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## **The Escalating Ties between Middle Eastern Terrorist Groups and Criminal Activity**

Good afternoon. I want to thank Dr. Robert Satloff for his invitation to speak to you today.

It is a pleasure to be here with this distinguished group, and to contribute to the Washington Institute series on these important issues. I would also like to applaud the Stein Program on Counterterrorism and Intelligence for advancing our understanding of the links between crime and terrorism and the risks those links can pose to America's national security interests.

### **Dangerous Alliances in the Crime-Terror Continuum**

While our discussion today will focus on Middle Eastern terrorist groups' links to criminal activity, it is important to bear in mind that the threat of terror and the origins of terrorist groups spans beyond any single region. Moreover, terrorist groups' links to criminal activity is not a new phenomenon. In the '70s and '80s, 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 of these 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, 19 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.

Today, we look at organizations as diverse as Hizballah, Al Qaeda, the Revolutionary Armed Forces of Colombia (FARC), the Taliban in Afghanistan, the Kurdistan Worker's Party (PKK), the Liberation Tigers of Tamil Eelam (Sri Lanka), all of which engage or have engaged in criminal activities as a vehicle to finance their terrorist (or violent political) activities.

In places like West Africa, we now see how increased drug flows from Latin America, kidnappings, and other crimes produce opportunities for criminal groups that might sympathize with Al Qaeda to tap into the wealth generated by narcotics trafficking and other illicit activities to fund their operations. Last month, for example, US prosecutors in the Southern District of New York charged three men who claimed to be Al Qaeda associates 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 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.

We also remain concerned about the 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 [act] as possible staging platforms to project their terror campaigns abroad. For example, in the tri-border area, along the loosely controlled region that borders Paraguay, Brazil and Argentina, individuals with apparent connections to radical Islamic groups have been active in drug trafficking, money laundering, intellectual property rights piracy, alien smuggling and arms trafficking.

These are very serious issues, but you may ask why these issues are becoming national security priorities for the United States now.

### **Threats to U.S. National Security**

Violent criminal and terrorist networks threaten the security, economic health and social fabric of all nations. These transnational threat networks imperil public trust and core democratic and market values, especially in the midst of the most serious global economic and financial crisis in decades. Criminal entrepreneurs who smuggle billions of dollars of illegal goods across borders—drugs, arms, humans, natural resources and endangered wildlife parts, counterfeit medicines and pirated software, as well as embezzled public funds—create insecurity, cost our economies jobs and tax revenue, endanger the welfare and safety of our families and communities, and overwhelm law enforcement countermeasures. Similarly, terrorist groups create great insecurity by the acts of cowardice and the killing of thousands of innocent people to advance their political and ideological objectives. They do not respect traditional borders or nation-states, and they exploit ungoverned and under-governed areas as places for safe haven, as places to rest, to recruit, to train, and to plan their operations. In many places, these networks become the de facto government.

### **Corruption, Crime, and Terrorism: The Unholy Trinity**

Poor governance and corrupt officials in many parts of the world enable criminals, insurgents, and terrorists to operate with impunity. Criminal syndicates have long supported terrorist groups—for both ideological and economic reasons—by facilitating their trans-border movements [and] weapons smuggling and providing forged documents. At the same time, terrorist groups also resort to organized crime to finance their activities, including through drug dealing.

Such terrorist-criminal cooperation is of particular concern, especially because some of these criminal syndicates have the organizational and financial wherewithal that could potentially allow them to acquire and sell radioactive materials, chemical and biological weapons, or technologies used for weapons of mass destruction. This financial strength makes it much more difficult for governments to shut off the spigot used to finance terrorism, at least through traditional means that focus on deterring exploitation of the formal banking system. As terrorist groups move toward mimicking the tactics of organized crime, our international response will need to incorporate more creative law enforcement tools that go well beyond effective regulation of financial transactions.

The question is frequently raised as to why criminals would want to assist terrorist groups. While it is possible that criminals may not want the extra attention from states' national security institutions that will come from associating with terrorists, some may nevertheless find the financial temptation too great. Others may not care

with whom they conspire, as long as they are paid for the increased risk of detection they assume when cooperating with known terrorist groups. For example, reports indicate that some charge extra for dealing with certain nationalities and others more for “special services.” And some criminals may have no idea who their clients really are. These people are undoubtedly clever, but they may nevertheless be more greedy than smart.

A convergence of crime and corruption can also pave the road for terrorist organizations to finance their terror, as was the case in Bali, Madrid and Mumbai. In particular, terrorist financiers are not only concealing their financing assets through complex transactions in the formal banking system, but also harnessing centuries-old money laundering tactics. They exploit informal value transfer mechanisms such as hawala or hundi and trade-based money laundering, and use illegal cash couriers as bulk cash smugglers, particularly in countries with nonexistent or weak anti-money laundering enforcement practices.

### **Winning the Peace: Smart Power and International Cooperation**

So what is the U.S. Department of State doing to combat these transnational threat networks? The State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL), which I lead, is responsible for international counter-narcotics and counter-crime issues. We lead diplomatic efforts to raise awareness of the destabilizing impact of transnational organized crime and illicit activities, and we strengthen global efforts to combat these threats, including through enhanced law enforcement cooperation, where organized crime and terrorism intersect. We are enhancing international cooperation to dismantle criminal networks and combat the threats that they pose—not only through law enforcement efforts, but also by building up governance capacity, supporting committed reformers, and strengthening the ability of citizens to monitor public functions and hold leaders accountable for providing safety, effective public services, and efficient use of public resources.

In the Middle East and other parts of the world, the United States is working with partner governments to develop effective, democratic, civilian-led and skilled law enforcement and justice sector institutions. Hamas and Hizballah continue to finance their terrorist activities mostly through the state sponsors of terrorism, Iran and Syria, and through various fundraising networks in Europe, the United States, and the Middle East. The funds channeled to these organizations frequently pass through major international financial capitals such as Dubai, Bahrain, Hong Kong, Zurich, London, or New York. Hizballah also continues to profit from the drug trafficking groups in the Bekaa Valley of Lebanon.

In response, the United States is helping to strengthen the anti-money laundering and counter-terrorist finance programs of partner countries that aim to detect, disrupt, and dismantle these illicit activities. In Palestine and Gaza, besides being responsible for hundreds of rocket, mortar, and small arms attacks into Israel, Hamas and other armed groups in Gaza engaged in tunneling activity, and smuggle weapons, cash, and other contraband into the Gaza. In the West Bank, the United States helps to support the PA security forces (PASF) to establish law and order and fight terrorist cells by helping to build capacity to administer criminal justice institutions. The United States has also helped train thousands of Palestinian security forces at Jordan’s International Police Training Center (JIPTC), who can then be deployed by the Palestinian Authority to protect peace and stability in the West Bank. In Lebanon, a place I visited last week, we are partnering with the Lebanese Government, and specifically with its Ministry of Interior, in an initiative to train the next generation of Internal Security Forces officers. Our objective is clear: to support the development of professional institutions under the Ministry of Interior which can provide security and vital services to the Lebanese people.

In Iraq, criminal insurgencies have profited from the illicit trade of siphoned oil. The United States is working to target and dismantle these illicit networks as part of our broader counter-insurgency effort. We continue to support reconstruction and stabilization by helping to develop an Iraqi criminal justice system that is sufficiently fair and effective that the Iraqi people have confidence in that system and turn to it rather than extra-judicial groups and militias to resolve disputes and seek justice. We also support rule of law programs that focus on judicial security, capacity building for judges, prosecutors, investigators, and court administrators, and integration of the various components of the justice system. We are also working with Iraq on legislation to reform their criminal codes, and continue to support the FBI-led Major Crimes Task Force.

In Afghanistan, where we have long focused on combating narcotics trafficking and the revenue stream that creates for the Taliban, we are also working with our military colleagues to develop criminal justice institutions by giving Afghans the necessary training, equipment, infrastructure, institutional capacity and organizational structure to provide the rule of law and combat crime.

In Yemen, we recently completed a judicial and law enforcement assessment. Based on that, we aim to undertake targeted assistance to the Government of Yemen to strengthen its capacity to control the movement of people and goods through and across Yemen's borders.

In West Africa, over the next three years, INL aims to strengthen criminal justice institutions such as the police, prosecutors and the courts to successfully investigate, prosecute and incarcerate transnational criminals, networks and organizations. Right now, we are considering how best to support Kenya and other partner nations in the Horn of Africa to prosecute and incarcerate those apprehended for piracy. At the same time, though, we and others at the State Department are focused on the longer term solution to the piracy question—political stability, restoring the rule of law, and supporting economic opportunity in the Horn of Africa.

In Indonesia, INL has worked closely and successfully with the National Police for many years, and our investment is paying off. The first Police units that responded to the July 2009 attacks on the Marriot and Ritz-Carlton Hotels in Jakarta were trained through INL programs. The unit that ultimately brought down the mastermind behind those bombings, Noordin Top, was also trained and worked closely with us for many years. Noordin had ties to Jemaah Islamiyah as well as to Al Qaeda.

The United States is also committed to working with others to strengthen law enforcement cooperation in combating transnational threats, including dismantling illicit networks and prosecuting high-level corrupt officials, to disrupt the convergence of various threat networks. On numerous occasions, President Barack Obama and Secretary of State Hillary Clinton have highlighted the threat of high-level corruption, and we are working to strengthen the tools we have to combat and deter corruption and to use those tools more effectively.

International legal and political cooperation is essential to prevent, investigate, prosecute and punish serious crimes as well as to break up terrorist networks, to eliminate safe havens, and to disrupt those activities that support terrorist organizations. Our efforts are aimed not only at the murderous acts terrorists perpetrate, but also their funding, their travel, their communications, their recruitment, and their intelligence and information collection.

With our international partners, we encourage others to implement the United Nations Convention against Transnational Organized Crime (and its Protocols) and the United Nations Convention against Corruption (UNCAC). These international instruments, built on the foundation of the three United Nations counter-drug

conventions, create a broad legal framework for mutual legal assistance, extradition and law enforcement cooperation. Additionally, the United States supports implementation of UN Security Council (UNSC) Resolution 1373, and other UNSC resolutions and UN legal instruments, to combat terrorism.

### **Dynamic Threat Mitigation: Fighting Networks with Networks**

Beyond the United Nations, my colleagues and I in the Bureau of International Narcotics and Law Enforcement Affairs also work through the G-8, the European Union, INTERPOL, the Financial Action Task Force (FATF) and its regional sub-groups, APEC as well as other regional forums. Through these groups, we set international counter-drug and anti-crime standards, take steps that close off safe havens to criminal and terrorist groups, pool skills and resources, and improve cross-border cooperation. For example, at last year's G-8 summit in L'Aquila, Italy, leaders expressed concern about the converging threats of terrorism, drugs and organized crime, and agreed to strengthen international cooperation and capacities to prevent international criminal networks, kleptocrats and terrorists from corrupting public institutions to advance their goals. Additionally, the United States is working with INTERPOL and other multilateral partners to strengthen inter-regional law enforcement efforts to combat transnational threats in a coordinated manner across the Pacific and Atlantic.

As the world witnessed this past Christmas day when a terrorist attempted to blow up a commercial airliner, Al Qaeda remains keen to harm Americans and others around the world. Our enemies will continue to use all available means to sustain their agenda. As already noted, in places in Afghanistan, Southeast Asia, West Africa, Somalia, and Yemen, illicit networks, trafficking in everything from weapons to drugs, are making it easier for Al Qaeda and other terrorist groups to fund their campaigns. As a recently captured Taliban underscored: "Whether it is by opium or by shooting, this is our common goal [to harm all infidels as part of jihad]."

Faced with these challenges, we must continue to take more effective steps to understand our adversaries and to strengthen our capabilities to deter, disrupt and dismantle transnational threat networks, not only at the end of their efforts, when they carry out acts of violence, but at every step along the way.