and dismantle these organizations, BICE focuses not only on the inbound smuggling of contraband but also the outbound flow of criminal proceeds.

BICE's authority to conduct financial investigations has been derived from a variety of laws that include the 1970 Bank Secrecy Act, 1986 Money Laundering Control Act, the Anti-Drug Abuse Act of 1988 and the 2001 USA PATRIOT Act. In addition, various Memorandums of Understanding (MOU's) between the Secretary of the Treasury, the Attorney General and the Postmaster General have been executed regarding the conduct of money laundering investigations. These MOU's delineate the specified unlawful activities and investigative authorities in which BICE has jurisdiction.

BICE began conducting financial investigations after the enactment of the Bank Secrecy Act (BSA) in 1970. With border search authority, BICE was well suited for investigative activity pursuant to Title II of the BSA, the "Currency and Foreign Transactions Reporting Act" under Title 31 of the U.S. Criminal Code. After the events of 9/11, Congress gave BICE additional tools to combat the movement of money into and out of the United States. Title III of the USA PATRIOT Act, "The International Money Laundering Abatement and Financial Anti-Terrorism Act", added bulk cash smuggling, 31 U.S.C. 5332, to the BICE arsenal. In addition, the USA PATRIOT Act expanded the application of the prohibition on unlicensed money transmitting businesses, 18 U.S.C. 1960.

Since its inception, BICE has had the authority to enforce anti-smuggling statutes to include 18 U.S.C. 545. This authority allows BICE the ability to investigate the unlawful importation of any form of contraband. With Title 21 cross designation, BICE has been authorized by the Department of Justice, and more specifically, the Drug Enforcement Administration, to investigate narcotics smuggling organizations. Enforcement of Title 8 of the U.S. Code allows BICE

to target individuals or groups of individuals who are attempting to or have entered the United States for illicit purposes. These authorities, combined with our broad border search authority, place BICE in a ideal position to fully investigate smuggling of contraband and humans by sophisticated smuggling organizations while also targeting the financial mechanisms utilized by these elements to launder their illegal proceeds.

One such laundering mechanism is the Black Market Peso Exchange (BMPE), a trade-based money laundering system. The exchange allows drug traffickers to transfer their U.S. profits from dollars to pesos without moving cash across borders. Typically, peso exchange brokers in Colombia deposit pesos into the Colombian accounts of narcotics traffickers doing business in the United States. The pesos are profitably exchanged for the tainted U.S. dollars. The brokers have U.S. based operatives deposit the U.S. money into U.S. accounts that the brokers then use to purchase U.S. goods for Colombian importers in exchange for pesos. The products are then smuggled into Colombia, often through Panama, Aruba, and Venezuela, to avoid paying taxes in Colombia.

BICE has an ongoing aggressive investigative approach concerning the BMPE, which includes utilizing investigative techniques such as undercover investigations, Title III wire intercepts, intelligence gathering, international coordination and training of our international law enforcement counterparts.

BICE undercover operations directed at the peso brokering system have resulted in the seizure of more than \$800 million in cash and monetary instruments in the last eight years. Undercover investigations conducted by BICE have targeted hundreds of Colombian brokers, accounts, and domestic money laundering and drug trafficking cells operating in several U.S. cities, Central and South America, as well as Europe and Asia.

Case Examples

Operation Wire Cutter was a major joint money laundering investigation conducted by BICE, the Drug Enforcement Administration, personnel assigned to the U.S. Embassy in Bogotá, Colombia and Colombian law enforcement authorities that targeted high level Colombian drug trafficking organizations and their cells.

Operation Wire Cutter began in September 1999 when BICE agents in New York developed information about suspected money brokers, who were using the BMPE scheme to launder millions of drug dollars. The primary defendants were eight senior money brokers, located in Bogotá, Colombia. Each of these money brokers headed distinct organizations that provided money-laundering services to several drug cartels on a contract basis.

Subsequently, undercover BICE agents picked up drug money from operatives of the money brokers in New York, Miami, Chicago, Los Angeles and San Juan, Puerto Rico. At the same time, the Colombian authorities conducted a parallel investigation on the BMPE money brokers and their associates in Colombia. Operation Wire Cutter marked the first time that U.S. authorities were able to combine undercover pick-ups of drug proceeds in this country with investigative efforts by Colombian authorities to target BMPE money brokers. Operation Wire Cutter resulted in the arrest of 37 individuals (29 in the United States and 8 in Colombia). U.S. authorities also seized more than \$8 million, as well as 400 kilograms of cocaine, 100 kilograms of marijuana and 6.5 kilograms of heroin. To date, five money brokers in Colombia have been extradited to the United States. This represents the first time that a money broker has been extradited from Colombia to the United States.

As I mentioned previously, the transportation organization that is paid to smuggle cocaine today may very well be contracted to smuggle instruments of terror tomorrow. By using internal conspiracies, criminals utilize corrupt personnel within the seaport and airport environment to introduce contraband or implements of terrorism into otherwise legitimate cargo or conveyances and to remove it prior to examination by the Bureau of Customs and Border Protection.

In an ongoing investigation targeting internal conspiracies at a major U.S. seaport, BICE Special Agents have uncovered the endemic practice of contraband being removed from international cargo prior to the entry process. Utilizing a variety of investigative techniques including undercover operations and controlled deliveries to successfully infiltrate the internal conspirators, hundreds of individuals have been arrested and convicted, thousands of pounds of cocaine and hundreds of pounds of heroin have been seized.

Another significant internal conspiracy investigation conducted by BICE Special Agents, in conjunction with the Drug Enforcement Administration, was Operation "Ramp Rats". Operation "Ramp Rats" targeted corrupt employees working at Miami International Airport and resulted in more than 70 indictments and arrests. Thirty of those arrested were employees of a major domestic airline. Those arrested in this investigation were charged with varied violations of the federal narcotics laws such as conspiracy to import cocaine into the United States and conspiracy to possess cocaine.

Both of these investigations have targeted corrupt employees in the transportation industry, resulting in the facilitation of smuggling schemes used by criminal organizations. BICE is aggressively implementing programs to address these weaknesses that include the assignment of additional investigative personnel, the utilization of technology and the combination of various law enforcement and security components to counter these threats.

Recently, BICE drug trafficking and money-laundering investigations have highlighted the link between drug

trafficking and terrorist organizations. An adjunct of these investigations is the link between the Drug Trafficking Organizations and Colombia's illegal armies. In October 2002, BICE arrested Libardo Ernesto FLOREZ GOMEZ after he arrived at Miami International Airport. Upon arrival he declared over \$180,000 in U.S. currency. A subsequent secondary examination revealed multiple financial records, blank pre-signed checks, a DEA seizure letter and a document that alleged his link to the FARC (Colombian Revolutionary Armed Forces). FLOREZ GOMEZ admitted that the funds declared were not his. On April 4, 2003, FLOREZ GOMEZ pled guilty to one count of 18 USC 1960 for his involvement in operating an unlicensed money transmitting businesses and is currently awaiting sentencing. Currently, BICE is participating in a highly successful joint Organized Crime Drug Enforcement Task Force investigation with the Drug Enforcement Administration and the Federal Bureau of Investigation that is targeting the maritime transportation of multi-ton shipments of cocaine belonging to the Colombian drug cartels. This investigation has led to indictments against several ostensibly high-ranking members of the AUC. These individuals were indicted for involvement in the maritime transportation of over of 12 tons of cocaine. As a result of the investigation, a direct link between drug trafficking and known terrorist organizations has been established. Narco-Terrorism will continue to be a top priority of BICE.

Closing

In conclusion, I would like to thank the distinguished members of this committee for the opportunity to speak before you today, and will be glad to address any questions you may have.