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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## COLOMBIA

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

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

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

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

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

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

### VENEZUELA

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

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

### AFGHANISTAN

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

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

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

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

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

## MERIDA AND CARSI

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

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

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

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

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

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

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

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

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

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

### WEST AFRICA

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

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

### MULTILATERAL COOPERATION

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

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

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

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

## DEMAND REDUCTION

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

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

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

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

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

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