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EXPLORING THE FINANCIAL NEXUS OF TERRORISM, DRUG TRAFFICKING, AND ORGANIZED CRIME

HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM
AND ILLICIT FINANCE

OF THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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EXPLORING THE FINANCIAL NEXUS OF TERRORISM, DRUG TRAFFICKING, AND ORGANIZED CRIME

Tuesday, March 20, 2018

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TERRORISM
AND ILLICIT FINANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2128 Rayburn House Office Building, Hon. Stevan Pearce [chairman of the subcommittee] presiding.

Members present: Representatives Pearce, Pittenger, Rothfus, Tipton, Hill, Emmer, Zeldin, Davidson, Budd, Perlmutter, Maloney, Himes, Foster, Kildee, Vargas, Gottheimer, and Kihuen.

Chairman PEARCE. The subcommittee will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Members of the full committee who are not members of the Subcommittee on Terrorism and Illicit Finance may participate in today's hearing, and all members will have 5 legislative days within which to submit extraneous materials to the Chair for inclusion in the record.

This hearing is entitled, "Exploring the Financial Nexus of Terrorism, Drug Trafficking, and Organized Crime." I now recognize myself for 2–1/2 minutes to give an opening statement.

I want to thank everyone for joining us today. Today's hearing will examine the nexus of terrorism, drug trafficking, and organized crime to better understand how powerful criminal organizations exploit the U.S. financial system for their illicit gain.

Transnational criminal organizations, or TCOs, operate on a global scale, crossing international boundaries to further their pursuit of power, influence, and profits.

The United Nations Office on Drugs and Crime estimates that TCOs generate a total of $870 billion in revenue annually.

This is done through accessing global supply chains across the land, sea, air, and cyber domains to move goods, people, services, money, and data.

The massive profits also ensure that these criminal groups are powerful enough to influence the political, judicial, and law enforcement branches of the more vulnerable countries, providing them the protection to continue their illegal schemes and further expand their influence.

Terror groups and criminal organizations as well continue to merge as terrorists increasingly turn to transnational criminals to gain logistical and financial support for their activities.

This is startling simply because it allows previously localized fanatics a platform to spread their radical propaganda on an international scale.

We must remain vigilant in our ongoing efforts to dissuade these groups, and in that vein I want to thank Mr. Kustoff for his bill, the National Strategy for Combating the Financing of Transnational Criminal Organizations Act.

This legislation would require the development of a national strategy to combat TCOs and their financial support networks.

It passed out of the House earlier this month and I hope with continued support that it will be signed into law. Today's hearing is an opportunity to dissect the connection of the transnational crime, terrorism, and corruption.

I hope our members will take this opportunity to learn from our witnesses how organized crime and terrorist groups fund their operations as well as pose a significant risk to our national security through their illicit schemes.

I would appreciate any comments from our witnesses on the biggest risk TCOs are posing to our country and how Congress can assist law enforcement in disrupting their operations.

Again, I would like to thank our witnesses for being here today and look forward to their expert testimony on these very important issues.

I would now recognize the gentleman from Colorado, Mr. Perlmutter, for 2–1/2 minutes.

Mr. PERLMUTTER. I thank the Chair, and I want to thank him and the committee. We have had some interesting hearings on subjects similar to this as well as some briefings and I want to thank the panel for coming and visiting with us today.

According to the United Nations Office on Drugs and Crime, trafficking in illegal drugs is the largest source of revenue for transnational organized crime groups accounting for approximately half of all revenue generated by the groups.

This means traffickers and cartels are profiting while Americans suffer the consequences of illegal drug use. The opioid epidemic stretches from coast to coast and devastates the lives of individuals and families every day.

In 2016, there were over 42,000 related deaths in the United States and in Colorado where I am from, 942 people died from opioid overdoses.

We have also seen the devastation of other drugs in our communities like heroin, methamphetamine, fentanyl, and many, many more.

As we address this public health crisis here at home, we must simultaneously be working to shut down the organizations and illicit trade activities responsible for the availability of these drugs.

We need to make sure law enforcement has the tools they need to shine light on these activities and work with our international partners to stop the flow of drugs and cash into the country.

Recently, criminals have incorporated new technologies such as crypto currencies, drones, and other methods in their drug traf-

ficking efforts to evade detection, which creates complex challenges for law enforcement, and I look forward to the testimony we will hear from you today to help us answer some of these difficult questions.

And with that, I yield back to the Chair.

Chairman PEARCE. The gentleman yields back.

The Chair now recognizes the gentleman from North Carolina, Mr. Pittenger, for 2–1/2 minutes.

Mr. PITTENGER. Thank you, Mr. Chairman and Ranking Member Perlmutter, for holding the hearing today.

I'd also like to thank our distinguished panelists for lending their expertise to our subcommittee this afternoon.

The nexus between terrorist organizations and criminal enterprises poses a grave threat to U.S. national security. We know Hezbollah and other terrorist organizations are actively partnering with Latin American drug cartels in order to raise money to finance their terrorist activities around the globe.

The tri-border region of Argentina, Brazil, and Paraguay in particular are a key focal point for drug trafficking, money laundering, and other cross-border criminal endeavors.

To that end, the Western Hemisphere must be seen as a front line in the fight against terror. While this is often an under-the-radar issue, it is critical that Congress better understand the dynamics of this threat and the methods by which terrorists and criminal organizations operate within this region.

I visited South America numerous times and have hosted two parliamentary intelligence security forums in Buenos Aires, Argentina.

The forums had brought together over 200 participants from 15 countries across Latin America with a collaborative discussion on efforts to address terrorism financing, cybersecurity, intelligence, and other relevant issues.

What I have found is very willing interested parties with those who are very much lacking on our technology capabilities as well as an infrastructure for judicial reform.

Whether it's through international organizations, bilateral partnerships, or other efforts within our Government and private sector, we need to carefully and thoroughly examine this threat and determine what additional tools and resources are needed to target and cut off this plentiful source of financing for terrorist organizations.

Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman PEARCE. The gentleman yields back.

Today, we welcome the testimony of our four witnesses.

Ms. Celina Realuyo has been Professor of Practice at the William J. Perry Center for Hemispheric Defense Studies at the National Defense University since 2007.

Professor Realuyo has over 2 decades of international experience in the public, private, and academic sectors. From 2002 to 2006, Professor Realuyo served as the State Department Director of Counterterrorism Finance Programs. She also Co-chaired the U.S. Interagency Terrorist Financing Working Group.

Previously, Ms. Realuyo was a private banker in London with Goldman Sachs, International. She also had a distinguished career as a U.S. Foreign Service officer.

Professor Realuyo holds an MBA from Harvard Business School, an MA from Johns Hopkins University School of Advanced International Studies, and a BS from Georgetown University School of Foreign Affairs.

Mr. Derek Maltz is currently the Executive Director of Governmental Relations at Pen-Link, Limited. Mr. Maltz previously served as Senior Executive in the Federal law enforcement as the Director of the Special Operations Division (SOD) of the Drug Enforcement Administration (DEA) in the U.S. Department of Justice (DOJ).

Mr. Maltz was instrumental in expanding SOD and the DOJ's Transnational Organized Crime Operational Center. He formally established the Counter Narco-terrorism Operations Center within SOD with a focus on global money laundering and terror financing.

Most notably, as head of DEA's special operations, Mr. Maltz oversaw Project Cassandra, a DEA-led effort launched in 2008 to undercut Hezbollah funding from illicit drug sources for 9 years, ending in July 2014.

This Special Operations Division successfully coordinated several significant operations against drug cartels, including the capture of Chapo Guzman in Mexico and initiated a multi-agency money laundering project resulting in the identification of a Lebanese-Canadian bank as a facilitator involved with an international trade-based money laundering scheme supported by Hezbollah.

Mr. Maltz holds a Bachelor of Science degree in accounting from Syracuse University.

Mr. Humire is the Executive Director of the Center for a Secure Free Society where he specializes in transnational threats in the Western Hemisphere.

Prior to this, Mr. Humire served in the U.S. Marine Corps with combat tours in Iraq and a multinational training exercise, UNITAS, in Latin America and the Caribbean.

After leaving the military, Mr. Humira attended George Mason University where he studied global affairs and economics and began building the Center for a Secure Free Society's global network of more than 100 security scholars in close to 30 countries as the Director of Institute Relations at the Atlas Economic Research Foundation.

Mr. Humire's first book is entitled, "Iran's Strategic Penetration of Latin America." More recently, he published a monograph titled, "After Nisman: How the Death of a Prosecutor Revealed Iran's Growing Influence in the Americas."

Dr. Louise Shelley is the Omer L. and Nancy Hirst Endowed Chair and a university Professor at George Mason University. She is at the Schar School of Policy and Government and directs the Terrorism, Transnational Crime, and Corruption Center, or TraCCC, that she founded.

Dr. Shelley is the leading expert on the relationship among terrorism, organized crime, and corruption as well as human trafficking, transnational crime, and terrorism. Some of her recent

books include, "Dirty Entanglements: Corruption, Crime, and Terrorism" and "Human Trafficking: A Global Perspective."

From 1995 to 2014, Dr. Shelley ran programs in Russia, Ukraine, and Georgia—the leading specialist on the problems of organized crime and corruption.

Dr. Shelley received an undergraduate degree cum laude from Cornell University in penology and Russian literature. She holds an MA in criminology from the University of Pennsylvania.

She also studied at the Law Faculty of Moscow State University on IREX and Fulbright Fellowships and holds a Ph.D. in sociology from the University of Pennsylvania.

Each of you is going to be recognized for 5 minutes to give an oral presentation of your testimony. Without objection, each of your written statements will be made part of the record.

Mr. Humire, you're recognized for 5 minutes.

STATEMENT OF MR. JOSEPH HUMIRE

Mr. HUMIRE. Thank you, Chairman.

Chairman Pearce, Vice Chairman Pittenger, Ranking Member Perlmutter, Congressman Rothfus, and distinguished members of the subcommittee, good afternoon and thank you for your leadership and for inviting me here before you today.

I'd like to begin by repeating an old refrain often heard in the military, which is amateurs talk strategy but professionals talk logistics.

What this means is that if you want to tackle the heart of the threat networks, you have to attack the logistics. Essentially, you have to go after the financial flows.

The hearing today and all the work of the subcommittee is instrumental in emphasizing this point. After all, it's the illicit financial networks that are sustaining a convergence of threats to the United States and our allies abroad.

Not too long ago, conventional wisdom held that criminals and terrorists do not cooperate on a large scale because they have different goals and motivations. One is motivated by greed and the other by God.

Today, after overwhelming empirical evidence, we know that's not true. The crime-terror convergence is real, it's growing, and it poses a significant threat to U.S. national security.

Let me offer one statistic to reinforce this point. A 2014 report by the Combating Terrorism Center showed that in a sample of 2,700 known criminals and terrorists in more than 122 countries, 98 percent—let me repeat that—98 percent are connected through an all-channel network.

This is very powerful evidence of the crime-terror convergence. But when we talk about the convergence, there is no other organization on our foreign terrorist organization list that embodies the nexus of terrorism and transnational organized crime than Lebanese Hezbollah.

A bombshell article from Politico published last year renewed a policy debate on possibly designating Hezbollah as a transnational criminal organization.

I fully support this designation and would like to emphasize at least two important benefits it could bring. First, it delegitimizes

Hezbollah in the hearts and minds of many Lebanese expats and the broader Shi'a community worldwide who see Hezbollah as a resistance movement with clear principles and ideology.

By labeling Hezbollah a transnational criminal organization, we damage their reputation, which in turn hinders their ability to recruit members or raise funds.

Number two, the second benefit is even more significant because a transnational criminal organization designation of Hezbollah shines a light on its criminal activity that could prompt our global partners to place Hezbollah under greater scrutiny in their own countries.

This is the key to making our sanctions effective. If we are to leverage our sanctions against Hezbollah and maximize our effectiveness then we have to encourage our global partners to investigate and prosecute Hezbollah in their own countries using their own legal frameworks and their own designation list.

The question of legal frameworks is vitally important in Latin America where Hezbollah has built a growing crime terror empire.

Many of our partners in this region do not have proper legal frameworks to combat Islamic terrorism and none have recognized Hezbollah as a foreign terrorist organization.

In my written testimony, I highlight one prominent counterterrorism case of an alleged Hezbollah operative in Peru.

The reason I highlight this case is because it represents the glaring antiterrorism legal vacuum that Hezbollah has taken advantage of for decades in Latin America.

In this particular case in Peru, had the accused Lebanese national confessed to being a member of the Shining Path, an old Marxist-Leninist domestic terror group, he would probably be sentenced to 25 years in prison.

But because he confessed for working for Hezbollah, he was almost set free. This is exactly the kind of counterterrorism miscommunication that leads to future terrorist attacks.

Designating Hezbollah as a TCO will encourage our regional partners in South America to place greater attention to the Lebanese terror group, to clamp down on its ever-growing business structure, particularly in the tri-border area, or TBA.

The TBA is a historic crime terror hub in the southern part of South America where Argentina, Paraguay, and Brazil meet.

In this area, OFAC has sanctioned 11 individual members or facilitators of Hezbollah dating back to 2004. As part of an upcoming SFS report, my researchers have identified at least 18 new companies opened by these same sanctioned individual Hezbollah members in recent years, irrespective of our sanctions.

Local authorities have not stopped these sanctioned individuals from operating in their country, even though it's widely known they work for or on behalf of Hezbollah.

This underscores my central point, that whatever we do unilaterally here in the United States will be insufficient unless we can help our partners and allies in Latin America or elsewhere establish proper legal authorities and frameworks to deal with the crime terror convergence.

If not, then our financial authorities and sanctions are destined to a truncated strategy of whack-a-mole, constantly chasing front companies and cutouts.

In closing, designating Hezbollah as a transnational criminal organization and helping the Latin American partners improve their anti-terrorism legal frameworks will end amateur hour and position the U.S. to lead the fight on dismantling the logistical networks of the crime terror convergence.

Thank you, Mr. Chairman.

Chairman PEARCE. Thank you, sir.

Mr. Maltz, now you're recognized for 5 minutes.

STATEMENT OF MR. DEREK MALTZ

Mr. MALTZ. Chairman Pearce and distinguished members of the committee, I would like to thank you for this opportunity to speak on these very important topics.

I was fortunate to be the agent in charge of DEA's Special Operations Division for almost 10 years before I retired, working with personnel from 30 agencies—law enforcement, intelligence community, Department of Defense.

We had a daily battle trying to synchronize the efforts between the numerous agencies, especially as we lost capabilities to infiltrate the communications of the bad guys through encryption and advanced technology.

I have always been a huge advocate of working in one unity of effort. Unfortunately, most of the time, when criminal cases connect through terror investigations, we lose cooperation right here in our back yards.

They don't always follow the money trail in these investigations to the terror groups because of the lack of cooperation. It's unacceptable 16 years after 9/11, with all the inspector general reviews and the information-sharing failures, that this continues.

The agencies need to cooperate and share. The leaders must be in the process of stopping this madness for all of us.

I lost my brother Michael, U.S. para rescue, in the war and I am very passionate about national security and public safety issues.

It's nothing new. We need strong leadership here. We need—on this topic of crime and terror, we've been talking about this for too many years.

We need some more action instead of Beltway meetings to debate who's right, who's wrong. We all know what the answer is. Terrorists are increasingly turning to crime and criminal networks for their funding. We all know that. This has been stated numerous times.

The most public example is we speak about Project Cassandra and we see how Hezbollah is operating like a worldwide drug cartel, moving millions of dollars and tons of cocaine all over the world.

I am thankful for Attorney General Jeff Sessions and his bold leadership in recognizing the serious gaps in our efforts here in the U.S., and he formed the Hezbollah Financing Narco-Terrorism Task Force headed by a great prosecutor from New York, John Cronan.

Forming a task force is great. We need complete sharing, though. Proactive investigations, high-level indictments, extraditions, with powerful U.S. Treasury actions is going to really do a lot to help us go after this problem.

I remain optimistic because Mr. Cronan came from the Southern District of New York. It was that district in 2010 that broke down the walls of international terrorism and drug trafficking.

It's the only place—I think Eastern District of Virginia wound up doing it as well. We need to learn from that successful model. Break down the walls.

This was bold leadership. I was recently testing—I was recently reading testimony on international terrorism and drug trafficking from a 1985 joint Senate hearing.

It was surprising but very—it wasn't very surprising but very disappointing that Honorable Strom Thurmond 33 years ago said terrorists need money to carry out their heinous activities and there is increasing evidence that these groups are involved with the illicit drug trade.

He went on to say how the terrorists are able to use the drug trade in two ways. Drugs erode our health, morals, and economy when the proceeds are used to finance the terrorists' activities that are directed at this country and our citizens.

That's 33 years ago. Fifteen years ago after 9/11, FBI Assistant Director Steven McCraw told the Senate Judiciary Committee how terrorism and crime are inextricably linked.

Terrorism and crime have no borders and labeled international drug trafficking and terrorism a dangerous mix.

He also indicated that terrorist acts, crime, and foreign intelligence activities are no longer distinct activities but, rather, profound fluid enterprises that through their very existence have a reverberating impact on national security.

I thank Mr. McCraw on his important words. But my question is why are we still talking about this. OK. This is ridiculous now.

The agencies are loaded with all these dedicated experienced people. They have tools. They have capabilities.

Now we need them to come together. In response to September 11th, the DEA, along with the FBI and the attorney general formed a special coordination unit at the Special Operations Division right here in Chantilly.

It's known as the CNTOC today. The leaders recognize the dangerous nexus between drug trafficking and terrorism so they knew they needed a unit.

However, as we approach the fifth anniversary of the Boston bombing, we realize that it failed once again because we are not cooperating.

So what are we going to do? We can't investigate terrorism in a cocoon, especially going after sophisticated transnational groups like Hezbollah, al-Qaida, and these other groups.

We must shut down funding streams from a variety of crimes. It's not just drug trafficking. You guys know. It's cyber crime. It's alien smuggling. It's diamond smuggling.

All right. So there must be true team effort between law enforcement and the intelligence community. Hezbollah is one of the worst terrorist organizations in the world and Project Cassandra outlines

some really disturbing trends—$200 million a month moving through a network where they're selling used cars right from our back yard in America, right in our districts—all your districts.

Even though we identified this scheme, we actually seized $150 million. We forfeited $102 million but the problem was we just touched the surface because we couldn't get all the agencies together.

So we've come a long way in information sharing but we need your help. We need the leadership's help in this country.

If the Government refuses to share with each other, they've got to be held accountable. If people are not sharing, they have to be held accountable.

The Special Operations Division is a good platform to get this interagency task force going. It's proven its reliability over the years. I would highly recommend some additional resources with the right expertise.

The worst thing we need in this country right now is another center. Forget it. Don't even think about it. Let's get what we have and make it work.

SOD should be working closely with the FBI's JTTF (Joint Terrorism Task Force). We should provide them the resources so we can carry out President Trump's Executive Order to go after transnational crime and violent crime.

We don't need any more centers. But we also need financial institutions to be held accountable. There has to be zero tolerance in this country for terror financing.

I know I went a little bit long. I am very passionate about this. I could talk all day.

So thank you very much.

Chairman PEARCE. Thank you, Mr. Maltz.

Ms. Realuyo, you're recognized now for 5 minutes.

STATEMENT OF MS. CELINA REALUYO

Ms. REALUYO. Thank you, Chairman Pearce, Vice Chairman Pittenger, Ranking Member Perlmutter, and the distinguished members of the subcommittee for this opportunity to appear before you today to testify on U.S. efforts to counter convergence of terrorism and crime with the financial instrument of national power.

We face threats from revisionist states, aspiring nuclear powers, global terrorism, transnational organized crime, and cyber instructions that have made national security more daunting than ever before.

The complexity of these threats requires nimble, multi-disciplinary, and international approaches. Over the past year, the Trump Administration has issued strategies and policies to address terrorism and transnational organized crime that threaten U.S. interests at home and abroad.

They recognized financing as one of the most critical of enablers for terrorism, crime, and corruption, and includes specific financial and economic measures that seek to better detect, dismantle, and deter these illicit networks.

We see this dangerous crime convergence, which my colleagues have spoken about, where groups are sharing operating areas, intelligence tactics, and resources that threaten nation states.

ISIS perhaps best exemplifies a criminalized state engaged in extortion, oil smuggling, human trafficking, and antiquities looting that has made it the richest terrorist group in the world and in history as of 2015.

ISIS has been largely defeated in Iraq and Syria by deliberately attacking its leadership and, moreover, its financing.

However, last week's arrest of a Cuban national in Colombia has actually seen—who's plotted a terrorist attack in the name of ISIS against American diplomats at a restaurant in Bogota, Colombia reminds us that this threat of ISIS-inspired operations remains around the world.

Besides ISIS, the best known cases of convergence involve the narco insurgencies in Afghanistan and Colombia that have lasted for decades.

This past year, I am disappointed to say, that opium production in Afghanistan and coca production in Colombia have reached alarming record levels that affect the stability not just of the world but here in the United States.

The Trump Administration has demonstrated a genuine commitment to get tough on crime and pursue illicit networks.

In February of last year, one of the first Executive Orders issued by the White House was one enforcing Federal law with respect to transnational criminal organizations and preventing international trafficking, which reinforces the 2011 CTOC strategy.

The new national security strategy includes the mission to defeat jihadist terrorists and dismantle transnational criminal organizations with all instruments of national power in order to promote our Nation's security and prosperity.

It underscores the use of financial measures such as following the money trail and sanctions to stem the flow of funding to terrorists, criminals, and rogue states.

The Administration has aggressively sanctioned Iran, North Korea, Russia, and Venezuela in order to isolate these rogue states.

Perhaps the best example of the effectiveness of sanctions is the recent case of North Korea. Increased diplomatic pressure, credible threat of military action, and severe economic sanctions imposed by us and our partner allies have radically changed the behavior of North Korea.

Kim Jong-Un's unexpected invitation to meet with President Trump face to face and his pledge to suspend nuclear testing while allowing for U.S.-South Korea militaries exercises continue to plan.

It's an interesting way in which economic sanctions actually complement our efforts on the diplomatic and the military fronts.

We hope that stricter sanctions against the Venezuelan regime, led by President Maduro and his vice president, who have been sanctioned by the U.S., including yesterday's very timely Executive Order against their virtual currency called the petro will similarly change the behavior of Venezuela and bring back democracy to that country. It is quite critical to the security of this hemisphere.

Venezuelan officials are actively involved in international drug trafficking and money laundering and are known to collaborate with extra-regional actors like Iran and Hezbollah, incorporating them into their own criminal networks.

U.S. policymakers should continue applying sanctions against key Venezuelan officials whose criminal activities help sustain this authoritarian regime and perpetuate the humanitarian crisis that we are now seeing devolve.

As I've advocated in the past before this committee, we should continue to, first, employ the financial instrument of national power more deliberately into every one of our U.S. strategies.

Second, bolster domestic and international financial intelligence and information sharing in order to counter threat financing.

Third, dedicate more human, financial, and technological resources to those responsible for pursuing terrorist financing and financial crimes.

I agree with Derek Maltz in that we have a proliferation of centers that actually just must be reinforced and collaborate in a more fulsome manner.

Fourth, better understand the actual drivers of the illicit economy. Anticipate how new financial innovations such as crypto currencies could be used by future terrorist financiers and money laundering.

And last, we must call upon the private sector and the civic sectors to be a part of this fight against illicit financing.

And with that, I think that we've seen now how we can actually use economic sanctions in a way to complement many of our other much more kinetic and more aggressive approaches, whether it's against rogue states, criminal networks such as the Mexican cartels, or transnational terrorist groups including al-Qaida and its affiliates as well as ISIS.

Thank you, Mr. Chairman and committee members, for your time and attention.

Chairman PEARCE. Thank you, Ms. Realuyo.

Dr. Shelley, you are recognized now for 5 minutes.

STATEMENT OF DR. LOUISE SHELLEY

Dr. SHELLEY. Thank you. It's a great honor to address Chairman Pearce, Vice Chair Pittenger, Minority Committee Member Perlmutter, and the rest of the committee.

My statement is a little different from my fellow panelists in that I am trying to provide a little bit more global perspective. I seek to balance the drugs that you mentioned in your opening remarks as 50 percent of the financing with the other 50 percent that we also need to be looking at. These sources are becoming of increasing importance.

In late 2014, the Security Council of the United Nations adopted Resolution 2195 that identified the crimes that support terrorism.

Of these, they indicate that trafficking of arms, persons, drugs, artifacts, illicit trade in natural resources including gold and other precious metals and stones, minerals, wildlife, charcoal, and oil support terrorism.

Most of these have been mentioned at least peripherally by the witnesses that have preceded me.

While much transnational crime exists today apart from terrorism, there's almost no terrorism that exists today without funding from transnational crime and we need to think of these transnational terrorists as diversified businessmen.

They function with a logic that is often used by legitimate business so that when the risk increases in the drug trade or the profits can be greater in some other area, they diversify. That is why we need to look at the diversified portfolio of terrorists.

What the U.N. Security Council did not mention was the role of counterfeits. Counterfeits are now probably the most lucrative form of transnational crime. Profits from them exceed that from drugs.

And if we go back to the original bombing of the World Trade Center in 1993, it's believed that counterfeit t-shirts were part of the funding source for that initial attack on the United States.

So we have the role of counterfeits and the role of cigarettes that are major funding sources that are not recognized in the Security Council but that deserve much more attention.

And terrorists also choose to fund many of their activities through least policed forms of criminal activity. So while we are chasing them on drugs—and I think that there can be more done on drugs—50 percent of their revenues are now coming from other areas of activity such as antiquities trade, petty fraud, low-level intellectual property crime because those are areas that are not commanding much law enforcement attention.

Terrorists also use crime as a weapon and I call that dual-use crime in that they're deriving profits from it but they also degrade political stability in communities through this activity.

So that by trading in drugs they keep people subservient or incapacitate communities. When they kidnap women and girls, as has been done with the Yazidis or Boko Haram, they're devastating communities and making them less resistant to their activities. This criminal activity can also help destroy communities.

I think we need to be looking at the problems of drug trafficking not only out of Colombia, where it remains a significant problem, but looking at it out of Afghanistan where there is less territorial control by the central government and the Taliban is reasserting itself. We need to look at the northern route from Afghanistan through Russia and the southern route that goes through Iran into Turkey.

And we also see Boko Haram and AQIM in Africa being involved in this drug trade as well as D-Company, which is a hybrid crime terror organization operating out of Pakistan.

And we need to think also about how fentanyl, which is so potent that it can kill people who are transporting it, may be used as a weapon of terrorists in the future and not just as a form of deriving revenue.

Antiquities trade remains a recurring problem, but as ISIS is losing territory it's a possibility that al-Nusra is also gaining profits from it.

We need to think about the illicit cigarette trade not just here but in North Africa, in the tri-border area where Hezbollah is involved, and in other areas.

Terrorists are also involved in energy markets. We've seen this with ISIS but also we've seen this in Nigeria and we've seen this also in the carbon credit markets of Europe in which there were Pakistani-involved groups that were operating out of Afghanistan that were involved in hijacking this market.

And last, we need to look at their role in environmental crime, which is an enormous profit source for terrorists, in deforestation, in fishing, and in many other areas in which profits can be turned.

So we need to be looking at this in the financial streams and focus in on public-private partnerships and a whole of society approach, not just one of a whole of Government.

Thank you.

Chairman PEARCE. Thank you, Dr. Shelley.

We'll now go into a round of questions. The Chair would now recognize himself for 5 minutes.

Dr. Shelley, can you flesh out just a little bit when you said that terrorists are now moving into the clean energy using the carbon credits or whatever? Can you flesh that out just a bit?

Dr. SHELLEY. Certainly. A few years ago, the Europeans established a carbon market without proper oversight and at that point there were both criminals and terrorists who hacked into markets and stole credits and then proceeded to trade them with using the VAT (value-added tax) sales and selling them with VAT and then getting VAT refunds.

Chairman PEARCE. OK.

Dr. SHELLEY. When our troops were operating in Pakistan—I mean, in Afghanistan—they found evidence of some of the terrorists profiting from this enormous carbon credit fraud, especially that linked with Italy, and the costs of this were approximately—for that part of it alone about a billion euros.

This crime cost the European community $5 billion. But the terrorist part of it is only about a billion.

Chairman PEARCE. OK. Thank you.

Dr. Realuyo, you have—according to briefings that we've recently received that ISIS is not getting nearly as much money through the sale of oil, at one point that was probably the largest source of revenue. What is your independent assessment of that source of revenue?

Ms. REALUYO. It's actually quite similar, and perhaps the most interesting part of our campaign against ISIS was the deliberate use of financial targeting, which we had not used in previous campaigns by really going after the entire supply chain minus the wells in terms of attacking the refinery and the income-generating piece for ISIS.

We had taken a look and, more importantly, other independent analysts had taken a look at a decline in ISIS finances by 80 percent from January 2015 until last summer, and we do believe that this dramatically contributed to bringing ISIS to its knees and its inability to pay its foreign fighters, which actually then led to tremendous gains on the military campaign—

Chairman PEARCE. And you would believe that the gains in the campaign are because they can't—that ISIS can't sustain the payments to the people—they were buying their loyalty, paying them to do jobs and—

Ms. REALUYO. That's correct.

Chairman PEARCE. —they don't have that flexibility now?

Ms. REALUYO. And the other thing is that in terms of how much they made money, about a third came from oil and then a third came from extortion, and as the Iraqis and the Syrians got—

Chairman PEARCE. As they lose the territory they lose access to extortion, too.

Ms. REALUYO. —they lose the territory, they can't—

Chairman PEARCE. OK. That sounds reasonable.

Mr. Maltz, you were a head of Project Cassandra and you described thoroughly the breakdown in cooperation between agencies. Is that what caused Cassandra to sort of fall on its face is the lack of cooperation or was there more involved in that?

Mr. MALTZ. Sir, there was a lot more involved. Certainly, there was a breakdown in cooperation and coordination.

But, obviously, there were other things that were going on at the time. There were other initiatives, other priorities for other agencies.

And so I am not privy to all of those other details, but there were things like, for an example, a terrorist like Ali Fayed, who's sitting in prison in the Czech Republic who gets to walk out and go home to Lebanon instead of being brought back here to face justice, pursuant to the rule of law.

So there's things that happened during Project Cassandra. But it's a very complicated question for me to answer in this short period of time.

Chairman PEARCE. So you said that you need our help to cause the walls to break down. Describe a little bit more from an agent's point of view what the walls look like. In other words—

Mr. MALTZ. OK. A real example would be, right off the bat, since we are coming up to the fifth anniversary of the Boston bombing, when the Russians provided information to our FBI on this terrorist, why wouldn't they tap into my center for information?

What's the answer to that? Not because they didn't want to share, because the system doesn't call for that. But we have all this criminal intelligence sitting at the Special Operations Division that could have helped our JTTF investigate this guy Tamerlan for his criminal activities.

Chairman PEARCE. But we shouldn't have to pass a law to get the—can't the agency simply say—

Mr. MALTZ. Of course. Exactly. That's why when people say we need more authorities, we need more tools, a lot of this has to do with we just need some basic cooperation and start holding people accountable, and that's where we have failed.

Chairman PEARCE. Thank you, sir. Appreciate that. My time has expired.

The Chair would now recognize the gentleman from Colorado, Mr. Perlmutter, for 5 minutes.

Mr. PERLMUTTER. Thanks, Mr. Chair, and Mr. Hill has interest in the counterfeiting, which I thought was an interesting comment from you, Dr. Shelley, and I will let him focus on that.

But I want to talk about something—we mentioned Venezuela and ISIS and al-Qaida and Hezbollah and North Korea, and Ms. Realuyo, you mentioned sort of rogue states and I want to turn everybody's attention to Russia for a second.

We have sanctions against them for a variety of things. But really, there wasn't much testimony—I haven't heard yet—from the panel about the Russian Mafia, the role that they play, the role that the country may play.

So Dr. Shelley, I will start with you and just, if you could, you have some testimony in your—in your written remarks about Russia. If you would talk to us a little bit about what role you think the Russian Mafia is playing in all of this.

Dr. SHELLEY. Thank you for the question.

When I mentioned the northern route that's coming out of Afghanistan, that is a route that is very much controlled by Russian organized crime.

In the beginning, in the early 1990's, Russian organized crime was focused primarily on the privatization of state resources. But as all the drugs began to come out of Afghanistan, they got very, very heavily involved in the drug trade and they are prominent international actors in this.

In fact, Celina and I, before the hearing, were talking about how she was seeing Russians in Colombia. So they're working on their international networks into Latin America.

Also, there was a major political leader in central Russia, from Kalmykia, Mr. Ilyumzhinov, who was sanctioned by the U.S. Government for his support of Syria and of ISIS. He was a criminalized political leader, a supporter of terrorism, and kleptocrat who ran the international chess confederation.

And so you have this unusual confederation of political leaders and terrorist groups as with Mr. Ilyumzhinov. I talked about how we need to use sanctions not just on the national level but on local—regional leaders, like former Kalmykia leader, and we need to be focusing not just on drug trafficking in Latin America but what is going on in Afghanistan and the expanding northern route.

Mr. PERLMUTTER. OK. Ms. Realuyo, you want to add to that?

Ms. REALUYO. Well, last week it was pretty interesting to see how, in pursuant to the Countering America's Adversaries Through Sanctions Act, we had a series of sanctions imposed relating, like, to election meddling as well as this threat to the electricity and energy grid and I am hopeful that we are going to see more sanctions as the investigation as to who is behind the election meddling and other types of pieces. That's the political part.

I think Louise and I have been working quite—for several years taking a look at the tentacles of the Russian Mafia, which we believe are now working hand in hand with the Mexican cartels in order to get cocaine, which we anticipate is five to six times the price in Moscow versus Miami.

So what we've seen is the globalization that's given us as international citizens access to cheaper goods and services and information. Unfortunately, it's also benefiting what I call the dark side of globalization.

And we've also seen—I've just come back from Colombia on Sunday night and I am very disturbed by the news that we've seen from the Colombians that they're starting to arrest many dozens of Mexicans related to the cartels and we are—part of my study now is to understand better how the Mexican cartels are actually buying up and trying to control the back end of the supply chain as the FARC (Revolutionary Armed Forces of Colombia) transition and, more importantly, leave vacant spaces.

Someone's got to be moving and producing, refining, and, more importantly, moving that cocaine. And sadly, as you know, some of that cocaine is actually landing on the streets of the United States.

Mr. PERLMUTTER. Thank you.

Mr. Maltz, in your position with the DEA, again, just my focus is more on sort of the Russian connection to all of this drug trafficking and just illicit finance around the world, any experience that you had or any comments you'd like to make?

Mr. MALTZ. My experience was limited when it dealt with Russia. I know, though, from Afghanistan we had a lot of heroin going into that region and, obviously, the Russian organized crime networks, like, globally and the cyber crime that's out there, but that's not my area of expertise, sir.

Mr. PERLMUTTER. OK. Sir?

Mr. HUMIRE. The Russian Mafia is rampant in Latin America. They're pretty much present in just about every country.

They're involved in every aspect of organized crime. They've been growing. But there's an increasing convergence taking place not just with criminals and terrorists—and I will speak specifically in Latin America—there's also a convergence between criminal networks, terrorist networks, and rogue state actors.

The Department of Defense has a framework that they use called the four-plus-one where they talk about the biggest threats—transnational threats facing our country.

The four biggest state actors—Russia, China, Iran, and North Korea—and the plus-one is violent—transnational violent extremism.

You can apply that framework to Latin America, a four-plus-one framework where you have four anti-American actor states that are working against our interests, which would be Venezuela, Bolivia, Nicaragua, and Cuba, and then the plus-one would be transnational organized crime.

These two frameworks are unifying themselves and increasingly working together. Russia, China, Iran are working through these networks.

Mr. PERLMUTTER. And my time has expired. I appreciate everybody's answer. Thank you.

Chairman PEARCE. The gentleman's time has expired.

The Chair now recognizes the gentleman from North Carolina, Mr. Pittenger, for 5 minutes.

Mr. PITTENGER. Thank you, Mr. Chairman. Thanks, each of you, again.

As it relates to our successful efforts in South America, how dependent are we upon our collaboration with foreign governments and how capable are they? Another part of that question was OTA.

Has OTA been effective and helpful to these countries to assess their financial capabilities, their collaboration with us, and the—with FIUs as well?

So Mr. Humire, if we could start with you.

Mr. HUMIRE. Thank you, Congressman, for the question.

We are absolutely critically dependent on our host nation partners in Latin America or elsewhere, anywhere in the world, to be able to enforce a lot of the things that are happening in terms of

sanctions and other designations that happen here in the United States.

I mentioned in my testimony there's been 11 individuals that we've sanctioned that are related or affiliated to Hezbollah in the tri-border area—a historic fundraising hub for that terrorist group.

These 11 individuals—most of them are still on the streets today. They've opened a slew of companies. We've identified at least 18 companies that they've opened since 2004 and the Brazilian, Paraguayan, and Argentinian authorities are aware of this.

And it's not that they don't want to do anything about that, but they don't always have the proper legal frameworks to go after them.

In Latin America, there is no designation or legal authority to go after foreign terrorist organizations. They have a lot to go with domestic terror organizations and most of the anti-terror laws that were created were designed for that.

But if you're a Hezbollah, al-Qaida, ISIS, you're not considered a terrorist until you get involved in a criminal act, and until they catch you in a criminal act they let you kind of work—operate freely in that country.

Until that's fixed, the terrorists are going to continue to use those vacuums to be able to move throughout the region.

So it's very—it's very important—I think one of our biggest challenges, and to that end, I think there's a critical opportunity in this part of the world to increase partnerships.

I know, Congressman, you have been there plenty of times in your work at building this network. Argentina, Peru, Guatemala, Brazil, Ecuador, Panama are all countries critical to this fight and these are countries that I would say maybe half a decade ago wouldn't be considered U.S. partners, at least some of these.

But the political winds have changed and that creates a tremendous opportunity for us here in the United States.

Mr. PITTENGER. Mr. Maltz.

Mr. MALTZ. So to answer your question, I could say that when I was at SOD for about 10 years, Colombia, as an example, was one of our greatest partners.

And so with Project Cassandra, just to make it clear, when that case first started it was because of the money launderers in the United States that were sending money back to—around the world but it was Colombia that opened up the investigation for us and identified the Middle Eastern presence.

So we had all these Lebanese guys that were inside of Colombia and they were moving millions and millions of dollars and tons of cocaine but it was the Colombian national police investigation that led to us identifying this global network. So we can't downplay the level of significance with the cooperation in Colombia alone.

You know, as far as the extraditions out of Colombia, we know the power of extraditions. That's what we are trying to do in Mexico.

You know, like, if we judicialize our efforts and we collect evidence and we prosecute people and we extradite them, that's going to be a home run for the communities all over Latin America.

So we use Colombia as a success model. You know, we try to actually go out and educate other countries. But they're very limited.

So as one quick story, just to give you an idea, when we were doing our trade-based money laundering case, all the calls were in Arabic. The Colombians didn't even have translators to actually listen to the calls that they were intercepting.

So the U.S. had to work with them and kind of help. But so yes, they have some limited capabilities but they're advancing and are working very closely with us.

Mr. PITTENGER. Thank you.

Ms. REALUYO. Just to complement—not just extraditions. Our export of the concept of asset forfeiture has now been adopted by many of our Latin American partners including Mexico and Colombia.

I was just in Colombia last week and met with the Bank of the Republica, which is their version of Central Bank, and they're using asset forfeiture now to recuperate the assets of the FARC, which will be actually used to pay the distribution for the victimizations fund.

Mr. PITTENGER. Do you believe the FARC agreement is—

Ms. REALUYO. Yes.

Mr. PITTENGER. —a valid agreement and is workable?

Ms. REALUYO. It is, but it has to still be implemented, and then a bigger question is as the groups there start to morph, someone is going to take the place of the FARC.

Mr. PITTENGER. Sure.

Ms. REALUYO. As you will remember, the FARC actually took the place of the Medellin and Cali cartels. So we are trying to figure out what that evolution of mafias are going to be, coming forward, because someone's going to be—have to be moving those amazing amounts of cocaine that are being produced.

The other one that's—

Mr. PITTENGER. They're not spraying it anymore?

Ms. REALUYO. No. That's right. That's why.

And then the other piece is—and we are seeing there's going to be a change in government. August 7th there will be a new president of Colombia and hopefully they'll be revisiting that issue, and President Trump will be going to Colombia on April 15th and both issues, cocaine trafficking and Venezuela, will be, we anticipate, the top topics.

Mr. PITTENGER. My time has expired. Sorry, Ms. Shelley.

Chairman PEARCE. All right. The gentleman's time has expired.

The Chair now recognizes the gentleman from Michigan, Mr. Kildee, for 5 minutes.

Mr. KILDEE. Thank you, Mr. Chairman. Thanks for holding this hearing, the Ranking Member as well for his leadership on his question.

And so I will try to be brief because I know we've got votes. As everyone on this committee is aware, this opioid epidemic is killing us. Rural communities, urban communities, 800 people a week dying from opioid-related overdoses.

No sign that it's curtailing at all, and this epidemic is perpetuated by lots of things, particularly synthetic opioids like fentanyl, often supplied by foreign-based cartels.

And so I was curious—Dr. Shelley in particular but others could answer if they would like after you—you state that due to the

strong potency of fentanyl and thinking about carfentanyl in particular, used as a terrorist tool.

Number one, is that just frightening speculation or is there some evidence that that's a possibility? And second, can you paint a picture as to what that might look like for this country?

Dr. SHELLEY. It's not just speculation. To do my research I talk to people who actually work in the system, and some of them have talked about the problems of how people who are just handling fentanyl that's coming through the mail are sometimes harmed. The lessons of what this product can do are evident to people who are as innovative as the terrorists and their criminal facilitators.

What is really distinctive about our drug problem in the U.S. is that, despite all of the trafficking of heroin into Europe, we are having so many dying in the U.S. as opposed to in western Europe. The cause of American deaths is that the fentanyl being mixed with the heroin, and that's our particular drug problem that's killing so many people.

And I think we need to be much more flexible in approaching this problem. We haven't talked enough probably in our hearing today about the online marketplaces that are facilitating the sale of drugs and that is part of the American problem with fentanyl.

Mr. KILDEE. In those cases, if I may interrupt, these substances are coming in through our legal ports of entry. They're not being tossed over a wall, right?

We are talking about the 52 legal ports of entry which not only might be the source for fentanyl but for the vast majority of the illicit drugs that come into this country.

I only say that because there's so much debate right now about the impact that a wall on the southern border might have on drug trafficking. The truth of the matter is much of this is coming in through the United States mail, for goodness sakes.

Dr. SHELLEY. Exactly. It's coming through mail services, mail—the U.S. Postal Service, and we had a conference.

If you're interested, I am happy to share with you a conference we had in mid-October at George Mason on the opioid crisis and had people from the Postal Service and others looking at this issue and how much it is not a border issue but something that needs much more data analytics and much more ability to identify packages and flows that could help stop some of this trade.

Mr. KILDEE. Would the panel generally agree even if we were able to somehow affect what the President has essentially referred to as sealing the southern border that that would not eliminate the problem of illicit drug trafficking coming into the United States and in fact they would just find another pathway?

Is that generally accepted logic? Any members of the panel.

Ms. REALUYO. Except that the Mexican cartels have their hands—they're knee deep in both the heroin and—

Mr. KILDEE. They don't have the ability to use any of the other delivery systems that would—that have typically been used as well? I guess that's the point.

Ms. REALUYO. We do, but we understand that the fentanyl is also coming into the Mexican ports and in May—on May 15th at National Defense University, my organization is partnering with

ONDCP to take a look at the entire chain, first, raising awareness to reduce the actual consumption here in the U.S.

And we are actually inviting our Mexican counterparts who are now starting to see consumption on their side of the border to actually address all of the different components of the supply chain, and then raise awareness, including some Members of Congress, because it's such a burning issue in every one of our districts.

And the bigger question that we have is how the distributors here in the U.S. are actually mixing fentanyl with heroin and with cocaine, and the complaints—it's kind of interesting that the cartel leaders are complaining that the local distributors here—the objective is to make them addicts, not to actually kill the consumer.

It's kind of in a weird way kind of interesting is their perception, because they're—as referring to what Louise is saying, these are entrepreneurs and businessmen and women who are all about the profit, and a dead user is not of interest to the Mexican cartels.

Mr. KILDEE. Well, I thank the panel. My time has expired and I thank the Chairman and Ranking Member for holding this hearing. Thank you.

I yield back.

Chairman PEARCE. Gentleman's time has expired. The members are advised that we have a vote going on and we've got 8 minutes and 43 seconds left.

I could take one more of the questioners. I guess my question to members is do you want to come back afterwards to ask questions.

OK. So we'll just take Mr. Rothfus and we'll let you ask questions. Then we'll adjourn the hearing after that.

Mr. ROTHFUS. Thank you, Mr. Chairman.

Mr. Maltz, the 2017 political article on how the previous Administration wilfully ignored Hezbollah's massive global drug trafficking operation was shocking, especially given Hezbollah's anti-U.S. conduct, even in the Western Hemisphere.

Can you describe the extent of Hezbollah's involvement with the Colombian drug trade?

Mr. MALTZ. Well, in that case, we saw multi tons of cocaine leaving South America, going to Africa, drugs being distributed worldwide, moneys being collected, put on Middle Eastern flights, carried into Beirut, guarded by Hezbollah, moneys coming back through the exchange houses into banks in Lebanon, back to America to buy used cars.

Cars are sold—sent on Hezbollah shipping lines back to west Africa to resell. In that case, the one thing that is still shocking to me as a taxpayer is that we collectively in the interagency identified about 300 businesses in our neighborhoods. We only attached 30 to our action because we could not get the cooperation across the Government agencies.

So there's hundreds of businesses still operating in our country because we were never able to shut them down. So $200 million a month going through this scheme just by one kingpin, Ayman Joumaa, is pretty significant.

Mr. ROTHFUS. Besides Colombia, are there other Central and South American nations that you can identify that are facilitating or tolerating Hezbollah's presence in their countries?

Mr. MALTZ. Well, of course, all over the tri-border. But Venezuela was the control—command and control hub for all the multi-ton shipments.

The problem was that the government was so corrupt that the highest levels of the government where we had guys indicted but they walked out of jail and they went back to their countries.

Mr. ROTHFUS. So are they tolerating them more because of the kickbacks, the money, or—

Mr. MALTZ. It's all about the money.

Mr. ROTHFUS. So no ideological thing—this is all just money driven?

Mr. MALTZ. In my opinion, it was about the money. General Carvajal was in charge of their security at the airport. So when multi-ton quantities of cocaine were leaving to go worldwide it was all about the money and—

Mr. ROTHFUS. What do we—what do we know about any links between Hezbollah and any of the Mexican cartels? There was reference to Los Zetas in the Politico piece.

Mr. MALTZ. Well, in that particular case, the Eastern District of Virginia did an indictment on Ayman Joumaa and they alleged in the indictment that the cocaine proceeds that were being laundered by Ayman Joumaa were from the Los Zetas cartel.

What I will tell you is a DEA undercover agent went to Guatemala and picked up $20 million in suitcases in cash from the cartel because they were sitting on $100 million and they needed money to be laundered.

So real—$20 million in three deliveries in Guatemala. So yes, there's a lot of money involved.

Mr. ROTHFUS. Do you think we've lost anything over the last year and a half as a result of the actions of the prior Administration with respect to Cassandra?

Mr. MALTZ. I am sorry. That question—

Mr. ROTHFUS. Have we lost anything? Have we lost ground? Have we—

Mr. MALTZ. Well, anytime—

Mr. ROTHFUS. —by not aggressively pursuing this at the time.

Mr. MALTZ. OK. So I am going to answer this really directly. Ali Fayed wanted the head of an American back in Czech Republic and we let him walk out and go back to Lebanon. So yes, we've lost a lot of intelligence for our U.S. Government agencies.

It would have been nice to debrief Walid Makled or General Carvajal to see what's going on in these different countries. But they walked out. They're gone.

Mr. ROTHFUS. Mr. Humire, you noted in your testimony the convergence of criminals, terrorists, and organized crime can be traced back to the 1990's.

But those interactions were mostly transactional back then. Now it appears that those interactions have metastasized into a very dangerous global network.

What are the largest transnational criminal threats facing the United States today?

Mr. HUMIRE. Congressman, what I mentioned earlier was the convergence that extends just beyond the illicit actors or the non-state actors.

I believe there's now a convergence with rogue state actors, and the state actors provide cover, concealment, and state support.

In the case of Venezuela, we've seen the Venezuelan government providing documentation—passports, birth certificates, national IDs—to members of terrorist groups, the Lebanese Hezbollah probably the most prominent.

But I want to touch on your earlier point, Congressman, about the collaboration between Hezbollah and Colombia. It's very historic and it's very extensive.

The AMIA bombing, which we all are familiar with—1994 attack in Buenos Aires that killed 84 people—that attack—the explosives for that attack were trans shipped from the Middle East to Colombia to Argentina and were trans shipped by the FARC.

The Hezbollah operative that was—is a Colombian Lebanese national that operated in the tri-border area in Colombia that was the logistical man that carried about that attack, Samuel Salman el-Reda, is one of the chief operators in the top hierarchy of the command today in the IJO—International Jihad Organization—of Hezbollah.

So there's a long, extensive collaboration between Latin American cartels, transnational criminal organizations and Hezbollah particularly but other terrorist groups.

Mr. ROTHFUS. My time has about expired. I just want to thank each of the panelists for being here and for your work in this area that is so critical to our national security and to the drug issue that all of our communities are facing.

So thank you.

Chairman PEARCE. Gentleman's time has expired.

I would like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is adjourned.

[Whereupon, at 3:26 p.m., the committee was adjourned.]

A P P E N D I X

March 20, 2018

QFR RESPONSES FROM

JOSEPH M. HUMIRE

CENTER FOR A SECURE FREE SOCIETY (SFS)

TO THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON TERRORISM AND ILLICIT FINANCE

HEARING ON

"EXPLORING THE FINANCIAL NEXUS OF TERRORISM, DRUG TRAFFICKING, AND ORGANIZED CRIME"

Questions from Congressman Robert Pittenger (NC-09)

1. **Over the past several years, I have worked with South American governments and leaders related to the tri-border region and the substational control drug organizations assert over that area. Many leaders have given me assurances that there will be improvements and additional enforcement in that region. Can you please provide an update regarding criminal activities in the tri-border region and whether there have been any tangible improvements?**

There have been several tangible improvements within the last year, particularly in Argentina and Paraguay, toward additional enforcement in the Tri-Border Area (TBA). Some very recently. On July 11, 2018, the Argentine government took its first government action against Hezbollah in the history of that country by freezing the financial assets of 14 individuals belonging to a Hezbollah-affiliated family called the Barakat Clan. The Barakat Clan is a powerful Lebanese Shi'ite family involved in money-laundering and organized crime in the TBA, who for decades has been raising funds for Hezbollah to support their terrorist operations in the Middle East and Latin America.[1] This includes their involvement in the historic and tragic 1994 AMIA bombing in Buenos Aires by Hezbollah and Iran.

This action by the Macri government in Argentina is not a small undertaking and is the direct result of the increased AML/CFT cooperation between the United States and Argentina, particularly in sharing financial intelligence. The Financial Intelligence Unit (FIU) of Argentina, under the leadership of Mariano Federeci, is the principal actor in taking this government action.

Since President Mauricio Macri took office in December 2015, his administration quickly began rebuilding its security cooperation with the U.S. and neighboring TBA countries Paraguay and Brazil. To this end, Congressman Pittenger, through his work with the TIF subcommittee and the Congressional Task Force on Terrorism and Unconventional Warfare, helped pave the way for

[1] OFAC sanctioned the leader of the Barakat Clan, Assad Ahmad Barakat, in 2004 for bankrolling Hezbollah, then later sanctioned two of his brothers, Hamze Ahmad and Hatem Ahmad in 2006.

greater US-Argentina intelligence cooperation hosting two Parliamentary Intelligence Security Forums in Buenos Aires in 2016 and 2017, respectively. Argentina's FIU was a co-host for both forums and Mariano Federeci has been a close partner in Argentina, including testifying before the TIF subcommittee in June 2016.

The results are evident. Last year, the Paraguayan government extradited to the U.S. a high-value Lebanese-Paraguay national, Ali Issa Chamas who pled guilty to trafficking cocaine to the United States. The arrest and extradition of Chamas, a known Hezbollah facilitator and drug trafficker in the TBA, led to further arrests in Ciudad Del Este and eventually to the financial freezing of the assets of the Barakat Clan by the Argentine government. Since then, the Paraguayan and Argentine authorities have raided local casinos and hotels in the TBA used by the Barakat Clan to raise funds for Hezbollah. This has resulted in Paraguayan prosecutors recently ordering the arrest of Hezbollah financier Assad Ahmad Barakat, shortly after the country's new president, Mario Abdo Benitez, launched an investigation into the Barakat Clan.

This sequence of actions by the Argentine and Paraguayan government against Hezbollah financing in the TBA show aggressive action, additional enforcement, and more importantly increased cooperation with the United States to achieve tangible results in disrupting Hezbollah's activities in Latin America.

2. **How do U.S. security officials focused on terrorist groups and transnational criminal organizations engage with foreign governments, like those in South America I previously mentioned, where significant corruption is suspected?**

I do not have sufficient information to answer this question since I have never served as a U.S. security official.

3. **Do we have any intelligence to suggest that members of the Iranian Revolutionary Guard Corps (IRGC) are active with Hezbollah in the tri-border region of Latin America?**

I do not know what intelligence exists within classified systems. That said, based on my open source research there is sufficient information to suggest that the IRGC helps Hezbollah in the TBA and beyond in Latin America. This is based on a precedent of IRGC-Hezbollah cooperation leading to the 1994 AMIA attack, as well as an understanding of how these Hezbollah financial networks and IRGC front companies have evolved over time.

Prior to the 1994 AMIA attack, the IRGC was responsible for helping finance the attack through a maze of front companies established in Argentina using the beef trade with Iran as its cover. A financial network of *Halal* certification companies and beef refrigeration plants were set up in and around Buenos Aires to funnel funds and move operatives in and out of the TBA to support Hezbollah. Several of these IRGC operatives worked under diplomatic cover as cultural or commercial attaches to the Islamic Republic's embassy in Buenos Aires. Others had non-official cover as reporters, students, and local businessman. They would connect to the local Hezbollah

networks in the TBA through the dual-use mosques, cultural centers and beef companies in the region.[2]

This financial network and diplomatic-cultural-commercial cover platform is still active in the TBA. Today there is a similar network of IRGC controlled front companies within the beef industry of Brazil. There is also an outsized presence of cultural and commercial attaches at the Iranian embassy in Uruguay. While the extent to which the IRGC provides support to Hezbollah in the TBA is not publicly known, it is safe to say that given the historic precedent and similarity of the financial/commercial networks—the IRGC does provide some level of support to Hezbollah through the Islamic Republic's embassies in Brasilia and Montevideo.

4. **How important are terrorist funds derived from criminal activities for the operational sustainability of major terrorist groups compared to other noncriminal sources of funds, including state sponsors and private sector donations?**

Extremely important as described on page 2 of my written testimony:

> Six years ago, the Drug Enforcement Administration (DEA), reported that 39 percent of the organizations listed in the US State Department's Foreign Terrorist Organization (FTO) list have "confirmed links to the drug trade."[3] More recently, the State Department's 2016 Country Reports on Terrorism describes at least 47 percent of FTOs as having financially profited from criminal activity to sustain their terrorist operations.[4] This means that close to half of the organizations designated by our government as terrorists have members and affiliates involved in criminal activity, notably kidnapping-for-ransom, extortion, theft, robberies, and drug trafficking.

5. **Can you describe the extent of Hezbollah's involvement with the Colombian drug trade?**

Hezbollah has been involved in the Colombian drug trade since its founding and has historically cooperated with the Revolutionary Armed Forces of Colombia (FARC). For instance, the explosives used in the 1994 AMIA attack were shipped from Iran to Lebanon to Colombia and then to the TBA. The FARC helped make that shipment and a Lebanese-Colombian dual national was the primary Hezbollah operative in charge.

This operative, Salman Raouf Salman (aka Samuel Salman El Reda El Reda), is now believed to be a senior figure in the Organization for External Security (ECO), which is Hezbollah's external arm for terrorism, drug trafficking, and organized crime (also known as "Unit 910"). Earlier this year, a report from a joint three-year investigation between the DEA and Colombian intelligence

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[2] To read more about the IRGC-Hezbollah cooperation pre-AMIA attack see the SFS Special Report titled "After Nisman: How the death of a prosecutor revealed Iran's growing influence in the Americas" by Joseph Humire, published in 2016. http://www.securefreesociety.org/wp-content/uploads/2016/06/After-Nisman-Report.pdf

[3] Prepared testimony of US Drug Enforcement Administration (DEA) Special Operations Division Special Agent in Charge Derek S. Maltz, in U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Terrorism, Nonproliferation, and Trade, Narcoterrorism and the Long Reach of US Law Enforcement, Part II, Serial No. 112-81, 112th Cong., 2nd sess., November 17, 2011 (Washington, D.C.: US Government Printing Office, 2011).

[4] This percentage is based on a close review of the listed sources of funding in Chapter 6 of the 2016 Country Reports on Terrorism cross-referenced with State Department's Foreign Terrorist Organization list.

revealed that Hezbollah has been cooperating with the Colombian drug cartel, *Oficina de Envigado,* which was created in the 1990's as an enforcement to Pablo Escobar's Medellin cartel.[5] Using the black market peso exchange, Colombian intelligence estimates that approx. 80% of the income generated from Lebanese businesses in Colombia dealing with textiles, meat products and coal are channeled through European banks on their way to Beirut and used to support Hezbollah in their homeland.

There is between 2 to 4 million Lebanese-Colombians, which is approx. 4-8% of the country's population. Only a fraction of these (approx. 40,000) are Muslim but the community is large enough to provide Hezbollah with a gateway into Colombian society, namely in Maicao in northern Colombia along the border with Venezuela. This has enabled Hezbollah to establish itself within the Colombian drug trade by partnering with most of the major TCOs, to include the FARC, ELN, and *Oficina de Envigado*.

6. **The Department of State has listed Hezbollah as a Foreign Terrorist Organization since 2005. Given their involvement with drug trafficking and money laundering, should the Treasury Department also designate them under the Kingpin Act? Should the Treasury Department designate Hezbollah a Transnational Criminal Organization?**

Yes, the Treasury Department should designate Hezbollah a TCO. I provided an explanation and argument on page 9 of my written testimony:

> This policy focus has re-opened a debate on possibly designating Hezbollah as a Transnational Criminal Organization under Executive Order 13581 and 13773.[6] Some skeptics say that designating Hezbollah as a TCO constrains sensitive intelligence source operations against the Lebanese terror group. Others state that this form of designation is unnecessary because law enforcement already has sufficient powers under the Foreign Narcotics Kingpin Designation Act and other executive orders to dismantle Hezbollah's criminal enterprise.
>
> Beyond the tactical considerations, there are at least two very important strategic benefits to designating Hezbollah a TCO:
>
> 1. It delegitimizes Hezbollah in the hearts and minds of Lebanese expats and the broader Shi'a community around the world.
> 2. It shines a light on Hezbollah's criminal activity in Latin America, prompting our regional partners to examine their own laws to counter Hezbollah's crime-terror activities in their countries.
>
> Hezbollah's lust for illicit profits flies in the face of the Shi'a Islamic values it preaches. The recent spike in criminal investigations and drug trafficking indictments against Hezbollah facilitators and affiliates has hurt the legitimacy of the group. Several of its leaders categorically deny that Hezbollah is involved in drug trafficking, money laundering, and

[5] Last year, in October 2017, Colombian authorities expelled a senior member of Hezbollah's ECO, Abdala Rada Ramel, who was linked to the *Oficina de Envigado* drug cartel in Colombia.

[6] E.O. 13581 signed in 2011 is meant to block property of Transnational Criminal Organizations, while E.O. 13773 signed in 2017 enforces federal law with respect to TCOs.

other crimes.[7] Labeling Hezbollah as a TCO, therefore, can undermine its efforts to brand themselves as a "resistance movement" with clear principles and political ideology. By damaging Hezbollah's reputation, we hinder their ability to recruit members or raise funds.

The second point is even more significant. As described in the previous section, Latin American countries are still struggling to understand Hezbollah's terrorist activity despite its long history of international terrorism. Conversely, many of these same countries have already established laws to disrupt TCOs and are increasingly aware of Hezbollah's criminal activity. Just about every country in the region has acknowledged that TOC is a major national security threat, and several are working with the international community to strengthen anti-money laundering (AML) tools and Threat Finance Units to combat this threat. Designating Hezbollah as a TCO in the United States will leverage the existing CTOC efforts endogenous in Latin America to focus more on Hezbollah.

7. **What have we lost in the past year and a half because of the previous administration's alleged mishandling of investigations into Hezbollah/Latin America drug link?**

The previous administration's neglect of Iran and Hezbollah's presence and activities in Latin America has had long-reaching negative effects. Specific to the past year and a half, we have lost several opportunities to apprehend Hezbollah operatives and/or neutralize Hezbollah operations in Latin America. This has led to Hezbollah becoming one of the premier transnational criminal organizations in the region providing money-laundering and other logistical support to most major drug cartels in Latin America.

More importantly, we have lost the positive energy and high morale within some of our military and law enforcement community that have witnessed Hezbollah become as some have described "a monster" in our backyard. This has led to superb operators, officers, and agents leaving the service or seeking employment elsewhere. This has also sent a signal to many Latin American governments that pursuing aggressive action against Iran and Hezbollah is off the table.

This is gradually changing under the current administration but the negative effects have already been felt in the region and within the U.S. national security community.

[7] Excerpt from The Washington Institute policy analysis by Matthew Levitt on April 26, 2016: "In a speech in December 2015, Hezbollah leader Hassan Nasrallah categorically denied charges that Hezbollah is involved in drug trafficking, money laundering, and other crimes, challenging his accusers to "Bring me the evidence!"

1)Over the past several years, I have worked with South American governments and leaders related to the tri-border region and the substantial control drug organizations assert over that area. Many leaders have given me assurances that there will be improvements and additional enforcement in that region. Can you please provide an update regarding criminal activities in the tri-border region and whether there have been any tangible improvements?

The recent arrest operation in Paraguay is a positive success story in combatting the transnational crime organizations operating in TBA.

See press links for the arrest of Nadar Mohamad Farhat, a DOJ CPOT.

https://www.lanacion.com.py/judiciales/2018/05/20/nader-mohamad-farhat-a-prision/

Last year with the extradition of Ali Chamas

http://www.miamiherald.com/news/local/crime/article158334659.html

2) How do U.S. security officials focused on terrorist groups and transnational criminal organizations engage with foreign governments, like those in South America I previously mentioned, where significant corruption is suspected?

DEA works with trusted vetted teams and the Sensitive Investigations Units to address these threats and have a long list of successes in several countries. We have had a long and outstanding relationship with the Colombian National Police and have shared timely information on very high level cases. Project Cassandra all started with a cooperative investigation with Colombia

3) Do we have any intelligence to suggest that members of the Iranian Revolutionary Guard Corps (IRGC) are active with Hezbollah in the tri border region of Latin America?

Unknown for sure, but suspected. I would direct this question to DEA for current intelligence.

4) How important are terrorist funds derived from criminal activities for the operational sustainability of major terrorist groups compared to other noncriminal sources of funds, including state sponsors and private sector donations?

As we all know, terrorists are increasingly turning to crime networks for funding. We have a convergence of foreign terrorist organization and transnational crime organizations around the globe. The terror networks have recognized the billions of dollars being made from the illicit criminal activity so they natural rely on these proceeds to carry out their terrorist agendas. We have seem the trend growing more towards supporting terrorist agendas with the criminal proceeds

5) Can you describe the extent of Hezbollah's involvement with the Colombian drug trade?

Hezbollah is operating like a major drug cartel and have aspects of their terrorist organization engaging in global drug trafficking and criminal activities and money laundering using existing networks around the world.

6) The Department of State has listed Hezbollah as a Foreign Terrorist Organization since 2005. Given their involvement with drug trafficking and money laundering, should the Treasury Department also designate them under the Kingpin Act? Should the Treasury Department designate Hezbollah a Transnational Criminal Organization?

Hezbollah is a powerful and growing terrorist organization operating in the Western Hemisphere and transnational organized crime group and should be designated immediately. We need a sense of urgency.

7) What have we lost in the past year and a half as a result of the previous administration's alleged mishandling of investigations into Hezbollah/Latin America drug link?

We lost significant momentum and opportunities to indict and apprehend additional key members of the organization. We had 3 very important Hezbollah connected targets apprehended in 3 countries pursuant to the rule of law and the last administration failed to engage to make things happen in regards to extraditions from Colombia, Aruba and Czech Republic. Since the previous DOJ wasn't fully engaged and had different agendas, we lost the opportunity to unite the USG inter agency pursuant to the TOC strategy and Executive order from the President.

WE HAVE A TREMENDOUS LACK OF INFORMATION SHARING GOING ON AS WE HAVE TERROR AND CRIME GROUPS OVERLAPPING. We need to finally break down the walls between those investigating criminal groups and those

investigating terror groups. Since this wasn't done under the last administration, we lost an opportunity to shut down a USA based trade based money laundering scheme supporting Hezbollah with the sale of used cars, This is a disgrace and no one was ever held accountable.

Louise Shelley's Response to Congressman Pittenger's Questions for March 20, 2018 Subcommittee hearing on Terror and Illicit Finance

I have no response to questions 1, 2, 3, 5, 6 and 7.

My answer to question 4 is as follows:

The criminal funding sources are important for maintaining a wide range of terrorist groups. ISIS has derived funds from human trafficking (particularly the ransoms paid for Azidi women and girls that are estimated in the tens of millions of dollars) and their control of territory has allowed them to obtain funding from taxing all kinds of illicit activity that cross their territory.
There is not an important terrorist group today that fails to profit from criminal activity and diminishing these revenues would undermine their ability to sustain themselves. Also environmental crime is an important funding source and an area that has not received enough attention. The profit that terrorist groups derive from trading in environmental resources whether it is the Taliban from timber, the crime-terrorist groups in Pakistan from water, the FARC from gold and al-Shabaab from elephants all provide important revenues These provide further illustrations of illicit trade that yield important financing and are not addressed sufficiently as we focus more on drugs.

