

Combating Transnational Organized Crime

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Good afternoon. Thank you for the kind invitation to be here today, and for convening what looks to be an outstanding group. I look forward to our discussion. What I will do in the next half an hour is share my perspectives on the threats posed by transnational organized crime and the convergence of crime, terrorism, and insurgency, and discuss the Department of Defense's role in contributing to whole-of-government approaches and solutions to these threats.

By way of background, my portfolio has traditionally been focused on counternarcotics -- and to a large degree it remains so. The U.S. government has, for decades, dedicated significant resources to stemming the flow of illicit drugs into the United States, and my office leads the Department of Defense's contributions to that side of the effort. But what our government is in the process of learning is that our traditional focus on countering "drug trafficking organizations" must be expanded to a wider perspective that recognizes that narcotics trafficking is one component of the broader challenge of transnational organized crime. As we undergo this change in perspective, we are in the process of adjusting our policies toward disrupting and degrading global criminal networks that do far more than traffic drugs.

For decades, drug trafficking was the dominant lens through which the United States viewed transnational organized crime. In the 1970s and 1980s, the flow of illicit narcotics into the United States was deemed a major risk to the health and safety of Americans, and the government expended massive resources to curtail both the supply of and demand for illegal drugs. Supply side reduction strategies emphasized degrading the capabilities of Western Hemisphere drug trafficking organizations -- highly capable, violent, centralized, and hierarchical organizations often led by a charismatic kingpin. Pablo Escobar and the Medellin cartel, for example, were emblematic of the type of threat facing the United States.

But the character of transnational organized crime has changed in three key ways. First, drug trafficking organizations diversified their activities. Taking advantage of open borders, rapid increases in the volume and speed of global trade, and the dissemination of technology tools, criminal organizations that once dealt almost exclusively in narcotics began trafficking in small arms and light weapons, people, counterfeit goods, and money, while continuing to ship vast quantities of drugs along an expanding set of transportation routes. Criminal organizations recognized the additional profits and operational flexibility that a broader range of trafficking activities could provide.

Second, criminal networks harnessed new methods of doing business. What once predominately entailed moving illegal goods across borders via shadow networks that paralleled the global economy extended to the penetration of the licit global marketplace, infiltration of multinational

companies, and gaining stakes in, and influence over, strategic markets. Transnational criminal organizations became adroit at harnessing information technology tools, seizing the opportunities presented by the accelerating velocity of information flows, the proliferation of online money transfer, and the general anonymity of virtual exchange to increase the scale and scope of their activities while spreading or reducing the risk of detection.

Third, the structure of criminal groups changed. Hierarchical, centralized organizations have, in many cases, yielded to loose, amorphous, highly adaptable networks that are decentralized and flat. There are still leaders, to be sure, but these are leaders of networks, not leaders of hierarchies. These structural characteristics have rendered transnational criminal organizations (TCOs) more flexible and agile than the government agencies chartered with degrading or defeating them. In the Department of Defense's context, criminal networks cut across Geographic Combatant Commands, which are responsible for the employment of military capabilities in distinct regions. As criminals operate across multiple Combatant Commands, it becomes difficult for DoD to coordinate its efforts to curtail their activities. Collectively, these realities demand new policy approaches that are networked, whole-of-government, and adaptable.

Last June, the President released the "Strategy to Combat Transnational Organized Crime," which reflects these transformations in the character of global criminal groups and also calls for the United States to "build, balance, and integrate the tools of American power" to combat "a convergence of threats that have evolved to become more complex, volatile, and destabilizing." Importantly, the Strategy declared transnational organized crime to be a national security threat - a conclusion that has generated a considerable increase in attention from policymakers on this issue.

The President's strategy is a call-to-action: it compels the government, including the Department of Defense, to reframe and refocus its efforts in combating TCOs. Importantly, the strategy addresses organized crime and drug trafficking as increasingly intertwined threats, laying the foundation for a broad approach to global crime that rightfully retains a core focus on counternarcotics but widens the aperture in recognizing the diversification of global criminal activity and its relationship with other irregular threats.

The President's transnational organized crime strategy also draws attention to a burgeoning trend that I believe has grave implications: the convergence of crime, terrorism, and insurgency. The complex and opaque relationships among criminal organizations, terror groups, and insurgent movements are broadening and deepening, particularly as terrorists and insurgencies more and more frequently turn to illicit activities to finance and sustain their operations. The President's strategy declares that "terrorists and insurgents increasingly are turning to transnational organized crime to generate funding and acquire logistical support to carry out their violent acts." Director of National Intelligence James Clapper also recently testified that "terrorists and insurgents will increasingly turn to crime and criminal networks for funding and logistics, in part because of U.S. and Western success in attacking other sources of their funding. Criminal connections and activities of Hizballah and al-Qaeda in the Islamic Maghreb illustrate this trend."

The challenges posed by this convergence are not theoretical. Open-source reports suggested that individuals involved in the recent Qods Force plot to assassinate the Saudi Ambassador in Washington possibly believed they were working with the Zetas, a Mexico-based transnational criminal organization.

Nowhere are the links among transnational organized crime, terrorism, and insurgency more apparent than in Afghanistan, where the Taliban continues to receive a large percentage of its revenue from the heroin trade. Criminal networks perpetuate the insurgency, facilitate the deaths of American, allied, and Afghan soldiers on the battlefield, and undermine the legitimacy and capacity of the Afghan government. Drug money corrupts government officials, alienating the population and creating political space for the Taliban to fill. Of direct concern to the Department of Defense are the criminal networks -- such as the Haqqani network -- that provide the materials and financial and logistical support for improvised explosive devices, which are among the most significant threats to U.S. and allied troops in Afghanistan.

The crime-terror-insurgency nexus is not limited to Afghanistan. Hizballah's activities are also indicative of this trend. As the U.S. Government and its partners around the world have improved our ability to squeeze Hizballah's financial activities, and as it faces the prospect of a loss of financial support from Damascus, the group has discovered that illicit activities provide a critical avenue for raising the necessary revenue to sustain their violent, destabilizing activities. Hizballah has become a drug trafficking and money laundering organization as well as a terrorist group. It has erected or tapped into a malleable web of actors, agents, facilitators, and financiers around the world that provide the organization with its resources. It has been reported, for example, that Hizballah has established a presence in the tri-border area of Brazil, Argentina, and Paraguay.

Not only are terrorist groups and insurgencies turning to crime, criminal organizations have begun to adopt the tactics of terrorists. The Zetas, for example, did not invent the idea of filming a beheading and posting it on the internet. They learned those tactics from terrorist groups elsewhere in the world. Moreover, the operational tactics the Zetas and other Mexico-based cartels use when carrying out acts are highly coordinated, extremely professional, and very sophisticated.

Given this environment of converged, blended threats, what can the government -- and specifically the Department of Defense -- do about it? First, it is important to recognize that these issues will not be solved by any one department or agency working alone, and certainly not by the Department of Defense acting unilaterally. DoD's role is almost always to provide unique and tailored support to law enforcement agencies and our foreign partners. Looking to the future, it will be vital to enhance what is becoming very strong collaboration that exists among law enforcement, the military, and intelligence if we expect to have long-term strategic success in disrupting and degrading transnational criminal networks and the links among crime, terrorism, and insurgency.

Just as our adversaries are becoming more interconnected and integrated, so must our government. A phrase I often repeat is that to defeat a network, we have to organize as a network. Colombia is an example of the success we can have when we take this approach. On the verge of being consumed by a drug-fueled insurgency in the late 1990s, Colombia has rolled back the Revolutionary Armed Forces of Colombia (FARC) insurgency to the periphery of the state and is now an exporter of security in the Western Hemisphere. Our comprehensive approach of harmonizing law enforcement, military, intelligence, and diplomatic support was a key driver of this outcome -- though it would not have been possible without the will and dedication of Colombia's people and leaders. The lesson is that success is achievable, even in situations that many may perceive as hopeless.

We have had success with similar approaches in Afghanistan. Because of the convergence of crime, terror, and insurgency, our law enforcement partners such as the Drug Enforcement

Administration are employing their expertise and authorities in support of DoD objectives on the battlefield. Today we are seeing unprecedented integration of military and law enforcement operations. Between May 15 and June 15, 2011, U.S. and coalition military forces operating under the International Security Assistance Force enabled 94 counterdrug operations conducted by Afghan counterdrug law enforcement units and their mentors under operation KHAFA KHARDAN. The Department of Defense provided critical planning and intelligence assistance to these efforts, designed to support 30 consecutive days of counterdrug operations. KHAFA KHARDAN was the first sustained counterdrug operation synchronized among multiple Afghan and U.S. law enforcement and military elements. There is a strategic effect to these actions: insurgents found to be involved in drug trafficking may be prosecuted under Afghan law and incarcerated for over ten years, which takes them off the battlefield and helps strengthen the legitimacy of Afghan government institutions.

Second, we need to bring to bear innovative, cost-effective approaches to disrupting the global networks of criminals and terrorists. The types of approaches that are often most effective do not require a massive investment of resources, nor do they necessarily generate significant public attention. The case of the Lebanese-Canadian Bank, with which I am sure most of you have some familiarity, demonstrates the breadth and depth of Hizballah's illicit activities. The Lebanese-Canadian Bank emerged as a hub of an intricate money-laundering system that allowed Hizballah to move perhaps as much as hundreds of millions of dollars into the licit economy, avoiding international sanctions designed to cripple it. Drug money, mixed with the proceeds from used cars bought in the United States and sold in Africa, was funneled through the Lebanese-Canadian Bank and supplied to Hizballah. An investigation led by the Drug Enforcement Administration and Department of the Treasury revealed deep Hizballah ties to drug trafficking in the Western Hemisphere, and in particular between South America and West Africa. The result was Treasury designating the Lebanese-Canadian Bank, which resulted in its failure, depriving Hizballah of a critical mechanism for facilitating illicit activities. What this case helped to highlight is that Hizballah is not simply a terrorist organization that receives tainted money from sympathizers around the world. It is a terrorist organization that made a strategic choice to become a transnational criminal organization.

The U.S. government is beginning to employ similar approaches against elements of the Iranian regime that are involved in crime. On March 7 of this year, Treasury used the Kingpin Designation Act to, for the first time, designate an Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) general as a narcotics trafficker. As Treasury Undersecretary for Terrorism and Financial Intelligence David Cohen stated, "Today's action exposes IRGC-QF involvement in trafficking narcotics, made doubly reprehensible here because it is done as part of a broader scheme to support terrorism."

The critical lesson is that if we treat entities such as Hizballah, the IRGC-QF, and the Taliban as criminal businesses, we discover new ways to undermine and degrade their operations. Like any business, these organizations have weak points in their networks that, if attacked, can cause disproportionate damage to the enterprise overall. The Lebanese-Canadian Bank offered a window into this type of approach: by designating the bank and causing it to fail, the U.S. Government took out an important financial node in Hizballah's global business enterprise.

When groups such as Hizballah and the IRGC-QF turn to crime, they leave themselves politically vulnerable. We gain a unique opportunity to portray these organizations as hypocritical and unethical, engaging in behavior that undermines Islamic principles and is antithetical to what they

claim to stand for. Terrorists and insurgencies tend to present themselves as pious, righteous defenders or liberators of an oppressed or marginalized people. Exposing them as criminals who deal in drugs and undermine the economy has the potential to substantially undercut popular support. Moreover, it is also often easier to convince our allies around the world to take action against individuals and entities that are involved in criminal activity, rather than simply alleging that they are part of a terrorist organization.

As my remarks to this point have begun to describe, the Department of Department provides a range of support to law enforcement agencies, other U.S. government agencies, and foreign partners that are usually the lead actors in countering transnational organized crime and the nexus of crime, terrorism, and insurgency. In Afghanistan, the Department of Defense is the lead agency responsible for addressing these threats, but in most instances, it enables and strengthens efforts led by other agencies or countries. The Department provides military-to-military assistance, capacity building and training to partner states, and military intelligence support to law enforcement, and has played a key role in building interagency institutions to foster whole-of-government approaches to the threats I have described.

In Colombia, the Department's sustained counternarcotics and security assistance delivered military training, tactical and operational support, capacity building on intelligence sharing and information operations, equipment, and human rights training. The Department's engagements were a key part of strategically turning the tide against the FARC and other violent criminal groups that sought to capture the state.

In countries in Africa, Latin America, and Asia, the Department's role in training, equipping, and, in some cases, operating alongside partner countries' security forces is the bedrock of building these states' capacity to combat transnational organized crime indigenously over the long term. The Department also partners with U.S. law enforcement agencies to support the improvement of policing capacity in key partner states. Given the current budget environment, support for military-to-military and law enforcement capacity building is, in many cases, a particularly effective use of limited resources.

DoD has expanded its military intelligence support to law enforcement on counter threat finance initiatives that seek to identify, penetrate, and exploit the critical nodes in the complex financial systems that enable global illicit networks. The Department recognizes that countering the financial flows that facilitate trafficking groups, criminal organizations, terrorists, and insurgents will produce cascading positive effects across the range of networks these nefarious actors use.

A particular strength of DoD is integrating various forms of all-source intelligence to facilitate a network-based approach to targeting. This is the approach used in the Afghanistan Threat Finance Cell, through which DoD supports the Drug Enforcement Administration, Federal Bureau of Investigation, Department of the Treasury, and other U.S. government partners to identify insurgent financiers, disrupt front companies, develop actionable financial intelligence, freeze and seize illicit funds, and build criminal cases. These actions are vital to degrading and diminishing the power of criminal-terrorist networks.

The Department of Defense has a vital role to play in holistic, integrated efforts to address the national security threats posed by the convergence of crime, terrorism, and insurgency, and by the widening activities of transnational criminal organizations. But we are one part only: strategic

success depends on driving our government toward operating like a network so that we are as flexible and agile in our actions as our adversaries are in theirs.