

Testimony of

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Executive Summary

Prior to September 11, 2001, the law enforcement community typically addressed drug trafficking and terrorist activities as separate issues. In the wake of the terrorist attacks in New York City, Washington, DC, and Pennsylvania, these two criminal activities are visibly intertwined. For the Drug Enforcement Administration (DEA), investigating the link between drugs and terrorism has taken on renewed importance. More importantly, it has heightened the visibility of DEA's mission - one that was present even before September 11th.

Throughout history, a broad spectrum of the criminal element - from drug traffickers to arms smugglers to terrorists - have used their respective power and profits in order to instill the fear and corruption required to shield them from the law. Perhaps the most recognizable illustration of this linkage is the expansion of Traditional Organized Crime in the United States during the early 20th century. Whether a group is committing terrorist acts, trafficking drugs or laundering money, the one constant to remember is that they are all forms of organized crime. The links between various aspects of the criminal world are evident because those who use illicit activities to further or fund their lifestyle, cause, or fortune often interact with others involved in related illicit activities. For example, organizations that launder money for drug traffickers often utilize their existing infrastructure to launder money for arms traffickers, terrorists, etc. The link between drugs and terrorism is not a new phenomenon.

Globalization has dramatically changed the face of both legitimate and illegitimate enterprise. Criminals, by exploiting advances in technology, finance, communications, and transportation in pursuit of their illegal endeavors, have become criminal entrepreneurs. Perhaps the most alarming aspect of this "entrepreneurial" style of crime is the intricate manner in which drugs and terrorism may be intermingled. Not only is the proliferation of illegal drugs perceived as a danger, but the proceeds from the sale of drugs provides a ready source for funding for other criminal activities, including terrorism.

Chairman Hatch, Ranking Member Leahy and distinguished members of the committee, it is my distinct pleasure to appear before you in my capacity as the Assistant Administrator for Intelligence of the DEA. Before I begin, Mr. Chairman, I would like to recognize you and the members of the committee for your outstanding support of DEA's mission and the men and women who serve it.

The DEA does not specifically target terrorists or terrorist organizations. It is DEA's mission to investigate and prosecute drug traffickers and drug trafficking organizations. However, some of the individuals and/or organizations targeted by the DEA may be involved in terrorist activities. In fact, fourteen (or 39 percent) of the State Department's current list of 36 designated foreign terrorist organizations have some degree of connection with drug activities. Due to DEA's global presence and the strong relationship with local law enforcement through the DEA Task Force Program, it is only natural, that in the course of drug investigations and intelligence collection, DEA would develop intelligence and information concerning terrorist organizations.

Defining Narco-Terrorism

According to 22 U.S.C. § 2656f(d)(2)), terrorism is the premeditated, politically motivated violence against noncombatant targets by sub-national groups or clandestine agents. International terrorism involves citizens, or territory, of more than one country. A terrorist group is any group practicing, or that has significant sub-groups that practice, international terrorism.

Historically, DEA has defined narco-terrorism in terms of Pablo Escobar, the classic cocaine trafficker who used terrorist tactics against noncombatants to further his political agenda and to protect his drug trade. Today, however,

governments find themselves faced with classic terrorist groups that participate in, or otherwise receive funds from, drug trafficking to further their agenda. Consequently, law enforcement may seek to distinguish whether narco-terrorists are actual drug traffickers who use terrorism against civilians to advance their agenda, or principally terrorists who out of convenience or necessity, use drug money to further their cause. Our analysis suggests that the label of narco-terrorist may be equally applicable to both groups.

DEA defines a narco-terrorist organization as "an organized group that is complicit in the activities of drug trafficking in order to further, or fund, premeditated, politically motivated violence perpetrated against noncombatant targets with the intention to influence (that is, influence a government or group of people)."

The Pablo Escobar Example

One of the most infamous "narco-terrorists" was Pablo Escobar. As leader of the Medellin cocaine cartel in Colombia, he became one of the wealthiest and most feared men in the world. At the height of his success, Escobar was listed in Forbes Magazine as being among the world's wealthiest men. While on the surface, he was nothing more than a street thug who became successful by trafficking in cocaine, Escobar had political aspirations and strove to project the appearance of legitimacy, claiming his wealth was the result of real estate investments. Escobar had a penchant for violence. He wreaked havoc on Colombia while attempting to persuade the government to change its extradition policy. Due to the numerous assassinations of politicians, presidential candidates, Supreme Court justices, police officers, and civilians, as well as a number of bombings culminating in the bombing of an Avianca commercial airliner in 1989, Escobar enraged both Colombia and the world. These actions resulted in a massive manhunt and his death in 1993. Escobar was a drug trafficker who used drug-related violence and terrorism to further his own political, personal, and financial goals. He was the classic narco-terrorist; his cause was simply himself.

South America

One does not have to go to the Middle East to find active terrorist groups - they exist right in our hemisphere. The U.S. State Department has officially designated the National Liberation Army (ELN), the Revolutionary Armed Forces of Colombia (FARC), and the United Self-Defense Groups of Colombia (AUC) as Foreign Terrorist Organizations. These organizations, all based in Colombia, were responsible for some 3,500 murders in 2002. As in years past, Colombia endured more kidnappings last year than any other country in the world, roughly 3,000. Overall, the AUC, ELN, and FARC all benefit and derive some organizational proceeds from the drug trade, as well as other illegal activities such as kidnapping, extortion, and robbery.

DEA is actively building cases on members of these groups who have been identified as engaging in drug-trafficking related activities, which are summarized below:

? March 7, 2002, FARC 16th Front Commander Tomas Molina-Caracas and several of his Colombian and Brazilian criminal associates were indicted in the District of Columbia for conspiring to manufacture and distribute cocaine with the intent and knowledge that it would be illegally imported into the United States. In June 2002, Surinamese authorities detained DEA fugitive Carlos Bolas; a Colombian national and FARC member who was named in the March 2002 indictment. Shortly thereafter, DEA agents transported Bolas from Suriname to the Washington D.C. area for arraignment in U.S. District Court. This marked the first time that the U.S. indicted and arrested a member of a terrorist organization involved in drug trafficking.

? On September 24, 2002, the U.S. Government announced an indictment charging leaders of the AUC with trafficking over seventeen tons of cocaine into the United States and Europe beginning in early 1997. Charged in the indictment are AUC leader Carlos Castaño-Gil, AUC military commander Salvatore Mancuso, and AUC member Juan Carlos Sierra-Ramirez. According to the indictment, Carlos Castaño-Gil directed cocaine production and distribution activities in AUC-controlled regions of Colombia.

? In November 2002, U.S. Attorney General John Ashcroft announced the takedown of Operation White Terror with the arrests of Fernando Blanco-Puerta, Elkin Arroyave-Ruiz, Uwe Jensen, and Carlos Ali Romero-Varela for their involvement in a multi-million dollar cocaine-for-arms deal. Fernando Blanco-Puerta and Elkin Arroyave-Ruiz were

allegedly AUC commanders. All four defendants are charged with conspiracy to distribute cocaine and conspiracy to provide material support and resources to a foreign terrorist organization. This Operation was an Organized Crime Drug Enforcement Task Force (OCDETF) investigation conducted by the Houston offices of the Federal Bureau of Investigation and DEA.

? On November 13, 2002, the U.S. Government announced that Jorge Briceño-Suarez was named in a superseding indictment for his narcotics trafficking activities. Jorge Briceño-Suarez commands the Eastern Bloc of the FARC and is a member of the FARC Secretariat. As Eastern Bloc Commander, Briceño-Suarez (direct superior of Tomas Molina-Caracas) is responsible for the activities of four FARC Mini-Blocs that operate in the vast eastern plains of Colombia.

Revolutionary Armed Forces of Colombia

The FARC, the largest of Colombia's terrorist organizations, uses its relationships with international smuggling organizations to purchase weapons and other equipment on the international black market to be used in the FARC's war against the Colombian government. In some cases, the FARC directly trades cocaine for weapons and in other instances funds weapons purchased with cash derived from cocaine sales.

The FARC are by far the most visibly violent of Colombia's terrorist organizations and have repeatedly demonstrated their willingness to utilize violence to further their agenda. The FARC intensified its terrorist offensive throughout 2002 and 2003 and steadily moved its attacks from the countryside to the cities.

? On August 7, 2002, Colombian President Alvaro Uribe was inaugurated amid a FARC mortar attack on the Presidential Palace in the heart of Bogota. One errant mortar killed 21 residents of an impoverished Bogota neighborhood.

? On February 7, 2003, a car bomb exploded at Club El Nogal, a popular social club on the north side of Bogota near many residences of U.S. Embassy personnel. Thirty-five persons were killed including several children. The investigation by Colombian authorities revealed that the FARC was responsible for this terrorist act.

? On May 5, 2003, Antioquia Governor Guillermo Gaviria and Gilberto Echeverri, former defense minister and peace adviser, were assassinated by the FARC near Urrao Municipality, Antioquia Department. The two officials were murdered along with eight non-commissioned officers and soldiers.

? On May 8, 2003, twenty-eight occupants of a Satena Airline aircraft were terrorized, but otherwise unharmed, when FARC members shot at the aircraft as it was getting ready to land on the runway in La Macarena, Meta (formerly part of the demilitarized zone).

United Self Defense Forces of Colombia And the National Liberation Army

The AUC, commonly referred to as autodefensas or paramilitaries, is an umbrella organization of approximately 13 self-defense groups. The AUC is supported by economic elites (cattle ranchers, emerald miners, coffee plantation owners), drug traffickers, and local communities lacking effective government security, and claims as its primary objective the protection of sponsors from insurgent attacks. The AUC now asserts itself as a regional and national counter-insurgent force. It is adequately equipped and armed, and reportedly pays its members a monthly salary. In 2000, AUC leader Carlos Castano claimed 70 percent of the AUC's operational costs were financed with drug-related earnings, with the balance coming from sponsor donations.

AUC operations vary from assassinating suspected insurgent supporters to engaging guerrilla combat units. Colombian National Police reported the AUC conducted 804 assassinations, 203 kidnappings, and 75 massacres with 507 victims during the first 10 months of 2000. The AUC claims the victims were guerrillas or sympathizers. Combat tactics consist of conventional and guerrilla operations against main force insurgent units. AUC clashes with

military and police units are increasing, although the group has traditionally avoided confrontation with government security forces. The paramilitaries have not yet taken action against US personnel.

The ELN -- like the FARC -- continues to pursue its favored terrorist methods of kidnapping and infrastructure bombing. There are currently no formal or informal peace talks between the ELN and the Colombian government. On March 5, 2003, a car bomb exploded in a shopping center in the northeastern city of Cucuta, killing seven people and injuring more than 50. Military and police sources attributed the Cucuta attack to ELN guerrillas operating in the city.

Spill-Over Into Central America

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

Panama

? July 22, 2002 - After arrests involving the seizure of 10 kilograms of heroin, intelligence revealed that additional drugs were to be located at the beach house of one of the arrested. The police returned to the beach house to find an additional 6 kilograms of heroin, 300 kilograms of cocaine, and 260 kilograms of marijuana. Also discovered were 139 AK-47s, 11 Dragonov sniper rifles, 1 Fal 7.62 rifle, 2 .45 caliber submachine guns, 247 AK-47 ammunition clips and 598 rounds of 7.62 bullets.

? November 6, 2002 - After establishing surveillance at a location where a number of seizures had recently been made, local authorities observed several men carrying large burlap bags. A fire fight occurred after the police approached the men. The police captured one suspect while several others escaped. Subsequently, six additional suspects were apprehended by means of road blocks. The abandoned bags contained 316 kilograms of cocaine, 57 packets of heroin, 410 heroin pellets, and 1,134 small cylinders containing heroin. The next day the police found a cache of AK-47 rifles and other assorted small arms and ammunition in an abandoned pick-up truck that one of the suspects had rented. This seizure like several others in Panama suggest that significant drug transaction orchestrated by Colombian paramilitary groups are often simultaneously accompanied by a significant arms shipment.

DEA intelligence indicates that due to the political and economic crisis in Venezuela, the FARC and AUC are increasingly utilizing Venezuela as a transit zone to smuggle drugs, arms, chemicals and monies to and from Colombia. The declining economy and inability by the Government of Venezuelan (GOV) to effectively control the VZ/CB border has resulted in increased drug trafficking, kidnapping and corruption within in the region as a whole. Reporting indicates that some of this activity is directly attributed to the FARC and AUC, as well as other criminal organizations based within the region.

Ecuadorian security forces have worked to reduce the smuggling of arms destined for Colombian terrorist groups and have limited travel at a key border crossing to daytime hours. Nevertheless, armed violence on the Colombian side of the border has contributed to increased lawlessness in Ecuador's northern provinces.

HAMAS & Hizballah in the Tri-Border Area

The two major terrorist organizations that exist in the Tri-Border Area of Paraguay, Argentina, and Brazil are Hizballah and the Islamic Resistance Movement known as HAMAS. The members of these organizations often assimilate into the local culture and typically become merchants in shopping centers to conceal their illegal activities.

Intelligence indicates that Islamic fundamentalist terrorist cells operate out of strongholds in the Tri-Border Area of Paraguay, Brazil and Argentina. They generate significant income by controlling the sale of various types of contraband in these areas, including drugs, liquor, cigarettes, weapons, and forged documents. Intelligence suggests that a large sum of the earnings from these illegal activities goes in support of the operatives' respective organizations in Lebanon.

Ties to Drug Trafficking in Tri-Border Area

Subsequent to the events of September 11, 2001, the DEA increased its monitoring of individuals and groups with links to terrorist organizations based in Ciudad del Este, Paraguay. Ciudad del Este is home to thousands of individuals of Arabic descent who have taken advantage of Paraguay's relaxed immigration laws and sought asylum in remote areas of the country. DEA intelligence has revealed that some of these individuals are utilizing the proceeds from cocaine trafficking to provide economic assistance to terrorist movements in the Middle East. Many of these individuals own profitable businesses (mostly contraband related) and have gained a great deal of political influence over the years. These individuals utilize corrupt officials and judges to operate freely in Ciudad del Este, Paraguay and Foz do Iguacu, Brazil.

The Sendero Luminoso ("Shining Path") in Peru

The Sendero Luminoso ("Shining Path" or SL) is a violent insurgent group operating in Peru that advocates the overthrow of the government in order to achieve their self-described form of "agrarian communism."

The political and military power and influence of the SL have decreased dramatically in recent years. The overlap of Peru's coca cultivation regions and the traditional SL strongholds suggest SL involvement in aspects of local drug trade. DEA, however, does not possess evidence to corroborate assertions that the SL has transcended beyond "taxing" local drug traffickers who wish to transport cocaine base through areas where the SL is active. Further, there is no DEA intelligence indicating that SL elements are involved in the cultivation, processing, or sale of drugs.

Southwest Asia

Afghanistan and the Taliban

In January of 2003, DEA officially re-opened the Kabul Country Office, which is staffed by two full-time special agents. With a presence north and south of the Afghanistan border through offices in Uzbekistan and Pakistan, the DEA continues to work closely with its counterparts to collect intelligence pertaining to clandestine laboratories, drug stockpiles, trafficking routes, and major regional drug targets.

Afghanistan is a major source country for the cultivation, processing, and trafficking of opiates, producing 59 percent of the world's supply of illicit opium in 2002. Because of the country's decimation by decades of warfare, illicit drugs had become a major source of income. Through the taxation of illicit opium production, the Taliban were able to fund an infrastructure capable of supporting and protecting Usama bin Laden and the Al-Qaida organization. Accordingly, drugs and terrorism frequently share a common ground of geography, money, and violence.

Illicit opium production increased each year in Afghanistan during the 1990's, surpassing Burma as the world's leading producer of illicit opium in 1998. By 2000, Afghanistan produced more than 70 % of the world's supply of illicit opium, with more than 3,656 metric tons produced. This equaled a potential heroin production of 365 metric tons. An estimate conducted by INTERPOL suggested that ninety percent of the heroin consumed in Europe originates in Southwest Asia, particularly Afghanistan.

Afghanistan's neighbors in the Central Asian States may also be candidates for exploitation by traffickers. Drug trafficking groups could potentially utilize their existing smuggling networks within the region to move product to markets and precursor chemicals to the clandestine laboratories. Presently, the situation is fluid and constantly changing. Until the situation in Afghanistan stabilizes, the future of drug cultivation and production within that country

or within the region itself will remain uncertain. However, the ingenuity and tenacity of drug traffickers in Southwest Asia will continue to present substantial challenges to western law enforcement.

Kurdistan Worker's Party

Abdullah Ocalan founded the Kurdistan Workers Party, commonly referred to as the PKK, while a student at Ankara University in 1974. The group developed as a revolutionary socialist organization composed primarily of Turkish Kurds, with the stated goal of establishing the independent nation of Kurdistan. The Government of Turkey has long followed a policy of forced assimilation for Kurds, and viewed the possibility of a separate Kurdish state as a threat.

In 1984, the PKK began to use violence against Turkish security forces, and the level of violence escalated to include civilians. In the early 1990s, the PKK added urban terrorism to their arsenal of violent activities. The death toll for this conflict exceeds 30,000, with the Turkish Government spending an estimated seven million dollars each year combating Kurdish separatists.

The PKK, considered a terrorist organization by most Western Governments, is represented in Kurdish immigrant communities throughout the world and is particularly prevalent in Europe. According to the U.S. Department of State, the PKK has received safe-haven and modest aid from states in region. The Government of Turkey consistently reports that the PKK, as an organization, is responsible for much of the illicit drug processing and trafficking in Turkey. Turkish press reports state that the PKK produces 60 tons of heroin per year and receives an estimated income of forty million dollars each year from drug trafficking proceeds.

According to historic DEA reporting, the PKK may receive its funding from a number of illicit means, including kidnapping and drugs. Government and press reporting indicates that the PKK may be involved with merely taxing traffickers passing through their controlled territories. Other reports indicate that the PKK may be more directly involved with drug trafficking and possibly controlling a significant portion of the heroin market in Europe.

Russian Organized Crime

Analysis conducted by the DEA Moscow Country Office indicates that Russian Organized Crime (ROC) groups are expanding their scope of criminal operations worldwide, to include drug trafficking and money laundering activities. These groups are forming alliances with other criminal entities such as the Italian Mafia, Mexican and Colombian drug trafficking organizations, Japanese yakuza, Chinese triads, and Nigerian smuggling groups. Through global connections, ROC groups increasingly facilitate drug shipments in Latin America and Asia to the United States and Europe, and are involved in weapons-for-drugs exchanges. In addition, they have been attracted to the profitable business of heroin smuggling from Afghanistan. ROC groups are also expanding illicit operations to include "club drug" trafficking and production, and trafficking of precursor chemicals used to manufacture heroin and synthetic drugs.

Islamic Movement of Uzbekistan

The Islamic Movement of Uzbekistan (IMU) is a radical Islamic movement which has been in existence since 1996, maintaining close ties with Al-Qaida and the Taliban. It has received funding from both groups and its members have participated in Al-Qaida training camps in Afghanistan. The Russian and Uzbek governments openly state that the IMU is not only involved in Central Asian heroin traffic, but that it effectively controls it as well.

Southeast Asia

Liberation Tigers of Tamil Eelam

The Liberation Tigers of Tamil Eelam (LTTE) commonly referred to as the Tamil Tigers was founded in 1976 after splintering off of another separatist group in conflict with the Government of Sri Lanka.

The LTTE's hostility with the Sri Lankan government began in 1983. The Tigers are most notorious for their cadre of suicide bombers, the Black Tigers. Political assassinations and bombings are commonplace, however, the LTTE has refrained from targeting foreign diplomatic and commercial establishments.

Sri Lanka's preoccupation with the LTTE depletes the resources needed to adequately address the nation's drug problem. The conflict with the LTTE absorbs the attention of the country's naval forces, preventing the adequate patrol of Sri Lanka's 1,100 miles of coastline. DEA intelligence suggests the LTTE finance their insurgency through drug trafficking. Information obtained since the mid-1980's indicates that some Tamil Tiger communities in Europe are also involved in narcotics smuggling, having historically served as drug couriers moving narcotics into Europe.

United Wa State Army

The United Wa State Army (UWSA) is the single largest heroin and methamphetamine producing organization in Southeast Asia, according to DEA and foreign law enforcement entities. While not a designated foreign terrorist organization, the UWSA cultivates, manufactures, transports and distributes massive quantities of heroin and methamphetamine from its base of operations in the northeastern Shan State of Burma to international markets including Thailand, Hong Kong, China, Australia, Canada and the United States. In the early 1990's, the UWSA signed a cease-fire agreement with the Government of Burma (Myanmar) and was given virtual autonomy over the region under their control. Essentially, the UWSA is a government within a government, primarily funded by drug trafficking activities.

In 2001, Burma was the world's leading producer of illicit opium, cultivating an estimated 865 metric tons of opium, with the potential to produce 86 metric tons of heroin. In addition, an estimated 800 million methamphetamine tablets are produced annually in Burma. The overwhelming majority of both heroin and methamphetamine refineries currently located in Burma are operated/controlled directly by the UWSA or indirectly by independent traffickers paying protection fees to the UWSA.

New People's Army, the Moro National Liberation Front And the Moro Islamic Liberation Front

The New People's Army (NPA) is the action arm of the Communist Party of the Philippines. The NPA was formed in 1969, as a Maoist group with the goal of overthrowing the government through protracted guerrilla warfare.

DEA intelligence indicates that the NPA is potentially involved in the cultivation, trafficking and distribution of marijuana to support their insurgent activities. The DEA Manila Country Office reports that the NPA is a communist insurgency group located on a broader scale throughout the Philippines, and is growing in number. This group has greater potential in assisting drug trafficking in the Philippines because of its larger numbers and diffuse distribution throughout the country. It has been confirmed that this group has previously provided physical security for trafficker marijuana fields. Equally important, past and recent intelligence reporting, as well as large multi-hundred kilogram seizures of crystal methamphetamine, demonstrate that many coastlines are significant drug transit zones.

The Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF) are Islamic separatists operating in the southern Philippines, primarily in the Mindanao region. In 1991, the splintering of the MNLF resulted in the creation of Abu Sayyaf, which will be discussed independently from these groups.

The MNLF and MILF receive funding from a number of criminal activities, including, kidnap for ransom, petty crimes, and drug trafficking. DEA's information suggests that the MNLF and the MILF are involved in drug trafficking activities to finance their terrorist activities. Primarily, the MNLF is involved in production and security for marijuana and possibly crystal methamphetamine.

Abu Sayyaf Group

The Abu Sayyaf Group (ASG) is an acknowledged terrorist group based in the Philippines, and is officially recognized by the United States Government as a designated terrorist group. In the mid 1980's, the ASG emerged as an Afghan

guerrilla group and moved its operations to the Philippines in 1989, ostensibly to support violent efforts to establish a separate Islamic state in the southern Philippines. To achieve this goal, the ASG has been involved in a variety of criminal enterprises, including kidnappings, drug and arms smuggling, extortion, and virtually any other criminal activity that is profitable. The ASG kidnapping of Martin and Gracias Burnham, and the rescue mission that resulted in the death of Mr. Burnham, is a recent high profile example of ASG criminal activity. Both the ASG and the MILF are believed to have links to Al-Qaida through the Jemaah Islamiya (JI), members of which are known to have been involved in violent terrorist actions which include the recent bombing in Bali, Indonesia.

Financing of Terrorist Networks with Drug Money

The attacks carried out on our nation on September 11, 2001 graphically illustrated the need to starve the financial base of every terrorist organization and deprive them of drug revenue that is used to fund acts of terror. Narco-terrorist organizations in Colombia and other areas of the world generate millions of dollars in narcotics-related revenues to facilitate their terrorist activities. Tracking and intercepting the unlawful flow of drug money is an important tool in identifying and dismantling international drug trafficking organizations with ties to terrorism.

In order to dismantle narco-terrorist organizations, law enforcement authorities must not only arrest and prosecute the leaders of the organization, but also expose their supporting financial infrastructure and seize and forfeit assets acquired by them. The cells of terrorists are dispersed beyond the geographic boundaries of a specific country, much like international drug syndicates. Accordingly, DEA's approach to both the drug trade and the terror network must be equally global in scope.

According to ONDCP, Americans spend \$64 billion on illegal narcotics annually, most of it in cash. To avoid detection, these organizations have developed a number of money laundering systems in attempts to avoid financial transaction reporting requirements and manipulate facets of the economy unrelated to the traditional financial services industry.

Black Market

The Black Market Peso Exchange System (BMPE) is a significant money-laundering system used by Colombian narcotics traffickers. The BMPE is a trade-based money-laundering scheme that handles billions of dollars in drug money annually. It is among the primary means by which cartels convert U.S.-based drug dollars into "clean" pesos in Colombia. The BMPE has a devastating impact on Colombia's economy by fostering a contraband trade that undercuts legitimate businesses and deprives the Colombian government of hundreds of millions of dollars in tax revenue. The exact size and structure of the BMPE system cannot be determined with any degree of precision. However, based on intelligence related information, it is believed that between \$3 billion and \$6 billion is laundered annually. The BMPE process begins when a Colombian drug organization arranges the shipment of drugs to the United States. The drugs are sold in the United States in exchange for U.S. currency. This U.S. currency is then sold to a Colombian black market peso broker's agent located in the United States. Once the dollars are delivered to the agent of the Colombian peso broker in the United States, the peso broker in Colombia deposits the agreed upon equivalent in Colombian pesos into the person's account in Colombia.

DEA is currently part of a joint task force aimed at targeting the BMPE in South America. The "Financial Action Committee" task force is chaired by the Office of National Drug Control Policy. A sub-group, "Revenue Denial Sub-Working Group," has been established to create a Geographic Targeting Order (GTO) on businesses that export goods to South America and fuel the BMPE.

Hawala/Hundi System

The Hawala system is an underground, traditional, informal network that has been used for centuries by businesses and families throughout Asia. This system provides a confidential, convenient, efficient service at a low cost in areas that are not served by traditional banking facilities. The hawala or hundi system leaves no "paper trail" for investigators to follow. In the United States, hawala brokers tend to own high-volume, primarily cash businesses that cater to immigrants. In this process, an individual gives a hawala broker a sum of money and asks that the same

amount be delivered to someone in another country. The broker contacts, often through the Internet and e-mail, a hawala broker in the city where the money is to be delivered, and instructs that broker to deliver the money to the recipient. Consequently, funds are exchanged without physical movement of the currency. The brokers make money by charging a fee for their services.

DEA's Efforts to Disrupt and Dismantle Financial Networks

Operation Caribe - Caribbean Division

An Attorney General Exempted Money Laundering Operation (AGEO) consists of undercover operations which are given approval by the Attorney General to launder drug proceeds to continue a narcotics investigation. In Operation Caribe, an AGEO targeted a Colombian Narcotics Trafficking Organization and Colombian BMPE brokers based in Colombia. The BMPE brokers were actively involved in laundering the proceeds of multi-thousand kilogram quantities of cocaine imported into the United States and Europe and the exporting of the proceeds from the sale of these controlled substances. The DEA Caribbean Division made numerous money pick-ups as an investigative tool to identify the infrastructure of this criminal organization. The investigation had 29 Title III intercepts. In total, this investigation led to numerous seizures of cash totaling \$1,043,676.36. The investigation also led to the seizures of 347 kilograms cocaine, 3.8 kilograms heroin and the arrests of 15 targets.

This investigation also provided significant contributions to Operation Wirecutter, a joint United States Customs Service and DEA money laundering operation supported by DEA's Bogota Country Office. Operation Wirecutter targeted both drug traffickers and BMPE brokers in Bogota, and resulted in the arrest of ten individuals and the seizure of approximately 400 kilograms of cocaine, 5.5 kilograms of heroin and approximately \$2,304,843. The main target along with eight other Colombian money brokers were indicted in the United States. In addition, numerous arrests were made on subjects identified through domestic pick-ups of currency.

Operation Juno - Atlanta Division

Operation Juno was an AGEO, also targeting Colombian Narcotics Trafficking Organizations and Colombian BMPE brokers based in Colombia. Operation Juno represented a new level of U.S./Colombian cooperation. This was the first time Colombian authorities had seized this volume of trafficker accounts based on information derived from a joint investigation by U.S. law enforcement agencies.

The Operation Juno indictment targeted five major traffickers and \$26 million worth of laundered drug proceeds. Operation Juno culminated with five indictments of Colombian-base BMPE brokers. The indictments charged the defendants with conspiracy to launder money, conspiracy to traffic in drugs, and multiple money laundering counts.

Besides the five named defendants above, 55 arrests were made in the United States during the course of the investigation. Civil seizure warrants were also brought against 59 domestic bank accounts worldwide. Approximately \$26 million in drug proceeds were targeted for seizure. In addition, \$10 million was seized during the investigation, and the balance was seized in 59 accounts at 34 United States banks, and at 282 accounts at 52 foreign banks.

International Role of DEA

The DEA's Office of International Operations maintains 79 offices in 58 countries. These offices support DEA domestic investigations through foreign liaison, training for host country officials, bilateral investigations and intelligence gathering. The DEA's international presence is an invaluable asset in the pursuit of drug traffickers in all areas of the world. Foreign operations enable the DEA to share intelligence and coordinate and develop a worldwide drug strategy, in cooperation with our host countries.

The heart of DEA's international operations may lie in the Sensitive Investigative Unit (SIU), a program that began as a result of collaboration with Colombia and has since been used as a model for the formation of such units in other countries. This group of specifically trained and vetted police officers, which carry out highly sensitive investigations

directly impacting upon the United States, have been directed to target the command and control centers of the world's most significant drug trafficking organizations. There are currently 29 distinct SIU's operating in nine different countries around the world (Mexico, Colombia, Ecuador Peru, Bolivia, Brazil, Pakistan, Thailand, Dominican Republic and Uzbekistan). They are organized based on their investigative responsibilities, which include high level investigations of major drug trafficking organizations, chemical investigations, and money laundering.

SIU operational success stories are common, but carry special significance because in every case, the host nation has exercised a capability that the DEA has helped them to build. While we give them the capability to address what is for them a domestic problem, it actually extends all the way to the streets of the United States. In each case, the SIU's have tackled complex multinational narcotics investigations that resulted in the disruption of trafficking organizations far from our shores.

? In FY 01 and FY 02, the SIU groups in Colombia were instrumental in the successful completion of Operation Nueva Generacion and Operation Broker. Operation Nueva Generacion resulted in the seizure of over 9,000 kilograms of cocaine and 41 arrests. Operation Broker, a money laundering investigation conducted jointly with several DEA offices and the DEA Special Operations Division (SOD), resulted in the seizure of 34 kilograms of gold, 1067 kilograms of silver and 50 arrests.

? The Brazilian SIU conducted Operation Diamante, which resulted in the seizure of 2,295 kilograms of cocaine, 20 aircraft and over \$2.3 million in assets. The Brazilian SIU has conducted investigations that led to the arrest of Luis Fernando da Costa, one of the largest traffickers in Brazil. This investigation was concluded in December 2002.

? The SIU in Thailand completed a multi-national investigation involving the DEA and law enforcement agencies in Thailand, China and Hong Kong that culminated in April 2002 with the seizure of 354 kilograms of heroin and the arrest of 13 traffickers with ties to United Wa State Army.

Task Force Collaboration

DEA's Ad Hoc Counterterrorism Task Force

On October 2, 2002, in order to meet DEA's obligation to better coordinate terrorist information, DEA's Chief of Operations established an Ad Hoc Counterterrorism Task Force within DEA Headquarters. The Task Force is made up of personnel from the Office of Domestic Operations, the Office of International Operations, the Intelligence Division and the Office of Diversion Control.

The Ad Hoc Counterterrorism Task Force is assigned to review and categorize the investigative and general intelligence files that are identified by DEA field offices as having a nexus to terrorism or intelligence relative to terrorist activity. In addition, the Task Force compiles and regularly updates a list of the terrorist organizations that are referenced in the identified investigative and general files. DEA has established and implemented a tracking mechanism for the sharing of information and intelligence with other government agencies, and functions as the single point of contact within DEA for field elements and for external entities relative to terrorist information. The Task Force continues to ensure that DEA Headquarters and field elements share all terrorist related information with the respective agencies responsible for conducting and correlating terrorist investigations and intelligence.

Investigations and Operations

Operation White Terror

In November 2002, a joint DEA and FBI OCEETF investigation resulted in four members of the AUC being indicted for their role in drugs-for-weapons exchanges. The defendants are charged with violations of Title 21 of the United States Code and with providing material assistance to a terrorist organization. The defendants were attempting to

exchange cocaine to purchase Russian-made weapons, including automatic rifles, ammunition, grenades and rocket-propelled grenades.

Operation Mountain Express III

On January 10, 2002, Phase III of Operation Mountain Express culminated with the arrest of over 100 individuals in 12 cities throughout Canada and the United States for the illegal trafficking of pseudoephedrine.

Middle Eastern criminal organizations comprised of individuals of Palestinian, Syrian, Jordanian, Israeli, and Yemeni descent play an integral part in the Mexican methamphetamine trade as suppliers of pseudoephedrine. These criminal groups are known to supply pseudoephedrine tablets to Mexican national organizations in the United States, usually through the ownership of convenience stores, wholesale grocery supply companies, and distribution outlets for medical supplies. Middle Eastern pseudoephedrine tablet dealers can purchase a case of pseudoephedrine for between \$600 and \$800, and then sell it to methamphetamine manufacturers for between \$3,000 and \$4,000. Thus tremendous profit margin serves as a substantial incentive for the diversion of pseudoephedrine products.

Operation Mountain Express targeted Middle Eastern brokers facilitating the smuggling and distribution of Canadian pseudoephedrine to Mexican methamphetamine organizations operating throughout the United States. Operation Mountain Express enforcement actions have resulted in the arrests of 282 defendants and the seizure of over 26 tons of pseudoephedrine (an amount capable of producing approximately 50,000 pounds of methamphetamine) and \$15.8 million in United States currency. The pseudoephedrine traffickers targeted in this investigation did not process or otherwise alter the pseudoephedrine. They merely diverted it and sold it to the Mexican methamphetamine traffickers, who then processed it for use in the manufacturing process.

Additional reporting indicates that the proceeds from illegal activities of the Yemeni and other Middle Eastern organizations are usually structured in order to evade financial reporting requirements, and directed to accounts in the trafficker's country of origin.

Operation Containment

Operation Containment was conceived in February 2002 when the DEA brought members of 25 countries together in Ankara, Turkey to develop a coordinated post-Taliban heroin counter-drug strategy to deprive international terrorist groups of the financial basis for their activities. In addition to drugs, this operation also targeted other illicit commodities that could be used by terrorist organizations to finance their operations. Some of the other targeted goods included precursor chemicals, weapons, ammunitions, and currency.

Before the operation began, participating countries agreed to participate in regional initiatives, and developed local plans to diminish the availability of heroin and morphine base along the Balkan and Silk trafficking routes. This action focused on interdiction at specific land, air, and sea border checkpoints by the joint coordinated efforts of the law enforcement and customs authorities in Central Asia, the Caucasus, Europe, and Russia. The operation was coordinated at two regional intelligence sharing centers: the Southeast European Cooperative Initiative (SECI Center) Regional Center for Combating Transborder Crime in Bucharest, Romania and the Bishkek Command Center (BCC) in Bishkek, Kyrgyzstan.

The primary purpose of Operation Containment was to seize as much Southwest Asia heroin as possible before it reached the lucrative markets of Western Europe and the United States. Based on reporting from all participating countries, there were 1,705.715 kilograms of heroin seized during this operation with an estimated value between \$28 and \$51 million.

The largest Bishkek Command Center heroin seizure (actually 2 separate seizures of 48 kilograms and 139 kilograms) took place on July 4, 2002, in Tajikistan by the Russian Border Guards during an armed confrontation with traffickers attempting to cross into Tajikistan from Afghanistan via the Pyanj River.

Upon its completion, Operation Containment was one of the most successful drug interdiction initiatives to be undertaken on a multi-regional basis, and it has become a benchmark for future cooperative international programs. Although the drug seizures that occurred during this operation can be considered a success by any standard, the real

achievement of the operation was the mutual participation of nearly 20 countries in a common operational and intelligence sharing action, which until quite recently was almost impossible to be implemented.

Conclusion

The events of September 11th have brought new focus to an old problem, narco-terrorism. These events have forever changed the world and demonstrate even the most powerful nation is vulnerable to acts of terrorism. In attempting to combat this threat, the link between drugs and terrorism came to the fore. Whether it is a state, such as formerly Taliban-controlled Afghanistan, or a narco-terrorist organization, such as the FARC, the nexus between drugs and terrorism is perilously evident.

Nations throughout the world are aligning to combat this scourge on international society. The War on Terror and the War on Drugs are linked, with agencies throughout the United States and internationally working together as a force-multiplier in an effort to dismantle narco-terrorist organizations. Efforts to stop the funding of these groups have focused on drugs and the drug money used to perpetuate violence throughout the world. International cooperative efforts between law enforcement authorities and intelligence organizations are critical to eliminating terrorist funding, reducing the drug flow, and preventing future terrorist attacks.

The DEA is proud to contribute to our national security through a myriad of cooperative international enforcement initiatives and programs. Once again, I would like to thank the committee for the opportunity to share some insights relative to the DEA's role in this critically important issue.

I will be happy to respond to any questions the committee may have.