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on

**“U.S. Efforts to Counter the Convergence of Terrorism and Crime
with the Financial Instrument of National Power”**

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“Exploring the Financial Nexus of Terrorism, Drug Trafficking and Organized Crime ”

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Thank you Chairman Pearce, Vice Chairman Pittenger, Ranking Member Perlmutter, and members of the Subcommittee on Terrorism and Illicit Finance for the opportunity to appear before this committee today to testify on U.S. efforts to counter the convergence of terrorism and crime with the financial instrument of national power. We face a myriad of security threats from revisionist states, aspiring nuclear powers, global terrorism, transnational organized crime, and cyber attacks that have made national security more daunting than ever before. The complexity of these security threats, especially from illicit networks, such as terrorists, criminals, and WMD proliferators, requires nimble, multi-disciplinary, and multilateral approaches to counter these threats effectively. Over the past year, the Trump Administration has issued strategies and policies to address the threats from terrorism and transnational organized crime to U.S. interests at home and abroad, including a new U.S. National Security Strategy. These new strategies recognize financing as one of the most critical of enablers for terrorism, crime, and corruption and include financial and economic measures that seek to better detect, dismantle, and deter these illicit threat networks.

Threats from the Convergence of Terrorism, Drug Trafficking, and Organized Crime

Since the fall of the Berlin Wall, illicit networks have increasingly capitalized on globalization to expand their evils agendas of terrorism and crime. These networks like ISIS, the Taliban, Hizballah, Mexican drug cartels, Central American gangs, and the Russian mafia do not respect state sovereignty, the rule of law, or even human life. While terrorists are driven by ideology, transnational criminals focus on maximizing profits through illicit activities like arms, drug, and human trafficking. Global supply chains across the land, air, maritime and cyber domains are exploited by these groups to move goods, people, services, ideas, and data, and they thrive in ungoverned spaces. We are witnessing a dangerous convergence of terrorism and crime, where these groups share operating areas, intelligence, tactics, and resources to threaten nation states. The Islamic State exemplifies a “criminalized state” engaged in a broad spectrum of illicit activities, including extortion, robbery, oil smuggling, human trafficking, kidnap for ransom, and antiquities looting, to sustain its terrorist caliphate and to become the richest terrorist

group in the world. While al Qaeda enjoyed ample donor support under Bin Laden, who believed that criminal activity might draw attention from law enforcement, ISIS instead has relied on crime to generate the revenues necessary to fund its government, recruit foreign fighters, and project its propaganda.¹ Targeting the leadership and cutting off the finances of ISIS have debilitated the group and allow the recapture of the territories it invaded. Terror-crime convergence presents a significant national security threat around the world. The best-known cases of convergence involve the narco-insurgencies in Afghanistan and Colombia that have lasted for decades. This past year, opium production in Afghanistan and coca production in Colombia have reached alarmingly record levels.

Afghanistan: The U.S. has been militarily engaged in Afghanistan since October 7, 2001 with Operation Enduring Freedom in response to the tragic September 11, 2001 attacks. After years of U.S. blood and treasure invested at an estimated cost of over one trillion dollars and 2371 soldiers killed, Afghanistan is now the longest war in American history; and yet, the security situation in Afghanistan is deteriorating. According to the State Department Counterterrorism Bureau, Afghanistan continues to experience aggressive and coordinated attacks by the Afghan Taliban, including the affiliated Haqqani Network (HQN) and other insurgent and terrorist groups. A number of these attacks were planned and launched from safe havens in Pakistan. 2018 has already proven to be quite deadly. On January 20, 2018 at least 22 people, including four Americans were killed during a 12-hour standoff with security forces after gunmen dressed in army uniforms raided the Intercontinental Hotel in Kabul, frequented by many foreigners. On January 27, 2018, an attacker driving an ambulance packed with explosives detonated them in the Afghan capital of Kabul, killing over 100 people and injuring some 158, according to Afghan officials. Taliban spokesman Zabiullah Mojahid claimed responsibility for this attack, one week after the attack on the Intercontinental Hotel in Kabul.

The State Department reports that insurgent groups in Afghanistan continued to generate significant revenue by taxing drugs passing through regions they control.

¹ Celina B. Realuyo, ISIS' Illicit Networks, *The Cipher Brief*, January 13, 2016, <https://www.thecipherbrief.com/article/isis%E2%80%99-illicit-networks>

Afghan government drug control efforts are hindered by broad security challenges associated with the intensive, long-term armed conflict. The U.S. continues to support a broad range of multilateral and bilateral counter-narcotics programs in Afghanistan. Poppy cultivation remained at near historically high levels compared with the past several decades. Afghan opium is typically refined into morphine or heroin in Afghanistan or neighboring countries for export; 90 percent of the world's heroin comes from Afghanistan. An interdependent relationship exists between the insurgency and narcotics trafficking. Traffickers provide weapons, funding, and material support to the insurgency in exchange for protection. Some insurgent commanders traffic drugs to finance operations.² The Afghan Ministry of Counter Narcotics and the UN Office on Drugs and Crime (UNODC) reported in November 2017 that opium production in Afghanistan increased by 87 per cent to a record level of 9,000 metric tons in 2017 compared with 2016 levels. The area under opium poppy cultivation also increased to a record 328,000 hectares (ha) in 2017, up 63 per cent compared with 201,000 hectares in 2016. UNODC Executive Director Yury Fedotov said: "It is high time for the international community and Afghanistan to reprioritize drug control, and to acknowledge that every nation has a shared responsibility for this global problem."³

Regarding the challenge of terrorist financing and money laundering, Afghan officials have been using financial intelligence and measures to try to counter the insurgency; however, they have indicated that because al Qa'ida, the Taliban, and terrorist organizations from the Central Asian republics transfer their assets person-to-person or through informal banking system mechanisms like the hawala system, it is difficult to track, freeze, and confiscate assets. On occasions when more formal illicit transactions have come to the attention of the Afghan government, either from FinTRACA or security agencies, these entities reportedly worked promptly to both freeze

² State Department Country Reports on Terrorism 2016, <https://www.state.gov/j/ct/rls/crt/2016/272233.htm>

³ UNODC Press Release, "Afghan opium production jumps to record level, up 87 per cent: Survey," November 15, 2017, <https://www.unodc.org/unodc/en/press/releases/2017/November/afghan-opium-production-jumps-to-record-level--up-87-per-cent-survey.html>

and confiscate those assets.⁴ The Afghan government faces complex security challenges from an armed insurgency, drug trafficking operations, rampant corruption and limited resources and capacity that the U.S. and other partner nations are assisting to address.

Colombia: According to the U.S. Drug Enforcement Administration (DEA), 90 percent of the cocaine in the United States in 2015 came from Colombia, and the number of cocaine overdose deaths in the U.S. is on the rise. Colombia has faced serious security challenges from insurgencies and armed groups for years. On August 24, 2016, the Colombian government and the FARC (Revolutionary Armed Forces of Colombia) reached an historic peace accord to end the 53-year old armed conflict that left as many as 220,000 dead, 25,000 disappeared, and 5.7 million displaced.⁵ For decades, the FARC sustained its armed insurgency with lucrative illicit activities including cocaine trafficking, illegal mining, and extortion across Colombia. With the FARC disarmament, demobilization, and reintegration process underway, other armed or criminal groups, already engaged in organized crime, are poised to replace the FARC, integrate FARC dissidents, and control the lucrative illicit economy in Colombia. In July 2017, the UNODC reported a dramatic increase of 52 per cent in coca cultivation - from 96,000 hectares in 2015 to 146,000 hectares in 2016 in Colombia, with the highest growth seen in Colombian departments located in the border areas. With regard to potential production of cocaine for 2016, the estimate was of 866 metric tons, an increase of 34 per cent compared to 2015, which saw 646 metric tons.⁶ This increase can be attributed to a number of factors, such as Colombia's decision to end the aerial coca eradication program in October 2015 throughout the country. Even prior to the end of aerial eradication, coca growers began to implement "counter" eradication techniques, such as moving cultivation to areas where spray was not permitted by law or policy. Illegal coca cultivators also began to cultivate smaller, better-concealed fields to avoid detection by law enforcement.

⁴ 2016 State Department Country Reports on Terrorism, <https://www.state.gov/j/ct/rls/crt/2016/272233.htm>

⁵ Council on Foreign Relations, "Colombia's Civil Conflict," <https://www.cfr.org/backgrounder/colombias-civil-conflict>

⁶ "New UNODC Report: Coca crops in Colombia increase over 50 per cent in one year," July 14, 2017, https://www.unodc.org/unodc/en/frontpage/2017/July/new-unodc-report_-coca-crops-in-colombia-increase-over-50-per-cent-in-one-year.html

Since the FARC controlled 70 percent of the coca crops in the past, fierce competition among the criminal bands and transnational criminal organizations (TCOs) to replace the FARC in the cocaine trafficking business is expected.⁷ Besides their control of heroin and fentanyl trafficking into the U.S., Mexican cartels have increased their presence in Colombia. Mexican cartels have historically collaborated with Colombian armed groups to secure cocaine supply to the U.S. According to Colombia's Prosecutor General Nestor Humberto Martinez, Mexican cartels are now buying up coca plantations and sending Mexican experts to improve plantation productivity in Colombia to control the cultivation and production phases of the cocaine trade. Former mid-level FARC commanders, disappointed with the implementation of the peace accords, are now being armed and recruited by the cartels. Colombian authorities have reported activity of Mexican drug trafficking organizations in 10 of Colombia's 32 provinces with over 100 cases currently under investigation. According to Ombudsman Carlos Negret, the Sinaloa Cartel is also financing and arming local crime groups along important drug corridors in the north of the country.⁸

Colombia has updated its counternarcotics strategy to prioritize robust law enforcement activity against criminal drug trafficking organizations, including enhanced interdiction, over that of crop eradication. They have also complemented this drug control policy with the use of anti-money laundering and asset forfeiture measures to go after the illicit financial flows of the FARC and criminal bands. In February 2017, Colombian Prosecutor Martínez announced Colombian authorities had seized \$98 million worth of FARC assets that likely derived from drug trafficking, extortion, or illegal mining. A joint operation between the Public Prosecutor's Office, the Armed Forces, the Police, and the Superintendent of Notaries led to the recovery of some 277 thousand hectares of the

⁷ Elizabeth Dickenson, "Colombia's War Just Ended. A New Wave of Violence Is Beginning," *Foreign Policy*, August 25, 2016, <http://foreignpolicy.com/2016/08/25/colombias-war-just-ended-a-new-wave-of-violence-is-beginning/>

⁸ "Alerta por presencia de carteles mexicanos en 10 zonas de Colombia," *El Tiempo*, January 27, 2018, <http://www.eltiempo.com/justicia/investigacion/fiscalia-alerta-de-presencia-de-mafia-mexicana-en-10-zonas-de-colombia-175974>

land, which had been in the hands of the FARC and dissident groups.⁹ These forfeitures of the FARC's assets are promising developments in order to fund reparations for the victims of the armed conflict and costly implementation of the peace accord.

To address the evolving security environment, Colombia is refining the national security mission and transforming its military and police to tackle organized armed groups (GAOs-Grupos Armados Organizados) and organized crime groups (GDOs-Grupos Delictivos Organizados,) formerly referred to as the BACRIM or criminal gangs. According to President Santos, “disbanding organized crime is a priority to give Colombians more security.” Aggressive military and police operations against these TCOs since 2016 illustrate the Santos Administration's commitment to improving citizen security.¹⁰ Since 2011, the national police have been responsible for the fight against so-called criminal bands under the assertion that military force could only be legally used against groups that held territory or promoted a political ideology,¹¹ but these criminal groups have since evolved into powerful criminal organizations across Colombia. On April 22, 2016, the Ministry of Defense issued Directive 15, which defines the largest criminal organizations as legal targets for military strikes under a new classification as “organized armed groups” or GAO and “organized delinquent groups” or GDO. The GDOs will be pursued by the national police, with the support of the armed forces in certain cases. GAO describes those groups that have an organized structure and leadership, commit violent acts against civilian society and armed forces, and control sizable territory. The GAO will be prosecuted by the national police and the armed forces alike, and against this type of organization, Directive 15 authorizes all use of necessary force. At least three organizations that meet those standards, Clan Úsuga, Los Puntilleros and Los Pelusos that will be considered legal targets of military strikes. Directive 15 establishes clear concepts for the use of force and the definition of threats, in accordance with international standards and guarantees the legal parameters for members of the

⁹ Mira Galanova, “Colombia prosecutors seize \$98M in FARC assets,” Colombia Reports, February 24, 2017, <http://colombiareports.com/colombia-prosecutors-seize-98m-farc-assets/>

¹⁰ Michael Lohmuller, “Colombia Military Envisions Future Crime Fighting Role,” InsightCrime.org, April 7, 2017, <http://www.insightcrime.org/news-analysis/colombia-military-envisions-future-crime-fighting-role>

¹¹ Ed Buckley, “Colombia's Next Front: Organized Armed Groups,” *The City Paper Bogota*, May 18, 2016, <https://thecitypaperbogota.com/news/colombias-next-front-organized-crime-groups/12851>

military and police in the exercise of their functions.¹² In Colombia, the Ministry of Defense directs the armed forces and national police, in contrast to other Latin American countries that have separate defense and interior ministries. They have worked hand in hand to combat TCOs, most notably against the FARC but now must adapt to an evolving security environment in the “post-conflict” period.

U.S. Actions to Combat Transnational Organized Crime and Illicit Networks

The Trump Administration has demonstrated a genuine commitment to get tough on crime by enforcing the laws of the land and pursuing international illicit networks in the U.S. and abroad. It recognized the importance of the 2011 U.S. Strategy to Combat Transnational Organized Crime (CTOC) that officially declared transnational criminal organizations as a U.S. national security threat, undermining the legitimate economy, corrupting institutions and moving “bad people and bad products” into the United States. Drugs, arms, and human trafficking, money laundering, cybercrime and the nexus between terrorism and crime became top national security concerns.¹³ On February 9, 2017, the White House issued Presidential Executive Order (E.O.) 13773 on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking. This early action indicated the new Administration’s commitment to combat transnational organized crime to promote domestic and international security.

E.O. 13773 recognizes that transnational criminal organizations and subsidiary organizations, including transnational drug cartels, have spread throughout the Nation, threatening the safety of the U.S. and its citizens. These organizations raise revenue through widespread illegal conduct, including acts of violence and abuse that exhibit a

¹² “Colombia aplicará toda la capacidad de sus FF.AA. contra bandas criminales,” *Noticias RCN*, May 5, 2016, <http://www.noticiasrcn.com/nacional-pais/colombia-aplicara-toda-capacidad-sus-ffaa-contra-bandas-criminales>

¹³ AEI Combating Transnational Crime Task Force, *Kingpins and Corruption: Targeting Transnational Organized Crime in the Americas*, American Enterprise Institute, June 2017, <https://www.aei.org/wp-content/uploads/2017/06/Kingpins-and-Corruption.pdf>.

wanton disregard for human life. These groups are drivers of crime, corruption, violence, and misery. In particular, the trafficking by cartels of controlled substances has triggered a resurgence in deadly drug abuse and a corresponding rise in violent crime related to drugs. Likewise, the trafficking and smuggling of human beings by transnational criminal groups risks creating a humanitarian crisis. These crimes, along with many others, are enriching and empowering these organizations to the detriment of the American people.¹⁴

E.O. 13773 strengthens enforcement of Federal law to thwart TCOs and subsidiary organizations that threaten public safety and national security and that are related to: (i) the illegal smuggling and trafficking of humans, drugs or other substances, wildlife, and weapons; (ii) corruption, cybercrime, fraud, financial crimes, and intellectual-property theft; or (iii) the illegal concealment or transfer of proceeds derived from such illicit activities.

It ensures that Federal law enforcement agencies give a high priority and devote sufficient resources to efforts to identify, interdict, disrupt, and dismantle transnational criminal organizations and subsidiary organizations, including through the investigation, apprehension, and prosecution of members of such organizations, the extradition of members of such organizations to face justice in the United States and, where appropriate and to the extent permitted by law, the swift removal from the United States of foreign nationals who are members of such organizations;

It aims to maximize the extent to which all Federal agencies share information and coordinate with Federal law enforcement agencies, as permitted by law, in order to identify, interdict, and dismantle transnational criminal organizations and subsidiary organizations;

The E.O. strives to enhance cooperation with foreign counterparts against transnational criminal organizations and subsidiary organizations, including, where

¹⁴ Presidential Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking, <https://www.whitehouse.gov/the-press-office/2017/02/09/presidential-executive-order-enforcing-federal-law-respect-transnational>

appropriate and permitted by law, through sharing of intelligence and law enforcement information and through increased security sector assistance to foreign partners by the Attorney General and the Secretary of Homeland Security;

It seeks to develop strategies, under the guidance of the Secretary of State, the Attorney General, and the Secretary of Homeland Security, to maximize coordination among agencies -- such as through the Organized Crime Drug Enforcement Task Forces (OCDETF), Special Operations Division, the OCDETF Fusion Center, and the International Organized Crime Intelligence and Operations Center -- to counter the crimes described in subsection (a) of this section, consistent with applicable Federal law.¹⁵

The E.O. aspires to pursue and support additional efforts to prevent the operational success of transnational criminal organizations and subsidiary organizations within and beyond U.S., to include prosecution of ancillary criminal offenses, such as immigration fraud and visa fraud, and the seizure of the implements of such organizations and forfeiture of the proceeds of their criminal activity.¹⁶ The E.O. was a preview of how the new 2017 National Security Strategy would address countering transnational organized crime.

Economic Sanctions against Illicit Actors and Rogue States like Venezuela

On the international front, the Trump Administration has leveraged the financial instrument of national power and already levied sanctions against Cuba, Iran, North Korea, Russia, and Venezuela to complement the diplomatic and military pressure on these rogue states. We see this in a series of designation actions against the Maduro regime in Venezuela. Venezuelan government officials are actively involved in international crime and using state resources, including military assets, to support illicit activities such as money laundering and drug smuggling. These officials also have collaborated with extra-regional actors such as Iran and Hizballah, incorporating them

¹⁵ *Ibid.*

¹⁶ *Ibid.*

into their criminal networks.¹⁷ U.S. policymakers should continue applying sanctions against key Venezuelan officials whose criminal activities help sustain the authoritarian regime.

Building on prior Venezuela-related sanctions, including the March 9, 2015, Executive Order (E.O) 13692 “Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela,” Treasury Secretary Mnuchin announced on February 13, 2017 the Treasury Department’s Office of Foreign Assets Control (OFAC) designation of sitting Venezuelan Vice President Tareck Zaidan El Aissami Maddah (El Aissami) as a Specially Designated Narcotics Trafficker, pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act) for playing a significant role in international narcotics trafficking.¹⁸ After an extensive investigation that discovered and froze assets held by a slew of El Aissami-associated companies and detailed his role in narcotics trafficking, the Treasury Department designated El Aissami a “prominent Venezuelan drug trafficker.” This action demonstrated an early move by the Trump Administration to pursue illicit actors and apply increased pressure on the Maduro regime in Venezuela.

Going one step further, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designated the President of Venezuela, Nicolas Maduro Moros, pursuant to Executive Order (E.O.) 13692, which authorizes sanctions against current or former officials of the Government of Venezuela and others undermining democracy in Venezuela on July 31, 2017. These sanctions were announced one day after the Maduro government held elections for a National Constituent Assembly (Asamblea Nacional Constituyente, or ANC) that aspires illegitimately to usurp the constitutional role of the

¹⁷ AEI Combating Transnational Crime Task Force, *Kingpins and Corruption: Targeting Transnational Organized Crime in the Americas*, American Enterprise Institute, June 2017, <https://www.aei.org/wp-content/uploads/2017/06/Kingpins-and-Corruption.pdf>

¹⁸ U.S. Treasury Department Press Release, “Treasury Sanctions Prominent Venezuelan Drug Trafficker Tareck El Aissami and His Primary Frontman Samark,” February 13, 2017, Lopez Bello,” <https://www.treasury.gov/press-center/press-releases/Pages/as0005.aspx?src=ilaw>

democratically elected National Assembly, rewrite the constitution, and impose an authoritarian regime on the people of Venezuela.¹⁹

On August 24, 2017, President Trump issued E.O. 13808 “Imposing Additional Sanctions with Respect to the Situation in Venezuela.” This measure, among other things, prohibits transactions by a United States person or within the United States related to certain new debt of Petroleos de Venezuela, S.A. (PDVSA) and the Government of Venezuela, existing bonds issued by the Government of Venezuela prior to August 25, 2017, and dividend payments or other distributions of profits to the Government of Venezuela from any entity owned or controlled by the Government of Venezuela. In addition, E.O. 13808 prohibits the purchase by a U.S. person or within the United States of most securities from the Government of Venezuela. The sanctions regime against Maduro’s Venezuela is just one example of how the U.S. government is leveraging economic sanctions to isolate this rogue regime.

Terrorism, Crime, and Economic Diplomacy in the New U.S. National Security Strategy

The new U.S. National Security Strategy published on December 18, 2017 clearly identifies terrorism and transnational organized crime as threats to U.S. national security at home and abroad. These threats include ISIS, al-Qa’ida, Hizballah, and criminal networks, and the strategy prescribes priority actions that harness the various instruments of national power and resources to promote our nation’s security and prosperity. It underscores the important use of financial measures like following the money and sanctions to curb the flow of funding to terrorists, criminals, proliferators, and dictators in order to protect our nation. Below are the most pertinent passages of the strategy that address countering illicit networks.

¹⁹ U.S. Treasury Department Press Release, “Treasury Sanctions the President of Venezuela,” July 31, 2017, <https://www.treasury.gov/press-center/press-releases/Pages/sm0137.aspx>

The White House summarizes the strategy as a complement to 11 months of Presidential action to restore respect for the United States abroad and renew American confidence at home. The Strategy identifies four vital national interests, or “four pillars” as:

- I. Protect the homeland, the American people, and American way of life;
- II. Promote American prosperity;
- III. Preserve peace through strength;
- IV. Advance American influence.

The 2017 Strategy addresses key challenges and trends that affect our standing in the world, including:

- Revisionist powers, such as China and Russia, that use technology, propaganda, and coercion to shape a world antithetical to our interests and values;
- Regional dictators that spread terror, threaten their neighbors, and pursue weapons of mass destruction;
- Jihadist terrorists that foment hatred to incite violence against innocents in the name of a wicked ideology, and transnational criminal organizations that spill drugs and violence into our communities.²⁰

The first pillar explicitly address the threats from jihadist terrorism and transnational organized crime:

I. PROTECT THE HOMELAND: President Trump’s fundamental responsibility is to protect the American people, the homeland, and the American way of life.

- We will strengthen control of our borders and reform our immigration system to protect the homeland and restore our sovereignty.
- The greatest transnational threats to the homeland are:

²⁰ 2017 National Security Strategy of the United States,
<https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

- Jihadist terrorists, using barbaric cruelty to commit murder, repression, and slavery, and virtual networks to exploit vulnerable populations and inspire and direct plots.
- Transnational criminal organizations, tearing apart our communities with drugs and violence and weakening our allies and partners by corrupting democratic institutions. America will target threats at their source: we will confront threats before they ever reach our borders or cause harm to our people.
- We will redouble our efforts to protect our critical infrastructure and digital networks, because new technology and new adversaries create new vulnerabilities.
- We are deploying a layered missile defense system to defend America against missile attacks.
- America will target threats at their source: we will confront threats before they ever reach our borders or cause harm to our people.²¹

DEFEAT JIHADIST TERRORISTS

Jihadist terrorist organizations present the most dangerous terrorist threat to the Nation. America, alongside our allies and partners, is fighting a long war against these fanatics who advance a totalitarian vision for a global Islamist caliphate that justifies murder and slavery, promotes repression, and seeks to undermine the American way of life. Jihadist terrorists use virtual and physical networks around the world to radicalize isolated individuals, exploit vulnerable populations, and inspire and direct plots.

Even after the territorial defeat of ISIS and al-Qa'ida in Syria and Iraq, the threat from jihadist terrorists will persist. They have used battlefields as test beds of terror and have exported tools and tactics to their followers. Many of these jihadist terrorists are

²¹ 2017 National Security Strategy of the United States Fact Sheet, <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-announces-national-security-strategy-advance-americas-interests/>

likely to return to their home countries, from which they can continue to plot and launch attacks on the United States and our allies.

The United States also works with allies and partners to deter and disrupt other foreign terrorist groups that threaten the homeland including Iranian-backed groups such as Lebanese Hizballah.

Priority Actions

DISRUPT TERROR PLOTS: We will enhance intelligence sharing domestically and with foreign partners. We will give our frontline defenders—including homeland security, law enforcement, and intelligence professionals—the tools, authorities, and resources to stop terrorist acts before they take place.

TAKE DIRECT ACTION: The U.S. military and other operating agencies will take direct action against terrorist networks and pursue terrorists who threaten the homeland and U.S. citizens regardless of where they are. The campaigns against ISIS and al-Qa'ida and their affiliates demonstrate that the United States will enable partners and sustain direct action campaigns to destroy terrorists and their sources of support, making it harder for them to plot against us.

ELIMINATE TERRORIST SAFE HAVENS: Time and territory allow jihadist terrorists to plot, so we will act against sanctuaries and prevent their reemergence, before they can threaten the U.S. homeland. We will go after their digital networks and work with private industry to confront the challenge of terrorists and criminals “going dark” and using secure platforms to evade detection.

SEVER SOURCES OF STRENGTH: We will disrupt the financial, materiel, and personnel supply chains of terrorist organizations. We will sever their financing and protect the U.S. and international financial systems from abuse. We will degrade their ability to message and attract potential recruits. This includes combating the evil ideology

of jihadists by exposing its falsehoods, promoting counter- narratives, and amplifying credible voices.

SHARE RESPONSIBILITY: Our allies and partners, who are also targets of terrorism, will continue to share responsibility in fighting these barbaric groups. We will help our partners develop and responsibly employ the capacity to degrade and maintain persistent pressure against terrorists and will encourage partners to work independently of U.S. assistance.

COMBAT RADICALIZATION AND RECRUITMENT IN COMMUNITIES: The United States rejects bigotry and oppression and seeks a future built on our values as one American people. We will deny violent ideologies the space to take root by improving trust among law enforcement, the private sector, and American citizens. U.S. intelligence and homeland security experts will work with law enforcement and civic leaders on terrorism prevention and provide accurate and actionable information about radicalization in their communities.²²

DISMANTLE TRANSNATIONAL CRIMINAL ORGANIZATIONS

The United States must devote greater resources to dismantle transnational criminal organizations and their subsidiary networks. Every day they deliver drugs to American communities, fuel gang violence, and engage in cybercrime. The illicit opioid epidemic, fed by drug cartels as well as Chinese fentanyl traffickers kills tens of thousands of Americans each year. The organizations weaken our allies and partners too, by corrupting and undermining democratic institutions. TCOs are motivated by profit, power, and political influence. They exploit weak governance and enable other national security threats including terrorist organizations. In addition, some state adversaries use TCOs as instruments of national power, offering them sanctuary where they are free to conduct unattributable cyber intrusions, sabotage, theft and political subversion.

²² 2017 National Security Strategy of the United States, p. 10.
<https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

Priority Actions

IMPROVE STRATEGIC PLANNING AND INTELLIGENCE: We will establish national-level strategic intelligence and planning capabilities to improve the ability of agencies to work tougher to combat TCOS at home and abroad.

DEFEND COMMUNITIES: We will deny TCOs the ability to harm Americans. We will support public health efforts to halt the growth of illicit drug use in the United States, expand national and community-based preventions effort, increase access to evidence-based treatment for addiction, improve prescription drug monitoring, and provide training on substance use disorders for medical personnel.

DEFEND IN DEPTH: U.S. agencies and foreign partners will target TCO leaders and their support infrastructure. We will assist countries, particularly in the Western Hemisphere, to break the power of these organizations and networks.

COUNTER CYBER CRIMINALS: We will use sophisticated investigative tools to disrupt the ability of criminals to use online marketplaces, crypto-currencies, and other tools for illicit activities. The United States will hold countries accountable for harboring these criminals.²³

TOOLS OF ECONOMIC DIPLOMACY

Under Pillar III: Preserve Peace through Strength, the National Security Strategy includes the tools of economic diplomacy and a list of priority actions. Economic tools – including sanctions, anti-money laundering and anti-corruption measures, and enforcement actions – can be important parts of broader strategies to deter, coerce, and constrain adversaries. We will work with like-minded partners to build support for tools of economic diplomacy against shared threats. Multilateral economic pressure is often

²³ *Ibid.* p. 11.

more effective because it limits the ability of targeted states to circumvent measures and convey united resolve.

Priority Actions

REINFORCE ECONOMIC TIES WITH ALLIES AND PARTNERS: We will strengthen economic ties as a core aspect of our relationships with like-minded states and use our economic expertise, markets, and resources to bolster states threatened by our competitors.

DEPLOY ECONOMIC PRESSURE ON SECURITY THREATS: We will use existing and pursue new economic authorities and mobilize international actors to increase pressure on threats to peace and security in order to resolve confrontations short of military action.

SEVER SOURCES OF FUNDING: We will deny revenue to terrorists, WMD proliferators, and other illicit actors in order to constrain their ability to use and move funds to support hostile acts and operations.²⁴

In conclusion, terrorists, criminals and their facilitators continue to present complex, asymmetrical threats to U.S. national security interests at home and abroad. The growing convergence of illicit networks challenges the security, economy, and sovereignty of the nation state and must be actively addressed. These illicit networks require critical enablers, most importantly financing, to realize their dangerous agendas of terrorism or crime. Stemming the flow of funding to groups, like the Taliban, ISIS, Hizballah, and the Mexican cartels, can significantly degrade their violent operations and impact. Over the past 15 years, the U.S. has increased efforts to detect the financing of terrorism and crime, impose economic sanctions, and raised awareness among the private and civic sectors about how bad actors can exploit the international financial system to

²⁴ *Ibid.*, p. 34, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>

fund their networks and deadly operations. The new National Security Strategy, E.O. 13773 to counter transnational organized crime, and economic sanctions against Iran, North Korea, and Venezuela demonstrate how financial and economic measures can enhance U.S. security and prosperity. As these illicit networks evolve, we must constantly update our modes of detecting, disrupting, dismantling and deterring our adversaries with the financial instrument of national power. Only through proactive interagency coordination, public-private partnerships, and international cooperation can we effectively counter terrorism, crime and corruption around the world. As I have advocated in the past, we should continue to:

1. Employ the financial instrument of national power more deliberately into U.S. strategies to counter emerging threats and encourage other countries to do so as well;
2. Bolster domestic and international financial intelligence and information-sharing mechanisms to counter threat financing;
3. Dedicate more human, financial, and technological resources to those responsible pursuing terrorist financing and financial crimes;
4. Better understand the drivers of the illicit economy and anticipate how new financial innovations like crypto-currencies could be abused by future terrorist financiers;
and
5. Empower the private and civic sectors to actively to detect and support counter threat financing operations.

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