

**COMBATTING TRANSNATIONAL CRIMINAL
THREATS IN THE WESTERN HEMISPHERE**

HEARING
BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FIFTEENTH CONGRESS
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COMBATTING TRANSNATIONAL CRIMINAL THREATS IN THE WESTERN HEMISPHERE

WEDNESDAY, MAY 23, 2018

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:37 p.m., in room 2172, Rayburn House Office Building, Hon. Paul Cook (chairman of the subcommittee) presiding.

Mr. COOK. A quorum being present, the subcommittee will come to order.

I would like to now recognize myself for an opening statement.

First of all, I want to apologize to our guests and speakers here today. Everything has been a little bit backed up, and, you know, Congress is Congress. So I hope we get some more members here, but there are multiple committees going. But I am delighted that you're here.

Our country is facing the worst opioid epidemic in our history. According to the Centers for Disease Control and Prevention, over 62,632 Americans died of drug overdoses last year, which is almost 22 percent higher than in 2016.

Transnational criminal organizations operating in the Western Hemisphere countries bear some responsibility for these deaths given their role in cultivating, producing, and transporting many of the drugs that kill Americans, such as heroin, cocaine, methamphetamine, marijuana, and fentanyl.

According to the U.S. Council on Transnational Organized Crime, we have at least 96 gangs operating in the United States that are associated with transnational organized crime. Today's criminal organizations are a new kind of threat. They operate like international corporations and use legitimate franchise structures that make combatting them more difficult.

In many instances, they benefit from the protection of corrupt governments in countries where they operate. These criminal groups include drug cartels in Mexico; MS-13, 18th Street gangs in Central America; armed guerilla groups like the ELN and BACRIM in Colombia and Hezbollah in South America.

While these groups engage in drug trafficking, their activities are not limited to drugs. They have also found ways to make substantial profits from human trafficking, the trafficking of weapons and wildlife, illegal logging, gold mining, oil taps, extortion and robbery, bulk cash smuggling, identity and benefit fraud, and money laun-

dering. Significantly, in both Colombia and Peru, two of the top cocaine producing countries in the world, illegal gold mining brings in more revenue to criminal organizations than drugs.

For the past 4 years, it has been the U.S. policy to curb the flow of illicit drugs from Latin America by dismantling the criminal groups that control these activities, yet I am not sure we are succeeding. Cocaine production is at an all-time high in Colombia, and these criminal groups have increased their profits from expanding into other illicit activities.

The increasing numbers of these criminal groups operating in Latin America and the Caribbean and the havoc they produce for the United States and for our neighbors require that we take a critical look at our policies and tools to continue efforts that work and halt efforts that don't show results.

The United States has strong regional partnerships to address these issues, and we can further deepen our efforts. We support counter-narcotics and security efforts, share information, combat money laundering, and support anti-corruption efforts and stronger judicial systems.

Mexico and the United States cooperate extensively throughout the Merida Initiative to counter the security threats from drug cartels.

In Central America, the United States, Guatemala, El Salvador, and Honduras have worked together through the U.S. strategy for engagement with Central America in support of the country's Alliance for Prosperity Plan, known as A4P, and through the Central America Regional Security Initiative in the Caribbean.

We are partnered to address criminal threats through the Caribbean Basin Security Initiative.

The United States also employs border security task forces to strengthen regional border security capacity, military and law enforcement tools to monitor and interdict contraband headed to the United States, and various sanctions regimes such as those targeting transnational criminal organizations, drug kingpins, and terrorists.

Yet, with all these efforts, we have seen that the arrests of drug kingpins and the fragmentation of the large criminal organizations have led to the emergence of newer, smaller criminal groups in the region. Illicit activities have continued and even increased.

And it's not just gangs and criminal groups who are engaged in illicit activities in the region. Hezbollah, particularly entrenched in the tri-border area, nets approximately \$20 million annually from drug trafficking, pirated goods, human smuggling, counterfeiting, and money laundering.

This begs the question, just how effective are all these U.S. lines of effort in addressing transnational crime in the Americas?

These criminal organizations terrorize local populations with violence where they operate. They use corrupt government officials, and they undermine democratic institutions to make a profit. And their illicit activities drive a parallel black market economy that impairs countries' economic growth.

In February 2017, President Trump issued Executive Order 13773 to prioritize addressing transnational criminal activities. Subsequently, the United States Council on Transnational Orga-

nized Crime found that over 60 Federal organizations are working on countering transnational crime but no U.S. agency coordinates all these efforts.

With this setup, we run the risk of uncoordinated U.S. efforts and potential laws and policies that have not kept up with the ever-evolving criminal groups. Likewise, how can the U.S. coordinate with regional partners effectively if we, ourselves, lack a unified approach to the challenges?

I believe all of your agencies are doing critically important work to advance U.S. national interests, but in this congressional oversight hearing, I want to examine if there are areas for improvement. Do your agencies possess the authorities and resources that you need to disrupt and dismantle transnational criminal organizations in the Western Hemisphere? Where are the gaps in our current approach?

In conclusion, I want to ensure that the U.S. law, policies, and programs are keeping up with the changing technology, shifting regional dynamics, and ever-adapting criminal organizations so we are the most effective in our approach and in our cooperation with our regional partners.

I look forward to hearing from our witnesses on these matters.

And, with that, I want to turn to my good friend, the ranking member, for his opening remarks.

[The prepared statement of Mr. Cook follows:]

Chairman Paul Cook
Opening Statement
Foreign Affairs Committee's Subcommittee on the Western Hemisphere
"Combating Transnational Criminal Threats in the Western Hemisphere"
Wednesday, May 23, 2018 in Rayburn Room 2172

Our country is facing the worst opioid epidemic in our history. According to the Centers for Disease Control and Prevention, over 63,632 Americans died of drug overdoses last year, which is almost 22 percent higher than in 2016. Transnational criminal organizations operating in Western Hemisphere countries bear some responsibility for these deaths given their role in cultivating, producing, and transporting many of the drugs that kill Americans, such as heroin, cocaine, methamphetamine, marijuana, and fentanyl. According to the U.S. Council on Transnational Organized Crime, we have at least 96 gangs operating in the United States that are associated with transnational organized crime. Today's criminal organizations are a new kind of threat: they operate like international corporations and use legitimate franchise structures that make combatting them more difficult. In many instances, they benefit from the protection of corrupt governments in countries where they operate. These criminal groups include drug cartels in Mexico, MS-13 and 18th Street gangs in Central America, armed guerrilla groups like the ELN and BACRIM in Colombia, and Hezbollah in South America.

While these groups engage in drug trafficking, their activities are not limited to drugs. They have also found ways to make substantial profits from human trafficking; the trafficking of weapons and wildlife; illegal logging, gold mining, and oil taps; extortion and robbery; bulk cash smuggling; identity and benefit fraud; and money laundering. Significantly, in both Colombia and Peru – two of the top cocaine-producing countries in the world – illegal gold mining brings in more revenue to criminal organizations than drugs. For the past four decades, it has been U.S. policy to

curb the flow of illicit drugs from Latin America by dismantling the criminal groups that control those activities. Yet, I'm not sure we are succeeding. Cocaine production is at an all-time high in Colombia, and these criminal groups have increased their profits from expanding into other illicit activities. The increasing numbers of these criminal groups operating in Latin America and the Caribbean, and the havoc they produce for the United States and for our neighbors, require that we take a critical look at our policies and tools to continue efforts that work and halt efforts that don't show results.

The United States has strong regional partnerships to address these issues and we can further deepen our efforts. We support counternarcotics and security efforts, share information, combat money-laundering, and support anti-corruption efforts and stronger judicial systems. Mexico and the United States cooperate extensively through the Mérida Initiative to counter the security threats from drug cartels. In Central America, the United States, Guatemala, El Salvador, and Honduras have worked together through the U.S. Strategy for Engagement with Central America in support of the countries' Alliance for Prosperity Plan (A4P) and through the Central American Regional Security Initiative. In the Caribbean, we've partnered to address criminal threats through the Caribbean Basin Security Initiative. The United States also employs border security task forces to strengthen regional border security capacity, military and law enforcement tools to monitor and interdict contraband headed to the United States, and various sanctions regimes, such as those targeting transnational criminal organizations, drug kingpins, and terrorists.

Yet with all these efforts, we've seen that arrests of drug kingpins and the fragmentation of the large criminal organizations have led to the emergence of newer, smaller criminal groups in the region. Illicit activities have continued and even increased, and it's not just gangs and criminal groups who are engaged in illicit activities in the region. Hezbollah, particularly entrenched in the

Tri-Border Area, nets approximately \$20 million annually from drug trafficking, pirated goods, human smuggling, counterfeiting, and money laundering. This begs the question: just how effective are all these U.S. lines of effort in addressing transnational crime in the Americas? These criminal organizations terrorize local populations with violence where they operate, they use corrupt government officials and undermine democratic institutions to make a profit, and their illicit activities drive a parallel black-market economy that impairs countries' economic growth. In February 2017, President Trump issued Executive Order 13773 to prioritize addressing transnational criminal organizations. Subsequently, the U.S. Council on Transnational Organized Crime found that over 60 U.S. federal organizations are working on countering transnational crime, but no U.S. agency coordinates all these efforts.

With this setup, we run the risk of uncoordinated and duplicative U.S. efforts and potential laws and policies that have not kept up with the ever-evolving criminal groups. Likewise, how can the U.S. coordinate with regional partners effectively if we ourselves lack a unified approach to the challenges? I believe all of your agencies are doing critically important work to advance U.S. national interests, but in this Congressional oversight hearing, I want to examine if there are areas for improvement. Do your agencies possess the authorities and resources that you need to disrupt and dismantle transnational criminal organizations in the Western Hemisphere? Where are the gaps in our current approach? In conclusion, I want to ensure that U.S. law, policies, and programs are keeping up with changing technology, shifting regional dynamics, and ever-adapting criminal organizations so that we are most effective in our approach and in our cooperation with regional partners. I look forward to hearing from our witnesses on these matters. With that, I turn to Ranking Member Sires for his opening remarks.

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Mr. SIRES. Good afternoon, everyone.

And thank you to our witnesses for appearing here today.

Thank you, Mr. Chairman, for hosting this important and timely hearing.

We are here to discuss the threat of transnational criminal organizations in the hemisphere and hear from the administration on how they are assessing and combatting these criminal threats.

Transnational criminal organizations are one of the largest challenges in bringing security, peace, and prosperity to the Western Hemisphere. They represent a real and ongoing threat to both domestic and regional security by engaging in a diverse range of nefarious activities, such as extortion, robbery, illegal mining, and the international trafficking of people, drugs, and other commodities.

Furthermore, the continued success and profitability of these illicit ventures creates a flourishing prevalence of violent crimes in these areas as groups compete for control of territory and revenue streams. These criminal organizations present one of the greatest risks to stability in the Western Hemisphere and should undoubtedly be a top priority for U.S. foreign policy.

Combatting these criminal organizations requires strong cooperation with our allies that focuses not just on security but also economic development and opportunity. We must counter the root causes of instability that leave young people vulnerable to joining transnational criminal organizations. These root causes create the conditions that allow illicit networks to flourish.

Unfortunately, despite President Trump's rhetoric on drug trafficking and being tough on crime, he continues to make missteps that embolden these organizations. By proposing draconian cuts to the foreign assistance in which we choke off our Embassies and civil society from doing necessary work on the ground to keep communities safe, the President makes it more challenging for the United States to foster alliances and build trust both with our neighboring governments and the people living in them needed to combat these threats.

I am eager to hear from the administration on how the President's actions impact the United States' ability to combat transnational criminal threats and what more our agencies and allies need to help keep not just Americans but people living throughout the hemisphere safe.

Thank you. I yield back.

Mr. COOK. Thank you very much.

Before I recognize you to provide your testimony, I am going to explain the lighting system in front of you.

Oh, you snuck in on me.

I will forgo the lighting instructions and recognize Mrs. Torres from California.

Mrs. TORRES. Thank you, Chairman Cook and Ranking Member Sires, for holding this very important hearing. And thank you for allowing me the time for an opening statement.

Thank you so much to our witnesses who have taken the time to be with us today.

Transnational organized crime is a threat in stability, not only to our security here in the U.S. but also to our allies and throughout the hemisphere. It has taken a toll on the people all throughout

the hemisphere, from the coca fields of Colombia to the streets in my hometown of Pomona, California. This is an issue that we can't avoid, but it is not an easy issue to deal with either.

The reality is that our lax gun laws are arming the cartels in Mexico. Criminals from across the region are using our financial system to launder their ill-gotten funds. In too many countries in this region, from Venezuela to Guatemala and Honduras, the bad guys aren't just in the streets; too often, the bad guys are also in their legislatures, in their police forces, and even in their militaries.

So I look forward to your testimony today and to discussing and finding ways that we can truly develop a comprehensive response to address this very urgent problem in our communities.

And I yield back.

Mr. COOK. Thank you, Mrs. Torres.

Before I recognize you to provide your testimony, I am going to explain the lighting system in front of you. This is so I remember all these lights myself.

You will each have 5 minutes to present your oral statement. When you begin, the light will turn green. When you have 1 minute left, the light will turn yellow. When your time has expired, the light will turn red, unless the lights are out. I ask that you conclude your testimony once the red light comes on. You might hear, because I am such a nice guy, a gentle rap, rap, rap, like the raven on the window ledge.

And after our witnesses testify, members will have 5 minutes to ask questions. We might have multiple rounds here and could extend that, because this is a great committee. I feel bad. I know we have other ones going on, but some of the things that we want to cover today are really, really important.

So our first witness to testify will be Mr. Richard Glenn, the Acting Deputy Assistant Secretary in the Bureau of International Narcotics and Law Enforcement Affairs at the U.S. Department of State. He previously served as the office director for Western Hemisphere programs. Mr. Glenn has served as a Foreign Service officer in Ecuador, South Africa, Czech Republic, Argentina, and Mexico.

So I am going to start off right now, and then I will introduce our second witness. And we are delighted to have you here. So, Mr. Glenn.

STATEMENT OF MR. RICHARD GLENN, ACTING DEPUTY ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. GLENN. Chairman Cook, Ranking Member Sires, Congresswoman Torres, members of the subcommittee, thank you for the opportunity to appear before you today to discuss transnational crime in the Western Hemisphere.

Some of the greatest threats to U.S. national security today are ones that emanate from this hemisphere. And as you have already identified, the opioid and heroin crisis, gang violence, and the illegal smuggling of the drugs, people, and other illicit products across our borders threaten U.S. security and that of our neighbors throughout Latin America and the Caribbean.

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs, INL, the bureau which I represent, leads our department's efforts to combat crime overseas. And since INL got its start nearly 40 years ago, criminal activity today is more complex, more diversified, and more difficult to understand and attack than ever before. Criminal groups are nimble, and they thrive on weak institutions. This fluidity makes successfully attacking them difficult.

From years of experience, we have learned that partnership and comprehensive solutions are key. Through bilateral and regional foreign assistance programs in Mexico, Central America, the Caribbean, and South America, INL provides targeted law enforcement and counter-narcotics assistance, supporting efforts to increase the capacity of criminal justice sectors to prosecute and convict criminals, and advocating for extensive anticorruption efforts.

In support of the President's executive order on transnational organized crime, we are working closely with our U.S. interagency partners to deliver assistance and apply tools such as financial sanctions and visa sanctions to not only bring criminals to justice but to also deter criminal behavior.

Our efforts are demonstrating results. Through coordinated regional law enforcement operations in Central America, supported by INL and our DOJ partners, thousands of gang members have been taken off the streets. Our model police precincts and place-based strategy approach to develop strategically balanced and integrated criminal justice sector projects in high-crime communities throughout Central America has led to decreased homicide rates in all three countries. In Colombia and Mexico, our assistance has made possible targeted law enforcement operations against key, high-value-target traffickers.

This is promising news, but we have a lot of work ahead of us. We are in this for the long game.

Combatting transnational crime requires coordination that is often difficult enough to achieve among law enforcement entities within one country, let alone law enforcement entities among multiple countries. Trust is essential.

And INL, together with the U.S. interagency, is working to establish and enhance relationships among counterparts in the region, including three regional trainings to be more effective and efficient at sharing information and best practices.

In the Northern Triangle of Central America, INL supports the development of the regional criminal gang intelligence platform to enable real-time information-sharing for transnational anti-gang units to track gang-related activities, migration, human smuggling, and illicit trafficking.

In Colombia, INL partners with the Colombia National Police to deploy its officers to key transit zone countries to build counter-narcotics and law enforcement capacity as well as relationships and opportunities to share information.

Advancing further coordination with and between our partners throughout the hemisphere is essential to successfully dismantling transnational crime, and INL is consistently looking for ways to leverage our partnerships.

A secure hemisphere where citizens are protected under the rule of law and where criminal groups do not have the ability to operate depends upon having strong and willing partners who believe in the importance of institutions accountable to the people and stand ready to make difficult and often unpopular decisions that demonstrate a sustained commitment to fight impunity.

We see this in Honduras, where the police have undergone an extensive and at times very unpopular purge that has led to the termination of over 3,000 law enforcement officers. This has been challenging. It has been time-consuming and messy, with a restructuring of the police, but they are moving forward and getting better. This example underscores the importance of political will in effecting change. Yet much more needs to be done.

Chairman Cook, Ranking Member Sires, the threats posed by transnational crime in this hemisphere are immense. We have been engaged in the hemisphere for a very long time, and we are far from declaring success. A sustained commitment to our partners in the region is critical to protecting our homeland, and INL is committed to this effort.

Again, thank you for the opportunity to appear before you today, and I look forward to your questions later on.

[The prepared statement of Mr. Glenn follows:]



Prepared Statement of:
Richard H. Glenn
Acting Deputy Assistant Secretary of State for
International Narcotics and Law Enforcement Affairs

Hearing before the:
House Foreign Affairs Subcommittee on the Western Hemisphere
“Combating Transnational Criminal Threats in the Western Hemisphere”

May 23, 2018

Chairman Cook, Ranking Member Sires, distinguished Members of the Subcommittee; thank you for the opportunity to appear before you today to discuss the work of the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) to combat transnational crime in the Western Hemisphere. The illicit profits made from moving drugs, people, and money across borders pose significant threats to the security and prosperity of the United States and to our partners throughout Latin America.

Transnational criminal organizations (TCOs) exploit our shared land border with Mexico and the porous borders of Central America and the Caribbean basin to traffic drugs, smuggle migrants and other illicit goods, and generate illicit revenue. TCOs operate with relative impunity in many countries, taking advantage of an absence of the rule of law and corruptible public officials who participate in large networks of international illicit financing and smuggling. Today, rising poppy cultivation and heroin produced and trafficked by TCOs originating in Mexico and often laced with fentanyl fuels our domestic opioid crisis, contributing to over 15,000 heroin overdose-related deaths in the United States in 2016 alone. Record levels of coca cultivated and cocaine produced in Colombia and then trafficked into the United States is responsible for over 10,000 cocaine involved deaths in 2016, the highest since 2006. In Central America, debilitating gang violence, staggering homicide rates, pervasive extortion, and weak state institutions, especially in the "Northern Triangle" of El Salvador, Guatemala, and Honduras, are key drivers of irregular migration to the United States.

TCO networks are fluid, flexible and successfully dismantling them requires that we apply well-coordinated and comprehensive solutions at the local, national, and international levels. In support of Executive Order 13773, *Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking*, INL leads the Department of State's efforts to combat transnational crime overseas by strengthening the capacity of partner nations to prevent and combat crime before it reaches U.S. borders. INL works closely with interagency partners, including the Department of Treasury, to use sanctions and rewards programs to target and bring to justice individuals and entities engaged in narcotics trafficking, money laundering, terrorist financing, and other financial crimes. We also see these as useful tools to deter other criminal behavior in the region. INL programs are designed to disrupt and defeat TCOs by strengthening laws; enhancing investigative, law enforcement, and prosecutorial functions; supporting cross-border law enforcement cooperation; and equipping criminal

justice system actors to reduce impunity. Our programs complement and are closely coordinated with the efforts of our U.S. interagency colleagues, including the Departments of Justice, Homeland Security, Defense, Treasury and the U.S. Agency for International Development (USAID). INL collaborates with U.S. state and local partners, multilateral organizations, and non-governmental organizations for a comprehensive approach to regional and bilateral foreign assistance programming to combat transnational crime throughout the hemisphere.

Mexico

The Merida Initiative continues to be the United States' primary vehicle to meet shared U.S.-Mexico security priorities and is an essential component of a whole-of-government response to curtail our domestic opioid crisis. Executive Order 13773 and two Cabinet-level U.S.-Mexico Strategic Dialogues in May and December 2017 elevated our bilateral response to this crisis and we have realigned Merida Initiative priority programming to sustain and advance critical cooperation against transnational crime.

Today, our two countries are making significant investments to improve our ability to disrupt the entire business model of TCOs. To reduce heroin production, INL is building Mexico's capacity to better analyze and target illicit poppy fields to more effectively eradicate crops. INL trains and equips Mexican authorities to identify, seize, investigate, and dismantle clandestine laboratories that make heroin, fentanyl, methamphetamine, and other synthetic drugs. To disrupt the supply chain of precursor chemicals diverted to make illicit drugs, INL enhances Mexican capacity to electronically track chemical imports and exports and builds the Mexican Navy's ability to interdict illicit goods and exercise port authority. These efforts, along with enhanced U.S.-Mexico law enforcement information sharing and partnerships, are critical tools to deter the entry of illicit drugs into the United States. Under Mexico's new accusatorial criminal justice system, forensic scientists may, for the first time, be called upon to testify as expert witnesses during a criminal trial. As their testimony is key to successful prosecutions, it is critical forensic scientists and labs are trained and certified to successfully identify illicit chemical substances. To date, INL, in partnership with the U.S. Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP), has helped 34 federal and state-level forensic laboratories and the Mexican Attorney General's Office attain international (ISO) accreditation. The program is actively working to reach all six Mexican states bordering the United States. INL efforts enhance Mexico's capacity to screen migrants, secure land, air, and sea ports of entry, and conduct interagency operations against TCOs, including

through biometrics collection and sharing information with U.S. law enforcement. Addressing U.S. demand for illicit drugs must go hand-in-hand with an effective criminal justice response in Mexico to deny criminals the ability to launder and use illicit revenue from drug trafficking. Mexico remains a critically important and valued partner in this effort.

Central America

In support of the U.S. Strategy for Central America, INL's Central America Regional Security Initiative programs address the drivers of irregular migration and illicit trafficking through a three-pronged approach: regional coordination and information sharing through vetted and specialized units; bottom-up community anti-gang efforts; and top-down institutional reform and capacity building. Working closely with our interagency colleagues, INL combats TCOs by training, advising, and equipping 56 partner nation vetted units and specialized task forces to investigate complex and high threat criminal cases, including gangs, and to serve as reliable, trusted partners of U.S. law enforcement. As a result, these units have significantly increased arrests for serious crimes in the region and, importantly, have led to arrests and convictions in the United States. For example, in 2017 INL worked with the Government of El Salvador to directly confront illegal migration, deploying two Salvadoran intelligence analysts, one from the national police and one from the migration authority, to McAllen, Texas to share Salvadoran arrest and investigative records with a wide array of U.S. federal, state, and local law enforcement agencies. This effort cross-referenced U.S. and Salvadoran records on 12,509 subjects and led to 36 arrests in the United States to date.

At the community level in Central America, INL programs strengthen the capacity of police, make neighborhoods more resilient to gang infiltration, and establish trust between the police and the people they serve. Through Model Police Precincts and Place-Based Strategy sites, we strengthen law enforcement's ability to prevent and respond to gang violence by identifying key high-crime areas and communities at risk, and develop strategically-balanced and integrated criminal justice sector projects. As a result of these strong partnerships, homicide rates declined between 40 to 73 percent since 2015 at INL-supported sites.

Through training, technical assistance, and mentoring, INL and our interagency partners enhance the capacity of the Northern Triangle criminal justice sector institutions to improve laws and enhance internal policies and processes to combat corruption and impunity. We work closely with the Attorneys General of the Northern Triangle countries to introduce legal reforms, mitigate gang violence,

and combat corruption. Important advances, including Operation Regional Shield executed in September 2017, are coordinated by Northern Triangle Attorneys General with U.S. support. Through Operation Regional Shield, INL-supported prosecutors and police in Guatemala, Honduras, and El Salvador, working with DOJ's Office of Overseas Prosecutorial Development Assistance and Training Program (OPDAT) and the FBI, conducted coordinated regional efforts against gang members in their respective countries, which led to the arrest of 3,800 gang members in the United States and Central America, charges against 284 gang members in Guatemala, and the dismantling of eight MS-13 and Barrio 18 cliques in El Salvador.

With U.S. support, our Northern Triangle partners are collaborating more effectively to combat transnational crime. Attorneys General and Ministers of Security meet regularly to discuss increased opportunities for collaboration. Under their "Regional Plan Against Transnational Organized Crime," the governments of El Salvador, Honduras, and Guatemala are sharing information on organized crime investigations and increasing joint patrols of border zones to curb arms and drug smuggling, as well as the movement of gang members.

Caribbean

INL works with partner nations in the Caribbean, our "third border," to substantially reduce illicit trafficking and increase public safety and security. Under the Caribbean Basin Security Initiative (CBSI), INL programs build partner nation capacity for law enforcement and rule of law institutions bilaterally, while also promoting regional cooperation to effectively detect and combat criminal threats affecting both the Caribbean and the United States.

INL technical assistance through CBSI increased the use of anti-money laundering measures in the Caribbean, including the passage of civil asset recovery legislation and the use of asset seizure orders to target TCOs. Cocaine seizures in all CBSI countries have risen substantially since CBSI's inception, increasing fourfold between 2010 and 2017. INL programs helped the Dominican Republic, the largest Caribbean transit point for cocaine in route to the United States, increase its cocaine seizures from approximately 4.5 metric tons (MT) in 2010 to over 15.7 MT in 2017.

South America

After years of progress in combating coca cultivation and cocaine production, Colombia is once again the world's largest producer of cocaine and is

the origin of approximately 90 percent of the cocaine seized in the United States, according to the DEA Cocaine Signature Program. Between 2013 and 2016, coca cultivation in Colombia increased by more than 130 percent and cocaine production by more than 200 percent. The explosion in Colombian cocaine is driving an increase in cocaine use and overdose deaths in the United States and threatening Colombia's internal security and successful implementation of its peace accord. To tackle this challenge together, INL programs directly support Colombia's whole-of-government approach to counternarcotics, which includes robust land and maritime interdiction, law enforcement operations against high-value targets, and manual eradication components as well as host government and USAID alternative development initiatives. INL supports the expansion of the Colombian National Police to rural areas previously under the influence of the FARC to deny TCOs the space to carry out illicit activities and bring sustainability to coca cultivation reduction efforts.

INL support is keeping several hundred metric tons of illicit narcotics from reaching the United States each year by building the capacity of our partners to stem the flow of narcotics before they leave the continent. In 2017, our joint efforts eradicated more than 25,000 hectares of coca in Peru and more than 52,000 hectares in Colombia. Peru interdicted 36.7 metric tons (MT) of cocaine in 2017, 31 percent more than it seized in 2016. Colombian police and military forces seized 488 MT of cocaine, reaching a record for interdictions in a single year.

INL partnerships in the Southern Cone of South America are also critical to combatting transnational trafficking networks, corrupt government officials, and gang activity and violence. INL supports modest programs to strengthen law enforcement and criminal justice in Argentina, Paraguay, and Brazil, including key border areas with Bolivia, Colombia, and Venezuela.

Addressing Justice Sector Challenges

TCOs threaten the basic governance and legitimacy of our allies in the Western Hemisphere, undermining the rule of law and allowing corruption to flourish. INL supports holistic criminal justice sector programming, leveraging U.S. interagency and state and local expertise to enhance the capacity of partner nations and improve international cooperation on complex criminal investigations. Our programs give foreign partners the skills to defeat TCOs by strengthening legislative frameworks, enhancing investigative functions, supporting cross border law enforcement cooperation, and developing capabilities to prosecute and adjudicate criminal cases. To complement our law enforcement initiatives, INL

supports and advocates for extensive anti-corruption efforts in the region.

Conclusion

TCOs operating throughout the region are complex, diverse, and constantly evolving in approach and tactics to stay one step ahead of law enforcement in order to turn a profit. The crime, violence, and insecurity they perpetuate along the way threatens U.S. national security and the security of our partner nations. Criminal organizations impact every corner of the hemisphere and successfully combating them requires that we draw upon every diplomatic and foreign assistance tool at our disposal to stop crime at its source. These are long-term challenges. Hemispheric wide security, where citizens are protected under the rule of law and criminal groups do not have the ability to operate depends upon having strong and willing partners that believe in strong and accountable institutions. A sustained commitment to our partners in the region is critical to protecting our homeland and the comprehensive approach INL is advancing throughout the hemisphere is enabling the United States to invest strategically to disrupt and ultimately defeat TCOs.

Mr. COOK. Thank you very much.

Our second witness to testify is Ms. Jennifer Fowler, the Deputy Assistant Secretary in the Office of Terrorist Financing and Financial Crimes at the U.S. Department of Treasury. She also serves as the vice president of the Financial Action Task Force, FATF.

Prior to this, Ms. Fowler served as the Treasury's Chief of Staff and Senior Advisor to the Under Secretary for Terrorism and Financial Intelligence, as Assistant Director in the Office of Terrorist Financing and Financial Crimes, and in the Office of Foreign Assets Control.

She was also a Peace Corps volunteer and journalist, and we are delighted to have her here.

Ms. Fowler.

STATEMENT OF MS. JENNIFER FOWLER, DEPUTY ASSISTANT SECRETARY, OFFICE OF TERRORIST FINANCING AND FINANCIAL CRIMES, U.S. DEPARTMENT OF TREASURY

Ms. FOWLER. Chairman Cook, Ranking Member Sires, and distinguished members of the subcommittee, I am honored to discuss Treasury's efforts to counter the illicit financial activities of transnational criminal organizations in the Western Hemisphere. It is the mission of Treasury's Office of Terrorism and Financial Intelligence to disrupt these networks in coordination with other U.S. Government agencies and international partners.

Transnational criminal organizations pose a threat to the prosperity and security of the United States and our regional allies. Our most recent National Money Laundering Risk Assessment, published in 2015, estimates that around \$64 billion is generated annually from U.S. sale of drugs, with Mexico being the primary supplier for some drugs and a transit zone for others and Colombia the leading provider of cocaine in United States.

Based on our engagement with law enforcement, we believe this figure has increased in recent years. Drug trafficking organizations launder and place drug proceeds into the United States and regional financial systems through the movement of bulk cash, the structuring of deposits, and trade-based money laundering schemes.

Together with our Latin American partners, we are strengthening anti-money-laundering and countering the financing of terrorism regimes across the region. In Mexico, Treasury co-leads a working group to improve information-sharing between our governments and private sectors on illicit finance and contributes to operational matters by exchanging lead information on specific targets.

In addition, Treasury chairs a dialogue with U.S. and Central American authorities and the private sector that is working to improve our understanding of the threat posed to regional financial systems by gangs, including MS-13.

Colombia is also a key partner. For more than 15 years, we have worked with Colombian authorities against the assets of drug cartels and guerilla and paramilitary organizations, targeting more than 2,000 individuals and companies related to these organizations.

Treasury's engagement with regional financial authorities has been a cornerstone of the administration's strategy on Venezuela.

Secretary Mnuchin has hosted three meetings of finance ministers to discuss the crisis in Venezuela and to strengthen information-sharing on corrupt Venezuelan officials and their support networks.

In response to the threat posed by terrorist financing in the tri-border area, we are developing a regional illicit finance risk assessment with authorities in Argentina, Paraguay, and Brazil, which will improve our ability to develop appropriate measures to address those risks in coordination with those regional authorities.

Our cooperation to tackle transnational criminal organizations outside of our borders helps to reduce the threat they pose to our own financial system. Nonetheless, the size and centrality of our financial system leaves us exposed to money laundering. Treasury works to ensure that the United States maintains a strong anti-money-laundering and countering-the-financing-of-terrorism regime.

In 2016, the Financial Action Task Force reviewed our regime. FATF gave the United States the highest possible ratings for asset forfeiture and noted our effectiveness in prosecution and the implementation of targeted financial sanctions.

Although we fared well, we are continually working to strengthen our anti-money-laundering and countering-the-financing-of-terrorism regime. At present, Treasury is preparing a national counter-illicit-finance strategy in response to the Countering America's Adversaries Through Sanctions Act. This strategy updates our 2015 National Money Laundering and Terrorist Financing Risk Assessment and will include our first-ever proliferation financing assessment.

In our efforts to strengthen our own system, we will focus on the misuse of legal entities in real estate. Treasury's Customer Due Diligence Rule took effect on May 11, requiring financial institutions to identify and verify the beneficial owners of companies opening new accounts and bolstering the ability of law enforcement to investigate the misuse of legal entities.

We are also evaluating illicit finance typologies associated with property transactions. And Treasury's Financial Crimes Enforcement Network, FinCEN, has released advisories on the abuse of the real estate sector.

In addition to these efforts, Treasury uses its unique authorities, including sanctions authorities and authorities under the USA PATRIOT Act, to target individuals and support networks responsible for financial crimes. For example, OFAC uses the Kingpin Act and TCO authority to target dangerous criminal organizations.

In 2012, OFAC sanctioned MS-13 as a significant TCO under Executive Order 13581. Since January 2017, OFAC's Kingpin actions have designated a total of 174 individuals and entities. During that time, OFAC also designated more than 50 Venezuelan Government officials and their associates, including last Friday's designation of Venezuelan politician Diosdado Cabello. As a result of these designations, hundreds of millions in assets have been blocked.

Treasury has also issued targeted economic measures, including a new executive order signed by the President this week restricting the Maduro regime's ability to liquidate state assets at fire sale prices at the expense of the Venezuelan people.

TCOs represent a threat to U.S. interests at home and throughout the Western Hemisphere, and we will continue to work to protect the U.S. and global financial systems against TCO abuse.

I look forward to your questions. Thank you for asking me to testify today.

[The prepared statement of Ms. Fowler follows:]

Testimony of Jennifer Fowler
Deputy Assistant Secretary, Office of Terrorist Financing and Financial Crimes
House Foreign Affairs Committee- Subcommittee on the Western Hemisphere
May 23, 2018 at 2:00 p.m.

Introduction

Subcommittee Chairman Cook and distinguished members of the subcommittee, as Deputy Assistant Secretary for the Department of the Treasury's Office of Terrorist Financing and Financial Crimes (TFFC), I am honored to appear before you to discuss Treasury's efforts to counter the illicit financial activities of transnational criminal organizations (TCOs) in the Western Hemisphere. Thank you for the invitation to speak with you today.

TCOs threaten the security of the United States, our partners in the region, and the integrity of the U.S. and global financial systems. Drug traffickers, arms dealers, human smugglers, kleptocrats, terrorists and other illicit actors are persistently seeking to move and hide their ill-gotten proceeds in order to sustain their criminal enterprises. It is the mission of my office, along with colleagues across the Treasury Department's Office of Terrorism and Financial Intelligence, to disrupt these illicit networks by using the unique financial tools and authorities available to the Department of the Treasury in coordination with other agencies across the U.S. government and international partners.

I would like to begin my remarks by highlighting the key threats we see in the Western Hemisphere. I will then turn to the efforts we have made to counter these threats in our work around the region. Lastly, I will discuss our efforts to strengthen our own financial system against abuse by TCOs and their affiliates.

Assessing the Threat

Through crimes such as drug and human trafficking, extortion, weapons smuggling, and attacks on civil society and government institutions, TCOs operating in this hemisphere pose a threat to the prosperity, as well as the safety, of the United States and our allies in the region. This includes the direct physical threat posed by the violence of TCO activity, as well as the threats to economic growth and prosperity as a result of the corruption of government and law enforcement, the intimidation of local populations, and increased costs for public security and health care services.

Treasury is particularly focused on the threat TCOs pose to the U.S. and global financial systems. Our most recent National Money Laundering Risk Assessment, published in 2015, estimates that around \$64 billion in revenue is generated annually from U.S. sales of drugs. Though, based on our recent engagement with U.S. law enforcement, we believe this figure has increased in recent years. Mexico is the primary supplier for some drugs and a transit zone for others. We know that Mexican drug trafficking organizations (DTOs) launder and place drug proceeds into both the U.S. and Mexican financial systems through the movement of bulk cash across our borders, through "smurfing" and funnel account activity, and through complex trade based money laundering schemes. Mexican DTO leaders and their associates have also invested

criminal proceeds into real estate in the United States, Mexico, and elsewhere. We invest significant time and energy into identifying and detecting the money laundering operations of Mexican DTOs, such as the Sinaloa Cartel, Jalisco New Generation Cartel, and the Zetas, which seek to integrate billions of dollars in drug and other crime-related proceeds into the U.S. and Mexican economies. As I will discuss in more detail later, Mexico is one of our closest partners in the fight against illicit financial activity, and in collaboration with Mexican authorities, we have taken concrete steps to strengthen our abilities to deter TCOs from placing criminal proceeds in our financial systems.

Mexico, however, is certainly not the only country from which the drug trafficking threat emanates. Colombia remains the leading provider of cocaine available in the United States and also is a source country for heroin and marijuana to a lesser degree. Since 2014, coca cultivation and cocaine production has risen partly as a result of the Colombian Government's decision to end coca aerial eradication programs. While Colombia is working to implement the peace accord with the *Fuerzas Armadas Revolucionarias de Colombia* (FARC), both Colombia and the United States remain concerned and vigilant to the possibility of factions composed of dissident FARC members converting themselves into new organized crime groups.

In addition to these drug traffickers, the U.S. and our allies face threats from Central American gangs, such as MS-13. The criminal activities of these TCOs, and their efforts to raise revenue primarily through extortion, kidnaping, and drug trafficking, have a significant negative effect on economic growth in the Northern Triangle countries of El Salvador, Honduras, and Guatemala. They also negatively impact individuals' quality of life as they seek work and, in many cases, aim to grow their businesses to sustain their families. This can lead to negative consequences, such as increased migration from the region and decreased foreign investment in Northern Triangle countries.

Along with the threats we face from TCOs, we are also focused on the threat posed by the dictatorship of Nicolas Maduro, which is fueled by the Maduro regime's involvement in transnational organized crime (TOC), including drug smuggling, predatory economic policies, vast public corruption schemes, and brutal repression. Venezuelan Government officials at the highest level, to include Executive Vice President Tarek El-Aissami, and senior law enforcement and intelligence officials are guilty of participating in, and leading, nefarious activities of drug trafficking organizations, and conspiring to launder and hide funds they have stolen from the Venezuelan people. Treasury has taken action to target Venezuelan regime figures' criminal activities, including designating El-Aissami for playing a significant role in international narcotics trafficking, and designating former senior Venezuelan intelligence official Pedro Luis Martin Olivares for leading a drug trafficking and money laundering network. As a result of these designations, hundreds of millions in assets have been blocked.

Maduro and his regime have destroyed what was once one of the hemisphere's richest economies. What is left is a developing humanitarian catastrophe, with consequences that extend beyond Venezuela's borders, threatening regional stability. The poverty rate in Venezuela has almost doubled over the last 20 years to 87 percent, with 60 percent of Venezuelans living in extreme poverty today. The Office of the United Nations High Commissioner for Refugees (UNHCR) estimates that 1.5 million Venezuelans are displaced in the region. The entire region is shouldering the costs of the humanitarian crisis and providing

humanitarian assistance for Venezuelans who have fled their country, and the communities that are hosting them.

In addition to the threats posed by TCOs and the Maduro regime, terrorist groups, namely Hizballah, have been active in the region. Hizballah sympathizers have taken advantage of free trade zones and a lax regulatory environment to build both legitimate and illegitimate import-export companies. As our designation of the Barakat organization demonstrates, some of these businesses have been used as front companies for Hizballah while others have siphoned a portion of their profits to provide support to Hizballah. We continue to investigate possible Hizballah terrorist financing and criminal activity in this area.

Cooperation with Regional Partners

Together with our partners in Latin America, and through the Financial Action Task Force-style regional bodies (FSRBs) in the region, we are working to strengthen the anti-money laundering/countering the financing of terrorism (AML/CFT) frameworks of countries across the region, as well as to improve their implementation of those frameworks, to prevent and protect against illicit financial activity. Our efforts in the Western Hemisphere also include initiatives to improve information sharing on illicit financial activities between governments as well as amongst financial institutions and supervisory authorities. In addition, we are working with our partners to implement more targeted efforts to disrupt specific criminal activities and networks through the use of sanctions and operational information sharing.

Mexico

Our cooperation with Mexico on a wide range of AML/CFT issues is particularly strong. The economies and financial systems of the United States and Mexico are deeply linked. Mexico is our third largest trading partner in the world with over \$500 billion in goods and services flowing between our economies each year. Yet we know that the conduits used for legitimate trade can also serve as channels for criminal activity, helping criminal elements operating on both sides of our border to raise, move, and hide their ill-gotten gains.

In response to this challenge, Treasury co-leads the Bilateral Public-Private Banking Working Group (BPPBWG), a working group with representatives from the U.S. and Mexican Governments and our private sectors to improve information sharing on illicit finance between governments and financial institutions. This initiative helped spur changes to Mexico's domestic legislation to allow Mexican banks to share information on specific suspicious transactions with their correspondent banks in the United States and elsewhere.

Partnering with the Mexican government, we have also looked at the flow of U.S. dollar cash from Mexico to the United States. Drug purchases in the U.S. are generally made in cash, and we have worked to improve our understanding of how both licit and illicit dollars move across the southern U.S. border and how Mexican restrictions on dollar cash deposits into Mexican banking accounts affect the border economy.

In addition to working with our counterparts in the Mexican government, we also work directly with their private sector. Our engagement with the Mexican private sector helped to lead to a decision in 2016 by the Mexican Bankers Association to require banks in Mexico to impose financial sanctions on those listed on OFAC's Specially Designated Nationals (SDN) list, which

includes significant narcotics traffickers and money launderers across the region, as well as terrorists and other illicit actors. This requirement improves banks' ability to identify and deter illicit financial activities by drug traffickers and other sanctioned individuals.

Treasury also works closely with Mexican authorities on operational matters. This includes our efforts to take enforcement actions against TCOs. For example, OFAC used its authority under the Foreign Narcotics Kingpin Designation Act ("Kingpin Act"), to designate the Raul Flores Hernandez drug trafficking organization, comprised of 21 Mexican citizens, including prominent Mexican figures in the sports and music industries, and a network of 42 entities, with assistance from Mexican authorities. In response, Mexican authorities also seized six companies linked to the Flores Hernandez network and opened their own investigations into several of his associates.

Treasury also cooperates with Mexican authorities to share information about targets and to exchange financial intelligence information through the Egmont Group process. Treasury co-leads the Strategic Dialogue on Illicit Finance with Mexican authorities, which has resulted in the exchange of lead information on specific targets and suspicious activities by financial institutions and legal entities."

Central America

We have also enhanced our cooperation with Central American governments as we respond to ongoing illicit finance risks and vulnerabilities in Central America. Treasury leads a public-private sector dialogue with U.S. and Central American bank supervisors, regulators, financial intelligence authorities, and private sector representatives to improve understanding and information sharing on illicit finance matters. This group meets annually to discuss changes in correspondent banking relationships between U.S. and Central American banks, and efforts Central American public and private sector representatives can take to strengthen their AML/CFT frameworks as one way to prevent future correspondent banking losses. We have also conducted surveys in the region aimed to identify impediments to bank-to-bank information sharing, and more recently, discussed illicit finance typologies associated with Central American gangs. We are continuing to work with key countries to improve our understanding of how Central American gangs finance themselves and the threat this poses to regional financial systems.

Furthermore, Treasury has taken significant enforcement actions against TCOs operating in Central America. In addition to designating MS-13, in 2015, OFAC sanctioned the Rosenthal money laundering organization in Honduras, a network of three members of the prominent Rosenthal family involved in laundering drug proceeds and seven key businesses, a Panamanian holding company and a Honduran bank. This action was the first time OFAC had designated a bank pursuant to the Kingpin Act. As part of the enforcement action, the Department of Justice also indicted the three Rosenthal family members, along with a fourth individual, and arrested one of the three family members in the United States.

In May 2016, OFAC sanctioned the Waked money laundering organization, including its leaders, six of their associates and 68 companies involved in laundering drug proceeds, such as Balboa Bank and Trust and Grupo Wisa, which operates duty free stores across Latin America. Since then, Treasury has been actively engaged with Panamanian authorities to help them address weaknesses in their AML/CFT regime and steps they could take to strengthen it, improve

compliance with international AML/CFT standards, and ultimately deter criminal elements who seek to abuse it. This includes our ongoing outreach by our financial intelligence units to share information on suspicious transactions that we see touching the U.S. and Panamanian financial systems.

Colombia

Colombia is also a key partner in combating TCO activities. For over 15 years, Treasury has worked closely with the Colombian Government to jointly act against the assets of major Colombian narcotics traffickers and their criminal organizations. Through Executive Order 12978 and the “Kingpin Act,” Treasury has targeted hundreds of individuals and companies including leaders and members of the Cali and North Valle drug cartels, FARC and the *Autodefensas Unidas de Colombia* (AUC). Colombian authorities have seized over two billion dollars in assets related to joint investigations with Treasury’s Office of Foreign Assets Control (OFAC) and the Drug Enforcement Administration, which demonstrates the immense wealth of these powerful criminal organizations and the effectiveness of joint U.S.-Colombian efforts to target and seize their ill-gotten assets. We continue to work closely with the Colombian government to combat narcotics traffickers and criminal organizations, and we are working closely with Colombian partners to address the crisis in Venezuela, which is having direct humanitarian and economic impacts on Colombia.

Venezuela

Treasury’s engagement with regional financial authorities has been a cornerstone of the Administration’s strategy on Venezuela. Secretary Mnuchin has hosted three meetings of finance ministers from the Western Hemisphere, Europe, and Japan to discuss the crisis in Venezuela. The ministers have agreed that concrete actions are necessary to restrict the ability of corrupt Venezuelan officials and their support networks from abusing the international financial system. They also have agreed to strengthen international cooperation and continue to share information through appropriate channels on the assets of corrupt Venezuelan officials and their support networks. Treasury’s May 18 designation of influential ruling vice president Diosdado Cabello and key figures in his network further illustrates our commitment to holding accountable those who violate the trust of the Venezuelan people.

Terrorist Financing

In addition to our focus on TOC, we also closely track risks posed by terrorist financing in the region. Last year, Treasury undertook a focused effort to better understand illicit finance risks in the Tri-Border Area between Argentina, Brazil, and Paraguay, an area often assessed as a center of illegitimate economic activity, in partnership with authorities in all three countries. At present we are working towards a money laundering and terrorist financing risk assessment for the region and developing enhanced mitigating measures to address those risks. With Argentina, we have also initiated a recurring bilateral dialogue on illicit finance, which we are using to promote better cooperation on risk assessment, terrorist financing and money laundering in the Tri-Border Area, corruption, and Venezuela sanctions.

Technical Assistance Efforts

Finally, Treasury's Office of Technical Assistance (OTA) conducts capacity building programs aimed at strengthening AML/CFT frameworks and authorities responsible for identifying illicit proceeds while also taking enforcement actions against money launderers and terrorist financiers. OTA is very active in Latin America as well as the Caribbean, with eight programs focused on AML/CFT regime development in the region.

Addressing Risks and Vulnerabilities in Our Own Financial System

Our cooperation with Latin American countries to tackle the threat posed by TCOs outside of our borders helps to reduce the threat they pose to our own financial system. Nonetheless, the size and centrality of our financial system leave us with significant exposure to money laundering. Accordingly, Treasury works with other agencies across the U.S. government to ensure that the United States maintains a strong AML/CFT regime to protect our financial system from abuse by TOCs and other illicit actors.

Our efforts are yielding results. In 2016, the Financial Action Task Force, the global standard setter for AML/CFT, reviewed our AML/CFT regime. The FATF standards include 40 legal, regulatory, and operational measures that comprise an effective AML/CFT regime and FATF member countries receive periodic peer reviews to assess compliance with the standards and the effectiveness of particular components. FATF gave the United States the highest possible ratings for our efforts in pursuing civil and criminal asset forfeiture to deprive criminals of their illicit proceeds. The FATF also noted our strong collaboration and information sharing between our intelligence community and law enforcement to combat illicit finance; our effectiveness in prosecuting and convicting money launderers; the strength of our implementation of terrorist financing investigation and prosecution, and financial sanctions for terrorist financing and proliferation financing. Although we fared well in FATF's assessment, we are continually working to improve and strengthen our AML/CFT regime.

Preventative Measures to Protect Our Financial System

Treasury's work to deter criminals and terrorists and protect our financial system starts with understanding the existing and emerging risks we face and putting in effective preventative measures designed to counter those risks. To this end, we are taking a number of additional steps to improve our understanding of illicit actors' activities safeguard our financial system from them.

First, Treasury is working with the interagency to prepare a national strategy to counter illicit finance, as directed by Congress in section 261 of the Countering America's Adversaries through Sanctions Act (CAATSA). The strategy includes an update to the 2015 National Money Laundering Risk Assessment, which acknowledged the money laundering threat posed by TOC groups in the United States. The 2018 money laundering risk assessment will identify current money laundering methods associated with TOC groups, and the strategy will present how the interagency is addressing them. This August, the updated money laundering risk assessment will be published simultaneously with an updated terrorist financing risk assessment as well as a first-ever proliferation financing risk assessment.

One of the methods highlighted in the money laundering risk assessments is the misuse of legal entities, including shell and front companies. The collection of beneficial ownership information

is critical both at the time of account opening and when a company is being incorporated. Treasury's Customer Due Diligence (CDD) rule took effect on May 11, requiring over 29,000 financial institutions to identify and verify the identity of the beneficial owners of companies opening new accounts. The rule will help financial institutions better address the risk posed by legal entities in the United States and bolster the ability of law enforcement to investigate criminals who use legal entities to launder money. At present neither the states nor the federal government require the identification of beneficial owners at the time of incorporation, which allows criminal actors to set up companies in the United States anonymously and establish banks accounts abroad. Collection of beneficial ownership information at the time of company formation would provide law enforcement access to valuable information in order to investigate and prosecute money launderers, terrorists, and other illicit actors.

Another area we are working to address concerns real estate. Treasury is assessing the scale and severity of the vulnerability associated with real estate, especially the misuse of legal entities to purchase real estate anonymously, and whether additional policy responses are needed. For example, we have been looking at case data from federal law enforcement agencies on real estate seizures to further develop our understanding of the risks involved and common typologies of money laundering and illicit finance through property transactions. Although real estate professionals have no obligation to report suspicious activity to Treasury's Financial Crimes Enforcement Network (FinCEN), FinCEN has released advisories and is conducting ongoing industry outreach to encourage voluntary reporting. This outreach and data analysis will help Treasury determine what policy changes may be necessary.

Treasury and the private sector benefit from a partnership in the process of collecting and analyzing financial intelligence to focus our efforts against TCOs. In recent years, FinCEN has produced a number of assessments and advisories for financial institutions and law enforcement on TOC organizations and the various methods they use to generate and launder illicit proceeds in the Western Hemisphere. By raising awareness of these methods, Treasury seeks to help financial institutions to detect this activity and report it, which support law enforcement investigations. These efforts are yielding important information. Since January 2015, U.S. financial institutions have filed approximately 2,400 suspicious activity reports (SARs) with very specific TOC indicators, of which at least 600 (25 percent) name specific TOC organizations in the SAR narratives, such as the Sinaloa Cartel or the FARC, a designated Foreign Terrorist Organization and Specially Designated Narcotics Trafficking Kingpin.

Finally, at the international level, Treasury works within the FATF to protect the global financial system. Recently, Treasury contributed to FATF's work on the financial flows associated with human trafficking – a common source of TCO profit – and on professional money laundering networks, which TCOs often use to launder their illicit proceeds. Treasury also participates as an observer in the Latin America Financial Action Task Force (GAFILAT) and the Caribbean Financial Action Task Force (CFATF), both of which aim to improve compliance with FATF standards throughout the Western Hemisphere. The FATF and these regional bodies hold countries to account for establishing the infrastructure to prevent, detect, investigate and prosecute money laundering and terrorist financing. To accomplish this, the FATF and its global network evaluate all countries' AML/CFT regimes and then leverage the possibility of public identification to pressure those falling behind to fulfil their commitments.

Use of Targeted Financial Sanctions and Enforcement Tools

In addition to these efforts to enhance our overall AML/CFT regime, Treasury does not hesitate to take measures to target individuals, entities, and support networks, responsible for narcotics trafficking, money laundering, terrorist financing, sanctions evasion, and other financial crimes. FinCEN has used its authority under section 311 of the USA PATRIOT Act to identify financial institutions that, among other things, facilitate TCO activity, including that of TCO facilitators (such as third party money launderers). As an example, in 2015 FinCEN issued a finding pursuant to Section 311 concerning Banca Privada d'Andorra (BPA), a bank headquartered in Andorra that TCOs, including a Venezuelan network, used to launder money via professional money launderers. As a result of changes we saw following FinCEN's action, BPA is no longer operating.

OFAC uses the Kingpin Act to target destabilizing and dangerous criminal organizations operating in Mexico, Venezuela, Colombia, Panama, Peru, and the Northern Triangle. Since January 2017, OFAC has announced 13 separate Kingpin Act actions that designated a total of 174 individuals and entities. Of those 13 actions, six targeted Mexican DTOs and designated a total of 103 individuals and entities. OFAC has also frozen hundreds of millions of dollars worth of assets using the Kingpin Act and TCO designation authority in just the past 16 months. Treasury has taken the lead to detect the movement of Venezuelan corruption and drug proceeds, deter their placement in U.S. and regional financial systems, and expose criminal networks connected to senior Venezuelan Government officials. Since 2017, OFAC has designated more than 50 Venezuelan Government officials and their criminal associates and has prohibited U.S. persons from dealing in Venezuela's digital currency (the "petro"), new debt, and equity financing related to the Government of Venezuela.

Just last month, OFAC used its transnational criminal organizations authority, Executive Order 13581, to designate a Syria-based transnational human smuggling organization involved in smuggling migrants through certain South and Central American countries to the U.S. Southwest border. This organization operates a global network of human smugglers that obtain fraudulent and/or counterfeit documents and engage in bribery to facilitate human smuggling, and money laundering. It also used its TCO authority in 2012 to impose sanctions on the MS-13 gang, naming it a significant TCO, and following up with derivative designations of its leadership in subsequent years. These are just a few examples of the novel ways that OFAC has deployed its robust sanctions authorities to combat organizations involved in drug trafficking, human smuggling, corruption, and organized crime throughout the Western Hemisphere.

Our AML/CFT regime is also designed to assist law enforcement to track illicit financial flows and take action, as well as for financial institutions to implement programs to detect, deter, and disrupt illicit finance. Where possible, FinCEN supports law enforcement investigations to learn about new or evolving TOC organizations and related illicit finance methods, and OFAC works joint cases with U.S. law enforcement counterparts.

Conclusion

As I close, I would like to thank the Subcommittee for the invitation to be here today. TCOs represent a threat to U.S. interests at home as well as throughout the Western Hemisphere. At Treasury, we are particularly focused on the abuse and exploitation of the U.S. and international financial system by TCOs and their facilitators. We continue to work bilaterally with our partners in the region to prevent TCOs from moving, investing, and profiting from the proceeds

of crime in other jurisdictions. At the same time, we are also working domestically and internationally to protect the U.S. and international financial systems against TCO abuse. We look forward to working with the members of this Subcommittee on this critical issue, and I welcome any questions you may have.

Thank you.

Mr. COOK. Thank you very much.

Next will be Rear Admiral Brian Hendrickson, Director of the Network Engagement Team at USSOUTHCOM, Southern Command.

Rear Admiral Hendrickson has served in numerous naval special warfare assignments and has served as Assistant to the Vice Commander of U.S. Special Operations Command, Military Deputy at the Defense Innovation Unit Experimental, and Deputy Commander of the Naval Special Warfare Command.

Admiral? Thank you.

**STATEMENT OF REAR ADMIRAL BRIAN HENDRICKSON, USN,
DIRECTOR, NETWORK ENGAGEMENT TEAM, U.S. SOUTHERN
COMMAND**

Admiral HENDRICKSON. Chairman Cook, Ranking Member Sires, members of the committee, thank you for the opportunity to appear before you today.

For my written statement, I have submitted the SOUTHCOM Commander's annual posture statement to the Senate Armed Services Committee, which covers a broad range of both challenges and opportunities in the Western Hemisphere.

First, I will focus on the challenges.

Every day, our southern approaches are under assault by criminal networks whose smuggling operations reach across Latin America and the Caribbean and deep into the United States. These groups exploit every land, sea, and air border to traffic drugs, people, weapons, and other illicit goods throughout the Western Hemisphere and beyond.

Their corrosive activities pose a threat to the stability of our partners and to our national security. It is no coincidence that some of the most violent places on this planet are located right here in our hemisphere. They are home to the criminal networks like MS-13, the Sinaloa Cartel, and others. While our partners bear the brunt of this violence, these networks and many others have a significant footprint in the United States.

The region is also home to networks that specialize in smuggling illegal immigrants from places like Afghanistan, Pakistan, Yemen, Syria, and Iraq—all places where terrorist organizations like Al Shabaab, ISIS, al-Qaeda, and their affiliates operate.

Now, migrant smuggling is not uncommon. What makes these networks different is the type of people who enlist their services to attempt to enter the U.S. homeland undetected. Some of these people have ties to terrorism, and some have intentions to conduct attacks in the homeland. It is unclear if these attack plans are at the explicit direction of terrorist organizations or self-inspired, but that intent and the regional vulnerabilities these networks exploit is deeply concerning.

Stopping these threat networks is truly a team network. It involves the FBI, HSI, the Departments of Defense and State, and partners like Panama, Costa Rica, Brazil, Colombia, and many others.

In addition to our collective U.S. Governmental efforts to target criminal networks, U.S. Southern Command, INL, DHS, Treasury, and others also build the capacity of vetted police and military

units throughout the region. We provide real-world training in countering illicit financial flows, the employment of biometrics, intelligence fusion, open-source analysis, border security, and maritime interdiction. The end result is capable partners who can do more with us and with each other in a layered defense to stop threats against our homeland and our shared home.

I will close with this observation. You may be wondering why a guy in a military uniform is talking about something that seems to be primarily a law enforcement mission. My colleagues here at the table obviously all play a leading role in this effort, but DOD supports them by providing unique capabilities like intelligence fusion and training.

Our effort is multiagency because the problem is multidimensional. In other words, it takes a network to defeat a network. This is a governance problem, a public health and safety problem, and, above all, a national security problem, because, as our awareness and understanding grows, we learn that more and more of these networks are being leveraged by those who seek to do us harm and those who seek to do our partners harm.

I look forward to discussing these and other issues with you and my colleagues. Thank you.

[The statement of Admiral Tidd, submitted by Admiral Hendrickson, follows:]

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POSTURE STATEMENT OF
ADMIRAL KURT W. TIDD
COMMANDER, UNITED STATES SOUTHERN COMMAND
BEFORE THE 115TH CONGRESS
SENATE ARMED SERVICES COMMITTEE
15 FEBRUARY 2018



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INTRODUCTION

Chairman McCain, Ranking Member Reed, Members of the Committee: I appreciate the opportunity to discuss U.S. Southern Command (USSOUTHCOM) and our efforts in Central America, South America, and the Caribbean. Every day, our men and women work to secure our southern approaches and build a regional security network of principled, inclusive partnerships. As an economy of force Combatant Command, we depend upon this network to help maintain our own security and defend our homeland in depth. It is the most important layer of our forward defense.

Yet the combined impacts of defense spending caps, nine years of continuing resolutions, and insufficient spending in the diplomacy and development arenas make it increasingly difficult to sustain this regional network. Because our global security responsibilities outpace the resources available to meet them, we have had to make a series of tough choices, resulting in compounding second and third order effects. The net result is the perception among our friends—and the palpable anticipation among our competitors—that we no longer stand by our commitments, that we are relinquishing our strategic position, and that we don't take the challenges in this region seriously. On the surface, these regional challenges may not seem directly related to the larger global challenges that dominate headlines and policymaking. They don't always fit neatly in our strategic frameworks, as they blur the line between crime and war, competition and conflict, and simmering problems and crises. Left unchecked, however, their impacts compound over time, emboldening competitors in other theaters, draining capabilities needed in other high priority missions, and taxing our economic strength.

Mr. Chairman, we must address evolving security challenges to help hold the line in this hemisphere, and ensure a crisis within it doesn't distract from our ability to address even higher

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priority global challenges elsewhere. We should not make assumptions that the future will be as generous to our interests in this region as the past, which means we need to decide how much security is acceptable in a part of the world so closely linked to the U.S. homeland. Unless we decide, we may open ourselves to exploitation by our adversaries, erode our competitive edge and, in the case of this theater, as well as expose our southern flank to a well understood range of vulnerabilities. We appreciate the support of the Congress in this matter, and I look forward to providing a detailed overview of the challenges and opportunities in this region, and our missions within it.

CHALLENGES AND OPPORTUNITIES

Security environment. Latin America and the Caribbean is a region of contrasts, of both positive and concerning trends. It is not one homogenous place, but many disparate

Eight of the ten countries with the world's highest homicide rates are in the region, as are 43 of the world's 50 most violent cities.

communities, home to modern, diverse, democratic societies,

with a growing middle class and professional, capable militaries. Yet it faces governance challenges—including political corruption, unmet development goals, and shocking levels of violent crime—that create a permissive environment for illicit and other concerning activity.

The global threat of violent extremism has gained a small foothold within Latin America's growing Muslim populations. Groups such as the Islamic State and others will likely continue recruiting fighters or inspiring others to carry out attacks in their home countries. Insecurity and economic hardship continue to drive migration, while overall trends are returning to historical norms, migration from the Northern Triangle across the US-Mexico border is once again on the rise. Natural disasters regularly impact vulnerable countries, exacerbating struggling economies, and Venezuela remains at risk for internal instability, which could have

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significant regional ramifications. Within this context, the region contains a mix of challenges from both non-state and state actors.

Threat networks—including drug traffickers, arms dealers, human smugglers, terrorist supporters and sympathizers, and money launderers—use common pathways and conduct operations that span the region and reach deep into our homeland. Criminal networks move drugs and engage in a wide array of illegal activity, including weapons trafficking, chemical importation, poppy and coca cultivation, fentanyl smuggling, and illegal mining. Transnational gangs like MS-13 and the 18th Street target and kill police officers in Central America, and routinely communicate with counterparts in places like Massachusetts, Virginia, New York, New Jersey, and Maryland to direct operations on U.S. soil. Human smugglers enable the transit of thousands of illegal immigrants and Special Interest Aliens (SIAs) to our borders.¹ Lebanese Hezbollah supporters exploit free trade zones, working with criminal groups to raise funds. Collectively, these groups create pathways and vulnerabilities that can be exploited by terrorists or proliferators, and corrode confidence in the governance of partner nations we rely on to advance regional and global security interests.

This challenge is constantly evolving. As this Committee knows, thirty years ago we focused on large cartels with designated leaders and relatively straightforward operations. Today, those cartels have diversified, decentralized, and franchised their operations. They are borderless, operating with the fluidity of a multinational corporation, but with impunity. They traffic in more illicit products, kill more Americans with illicit drugs, and earn ever-greater illicit profits. Looking beyond the immediate, however, the larger challenge posed by threat networks is far more insidious: their potential to undermine democratic progress in all its forms. Mr.

¹ A Special Interest Aliens (SIA) is a foreign national originating from a country with potential or established terrorist links.

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Chairman, what these groups are really engaged in is an assault on the rule of law, and everything it stands for.

This assault comes in many forms. We see it when illicit elements attack police, judges, and innocent by-standers, violating the most fundamental human right of all: the right to citizen security. We see it in the corruption of institutions and government officials. And we see it in the slowly expanding spaces of lawlessness, alternative order, and criminal control, which creates a breeding ground for other transnational threats. The cumulative effects of these groups eats away at core democratic values. Threat networks play a major role in fostering the corruption and insecurity that erodes citizens' faith in democracy, especially in countries with the highest levels of criminal violence. When we think about attacks on democracy, I would offer to this Committee that we must consider attacks that come from *all* quarters—not just attacks from traditional, nation-states.

The stark reality, however, is that we are likewise faced with traditional nation-state challenges. China, Russia, and Iran are courting some of our most strategically important Latin American and Caribbean partners and supporting authoritarian, anti-American regimes. With every inroad they make, they enlarge competitive space to interfere with our security relationships, cancel out our interoperability with the region, undermine our efforts to reinforce international norms, and hold our interests at risk.

China's commercial and diplomatic advances move it closer to its larger strategic goal of reshaping global economic and governance architectures. China has pledged \$500 billion in trade with Latin American countries and \$250 billion in Chinese direct investment over the next ten years. Increased economic cooperation—such as the extension of the 'One Belt, One Road' initiative to Latin America, one of the nodes to support China's vision of a competing global

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economic initiative—and the continued provision of financing and loans that appear to have ‘no strings attached’ provide ample opportunity for China to expand its influence over key regional



(DOD Photo) Service members from partner nation air forces work together during PANAMAX Aug. 14, 2017. The week-long exercise focused on security of the Panama Canal.

partners and promote unfair business and labor practices. Increased reach to key global access points like Panama create commercial and security vulnerabilities for the United States, as do Chinese telecommunications and space ventures with dual-use potential, which could facilitate intelligence collection, compromise communication networks, and ultimately constrain our ability to work with our partners.

Russia’s increased role in our hemisphere is particularly concerning, given its intelligence and cyber capabilities, intent to upend international stability and order, and discredit democratic institutions. Russia is a strategic competitor actively seeking to degrade U.S. partnerships and undermine U.S. interests in the region. Moscow attempts to falsely shape Latin America’s information environment through its two dedicated Spanish-language news and multi-media services, and through its influence campaigns to sway public sentiment. Expanded port and logistics access in Cuba, Nicaragua, and Venezuela provide Russia with persistent, pernicious presence, including more frequent maritime intelligence collection and visible force projection in the Western Hemisphere. The sanctuary of robust relationships with these three countries provides Russia with a regional platform to target U.S. and partner nation facilities and assets, exert negative influence over undemocratic governments, and employ strategic options in

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the event of a global contingency. Left unchecked, Russian access and placement could eventually transition from a regional spoiler to a critical threat to the U.S. homeland.

Additionally, **North Korea** may use its small presence in Latin America to do us harm while also looking to develop expanded economic and diplomatic partnerships. We remain concerned that Pyongyang could use its limited footprint in the region to collect or plot against us. Given the permissive environment in the region, North Korean efforts to generate revenue, and its history of working with supporters like Cuba to circumvent sanctions, North Korea is likely to engage in some form of illicit activity in Latin America.

Post the Joint Comprehensive Plan of Action (JCPOA), **Iran** seeks to expand its diplomatic relationships and trade and investment opportunities. Having a footprint in the region also allows Iran to collect intelligence and conduct contingency planning for possible retaliatory attacks against U.S. or Western interests. Lebanese Hezbollah maintains an established logistical, facilitating, fundraising and operational presence in this region that can be quickly leveraged with little or no warning.

Challenges to U.S. interests are not limited to extra-hemispheric actors. From a national security standpoint, **Cuba** has demonstrated clear intent to target U.S. interests through collection, surveillance, and counterintelligence activities in countries throughout the region. It has also demonstrably failed in its international obligation to protect diplomatic personnel. The planned political transition this spring is unlikely to change Cuba's approach, diminish the military's position of influence, or alter continued cooperation with Russia, China, and even North Korea on a range of security, political, and economic issues. Cuba's negative influence in Venezuela—notably through its intelligence service and Armed Forces, which play key advisory roles shaping Venezuelan domestic policy—is evident in the Maduro regime's increasingly

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authoritarian tactics and human rights abuses. This relationship is symbiotic, as Cuba receives oil and financial support in exchange for keeping the Maduro regime afloat.

The future of that relationship, however, is unclear, as the political, economic, and humanitarian crisis in **Venezuela** worsens by the day. Its citizens (especially the most vulnerable) are suffering. The health care system has nearly collapsed. Child malnutrition rates are past the crisis threshold and infant mortality rates have risen sharply. Some reports suggest that 93% of Venezuelans claim they cannot afford the food they need. The government is on the brink of total default as a result of the Maduro regime's mismanagement of the economy. Given these conditions, Venezuela's neighbors face a growing influx of migrants, straining local economies, health, and education sectors around the region. Over 500,000 Venezuelans have fled to Colombia, 40,000 to Brazil, 93,000 to Ecuador, and tens of thousands more to other countries in the region. Continued out migration of Venezuelans fleeing the dire economic and humanitarian situation at home is straining many neighboring economies to the breaking point, increasing the potential for regional tensions and border conflicts as countries attempt to protect scarce resources.

Venezuela has long provided a permissive environment for narco-terrorist groups and Lebanese Hezbollah supporters, and is a transit country for the smuggling of illicit drugs and SIAs. The continued assault on democratic institutions provides increased space for illicit actors to operate with impunity, and for Russia, China, and Cuba to expand their influence over the corrupt Maduro regime. The next few months will likely prove critical, with a presidential election, continued economic deterioration, and widespread shortages of medicine, food, electricity, and consumer goods.

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While these challenges are significant, they are not insurmountable. Across the regional security network, we continue to build capability, capacity, and interoperability, expand information sharing, and deepen linkages with the many committed and capable partners we have in the region. Below are but a few examples of the significant, positive trends and increasing contributions and leadership of our partners to help us address shared challenges in our hemisphere.

El Salvador, Guatemala, and Honduras continue to make progress implementing their reform initiative, the Plan of the Alliance for Prosperity despite mounting challenges from gangs like MS-13. Their security services have played key roles in contributing to internal security gains. All three have plans in place to strengthen their law enforcement capabilities so they can eventually phase their militaries out of domestic security missions. **Belize** is demonstrating willingness to cooperate, sharing information with its neighbors and with us on drug smuggling and other illicit activity. Further south, **Panama**—a critical partner in both counter-terrorism (CT) and countering transnational organized crime (CTOC)—is taking important steps to address the increasing flow of migrants and SIAs from the Middle East, Central Asia, and Africa.

A NATO partner, anchor for regional stability, and emerging contributor to global security challenges, **Colombia** remains a staunch friend whose leadership is critical to addressing threat networks, SIA smuggling, and the mutation of FARC dissidents into illegally armed groups. **Peru** is expanding its role in regional maritime security and continues to provide significant contributions to international peacekeeping efforts, while also contributing to the fight against coca cultivation. This year **Chile** will assume a major leadership role in the world's largest multinational maritime exercise, the Rim of the Pacific (RIMPAC), and is deepening maritime security cooperation throughout the Asia-Pacific region, while **Brazil** is working a

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South American security initiative to coordinate regional responses to criminal and extremist networks. Caribbean partners like **Trinidad and Tobago** and multinational organizations like the Caribbean Community (CARICOM), the Regional Security System (RSS), and the Caribbean Disaster and Emergency Management Agency (CDEMA) are improving sub-regional coordination to shut down drug and weapon smuggling routes, prevent the spread of extremist networks, and cooperate on disaster response.

In the year ahead, we see tremendous opportunity to deepen collaboration with these key partners and multilateral organizations, as well as reviving the mutually beneficial security partnerships with **Argentina and Ecuador**. Our regional partnerships are the cornerstone of our efforts to secure our southern approaches and the heart of everything we do in the region.

SECURING OUR SOUTHERN APPROACHES

Our mission and approach. USSOUTHCOM's mission is to secure the southern approaches, protecting U.S. interests in Latin America and the Caribbean while reducing the threats extending from or through this region into the United States. We recognize that the region's primary challenges—criminal and extremist threat networks; vulnerabilities to natural and manmade disasters; and global competitors—are highly dependent on an integrated approach and leveraging authorities and capabilities across the joint, interagency, international, and non-governmental communities. That's why our approach has *always* been less about what we need, and more about how we better employ what we have. We seek to mobilize and organize the unique strengths of each of our partners and Allies, to expand information sharing and collaboration, and to align security, development, and capacity building activities that allow us to translate short-term successes into long-term gains, sustained by an adaptive and inclusive regional security network.

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Countering threat networks—our main effort. We have internally reorganized our headquarters and refined command and control relationships across the USSOUTHCOM enterprise to improve the effectiveness and efficiency of our counter threat network activities, and strengthen collaboration with interagency, regional, and non-governmental efforts. Working by, with, and through our network of partners, we confront the challenge of criminal and extremist networks at their source.

Enabling our network of partner nations. Building partner capacity (BPC) remains the primary way we improve interoperability and enable partner nations to take the lead in countering transregional threats. Our investments in places like the Northern Tier, Colombia, Panama, Trinidad and the Dominican Republic continue to pay significant dividends, as each of these nations have significantly improved their internal security, and increasingly execute successful maritime interdiction operations, many of which are in direct support of JIATF South. Naval Special Operations Forces in Guatemala, El Salvador, and Panama are now among the most competent and responsive counternarcotic (CN) units in Central America, integrating with air assets, effectively responding to JIATF South "cues," and executing numerous joint and individual interdiction operations. In Trinidad and Tobago, we initiated a 2282 Train and Equip program—which has helped better posture their CT units to illuminate and degrade violent extremist networks and their enablers throughout the region—and are developing legal capacity through a robust Judge Advocate corps to help reinforce rule of law, a critical element in the counter threat network fight. We also supported our partners in the Dominican Republic to improve maritime interdiction in the Caribbean through the establishment of a Joint Task Force that combined SOF-trained CN units with Dominican naval aircraft.

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Beyond enabling the immediate efforts of our partners, we also build operational and institutional capacities that in turn translate into more accountable, effective, and sustainable security organizations capable of mutually supporting each other while addressing our shared security challenges in the region. In the year ahead, we are developing engagement strategies that focus on episodic training engagements to maximize the effectiveness of BPC activities, even with minimal forces.

In South America, we are partnering with Brazil, Chile, Peru, and Colombia in support of multinational operations that confront the expansion of threat networks in South America. Colombia, in particular, remains our indispensable partner in the counter network fight. Since the signing of the peace accord, security levels have dramatically improved and conflict-related killings have plummeted. At the same time, the peace process has brought with it real challenges in extending state presence and economic opportunity, dismantling illicit networks, and reversing coca growth, all of which threaten to undermine a meaningful transition out of conflict. Our partnership with Colombia remains critical at this difficult moment. Their progress is historic, but our work there is far from done. Just as we never considered walking away from our NATO allies upon the conclusion of the Cold War, it should be inconceivable that we permit any diminution in our ties with Colombia today. The Department's Section 1021 authority has been particularly valuable to our efforts in Colombia, and we look forward to working with this Committee to ensure the authority remains relevant given the evolving security environment there.

Mr. Chairman, in our view, a Colombia at peace can do even

Since 2013, USCAP has trained 5,598 Leahy-vetted security and defense personnel. A high-demand, low-cost program, requests for USCAP events have increased eight-fold since its creation.

more, both regionally and globally. Supporting Colombia's efforts to address its problems and

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deliver on the promises of the peace accord remains in our interests, as does facilitating Colombia's continued regional leadership and role as a net security exporter. Our Colombian partners continue to willingly and usefully share hard-won security lessons with Mexico, Central America, and the Caribbean through the U.S. Colombia Action Plan for Regional Security (USCAP). In the year ahead, we will remain engaged on Colombia's new riverine efforts, ongoing defense transformation, interest in pursuing trilateral cooperation with Mexico, and implementation of holistic plans to extend government presence, confront illegality, and encourage sustainable development. To further deepen linkages within the region security network, we are also offering key leadership and staff billets to both Colombia and Chile during the Marine Corps' Special Purpose Marine Air Ground Task Force (SPMAGTF) 2018 deployment, with the goal of complementing their respective contributions in Central America through USCAP and security cooperation training teams.

Deepening integration with the interagency network. At our headquarters, we continue to strengthen our successful partnership with the Department of Treasury, supporting the development of targeted financial measures and sanction designations against corrupt government officials in Venezuela, international narcotics traffickers, and money launderers. We are also expanding cooperation and integrating operations and intelligence professionals with the FBI, DEA, and DHS. Our premier exchange team at Joint Terrorism Task Force (JTTF) Miami provides intelligence fusion and collaborates on disrupting criminal and terrorist activities. Last year, this team helped the FBI disrupt an imminent threat to a U.S. Ambassador, supported an investigation into a major SIA smuggler, and provided analytic support to over two dozen law enforcement investigations. Beginning in April, we will again provide planning and analytic support to DHS' Operation CITADEL, a multinational, multiagency effort targeting

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illicit smuggling networks. We are also working closely with DHS to align DoD planning efforts with their *Southern Border and Approaches Campaign Plan*, and deepening coordination with DEA and other partners on the expansion of fentanyl smuggling networks. Earlier this month we hosted a high-level Opioid Summit, which brought together interagency and non-governmental stakeholders to further a holistic approach to counter this threat to American lives.

We are also expanding linkages with interagency partners across Latin America and the Caribbean. Through the Central American Community of Interest (COI), JTF Bravo—our task force located at Soto Cano Air base in

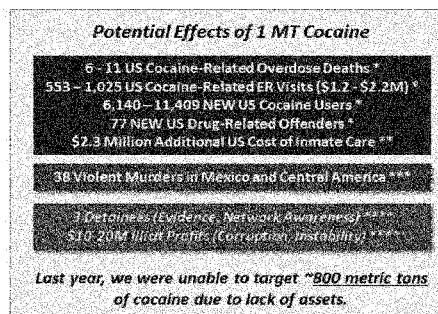
The small team from JIATF South's Cyber-Container Initiative (CCI) has developed an innovative intelligence analysis methodology known as "technical network analysis." By profiling online cyber activity and detecting signs of nefarious activities, this group is able to deliver significant operational support to DHS, FBI, and other DoD and law enforcement operations aimed at targeting and disrupting narcotics trafficking, weapons smuggling, counter-proliferation, and other illicit activities undertaken by criminal and state-sponsored networks.

Honduras charged with promoting security cooperation and disaster response in Central America—facilitates information sharing on criminal networks and violent gangs involved in drug trafficking and other illicit activity in the region. JTF-Bravo's efforts also complements efforts by the State Department and the U.S. Agency for International Development (USAID) to improve security and governance, prevent crime and violence, promote prosperity and extend state presence through its humanitarian and medical engagements. Soto Cano now hosts the Forensic Exploitation and Analysis Center (FEAC), the first of its kind in Central America. This center provides document and biometric exploitation capabilities that directly support U.S. and partner nation law enforcement efforts to dismantle transnational criminal organizations.

In the air and maritime domains, our detection and monitoring (D&M) operations and support to interdiction enable U.S. and partner nation law enforcement to successfully prosecute and dismantle criminal networks. JIATF South set a record for interdictions in FY 17, supporting the disruption of 283 metric tons of cocaine and the detention of nearly 900 suspected

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members of drug trafficking organizations. Given limited U.S. government (USG) assets, we rely heavily on contributions by Canada, Central America, Colombia, Mexico, the Netherlands, the United Kingdom, and France. Without the support of this cooperative maritime network, an additional 77 metric tons of cocaine would have reached U.S. communities last year.



Data compiled from a variety of sources:
 * The Office of National Drug Control Policy (ONDCP); Consolidated Counterdrug Data Base (CCDB)
 ** DOJ [Bureau of Prisons and law enforcement agencies (LEAs)]; CCDB
 *** The UN Office of Drugs and Crime (UNODC); World Bank; CCDB
 **** JIATFS; LEAs

Persistent asset shortfalls continue to present challenges to the D&M mission, however. On any given day in the Eastern Pacific in FY 17, JIATF South had, on average, 2.9 force packages available to respond to illicit trafficking events, and was typically only able to seize or interdict only 1 in 31 of those events. The sheer volume of illicit trafficking events far outmatches the force packages available to deal with them.²

Counter threat network operations, activities, and investments. We see great opportunity to build on the multinational cooperation that characterizes these international interdiction efforts, especially the successful inter-institutional coordination of last year's Operation KRAKEN, in which the United States, Colombia, Panama, and Costa Rica targeted illicit maritime pathways in the Central American littorals. This year, we will align KRAKEN's

² A force package consists of a medium to long range ship (such as a non-ballistic missile capable US Navy Destroyer or Littoral Combat Ship, or a US Coast Guard Cutter) hosting a Coast Guard Law Enforcement Detachment, with an interceptor boat, and one or more day/night capable helicopters with aerial use of force capability. A force package also includes a maritime patrol aircraft equipped with wide-area maritime search radar and infrared detection set (such as Joint Surveillance Target Attack Radar System (JSIARS) or a P-8). The more force packages available for employment, the more illicit events can be interrupted.

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maritime interdiction operations with land-based counter threat network activities, including ongoing and planned operations like HORNET and TOGETHER FORWARD. Operation HORNET, which illuminates threat network activity along the Guatemala-Mexico border, has led to the identification of 36 illicit organizations to date, many with linkages across Central America and Mexico. Under the umbrella of Operation TOGETHER FORWARD, U.S. soldiers work with counterparts in Guatemala, Honduras, and El Salvador to improve cross-border collaboration against threat networks.

We are also expanding collaboration with U.S. Northern Command and U.S. Marine Corps Forces North to enable combined, multinational transregional operations by Mexican, Guatemalan, and Belizean security forces. By linking these operations with our capacity building programs; development efforts by USAID, the State Department, and non-governmental organizations (NGOs); and tailor-made training by teams from the Marine Corps' Special Purpose Marine Air Ground Task Force (SPMAGTF), we aim to employ a full range of threat network illumination, disruption, and prevention activities across Central America.

In the Caribbean, we are expanding ties with multilateral organizations like the RSS and CARICOM to address the growing challenge of extremist networks. Transregionally, small teams of U.S. Special Operations Forces (SOF) provide invaluable cross-functional support—including specialized capabilities, intelligence analysis, and targeted capacity and institution building—to deny anonymity to nefarious actors moving through the region and enable the disruption of criminal, ISIS, SIA, foreign fighter, and Lebanese Hezbollah support networks. Leveraging essential tools like Military Information Support Operations (MISO) and Civil Affairs capabilities, these teams empower regional partners by promoting good governance, amplifying moderate voices in the region's small Islamic communities, and facilitating regional

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efforts to counter radicalization and recruitment by extremist organizations. We are very appreciative of the Theater Special Operations Command (TSOC), which provides a significant portion of our persistent presence, as well as unique capabilities, cultural awareness, and skillsets that are perfectly suited for the complex challenges in this region.

Addressing global challenges. When it comes to addressing Russia, China, and Iran, we focus on two interrelated areas. We monitor their activities in support of the *National Defense Strategy* and broader USG efforts. We also work to enable greater regional contributions to international security, safeguard U.S. interoperability with our regional partners, support the continued professionalization of our hemisphere's defense forces, and deepen cooperation in defense innovation.

Before I discuss that second area in greater detail, I'd like to share my views on "competition" with China and Russia in this region. Mr. Chairman, allow me to offer a candid observation. The larger strategic challenge posed by China in this region is not yet a military one. It is an economic one, and a new approach may be required to compete effectively against China's coordinated efforts in the Americas. Some of the most critical elements needed in this effort are not ones that USSOUTHCOM can bring to bear. In addition to the crucial role of whole-of-government efforts, I am referring to the strength and vibrancy of the U.S. private sector, our multinational corporations, and NGOs. As for Russia, we are educating and informing our partners on the potentially detrimental and destabilizing effects of Russian activity, especially Moscow's use of active measures and disinformation. As noted in our new *National Security Strategy*, Russia has found operating space in this hemisphere. With the support of the Congress, I believe we can close this space, and prevent Russia from advancing an agenda opposed to the United States, our allies, and our partners in the region.

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More often than not, the best way to compete is to be the best possible partner to our friends and Allies. That's why the majority of our efforts in the region are focused on strengthening the partnerships that are the backbone of the regional security network, and supporting the leadership and professionalization of partner nation security forces.

Facilitating regional contributions to international security. As part of the State Department's Global Peace Operations Initiative (GPOI) in our Latin American partners have demonstrated a willingness and ability to deploy effective peacekeeping capabilities—including critical enabling capabilities such as aviation, airfield support units, engineering companies, and medical units—which are persistent gaps in UN missions, especially in Africa. These partners deploy well-trained and equipped units with a reputation for strong performance in missions. Through capacity building programs such as GPOI, we help support the development and deployment of these critical mission assets, strengthening the effectiveness of the operations to which they deploy.

Similarly, with over 57 years of building interoperability with the navies of Central and South America, the UNITAS series of exercises has created a cadre of very capable maritime forces that can seamlessly incorporate themselves into not only U.S. led operations, but those of our NATO and Indo-Asia-Pacific partners as well. We are working to transition future iterations of UNITAS from a traditional scripted exercise to an actual humanitarian assistance and disaster response (HA/DR) capable force that can exercise at sea against real world, unscripted missions. This multinational capability not only encourages burden sharing, it accelerates our naval and interagency interoperability by compelling planning and execution with real world political and operational implications.

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Building a network of accountable, professional security partners. We actively support the efforts of Argentina, Chile, Colombia, Guatemala, and Guyana to strengthen their institutions. DIB engagement helps increase the sustainability of our security cooperation programs, encourages our partners to take ownership of their security needs, and promotes universal values of transparent oversight of security forces and the rule of law. This program complements broader International Military Education and Training (IMET), which has facilitated the attendance of nearly 16,000 students from the region at military courses at the Western Hemisphere Institute for Security Cooperation (WHINSEC), the Inter American Air Forces Academy (IAAFA), the Inter American Defense College (IADC), and the William J. Perry Center at National Defense University (NDU), which provide invaluable opportunities to build relationships with future civilian and military leaders. Regional demand for IMET courses remains high, and China, in particular, is increasingly aggressive in courting students from the region to attend Chinese military schools, offering to cover all expenses and salaries in return for increased student enrollment.

We also support the continued professionalization of regional militaries through our Military Imperatives, which help build four core military competencies that strengthen the operational effectiveness, cohesion, and capabilities of our hemisphere's forces. These competencies— respect for human rights, the institutionalization of jointness, development of professional non-commissioned officer (NCO) corps, and integration of effective gender perspectives—are interconnected and interdependent characteristics of capable, modern defense forces.

In 2017, we co-hosted the 2nd annual Women in the Military Conference with Guatemala, bringing together regional force leaders to share perspectives on improving gender integration and talent management.

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2017 also marked the 20th anniversary of the Human Rights Initiative, celebrating two decades of partnership in Latin America and the Caribbean to enshrine respect for human rights into the training, doctrine, and moral code of our hemisphere's security forces. As the only Combatant Command with a dedicated Human Rights Office, we work closely with our partner nations to emphasize human rights as a military imperative that cannot be an afterthought in military missions. We will continue to preserve this vital office even in the face of mandated headquarters manpower reductions. Without the consistent engagement on human rights by the U.S.—whether by the State Department, USAID, DoD, or another agency—the significant progress we have seen simply would not have happened. That engagement *must and should* continue. While our partners acknowledge their responsibility to respect and protect human rights, many lack the resources to build strong programs.

We regularly promote jointness in annual multinational exercises. Last year we supported the Dominican Republic's creation of a professional NCO Corps, South America's first-ever Senior Enlisted Conference, and continued regional leadership on effective gender integration in military and security forces and peacekeeping operations. We continue to advance these imperatives within our organization as well, and we are learning from our partners as much as we are sharing our lessons learned.



(DOD Photo) U.S. Army National Guardsman with Barbados Defence Force members during a USSOUTHCOM-sponsored Tradewinds Exercise June 8, 2017.

Collaboration on Innovation. Collaboration on defense innovation offers a unique platform to engage with our network of partners. Innovation also provides an opportunity to mitigate capability gaps and support defense capabilities and concepts, including those that

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ensure the U.S. military's continued advantage over potential adversaries. I am especially proud of our collaboration with the National Geospatial Intelligence Agency (NGA) to work with

Along with U.S. Cyber Command, we recently held an inaugural Cyber Conference, bringing together partner nations, academia, and the private sector to discuss issues related to cyber defense and innovation. regional partners "in the open," combining

commercially available imagery with online tools and publicly available data that we can easily share with our partners. We are currently working with Brazil, NASA, and others on a joint small-satellite project that stands to improve our operational effectiveness during disaster response, and conducting a Long Duration/Long Dwell ISR pilot program to investigate and deploy innovative, non-traditional ISR assets that have the potential to partially mitigate our D&M shortfalls in the Eastern Pacific.

Preparing and responding to crises. In concert with our network of partners, we work tirelessly to improve our collective ability to respond to a range of crises. Through our capacity-building efforts and humanitarian assistance, we help build partner nation resiliency and reduce vulnerabilities at the community level. This not only reduces the need for a large-scale USG or DoD response, but also helps mitigate the kinds of poverty and extremism that can lead to larger contingencies. Nevertheless, we must be prepared to provide our unique capabilities if called upon. To improve our own preparedness, we are taking steps to increase our understanding of environmental change and predicative signals, which helps us better appreciate the effects of natural and man-made disasters on political and social structures. We are also honing our internal capacity by training and exercising against a range of real-world contingencies.

Prepare and prevent. Strong inter-Service relationships also help encourage greater regional response collaboration. The National Guard's State Partnership Program plays a role in the USG's efforts to enhance the region's ability to prepare and recover from natural disasters;

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regular engagements by the Florida National Guard help improve first responder tactics and civil-military cooperation in the Caribbean. Last year, the U.S. Army served as the Executive Secretariat of the Conference of the American Armies, which grew to 22 members with the addition of Jamaica and Barbados. Thanks to this persistent engagement by the Army, our region is one step closer to creating a partner-led, combined Joint Task Force for future humanitarian assistance and disaster response (HA/DR) operations.

Through our humanitarian assistance program and the superb support provided by the US Army Corps of Engineers, we provide training to thousands of U.S. service members and support

2017's NEW HORIZON exercise, held in the Dominican Republic, trained 402 US personnel who treated 11,686 patients. Utilizing nearly \$500,000 in donated NGO goods and services, the team built three medical clinics and a vocational school for 120 students.

our State Department and USAID partners by enabling intergovernmental and non-

governmental efforts to extend state presence; build infrastructure like schools, water wells, and fire stations; and deliver essential services like medical care and sanitation improvements. This type of resiliency building at the community level helps nations prepare for and recover quickly from natural disasters, while also reducing the influence of criminal networks and the main drivers of migration. Medical training (MEDCAPS) and annual medical engagements like NEW HORIZONS and CONTINUING PROMISE—which will soon deploy to Colombia, Panama, Honduras, and Guatemala—provide a vital platform to improve the interoperability of U.S. military personnel, partner nation forces, and NGOs. Public-private cooperation is a force-multiplier for all of these efforts, improving collaborative planning on humanitarian aid delivery, and extending the long-term impacts of our humanitarian assistance.

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Multinational exercises also improve regional interoperability and the readiness of U.S. and coalition forces. Our annual PANAMAX exercise *With Brazil, Chile, Colombia, and Peru playing major leadership roles, PANAMAX 2017 featured 249 participants representing 16 partner nations.* showcases the leadership of Colombia, Peru, Brazil, and Chile, who form the backbone of the multinational coalition to defend the Panama Canal. Held in Guatemala, this year's FUERZAS HUMANITARIAS exercise will bring together 20 different regional partners and multinational organizations like the United Nations to strengthen disaster relief mechanisms and improve synchronization between regional military forces, NGOs, and international organizations. We also regularly exercise our countering weapons of mass destruction (WMD) capabilities, and work with the Defense Threat Reduction Agency (DTRA), the Department of State, and a diverse group of nations, including Argentina, the Dominican Republic, Guatemala, Panama, and Peru, to develop and enable WMD crisis response capabilities for their military and civilian first responders. These partnerships demonstrate our commitment and enduring resolve to our partners in the face of the most devastating of potential disasters.

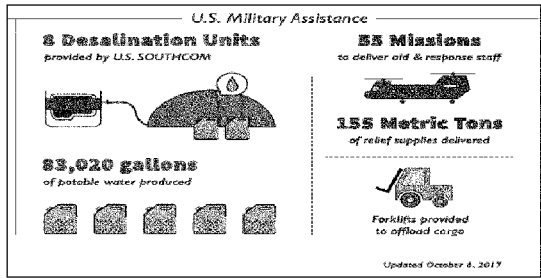
We are also growing our partnership with USAID from operations-based coordination to one that builds strategic, enduring partnerships and better aligns our regional and strategic priorities. Together, we are exploring methods to strengthen interagency accountability, develop joint metrics to measure outcomes, and utilizing and coordinating monitoring and reporting of our integrated efforts.

Rapid Response. Our ability to rapidly respond and provide unique capabilities also allows us to demonstrate our steadfast commitment to the region. Last year, joined by the UK, Chile, and others, we assisted Argentina in the search and recovery of the submarine ARA SAN JUAN, supporting our Argentine friends in a difficult time. This renewed relationship is

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providing new opportunities to work with Argentina for the upcoming G-20 Summit and in the areas of countering WMD, combating terrorism, strengthening interagency response, and expanding information sharing.

Over the years, USSOUTHCOM, USAID, and our regional partners have made significant investments in improving the response capacities of



U.S. military support to Caribbean disaster response operations in 2017

multinational organizations. The return on this investment was evident in 2017, with CDEMA, CARICOM, and the RSS playing critical roles in the regional response effort to Hurricanes Irma and Maria, and multiple nations providing assistance to their Caribbean neighbors. For our part, by leveraging flexible, dual-purpose SPMAGTF forces already in the region, we were able to



(DOD Photo) The DOD distributes USAID relief supplies in Dominica Sept. 27, 2017.

quickly evacuate thousands of American citizens, closely collaborate with French and Dutch Forces, and support simultaneous USAID/Office of Foreign Disaster Assistance (OFDA) disaster response operations in St. Martin and Dominica. We continue to work closely with USAID/OFDA to ensure that future humanitarian response efforts are

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timely, effective, and well-coordinated. It's not enough that our assistance make news; it has to make a difference.

OUR NO-FAIL MISSION: DETENTION OPERATIONS

The team at Joint Task Force Guantanamo (JTF-GTMO) continues to conduct detention operations with the utmost professionalism and strict adherence to international standards. Our troops take very seriously their responsibility to provide safe, humane, transparent, and legal care and custody of detainees. I could not be prouder of these young men and women. On top of this demanding mission, they support ongoing military commissions, *habeas corpus* proceedings, periodic review boards, and visits by congressional and foreign government delegations and organizations like the International Committee of the Red Cross. We appreciate the support provided in the FY18 NDAA for barracks construction, and we are currently reviewing other key facilities that require replacement or upgrades to enable the JTF to sustain operations as we move forward. As relayed previously, I have concerns related to providing specialized, long-term medical care for the aging detainee population. We are working with the Department to resolve this issue and will keep this Committee informed on the way-ahead.

OUR REQUIREMENTS

As I alluded to earlier, while Latin America and the Caribbean is inextricably tied to the security and prosperity of the United States, this region fares poorly in the competition for finite national resources. The ability of our interagency partners to strengthen governance, rule of law, and economic opportunities directly impacts our ability to achieve our military objectives. Persistent gaps in ISR, cyber, and analytic capacities hinder our ability to anticipate crises or adequately mitigate challenges. The paucity of our own assigned forces presents another complication; our presence and persistent engagement not only builds trust and confidence with

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partners, but is especially important to counter threats or malign influence and contain crises in the Western Hemisphere. Mr. Chairman, to put it another way, you have to be on the field to compete, understand, confront, and degrade threats and adversaries. I look forward to working with the Congress in the year ahead to help ensure we maintain our competitive advantage in this vital part of the world.

I'd like to close by providing a brief overview of our mission requirements and highlight the importance of continued support to our interagency teammates.

Defense budget. The Congress has provided great support to the USSOUTHCOM mission over the years. Just last year, the Congress recognized the dire need for housing for our troops at JTF-GTMO, authorizing and fully funding a barracks project that would provide that housing. We saw this need in even more stark terms with the recent passing of multiple hurricanes through the Caribbean Basin, necessitating the evacuation of personnel from the island because of inadequate housing facilities. Though this project was supported by both the House and Senate, we are unable to proceed with this much-needed project that will directly support our deployed personnel due to the lack of an FY18 Budget—a very real impact of the delay in appropriations. This is in addition to the emotional toll this takes on all our people in the way of the disruption and uncertainty they deal with every time we face a potential—or in this case actual—government shutdown, which has become an increasingly regular occurrence. Our men and women deserve better.

Regional access. As the only U.S. forward-operating base in the Caribbean and the gateway to the Gulf of Mexico, Naval Station Guantánamo Bay plays a critical role for USSOUTHCOM, the State Department, Navy, Coast Guard, and DHS. The Naval Station is pivotal during mass migration events, counterdrug and search and rescue operations,

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humanitarian assistance, and disaster-relief operations in the Caribbean. Similarly, Comalapa, El Salvador (home to one of our two Cooperative Security Locations that directly support the D&M mission) and Soto Cano Airbase (which houses JTF-Bravo, Special Operations Forces, and the SPMAGTF headquarters) provides the bulk of our forward presence in Central America. This access allows us to advance security cooperation efforts, initiate regional disaster response, and support law enforcement operations to disrupt threat networks. These two locations are vital to USSOUTHCOM, and we thank the Congress for its support to their continued operations.

Operational support. We also appreciate congressional support to our ISR program and funding for an additional Maritime Patrol Aircraft and Special Mission Ship in the FY18 NDAA. Both will significantly enhance JIATF South's current and upcoming operations like MARTILLO and KRAKEN, as well as partially mitigate persistent capability gaps in the D&M mission. As referenced earlier, in FY 2017 JIATF South had precise geo-location on 1167 targets carrying 815 metric tons of cocaine that we could not respond to due to lack of assets. Each additional force package deployment takes that number down by 31 metric tons. Resourcing for critical counter network capabilities—including information and intelligence sharing platforms, capacity-building efforts, and counter threat finance—are essential to our contributions to this fight. As we look to employ a more holistic approach in Central America, operations like TOGETHER FORWARD and HORNET would benefit from sustained engagement by Reserve and Guard forces and ISR platforms critical to illuminating threat network operations.

Sustained forward presence at sea are also essential to stemming the flow of drugs towards our borders. I'd like to go on record to express my strong support for the U.S. Coast Guard's efforts to recapitalize its fleet, especially its medium endurance cutters, which directly

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support JIATF South-led interdiction operations. As I have stated repeatedly, without U.S. Coast Guard cutters, USSOUTHCOM would have virtually no afloat maritime forces. I'd also like to express my unqualified support for the Littoral Combat Ship (LCS), which we can leverage for multiple mission sets, including D&M, SOF support, partner nation capacity building, and potentially HA/DR response and medical engagements. LCS capabilities match our mission requirements perfectly, and we are working closely with the Navy to try and field them in our region. My view is that the sooner we can deploy these ships in theater, the greater the impact we can have on interdicting the flow of illicit drugs into our country.

A broad suite of tools like information operations, MISO, and Civil Affairs teams is applicable to multiple mission sets, including CTOC, CT, and countering external state actors. These tools are especially critical to shaping the increasingly contested information domain and addressing the more fundamental challenges of the region.

Like I reported last year, we continue to monitor the impact of wind farm construction on the U.S. Navy's Relocatable Over-the-Horizon Radar (ROTHR) sites. All three construction sites have proposed projects that are under review in the Department's compatibility evaluation process. Although we continue to research new alternatives to ROTHR, it remains our only persistent, long range aerial coverage for our southern approaches. I am particularly concerned about impending encroachment on the Texas site and our position remains that proposed wind farm developments should result in no degradation to ROTHR mission performance, and we will keep the Congress informed as this initiative moves forward.

Continued resourcing of the Marine Corps' SPMAGTF provides USSOUTHCOM with increased capacity at relatively little cost and returns a more ready, more capable force back to the Marine Corps. Without the pre-mobilized reserve force resident in the SPMAGTF, we will

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be forced to rely on the Global Response Force for all major crisis response efforts, potentially draining resources from critical global missions. From a goodwill and engagement perspective, operational funding for the Navy's hospital ship COMFORT has been a proven game-changer for USSOUTHCOM. We ask for the COMFORT every other year, but the Navy has been unable to source its employment due to the ship's maintenance challenges. During disaster response, we continue to rely heavily on U.S. Transportation Command's (USTRANSCOM) Joint Enabling Capabilities Command (JECC), which provides unparalleled expertise in planning, public affairs, and communications.

Closer to home, we are working to address housing issues that impact quality of life and security for our young service members and their families, and reduce force protection and cost of living concerns resulting from having most of our military work force spread across three counties in one of our nation's largest metropolitan areas. We will keep the Congress apprised as this effort progresses.

Support to interagency partners and whole of government efforts. Parallel investments in our interagency partners operating in the Western Hemisphere are critical as we work to strengthen the capacities of regional military and security forces. From State Department's IMET program and public diplomacy efforts, to DEA's vetted units, DHS's Operation CITADEL, and our Embassies and USAID missions throughout the region, our interagency partners are key to advancing the security of the Western Hemisphere.

Given our limited resources, we rely heavily on the unique capabilities of key interagency partners to illuminate threat network operations and maintain ground truth on developments in the region. We directly benefit from analytic toolkits like the Joint Improvised Threat Defeat Organization's (JIDO) VOLTRON tool suite, and we strongly support continued investments to

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develop next generation of Artificial Intelligence and analytic capabilities, as well as expanded data mining of open source and publicly available information. Additionally, we support Office of the Director of National Intelligence (ODNI) and the Defense Intelligence Agency's (DIA) efforts to enhance Intelligence Community (IC) capabilities in the exploitation of IC data and information, with the goals of identifying global transnational crime and illicit networks and improving collaboration and strategic planning across the intelligence and defense communities.

I know the situation in Venezuela weighs heavily on the minds of this Committee, as it could spark its own mass migration event, impacting economies and stability across the region and requiring a large-scale international humanitarian response. Crises of this magnitude can entail a significant, costly, and lengthy U.S. response, but are manageable with sufficient attention, prevention, and preparation. Continued support to the important work being done to plan and prepare to address humanitarian needs in Venezuela—especially by USAID's Offices of U.S. Foreign Disaster Assistance and Food For Peace and the State Department's Bureau of Population, Refugees, and Migration (PRM)—is essential.

And finally, Mr. Chairman, we need to do everything we can to improve interagency integration and efficiency at home, and remove barriers to our partnerships abroad. Put simply, we need to make it easier for our partners to work with us. Conditions placed on security assistance sometimes limit our ability to fully engage on critical issues like human rights, which may ultimately fail to meet Congressional intent. When we engage, we make a real and lasting difference and advance our national interests. Engagement with our partners is the strongest tool we have to strengthen our partners' capabilities as well as our own competitive advantage. Anything that hinders engagement, hinders progress. I look forward to continuing this discussion with the Congress in the year ahead.

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Conclusion. Mr. Chairman, allow me to return to the theme I touched on in my introduction. Our ability to sustain the levels of engagement needed to deal with these challenges isn't for a lack of strategy or a lack of willing partners. We simply run out of resources before we run out of mission sets. Last year I told this Committee that success or failure in this region depends on us, what we stand for, and what we do. By addressing problems early through modest investment and sustained engagement, we can ultimately lower the costs associated with addressing them.

Thank you again for your support to the men and women of USSOUTHCOM.

Mr. COOK. Thank you, Admiral.

By the way, I was at the Army's dive school, scuba school down there at Key West. They were saying it is better than the Navy's. I just thought I would throw that out there. And they also made some comment about some football game last year. Being a Marine, I had to stay neutral on that. I didn't get involved. But do you want to comment on that at all?

Admiral HENDRICKSON. Not for the record, Chairman.

Mr. COOK. Thank you very much. Sorry to stir things up here. Our last witness to testify will be Mr. Raymond Villanueva, the—did I get that right?

Mr. VILLANUEVA. Yes, sir.

Mr. COOK [continuing]. The Assistant Director for International Operations of Homeland Security Investigations at the U.S. Department of Homeland Security.

Since joining HSI, he has served in numerous leadership positions. Prior to this, the gentleman served as a police officer in Puerto Rico.

So you are now recognized, and thank you for being with us.

STATEMENT OF MR. RAYMOND VILLANUEVA, ASSISTANT DIRECTOR FOR INTERNATIONAL OPERATIONS, HOMELAND SECURITY INVESTIGATIONS, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. VILLANUEVA. Chairman Cook, Ranking Member Sires, and distinguished members, thank you for the opportunity to appear before you today to discuss U.S. Immigration and Customs Enforcement Homeland Security Investigations' efforts to investigate, disrupt, and dismantle transnational criminal organizations, to include violent gangs, in the Western Hemisphere.

During the last two decades, transnational organized crime has expanded dramatically, which poses a significant threat to national security. HSI takes this threat seriously and targets transnational criminal organizations at every critical location in the cycle by utilizing a layered approach—that is, internationally by pushing our borders out in cooperation with foreign counterparts; our Nation's physical border, in coordination with U.S. Customs and Border Protection, where the transportation cells attempt to exploit America's legitimate infrastructure; and in cities throughout the United States where criminal organizations earn substantial profits after illegal activities.

As of May 2018, HSI maintains more than 130 open investigations targeting MS-13 members and their criminal organizations globally by working with our law enforcement partners, including those in Guatemala, Honduras, and El Salvador. Without information-sharing and partnering with our Federal, State, local, and foreign law enforcement partners, HSI would not be nearly as successful at battling MS-13 and other violent gangs.

In fiscal year 2018, HSI, with the support of the Department of State's International Narcotics and Law Enforcement, initiated Operation Gatehouse, which addresses the MS-13 threat in partnership with police officers from El Salvador's civil national police embedded with our gang task forces in the United States.

The Salvadoran officers work alongside HSI special agents in an advisory role, sharing their expertise on MS-13 and assisting in identifying gang membership and leadership in El Salvador that might be directing illegal activity in the United States. We hope to expand this program to additional task forces throughout the United States in fiscal year 2019.

While combatting TCOs domestically, thus protecting Americans from harm, violence, and TCO exploitation, HSI continues to push the borders out by capitalizing on our international partnerships with foreign law enforcement officials. This is accomplished by our attache network located in 67 offices around the world.

Our attaches leverage several key international partnerships, to include the Transnational Criminal Investigative Units and Operation Citadel, to identify potential bad actors along the illicit pathways, while exploiting available information, with the goal of identifying, disrupting, and dismantling unknown gang cliques posing a threat to the United States.

HSI also leverages its information-sharing capabilities using several key initiatives, some of which I would like to highlight briefly: The Visa Security Program, in which HSI partners with CBP and the Department of State Consular Affairs by deploying trained special agents to high-risk visa activity posts to identify and investigate potential terrorists and criminal threats before they reach the United States.

The Trade Transparency Units are designed to aggressively target criminal organizations and individuals involved in trade-based money laundering but also those preparing contraband smuggling and customs fraud. All TTU foreign partners recognize the value of information-sharing, which permits the comparison of international trade data to target illicit activity.

And last but not least, the Biometric Identification Transnational Migration Alert Program, also known as BITMAP, which helps provide infrastructure and capability for host governments to collect biometric data on individuals they encounter. This information is shared with U.S. law enforcement and the intelligence community. We, including CBP National Targeting Center, share relevant law enforcement information with these countries. Through this process, HSI, CBP, and DOD are able to track movement toward the United States, take joint action with partner nations along the route, and deter human smuggling through South and Central America. BITMAP today is deployed to 15 countries.

These operational endeavors could not have been successful without the cooperation of our Federal, State, local, and foreign government law enforcement partners. HSI will continue to give high priority and devote sufficient resources to disrupting and dismantling TCOs.

Thank you again for the opportunity to appear before you today and for your continued support of ICE's law enforcement mission, and I am looking forward to answering your questions.

[The prepared statement of Mr. Villanueva follows:]



U.S. Immigration and Customs Enforcement

STATEMENT

OF

RAYMOND VILLANUEVA

ASSISTANT DIRECTOR

INTERNATIONAL OPERATIONS

HOMELAND SECURITY INVESTIGATIONS

REGARDING A HEARING ENTITLED

*"COMBATTING TRANSNATIONAL CRIMINAL THREATS IN THE WESTERN
HEMISPHERE"*

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON WESTERN HEMISPHERE

Wednesday, May 23, 2018

2:00 p.m.

2172 Rayburn House Office Building

Chairman Cook, Ranking Member Sires, and distinguished members:

Thank you for the opportunity to appear before you today to discuss the mission of U.S. Immigration and Customs Enforcement (ICE), including: its efforts to identify, disrupt, and dismantle transnational criminal organizations (TCOs), such as transnational gangs, drug cartels, and smugglers; and its information-sharing initiatives dedicated to combatting these threats. ICE enforces approximately 400 federal laws governing border control, customs, trade, and immigration to promote homeland security and public safety. With more than 20,000 employees and over 200 offices across the United States and in 50 countries, the men and women of ICE execute our mission humanely, professionally, and always in accordance with the law. ICE has three primary directorates: Homeland Security Investigations (HSI), Enforcement and Removal Operations (ERO), and the Office of the Principal Legal Advisor. As a Senior Executive of ICE/HSI, I serve as the Assistant Director of ICE/HSI International Operations.

As the largest investigative component in the U.S. Department of Homeland Security (DHS), ICE/HSI protects U.S. borders by conducting multi-faceted, international law enforcement operations, and by partnering with foreign and domestic counterparts to combat criminal organizations and prevent terrorist activities.

ICE/HSI International Operations has a network of over 400 personnel, including over 180 special agents deployed to 67 attaché offices in 50 countries, who conduct investigations against TCOs, terrorists, and other criminal organizations that threaten our national security. ICE/HSI leverages its international footprint and partnerships to disrupt and dismantle TCOs that seek to exploit America's legitimate trade, travel and financial systems; and enforces U.S. customs and immigration laws at and beyond our Nation's borders to prevent threats from entering the United States.

ICE/HSI manages several strategic/information-sharing initiatives, which include:

- Transnational Criminal Investigative Units (TCIU)
- Biometric Identification Transnational Migration Alert Program (BITMAP)
- Visa Security Program (VSP)
- Trade Transparency Units (TTUs)
- Criminal History Information Sharing (CHIS) Program

ICE/HSI, domestically and abroad, focuses on critical investigative areas, which include:

- National Security
- Counter-Proliferation of Arms and Export-Controlled Technology
- Human Smuggling and Trafficking
- Financial Crimes
- Child Exploitation
- Commercial Fraud and Intellectual Property Rights Violations

- Criminal Gang Enforcement
- Narcotics Smuggling
- Identity and Benefit Fraud
- Worksite Enforcement
- Cybercrimes
- Human Rights Violators and War Crimes

ICE/ERO identifies, arrests, and removes aliens who present a danger to national security or are a risk to public safety, as well as those who enter the United States illegally, or otherwise undermine the integrity of U.S. immigration laws and border control efforts. ERO upholds America's immigration laws at, within, and beyond its borders through efficient enforcement and removal operations. ERO also develops investigative leads through the foreign fugitive program and provides support in locating and arresting foreign nationals wanted for crimes committed abroad who are now at-large in the United States.

ICE/ERO removal operations require complex coordination, management, and facilitation efforts to successfully remove or return aliens from the United States to their country of origin. ERO has enforcement officers strategically deployed to 19 locations around the world and leverages resources available through our foreign law enforcement partners, including INTERPOL, Europol and the ICE Attaché corps.

Combatting Transnational Criminal Organizations

ICE/HSI utilizes its broad legal authorities to investigate immigration and customs violations, including those related to export control, human rights abuses, narcotics, weapons and contraband smuggling, financial crime, cybercrime, human trafficking and smuggling, child exploitation, intellectual property theft, transnational gangs, immigration document and benefit fraud, and worksite enforcement. ICE is grateful for continued congressional support that allows ICE to maintain critical operations at home and abroad and increase our efforts to target and combat dangerous transnational gangs and other criminal organizations.

During Fiscal Year (FY) 2017, ICE/HSI investigations led to the disruption or dismantlement of TCOs with more than 32,958 criminal arrests, including arrests of more than 4,818 transnational gang members. ICE/HSI also seized 981,586 pounds of narcotics, made 1,205 seizures for violations of U.S. export laws and regulations, and seized nearly \$307 million in currency and monetary instruments. Additionally, ICE/HSI identified and assisted 518 human trafficking victims and more than 904 child exploitation victims.

During the last two decades, transnational criminal organizations have expanded dramatically in size, scope, and impact, which poses a significant threat to national security. ICE/HSI takes this threat very seriously, and together in coordination with the Department of Justice including the Drug Enforcement Administration (DEA) and Federal Bureau of Investigation (FBI) targets TCOs at every critical location in the cycle: internationally, in cooperation with foreign counterparts, where transnational criminal organizations operate; and domestically, both at our nation's physical border and ports of entry, in coordination with U.S. Customs and Border Protection (CBP), where the transportation cells attempt to exploit

America's legitimate trade, travel, and transportation systems; and in our cities throughout the United States, where criminal organizations earn substantial profits off their illicit activities.

As directed by the President's Executive Order 13773, *Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking*, ICE will continue to give a high priority and devote sufficient resources to dismantling TCOs and subsidiary organizations. ICE will continue to focus on cooperative work with other federal agencies, as well as with foreign counterparts, by sharing intelligence and law enforcement information when appropriate and permitted by law.

Joint Task Forces

In 2014, the Department announced its new Unity of Effort Initiative and directed our Department-wide Southern Border and Approaches Campaign (SBAC) Plan. The SBAC is part of a comprehensive security strategy designed to unify efforts across DHS components to address threats specifically associated with terrorism, illicit market-driven flows, and illegal migration across our Southern Border and Approaches. In furtherance of the SBAC, the Department commissioned three Joint Task Forces (JTFs) in November 2014. The three Joint Task Forces, JTF-East (JTF-E), JTF-West (JTF-W), and JTF-Investigations (JTF-I), are responsible for establishing operational priorities and synchronizing capabilities in order to achieve SBAC objectives.

Two of the JTFs, JTF-E and JTF-W, are geographically focused task forces that concentrate on the southern land and maritime borders and approaches to the United States all the way to Central and South America. JTF-I is a "functional," multi-component task force that employs National Case Management to identify and prioritize top TCOs affecting homeland security, manage investigations and operations to dismantle them, and identify weaknesses or gaps in our practices and technology.

To address these gaps, JTF-I created and implemented HOMECORT (Homeland Criminal Organization Target), the DHS-wide process for identifying and prioritizing the top criminal networks affecting homeland security.

In order to manage and unify U.S. Government efforts against these HOMECORT criminal networks, JTF-I developed three complementary processes:

1. National Case Management to manage, integrate and support all the investigations and operations related to the targeted criminal network;
2. Comprehensive Criminal Network Analysis to provide knowledge of the criminal network; and
3. Integrated Action Planning to establish the business rules for conducting National Case Management and producing Comprehensive Criminal Network Analysis.

Through the sharing and fusing of each other's information, these JTF-I processes allow DHS components to:

- Identify and prioritize the top criminal networks impacting homeland security;
- Tie together and manage all the investigations, operations, arrests, and seizures (covering multiple countries, jurisdictions, areas of responsibility and programs) related to all the activities (smuggling, money laundering, corruption, etc.) of a criminal network (see complementary processes below);
- Move towards a complex common goal through a formal integrated action planning process.

Since its inception, JTF-I's interagency delegates managed and supported the targeting of 21 HOMECORT criminal networks, comprised of more than a thousand criminal investigations. To date, 13 of those networks have been dismantled to the point they no longer threaten homeland security. The networks included money launderers, human smugglers, sex traffickers, drug smugglers, bulk cash smugglers, and weapons smugglers. The remaining HOMECORT designated criminal networks continue to be the targets of active criminal investigations.

Another example of a successful joint task force model is the Border Enforcement Security Task Force (BEST) initiative. BEST teams are ICE/HSI-led, multiagency task forces that target illicit movement of people and contraband through border areas. Other DHS entities, particularly CBP and the United States Coast Guard, also participate. There are a total of 62 BEST teams total, many of which focus on the U.S.-Canada border and U.S.-Mexico border. Canadian and Mexican (multiagency) law enforcement partners work directly with DHS and other U.S. counterparts on investigative and interdiction missions. Canadian officials are often cross-designated as U.S. law enforcement officers (under U.S. Code Title 19) to promote full sharing of law enforcement information. These units are housed on the U.S. side of the border. In FY 2017, the BEST teams initiated 4,034 investigations and effected 4,967 criminal arrests.

Additionally, HSI partners with the Department of Justice in its Extraterritorial Criminal Travel Strike Force (ECT) to proactively target, disrupt and dismantle international criminal human smuggling networks that pose national security or organized crime concerns. ECT uses dedicated intelligence, investigative, and prosecutorial resources to focus on those who facilitate special interest alien travel, including document providers, corrupt officials, transporters, harborers, and financiers. In this effort, HSI leverages its own Attaché offices and foreign law enforcement partners.

Also, as a result of close coordination with JTF-I, HSI's San Diego Field Office, the San Ysidro Human Smuggling BEST team, DHS's Human Smuggling Cell, CBP's National Targeting Center, and the Department of Justice's Human Rights and Special Prosecutions Section, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) on April 18, 2018 designated a human smuggling network, the Barakat Transnational Criminal Organization (Barakat TCO), under Executive Order 13581 "Blocking Property of Transnational Criminal Organizations" – the first time that authority was used for that type of criminal organization. The Barakat TCO, headed by Nasif Barakat, is a human smuggling organization based in Homs, Syria, that facilitates the smuggling of Syrian and Lebanese nationals to the Southwest border of the United States using a variety of travel routes. Barakat and members of his TCO operate a global network of human smugglers that coordinate the smuggling of foreign nationals to the United States for an average cost of approximately \$20,000; this sum includes

fees to obtain fraudulent and/or counterfeit documents. This is a meaningful example of dedicated professionals across the U.S. government building on an ICE/HSI initiative to take joint disruptive action against a network posing a direct threat to U.S. national security.

National Gang Unit

The National Gang Unit (NGU) is a critical part of ICE/HSI's mission to bring the fight to transnational criminal gangs. The NGU identifies and develops intelligence on gang membership, associations, activities, and international movements. It also deters and disrupts gang operations by tracing and seizing cash, weapons, and other assets derived from illicit activities.

In 2005, ICE/HSI initiated Operation Community Shield, an international law enforcement initiative that combines ICE/HSI's expansive statutory and civil enforcement authorities to combat the growth and proliferation of transnational criminal street gangs, prison gangs and outlaw motorcycle gangs throughout the United States. With assistance from state, local, tribal, and foreign law enforcement partners, the initiative helps ICE/HSI locate, investigate, prosecute, and where applicable, immediately remove gang members from our neighborhoods and ultimately from the United States.

Operation Community Shield has resulted in the criminal and administrative arrests of nearly 63,000 gang leaders, members, and associates since its inception. Among those arrests, Community Shield operations have resulted in the criminal and administrative arrests of over 8,500 leaders, members, and associates of Mara Salvatrucha-13 (MS-13), the international criminal street gang.

In 2012, ICE worked with the OFAC to designate MS-13 as a TCO, the first criminal street gang so designated. As a result of the designation, any property or property interests in the United States, or in the possession or control of U.S. persons in which MS-13 has an interest, are blocked. In addition, U.S. persons are prohibited from engaging in transactions with MS-13. Violations are subject to civil monetary penalties or criminal penalties up to \$250,000 and imprisonment up to 20 years.

In 2016, ICE/HSI utilized the 2012 OFAC designation to develop and implement a new strategy targeting MS-13. ICE/HSI recognizes that TCOs need funding to maintain and expand their criminal organizations, and has been successfully identifying, exploiting, and disrupting MS-13's global financial networks. Part of ICE/HSI's new strategy is to address the threats posed by MS-13 in the United States by targeting their command and control structure in El Salvador simultaneously with our domestic investigations into the gang. Since January 2016, with support from the Organized Crime Drug Enforcement Task Force (OCDETF), ICE/HSI has been deploying special agents to El Salvador to work with our host country law enforcement partners to build their financial investigative capacity to combat MS-13 and identify MS-13's financial networks within El Salvador. In addition, the deployment allows the free flow of actionable intelligence between ICE/HSI and our host country law enforcement partners.

In 2017, ICE worked with our DHS partners to form a departmental MS-13 Working Group, including ICE, CBP, U.S. Citizenship and Immigration Services (USCIS), and the Department of Justice's Bureau of Prisons (BOP). The DHS MS-13 Working Group was formed to share intelligence, bridge intelligence gaps, eliminate redundancies, enhance collaboration, and provide visibility to all DHS entities involved in the fight against MS-13. The ultimate goal of the DHS MS-13 Working Group is to develop and implement a DHS enterprise enforcement strategy to disrupt and dismantle MS-13's global criminal networks. Since July 2017, the DHS MS-13 Working Group has coordinated the arrest of 15 MS-13 and 18th Street fugitives in the United States who were wanted for gang crimes in El Salvador, including homicide.

In FY 2018, ICE/HSI initiated Operation Gatehouse which addresses the MS-13 threat through our partnership with police officers from El Salvador's Policia Civil Nacional (PNC) embedded with our gang taskforces in the United States. PNC advisors will work alongside HSI Special Agents and local police officers in an advisory role, sharing their expertise on MS-13 culture and assisting in identifying gang membership in El Salvador that may be directing illicit activity in the United States. In turn, HSI and local law enforcement will educate and train the foreign advisors on U.S. gang investigative techniques and methodologies. We hope to expand this program to additional gang taskforces in FY 2019.

As of May 4, 2018, ICE/HSI maintains 135 open investigations targeting MS-13 members and their criminal organizations globally, including in Massachusetts, New York, New Jersey, Maryland, the District of Columbia, North Carolina, Texas, Tennessee, Ohio, California, Washington, and the Northern Triangle countries of Guatemala, Honduras and El Salvador through Racketeer Influenced and Corrupt Organizations, Violent Crimes in Aid of Racketeering, and criminal-conspiracy prosecutions. The vast majority of these investigations have direct links to the targeting of MS-13 leadership in El Salvador. Without information sharing and partnering with our federal, state, local, and foreign law enforcement partners, ICE/HSI would not be nearly as successful at battling MS-13 and other gangs.

Illicit Finance and Proceeds of Crime Unit

The Illicit Finance and Proceeds of Crime Unit (IFPCU) develops investigative techniques and typologies to identify and eliminate vulnerabilities in the U.S. financial systems and criminally pursue perpetrators of financial crimes. The IFPCU enhances cooperation and forges partnerships with domestic and foreign law enforcement, regulatory agencies, and non-governmental bodies. The IFPCU then leverages these partnerships to enhance ICE/HSI's financial investigations and various Anti-Money Laundering (AML) programs. The IFPCU also participates with the U.S. Department of Treasury, Financial Action Task Force and other government entities to provide AML assessments, training, best practices and lessons learned in the fight against global money laundering.

ICE/HSI through the IFPCU continues to expand its outreach work with the Money Service Business (MSB) industry. MSBs are widely used for international movement of money and, particularly by TCOs across several different categories of criminal activity that ICE/HSI investigates, including opioid smuggling, narcotics smuggling, human smuggling & trafficking, intellectual property theft, transnational gangs and child exploitation.

To further their illicit activities, TCOs accept payments via the MSB industry. Employing various investigative methods and tools to disrupt and dismantle these criminal organizations, HSI is also actively identifying individuals and entities who receive payments on behalf of these illicit suppliers and subjects worldwide. Through bilateral relationships with MSBs, HSI is positioned to aggressively target criminal organizations and will continue all liaison efforts to provide HSI programmatic areas with invaluable access to information that can be exploited to develop strategic intelligence based on trends and methodologies.

In FY 2017, ICE/HSI initiated 4,061 new financial cases operating under the national programmatic scope of IFPCU which resulted in 2,942 criminal arrests, 2,007 indictments and 1,329 convictions as well as the seizure of \$306,782,043 in illicit currency and proceeds. Already to date in FY 2018, ICE/HSI financial investigations have initiated approximately 2,415 new financial cases which have resulted in approximately 1,409 criminal arrests, 873 indictments and 603 convictions.

Law Enforcement Information Sharing Efforts

In addition to leveraging domestic assets, ICE/HSI uses its strategically deployed personnel around the globe to use established relationships with host country law enforcement officials and mechanisms such as Customs Mutual Assistance Agreements (CMAAs) to share information and further its investigations. Mutual Legal Assistance Treaties (MLATs) are also invaluable instruments in obtaining and receiving international legal assistance, including evidence, for criminal investigations and prosecutions.

ICE/HSI International Operations also partners with TCIUs and international task forces in 12 countries around the world. TCIUs are comprised of foreign law enforcement officials, customs officers, immigration officers, and prosecutors who receive ICE/HSI training and undergo a strict vetting process to ensure that shared information and operational activities are not compromised. Partnering with these TCIUs enables ICE/HSI to promote direct action via information sharing and investigative leads while respecting the sovereignty of the host country and cultivating international partnerships.

In alignment with the President's Strategy to Combatting Transnational Organized Crime, TCIUs identify targets, collect evidence, share intelligence, and facilitate the prosecution of TCOs both in-country and in the United States. These efforts, which often occur thousands of miles from the U.S. borders, essentially act as an outer layer of security for the United States.

Another ICE/HSI program, BITMAP, helps provide infrastructure and capability for host governments to collect biometric and biographic data on persons of interest they encounter. This information is shared with U.S. law enforcement and intelligence agencies; HSI in turn shares information, as appropriate, with host governments regarding these individuals. Through this process, ICE/HSI, in collaboration with CBP and Department of Defense, is able to track movement towards the United States, take joint action with partner nations along the route, and deter human smuggling through South and Central America. Comparisons of biometric data through BITMAP serve to identify criminal persons, wanted subjects (including international

fugitives), and known or suspected terrorists. BITMAP is currently deployed in multiple countries, with near-term plans to expand to additional countries.

ICE/HSI also leverages its information sharing capabilities through the use of the Visa Security Program (VSP) and Trade Transparency Units (TTU). Through the VSP, ICE/HSI deploys trained HSI special agents abroad to high-risk visa issuing posts to identify and investigate potential terrorist and criminal threats before they reach the United States. VSP contributes to both counter-flow and counter-network capabilities, as well as providing support for intelligence, interdiction and engagement. VSP special agents work alongside Department of State Consular Officers to provide real-time feedback on visa applicants and a unified DHS recommendation on visa eligibility prior to adjudication. Deployed VSP agents are supported by automated screening and vetting of visa applicants through the Pre-Adjudicated Threat Recognition and Intelligence Operations Team (PATRIOT), an interagency endeavor with CBP.

The core mission of the TTU is to aggressively target criminal organizations and individuals involved in trade-based money laundering (TBML) and also those perpetrating contraband smuggling and customs fraud. In order to achieve this mission, ICE/HSI reached out to key foreign trading partners and successfully established (16) TTUs abroad. TTU currently has partnerships with Argentina, Australia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Mexico, France, Guatemala, Panama, Paraguay, Peru, Philippines, United Kingdom, and Uruguay. These countries are highly dependent upon value added taxes (VAT) on commodities, which served as a motivating factor in the establishment of TTUs. These foreign partners recognize the value of information sharing, which permits the comparison of international trade and cross border movement of merchandise.

The United States and its foreign TTU partners currently exchange trade data which allows HSI investigators and analysts to detect anomalies which may be indicative of criminal activity such as TBML, contraband smuggling, and trade/customs fraud. This information sharing allows for the cross referencing of trade data with other pertinent information such as Bank Secrecy Act (BSA) reports. The ultimate goal of most criminal organizations is financial gain either to promote ongoing illicit activity or as the finality of this activity, hence trade-based money laundering is often the primary means by which they launder proceeds for their criminal enterprises.

ICE's Law Enforcement Information Sharing Initiative (LEISI) team serves as an active advocate in support of law enforcement information sharing both internal and external to DHS. This includes information sharing between federal, state, local, tribal, territorial, and foreign partners. LEISI coordinates throughout the law enforcement community to improve the understanding of information needs, provide leadership in resolving policy issues that may inhibit law enforcement information sharing, and develop approaches to overcome traditional barriers to information sharing.

LEISI provides program management support and oversight to include administration of the Law Enforcement Information Sharing Strategy. For FY 2018, additional focus is on international information for initiatives such as: Preventing and Combatting Serious Crimes

(PCSC), the Five Country Ministerial (FCM), the Five Country Conference (FCC), and ERO's Criminal History Information Sharing (CHIS) program.

CHIS is an ICE-led initiative between the United States and its international partners whose purpose is to provide participating nations with criminal history information in advance of an alien's removal. In turn, foreign countries share their information with the United States. The information shared helps protect law enforcement personnel, regional security, and public safety officers all over the globe. The initiative supports efforts in immigration management, law enforcement and national security. Countries currently participating in the CHIS initiative are: Mexico, Dominican Republic, Jamaica, the Bahamas, El Salvador, Honduras and Guatemala, with planned expansion to additional countries in FY 2018.

CHIS enables ICE to identify wanted felons, including gang members, who fled to the United States to avoid prosecution in their home countries. Without this initiative, dangerous criminals might be able to circumvent prosecution. In FY 2017, CHIS sent 84,067 outbound notices of removal and ICE's foreign partners returned 21,434 positive responses, including 2,810 foreign criminal history records, 93 foreign criminal warrants and information related to 199 transnational gang members.

During FY 2017, ICE achieved significant successes in Latin America and the Caribbean through the development of programs that bolstered the law enforcement, customs, and immigration enforcement capabilities of international partners. These successes included the joint interagency execution of Operation CITADEL, which focused efforts on building partner nation capacity in identifying, disrupting and dismantling TCOs, including those designated as drug trafficking organizations and terrorist support networks. Interagency information sharing and collaboration from agencies within DHS, the Department of State, the Department of Justice (including the Federal Bureau of Investigation), and the Department of Defense, as well as participating partner nations, has been an essential piece of Operation CITADEL's efforts to build capacity and to address identified threats. Operation CITADEL provided resources to enhance foreign partners' investigative capabilities to counter transnational threats and organized crime that, in turn, provided ICE the ability to expand domestic and international investigations well beyond the U.S. borders and to more effectively target the illicit pathways exploited by TCOs.

In FY 2017, Operation CITADEL trained 809 partner national personnel and support to partner nations contributed to the following results: 231 criminal arrests, 54 indictments, nine convictions, 2,005 BITMAP enrollments, seizure of \$252,235 in currency, 18,224 pounds of narcotics, seizure of 27 firearms, and encountered 3,669 aliens of possible national security concern.

In support of Operation CITADEL 2018, ICE/HSI is deploying 12 agents to the following countries: Honduras; Guatemala; El Salvador; and Panama. The deployment began on April 9, 2018 and is scheduled to conclude on July 15, 2018. In addition, ICE/HSI is in the process of implementing phase two of Operation CITADEL 2018, deploying 20 additional agents to Brazil, Dominican Republic, Ecuador, Argentina and SOUTHCOM. This second phase of Operation CITADEL 2018 is scheduled to commence on or about the first week of July

2018. To date, Operation CITADEL 2018 has resulted in 148 arrests, 51 search warrants, 41 firearms seizures, 75 rounds of ammunition, \$452,030.00 U.S. currency, 8,600 lbs. of cocaine, collected biometric data on 1,131 subjects, initiated 7 foreign judiciary wire intercepts, and have trained 56 foreign nationals.

CONCLUSION

Thank you again for the opportunity to appear before you today and for your continued support of DHS and ICE and their missions. ICE is committed to continuing its successful practice of sharing information with domestic and foreign partners and leveraging its resources around the world to stem cross-border criminal organizations. I appreciate your interest in these important issues and the efforts I have discussed today.

I would be pleased to answer any questions you may have.

Mr. COOK. Thank you, sir.

Now I will yield myself 5 minutes to ask questions.

And I want to make a comment. We had the Secretary of State here this morning. It was a long hearing, and there were a lot of issues that were covered. I, myself, just to let you know, I made the comment that I knew he had a lot on his plate with what was going on and everything. I said that I had been getting the feeling, talking to many of our colleagues and friends in the Western Hemisphere, in Latin America, that in many ways that region had been forgotten. And all these things have been on the news and everything else, and maybe they have been overshadowed, with the meeting in North Korea and ISIS and Afghanistan, the Ukraine. I can go on and on and on.

The point I tried to make is that there are a lot of countries there—I think I said there were going to be 13 elections this year. There are a lot of things going on, and you have two countries that have been meddling big-time. One was China, which has thrown a lot of money around, and the other is Iran, as well as the drug cartels.

And I think there is—at least when we were just down there for our conference, you remember the collective takeaway—and correct me if I am wrong when you speak—they were, “Hey, United States, you better wake up to what your friends there are talking about.” And it is like, yeah, we know things are going on, but we have our own problems here, and they are getting worse and worse and worse.

So what you are saying about this collective effort, I couldn’t agree with you more. But right now I think they have a point, a lot of these countries. And a lot of it is that, whether it is true or not, they have the attitude that the United States has forgotten them to a certain extent, that something is more important.

So basically my question to the panel is, can you comment on that and whether you have any assured solutions to say that and—it is a very difficult problem. Maybe I am wrong.

Yes, sir.

Mr. GLENN. Excellent question. I think that there are a few examples of, I think, very important, high-level engagement that has given both signals within the administration and, I would hope, outward signals that there definitely is a focus on South America, Central America, and Mexico and the Caribbean as well.

The Vice President, last year, in 2017, in June, led the U.S. delegation in Miami of a conference between the Central American countries, focused mostly on the Northern Triangle, with Colombia and Mexico present as well. I don’t know how there could be a clearer signal given than the Vice President being present and declaring a continued focus and emphasis on Latin America, specifically, in that instance, on the Northern Triangle of Central America.

The funding levels have supported that emphasis. I think also the executive order that was issued early on in the administration also indicates, at least to us here at the table—gives us a clear signal of what we are supposed to be doing and what we are supposed to be focusing on.

Mr. COOK. Well, part of it—and I will use the examples of countries like Panama, the Dominican Republic, that have changed their—you know, they used to recognize Taiwan, now they are recognizing Beijing. And the last day that we were there, we met with a large group of Caribbean countries, and they were very vocal about it. They were angry. And they made it very, very clear that is part of the reason that they have been taking to Venezuela. And I won't go into the situation—I think you know it—about the stipend or how they are going to help them with their buying oil down there.

And each one of those countries, even the small ones, have one vote in the OAS, same as the United States. And it was kind of like they were holding school on us, or at least me. And they were, at the end, polite about it because we were listening to them, but it is something that I heard loud and clear.

Anyone else have any comments on that? Or am I way off base?
Ms. Fowler?

Ms. FOWLER. Well, I would add to what my colleague said, I mean, Secretary Mnuchin has been, I think, really leading an effort within the Lima Group with the finance ministers, hosting several meetings, working with finance ministers in that group to address the crisis in Venezuela.

And I think that group has demonstrated a desire to really be unified. They have made very important commitments. And it is an opportunity for us to really deepen a lot of the coordination we do with those countries on TCO issues at that level, working really operationally to develop solutions and strategies.

So I think that senior-level commitment from the Treasury Department is there.

Mr. COOK. Well, thank you.

By the way, I do want to mention, that was a weekend conference we went down. It was real short. I think it was 21 countries. And we had nine members, which I was delighted that we had such a large showing to go down there. And it was like boom, boom, boom, boom, boom, boom, boom.

And I actually want to give kudos to my colleagues. I thought we kind of agreed. We split up what our agenda was with—and the staff did a fantastic job. And I thought it was great if we could do it.

I am going to turn it over, and then I will come back. We have a lot of people.

The only comment I am going to make—and it shows my age—is that money is a big factor down there because of drugs, gold, logging, you name it, and everything else. And it always goes back to the old bank robber who was in jail before any of you were born, and they used to ask—his name was Willie Sutton. And they asked Willie Sutton, why do you rob banks? And his classic retort: That is where the money is.

And there is a lot of money, as some of the testimony reflects, that is being made in a lot of different ways. And unless we get our act together collectively, it is going to get worse and worse before it gets better, I am afraid.

So I am going to stop and turn it over to our ranking member.

Mr. SIRES. Thank you, Chairman.

And thank you again for being here.

You know, I have been in this committee now for 12 years, and I have been saying all along that we just don't focus enough on the Western Hemisphere. And, unfortunately, things have to come to a crisis before we really focus.

I understand that there are a lot of issues throughout the world, that we have been sort of sidetracked. But we cannot—we cannot—continue to overlook these countries that are right in our backyard.

It has gotten to a crisis. You know, you have a situation in Venezuela where you have now people going all over South America, Central America from Venezuela because the situations are bad. Venezuela basically has become a satellite of the Cuban Government. There are 30,000

Cubans profiting off Maduro. You have in Nicaragua the situation in Nicaragua now.

So I don't think that it is helpful that we are going to be cutting the State Department's budget. You know, we have a situation now where we are cutting 31 percent of the United States assistance to Colombia. You know, we have been working with Colombia for a long time. Cutting 31 percent I don't think is helpful.

The rhetoric coming out of the administration is not helpful at all. We have to work with these countries. And, unfortunately, calling people names and doing all these things is not going to endear these countries to work with us.

I remember, when I first was on the committee, we were deporting people to some of these countries, and we weren't even telling those countries who we were deporting—in other words, their records. Now it has changed. I understand now that when we deport some of these gang members there is a whole file that goes with them. But I remember talking to the Ambassador here when I was on this committee 10 years ago and he said that wasn't done.

Obviously, gangs are a real, real problem, not just in the Western Hemisphere but here also. I remember, when I was a mayor, having to deal with gangs, because they were recruiting in the high schools, and we had to do a strong effort. The MS-13 and the other gangs were recruiting right in the high school. We had a real effort that we made successfully through the prosecutor's office.

So all these things just keep coming up. And we need to focus our attention on what to do in those countries so we can help them deal with this issue. And, unfortunately, we just don't seem to focus.

You know, I asked the Secretary of State this morning something that I feel very concerned with. You have the Ayatollah promoting this revolution throughout the world. In the Western Hemisphere, you never had cultural centers. So the Ayatollah seems to be funding these cultural centers now throughout all these countries. There are over 100 of them. We have to focus on that, because they are not there to promote culture. I am sorry. I don't agree with that.

You have Nicaragua. Russia wants to build a base in Nicaragua, with all this buying tanks and so forth.

I mean, when we overlook some of these areas that are in our backyard, somebody fills the gap. I know China is doling out money all over the place.

I met with one of the presidents—I go to Colombia a lot because I work with some people there raising money for an orphanage. And I met with the president of one of the colleges. He told me that the second most studied language in Colombia today is Mandarin. Obviously, English is the first one, but, I mean, that is pretty high up there. You talk to the President of Peru, they tell you the same thing.

So I don't know how to stress to the administration how important it is that we refocus our attention on what is going on in the southern part of the hemisphere.

I think last year we went—it was SOUTHCOM. They showed us how many flights are coming out of Venezuela that are heading for the European Union. It was incredible. They showed us the flights. Most of the drugs coming out of Venezuela goes to the European Union. But, still, I mean, this is what props this country.

And then you have all these people leaving Venezuela and creating nothing but problems throughout the other countries. I was talking to the Brazilian Assistant Ambassador. He told me that in Brazil, on the border with Venezuela, there was a small town with about maybe 8,000 people. It swelled up to about 50,000. Colombia is dealing with it as best as they can, but, you know, the exodus out of Venezuela is creating nothing but problems. And we have to find a way to continue to put pressure and try to make some changes in Venezuela.

So, I mean, I guess I don't have a question, but I just have to vent. I apologize.

And I want to thank the chairman for holding this hearing. Thank you.

Mr. COOK. Thank you. Don't apologize. I was venting too.

We will probably have a second round of questions, but I wanted to get Mr. Brooks in from Alabama.

Sir, you are recognized.

Mr. BROOKS. Thank you, Mr. Chairman.

My questions are directed at Mr. Glenn, but if anyone else has anything to add, please feel free to do so.

How much are funds from illicit activities and ties to transnational criminal groups contributing to the survival of the Maduro regime in Venezuela?

Mr. GLENN. I actually don't have a number, but I would imagine that there is a significant portion of illicit activity that contributes to their survival.

Mr. BROOKS. What can the United States do to increase our efforts with regional partners to cut off this illicit financing?

Mr. GLENN. I think maybe that might be best answered by my colleague from Treasury.

Ms. FOWLER. Congressman, what we are doing, as I mentioned earlier, is a very significant effort in the Lima Group, which includes all of the neighboring countries, really to make sure that we are pulling together all of the appropriate investigative authorities.

Our goal, of course, is to make sure that members of the Maduro regime don't have access to the financial system to place their corrupt proceeds, to move them throughout the international financial system.

So I think those partnerships are strong. We have a very robust, ongoing dialogue at very senior levels but also at the technical level to really make sure that those countries are taking the right steps. And we have seen many of them do that.

Mr. BROOKS. Anyone else want to add anything to those answers?

I will go to my next one then.

How have transnational criminal organizations used the Venezuelan humanitarian crisis and subsequent migration throughout the region to their advantage?

Mr. GLENN. I think in any situation where you have a large number of people moving across borders and very porous borders, there is a large susceptibility to trafficking of many sorts, whether it be human, wildlife, and, of course, narcotics. So there is an increased risk because of that movement.

Mr. BROOKS. And the followup question: How can the United States help other countries in the region prevent the crisis from benefiting international criminal organizations?

Mr. GLENN. I think our continued assistance to Colombia, especially Colombia, since it neighbors Venezuela, is crucial.

The assistance that we specifically give to Colombia focuses mostly on coca cultivation and cocaine production and giving the ability, and greater ability, to the Colombian National Police and the Colombian military to eradicate coca and to interdict those drugs that are moving across borders and coming out of Colombia, whether it be to Europe or, more importantly, to the United States.

Mr. BROOKS. Mr. Glenn, I am going right back to you with some more.

Have you seen any evidence of the Maduro regime in Venezuela supporting Colombia's criminal groups—FARC dissidents, ELN, BACRIM, or others?

Mr. GLENN. I think it is well-known that drug trafficking organizations and radical groups like the ELN do take refuge in Venezuela. Whether or not that is this state-sponsored or -encouraged, I wouldn't be able to comment on that.

Mr. BROOKS. Anyone else want to try any of those questions? If not, I can go to another one.

All right.

This week, the Trump administration announced new sanctions on Venezuela, which follow the sanction of over 70 Venezuelan-related persons.

What is the process by which the Treasury Department coordinates with other agencies, specifically the State Department, in designating individuals or entities under sanctions programs?

Ms. Fowler?

Ms. FOWLER. Sure, Congressman. I mean, we have a very robust coordination process, really, with the interagency, led by the National Security Council. And we have a very active group that is considering, sort of, all of our potential authorities and tools and how best to bring them to bear on the Venezuela crisis.

So the designations, the discussion about how best to use those kinds of authorities, including the types of authorities that you see in the most recent executive order, are all, I think, very robustly coordinated with the rest of the interagency.

Mr. BROOKS. Admiral Hendrickson?

Admiral HENDRICKSON. We also have—you know, one of ways we do this is by, at Southern Command, we have an LNO from OFAC that is embedded into our intelligence side of the house. So we work quite robustly with the Treasury folks in terms of the intelligence we have and sharing that with them, particularly as those packages are developed.

Mr. BROOKS. All right.

Thank you, Mr. Chairman. I yield back.

Mr. COOK. LNO? The acronym, I—

Ms. FOWLER. It is a liaison officer.

Mr. COOK. Oh. Okay.

Mrs. Torres?

Mrs. TORRES. Thank you, Mr. Chairman.

I want to start by associating myself with some of the comments that have already been stated by my colleagues.

I am from California, and, as a California native, you would understand—also, as a former mayor—this is, like, the worst of the worst combinations that you can get here—a former mayor, former State legislator, I did a lot of work around our prison system in California. In my district, I have a State prison, men's prison, women's prison, and a juvenile that has now been closed.

The Mexican mafia controls—or has great control of our prison system. They are very active in my home city of Pomona. They are the cause of a lot of the murders and the increase in the murder rate.

I want to make sure that we are helping small communities like this to coordinate efforts to ensure that folks like the L.A. County Sheriff's Department, the San Bernardino Sheriff's Department, that are doing a lot of work around human trafficking have the resources that they need.

And thank you for helping, all of you, for helping to boost that allocation of funding. But it is not enough. The Mexican mafia has moved on from simply trafficking weapons and drugs to now trafficking people.

I wonder if any of you have a comment on that.

Oh, come on, you are Homeland Security now. You are burning my time.

Mr. VILLANUEVA. Yeah. So, ma'am, we work very close with our State and local partners. Going back to my early days, as the chairman mentioned, I was a State trooper, and I worked with a former U.S. Customs Service task force. And we have that program all over the Nation to work with our State and local partners doing the Border Enforcement Security Task Forces.

And those joint interagency teams are deployed all across the southwest border, southern border, as well as the Canada border. And it is through those mechanisms that we can support the small communities to deal with situations like that. We would be more than happy to follow up through our special agent in charge in the region to make sure that we are providing adequate support.

Mrs. TORRES. As we speak, there is a press conference on some FBI activity that occurred very close to where I am, where my home police department was involved also in this investigation. So I want to encourage that type of work and involvement from our

Federal agencies to ensure that resources are given to our communities to deal with these issues.

Ms. Fowler, the first round of the Global Magnitsky sanctions included several individuals from the Western Hemisphere. What was the impact of those sanctions? And, going forward, how will you use Global Magnitsky authority to combat transnational organized crime within our hemisphere?

Ms. FOWLER. Well, Global Magnitsky has been, of course, a top priority for the Treasury Department and for our Under Secretary, and we have a robust plan in place to continue to use that authority to the fullest extent possible.

I can't comment on, you know, potential future actions, but I can assure you that we have a very active evaluation of information that we have access to to try to determine how best to use it, how to use it strategically, how to have the greatest impact, including in this hemisphere.

Mrs. TORRES. As you may know, I have an amendment—and, hopefully, we will be voting on it later today and pass it—that would help with a report identifying folks, specifically targeting elected officials in the Northern Triangle.

Mr. Glenn, the head of the national police in Honduras was accused of being involved in narcotrafficking. What can you say about that?

Mr. GLENN. I read the same report, and in our—

Mrs. TORRES. This was after cleaning up the police force.

Mr. GLENN. Right. So I read that report. We, through the Embassy and other groups within the government, have been unable to corroborate that story. So we continue to work with him.

Mrs. TORRES. So is he currently on duty, or—

Mr. GLENN. I believe so.

Mrs. TORRES. Okay.

I yield back, Mr. Chairman.

Mr. COOK. Thank you very much.

I just want to—I know I was kind of venting, myself, earlier. And what I am trying to get at—and I am not sure how to do it—is, we are looking for solutions here. And I will be very honest with you. There are so many different organizations involved, it seems that sometimes we might have one organization working at cross-purposes.

Do you have—and I don't know—do you have command post exercises, to use a military term, where you have a scenario—and we have a number of real diverse scenarios that you could use, with lessons learned from this, where you go through it, and you need this, this, this, and this, or you take away—because, right now, to an outsider, I have this cynicism that says, because you have so many different countries and so many different agencies, how are we going to coordinate that?

Do you do these exercises, working together, where you have a post-exercise report and it is recommended that Congress wake up and pass this or Congress pay attention to this? And I am showing my ignorance here, but I am turning to the experts to see if you could share some of your wisdom with me on that.

The admiral is looking at me like, here is the dumb Marine question, right?

Admiral HENDRICKSON. No, I would never say that, Chairman.

So I think that one of the things that we have been doing for the last couple of years, his has been sponsoring—

Mr. COOK. His?

Admiral HENDRICKSON. Homeland Security Investigations.

Mr. COOK. Okay.

Admiral HENDRICKSON [continuing]. Has been sponsoring a surge operation in Latin America—and it was mentioned in the opening remarks—Operation Citadel. It is the best case that we have right now, where we, in partnership with his, have been supporting them with military capabilities as they surge, mostly intelligence but also some biometrics, which has yielded pretty substantial results.

We go through this every year. It is anywhere from a 3- to 6-month surge, depending on the funding available. And, thus far, we have seen very impressive results.

We do a planning process leading up to that operation. We do a hot wash and an after-action upon completion. And then we start planning the next evolution. And we take those lessons learned and incorporate them in.

You know, thus far, I think, trying to get after the meat of your question there, that is kind of one of those examples I can use that has really taken on a pretty substantial traction over the last several years.

Mr. COOK. Is this classified, your after-action report, or could that be shared with Congress?

In other words, if we are going to make decisions that are going to improve the efficiency of the problem we are talking about, some of these things that you might have learned might prove beneficial to us.

Admiral HENDRICKSON. Yes, Chairman, I think we can certainly share that with you.

And I think the other thing that we—actually, just 2 weeks ago, we were discussing, you know, how we transition what has up to this point been a sporadic surge operation, how we transition that into something that is a steady-state operation.

Mr. COOK. Thank you.

Anyone else?

Yes, sir.

Mr. GLENN. I would just mention the effort that has been born out of the executive order on transnational crime. One of the tasks out of that executive order and now given to the U.S. CTOC, the Council on Transnational Organized Crime, is to develop what we hope will be something similar to the National Counterterrorism Center, where strategic intelligence is matched with mission management across the interagency. That does not exist for transnational organized crime right now.

So, in terms of what the future could look like, I think that is a very encouraging development. It is by no means finished. It is very much in its early stages of development. But it is a very positive development. And I would look forward to, at some point in the future when that is better established, to be able to share that with you.

Mr. COOK. Mr. Sires?

Mr. SIRES. How significant is Hezbollah fundraising in Latin America from both licit and illicit activities? Can anybody talk a little bit about that?

Ms. FOWLER. It is an excellent question. It is something that we have been quite concerned about, obviously, for many years. What we are concerned about is Hezbollah taking advantage of some of the areas that have more lax regulatory supervision, sort of, constraints there.

So it is something that we continue to assess. I don't think I can frame it for you in terms of how much—what proportion of overall funding. We know what Hezbollah's largest source of funding is. But we continue to look at this.

And, notably, we are working really closely with the countries in the region that are most affected, very much in a very close manner, to try to assess what the risk is and really work with them to build some capacity to address it and potentially to take action together.

So that is our approach currently to the issue.

Mr. SIRES. Mr. Glenn?

Mr. GLENN. I was just down in the tri-border region a couple months ago, and we have been able to identify past funds to—now that Argentina is in a more cooperative posture, we have been able to give them some assistance in setting up a border task force around the tri-border area.

I also visited check Paraguay. They are also more willing to focus some of their efforts to match with our assistance. And Brazil as well.

So I think we are not there, in terms of a positive story, but we are getting there, as the three countries, with our assistance, re-engage in the region.

Mr. SIRES. I was just going to bring that up, because I was there last year, and they have a toll booth between the three-countries border. And I have to tell you, it is easier getting through there than getting through the Lincoln Tunnel where I am in New Jersey. I mean, there is nothing to stop them. There is no checkpoint. People go back and forth.

We talked to the authorities. It is a—I mean, I try to make light of it, but it is very serious, the fact that we have these people just going from one to another without any kind of a check or anything.

I yield.

Mrs. TORRES. Thank you once again for doing a second round. There is never enough time to ask all of our questions.

I can't remember if it was Mr. Glenn or who mentioned the Vice President's involvement, personal involvement, last year at the conference in Miami. I think he has done that twice. Ambassador Nikki Haley also visited the Northern Triangle, Guatemala specifically, recently.

Today, Secretary Pompeo was here, and I once again asked about our continued support for CICIG and to ensure that we continue to be focused on the region. We have spent \$2 billion there. These are hardworking American taxpayers' dollars. We need to make sure that the trolls and the very corrupt elected officials that continue to work to undermine the work of CICIG, the work that we are doing in the region, by hiring lobbying groups here in the U.S.

to lobby against the efforts of bringing about change and some transparency within the Northern Triangle—that, you know, we don't lose focus and that we don't fall to the—and give credit to these folks, specifically from the Treasury Department, that we continue to look toward people that ought to be identified publicly for their effort in continuing to push narcotics north.

Last year, when we were in South America, I was alarmed at what we saw, the narcotics coming north from still Colombia through the Pacific Ocean. And I know that we have been proactive on the Atlantic side. We have good partners with Costa Rica there, with Haiti. But what is the status of Mexico's involvement in helping to intercept in the Pacific side?

Admiral HENDRICKSON. Yes, ma'am. Mexico is actually quite involved. We hosted at Southern Command, earlier this year, a meeting that had the head of the Mexican Navy, the head of the Colombian Navy, our own Commandant of the Coast Guard, the Northern Command Commander, and the Southern Command Commander. And all of that discussion was about the Eastern Pacific and how we better utilize everyone's assets. We all recognize that none of us alone has what is sufficient.

And the reality is—and we just finished up an exercise, actually an operation, that, frankly, was led by the Colombians and the Mexicans. And what we recognize is the better we can get at improving the efficiency and trust in our communications, the more opportunity we have to leverage each other's strengths. And we all recognize that that is something necessary.

So I will tell you that that has been—you know, that was the first time we have had this kind of meeting with those partners, but everyone is actively engaged. And they understand, collectively, how big a problem that is.

Mrs. TORRES. Thank you.

Mr. Glenn, in Central America, specifically in dealing with asset forfeiture issues, I know the Salvadoran Government just passed a law exempting themselves or exempting Members of Congress from having their assets forfeited. Can you speak to that? And what are some of our efforts to combat those laws that they are passing?

In Guatemala, they are trying to exempt themselves from ever being tried of a crime involving corruption. Honduras' President is doing the same thing.

Mr. GLENN. Sure. It is troublesome, but at the same time I think it is an indication of some of the success that we have had. The fact that these legislatures are attempting to pass or, in some cases, passing laws to exempt themselves from laws is an indication that the assistance that we have been providing—I think CICIG is a very good example of an effective entity.

CICIG has been roundly criticized, and I think that that is actually—the criticism runs the full gamut from the socialist, progressive party criticizing it as an imperialist American tool, all the way to the other end of kleptocratic, entrenched families who claim it to be a U.N. conspiracy to establish a new world order.

To me, as a neutral foreign assistance giver trying to fight corruption in Central America, I think we are hitting the spot when we are able to make everybody upset. And threatening that mode of government, of using corruption and coercion as a way of govern-

ment, that is where we want to be. That is what we want to be doing. Because it ensures fairness for American companies who try to compete in these countries and ensures that governments are responsible and responsive to their people, which should ensure a more secure and more safe Central America so that people don't feel the necessity to flee to other countries, to the United States.

Mrs. TORRES. Thank you.

And I am way beyond my time, but final words I want to say is that it also has empowered the young people to come forward and see themselves as the leaders of those countries, and that is exactly where we want to see them.

Mr. COOK. Thank you.

They are going to call votes, I believe, very shortly. Let's see—final remarks. Pursuant to committee rule 7, the members of the subcommittee will be permitted to submit written statements to be included in the official hearing record.

Without objection, the hearing record will remain open for 5 business days to allow statements, questions, extraneous materials for the record, subject to the length limitation in the rules.

I just want to thank everybody.

By the way, I have gone to NATO when they had exercises over there. I learned a lot. One of them was going from country to country, Stryker vehicles that came all the way down from Poland to Georgia. And they did a great job, everything, from a military standpoint, but the EU would not let them—you know, they held them up at the border, because the EU was under different rules than NATO. And some of those lessons learned, you know, we brought that up at the NATO Parliament, and you can kind of make corrections.

So anytime you have suggestion for hearings, what we can perhaps ask questions about—I think a lot of the members were—obviously, they had a long day, with trying to catch up and everything. So I am very, very appreciative of your patience and for being with us today.

And if you got something going on, if you could let our committee know. Just what you want to have is a bunch of Congressmen and Congresswomen looking over your shoulder. But, really, we are here to learn and maybe make a difference. So, please, if you have anything, don't be shy about that. And I think you will see some people that will be down there trying to learn to make it better.

So thank you very much. There being no further business, the subcommittee is adjourned.

[Whereupon, at 3:56 p.m., the subcommittee was adjourned.]

APPENDIX



MATERIAL SUBMITTED FOR THE RECORD

**SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128**

**Subcommittee on the Western Hemisphere
Paul Cook (CA-08), Chairman**

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at <http://www.ForeignAffairs.house.gov>).

DATE: Wednesday, May 23, 2018

TIME: 2:00 p.m.

SUBJECT: Combatting Transnational Criminal Threats in the Western Hemisphere

WITNESSES: Mr. Richard Glenn
Acting Deputy Assistant Secretary
Bureau of International Narcotics and Law Enforcement Affairs
U.S. Department of State

Ms. Jennifer Fowler
Deputy Assistant Secretary
Office of Terrorist Financing and Financial Crimes
U.S. Department of Treasury

Rear Admiral Brian Hendrickson, USN
Director
Network Engagement Team
U.S. Southern Command

Mr. Raymond Villanueva
Assistant Director for International Operations
Homeland Security Investigations
U.S. Department of Homeland Security

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.



COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Western Hemisphere HEARING

Day Wednesday Date May 23 2018 Room 2172 RHOB

Starting Time 2:00pm Ending Time 3:56pm

Recesses n/a (to) (to) (to) (to) (to) (to)

Presiding Member(s)

Chairman Cook

Check all of the following that apply:

Open Session

Executive (closed) Session

Televised

Electronically Recorded (taped)

Stenographic Record

TITLE OF HEARING:

"Combating Transnational Criminal Threats in the Western Hemisphere"

SUBCOMMITTEE MEMBERS PRESENT:

Chairman Cook, Ranking Member Sires, Rep. Brooks, Rep. Torres

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

N/A

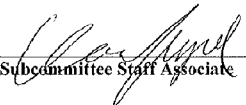
HEARING WITNESSES: Same as meeting notice attached? Yes No
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

*Chairman Cook SFR
Chairman Cook QFRs
Rep. Smith QFRs
Rep. McCaul QFRs*

TIME SCHEDULED TO RECONVENE _____

or
TIME ADJOURNED 3:56pm


Subcommittee Staff Associate

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE PAUL COOK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE



Statement of Zoë Reiter

Acting Representative to the U.S. and Senior Project Leader, Transparency International

House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere

Hearing on “Advancing U.S. Business Investment and Trade in the Americas,”

June 7, 2018

Chairman Cook and Ranking Member Sires, members of Subcommittee, thank you for the opportunity to submit a written statement regarding the challenge posed by corruption to advancing U.S. business investment and trade in the Americas.

Transparency International is a non-profit, non-governmental organization dedicated to fighting corruption. We are probably best known for our Corruption Perceptions Index, which measures levels of perceived corruption around the world. But we do much more than that. Active in more than 100 countries and on the international stage, we raise awareness of the devastating effects of corruption, and work with governments, businesses and international organizations to develop effective programs to tackle it. We are not politically aligned, nor are we investigators, but we do push for changes in laws and behaviors. Since our beginnings in 1993, we have played a crucial role in advocating for coordinated, multilateral action against corruption.

In the Americas, Transparency International has chapters in Argentina, Brazil (in formation), Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Guyana (in formation), Honduras, Jamaica, Mexico, Panama, Peru and Venezuela. Transparency International also collaborates with a national contact in The Bahamas. Our secretariat, chapters and partners in the region are co-operating as never before to build just and honest governments, and sound and socially responsible business practices. Through our work we continue to strengthen our knowledge base and resource network to assist the anti-corruption movement in the western hemisphere and to work toward a society free of corruption.

As detailed below, corruption in the Americas is often systemic and pervasive. Even though important progress has been made recently, corruption reduces investment, harms business, and poses barriers to development. U.S. policymakers can make significant contributions to strengthening governance and improving commerce and peoples’ lives throughout the Americas.

Recent findings regarding corruption in the Americas

In recent years, the Americas region has experienced a solid increase in laws and institutions that promote transparency and accountability in the public sector. For example in 2016, Chile passed a law on public probity that prevents conflicts of interest in the public sector. In 2016, Guyana created a commission to monitor integrity in public procurement. In addition, in Jamaica, a consolidated anti-corruption agency was formed to conduct investigations. In 2014 Brazil enacted the Clean Companies Act as a consequence of the *Lava Jato* scandal. In 2017, Mexico enacted a broad National Anti-Corruption System that includes, among other things, requirements for companies to

adopt a comprehensive Integrity Policy. However, although there have been improvements in some legal frameworks, implementation of those laws in practice remains a challenge in the region.

Progress has continued across the region with the investigations of several high-profile cases of corruption. For example, the case of the Odebrecht construction company resulted in sanctions for businessmen and political figures at the highest levels in Brazil, Ecuador and Peru because of their involvement with bribery and illegal funding in exchange for public contracts. In Guatemala, the country's Office of the Prosecutor and the International Commission against Impunity (CICIG) are currently investigating politicians and businessmen for cases of corruption, including illegal funding involving current President Jimmy Morales, although such investigations have faced a number of obstacles. In addition, investigations into the former president of Panama, Ricardo Martinelli, also have advanced considerably.

However, perceptions of corruption in the region remain unchanged. According to the Corruption Perceptions Index 2017, the region continues to score poorly for perception of corruption. The index, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of zero to 100, where zero is highly corrupt and 100 is very clean. The index found that of the 32 countries assessed in the Americas region, 21 countries scored below 50.

In Latin America and the Caribbean, Transparency International's latest Global Corruption Barometer (GCB) shows that corruption is a scourge that hurts ordinary people on a daily basis. The survey, which covered more than 22,000 people in 20 countries, found that nearly one in three people who had used a public service in the last 12 months said they had to pay a bribe (29 per cent). Based on the estimated population size of these countries, this means that around 90 million people paid bribes. Most worrisome, the GCB found that almost two thirds of people surveyed said that corruption had risen in the 12 months prior to when they were questioned (62 per cent).

Few bribe payers reported corruption to the authorities (9 per cent) and of those who did, almost one third said they suffered negative retaliation as a result (28 per cent). Police and politicians are perceived to be the most corrupt in the region, with almost half of citizens saying that most or all people in these institutions are corrupt. This demonstrates a worrying lack of trust in these vital public sector groups.

Our research further suggests that in spite of the progress seen in some countries, there are still no overarching policies to address the key structural reforms needed to effectively fight corruption in the region. The recent Shadow Report on the Implementation of Sustainable Development Goal 16 in the Americas released by our Chilean chapter, Chile Transparente, in collaboration with seven of our chapters in the region, examined the state of the key structural and institutional components to fight against corruption that are contained in Goal 16 – Peace, Justice and Strong Institutions – of the United Nations' Sustainable Development Goals. The assessment covered seven countries – Argentina, Brazil, Chile, Costa Rica, El Salvador, Honduras and Peru. The structural components assessed were: (1) Access to Information; (2) Public Procurement; (3) Open Government and Open Data; (4) Integrity in Public Administration; (5) Transparency in Electoral Campaigns and Political Parties; (6) Fiscal Transparency; (7) Final Beneficiary Transparency (also referred to as Beneficial Ownership Transparency); and (8) Asset Recovery. The report concludes that the countries must focus their actions on measures that aim to attack the essence of corruption and that allow for early

detection. The measures must not only be laid out in policies but must be implemented in practice through well-thought-out mechanisms and procedures. These measures include:

- effective mechanisms to allow public access to information, including the publication of government data
- the publication of beneficial ownership information
- the adoption of asset recovery mechanisms
- the adoption of enforceable integrity and accountability policies for public officials
- the adoption of measures that regulate the movement of persons from the public to the private sector and vice-versa (i.e., revolving door)
- transparency in electoral processes, campaign contributions and the financing and expenses of political parties
- the adoption of data-driven, accessible, transparent and user-friendly procurement systems.

How corruption affects the investment landscape for U.S. businesses

There is a large amount of literature and research on the impact of corruption on businesses, trade and investment. A [2016 review](#) of recent literature and data sets conducted by Transparency International's Anti-Corruption Helpdesk reveals that corruption has a complex and significant relationship with investment patterns and trade flows. The findings of this review are summarized as follows:

- There is now a clear consensus that corruption is detrimental to international trade and reduces business opportunities, regardless of the business firm's profile.
- High levels of corruption in host countries lead not only to reduced investment, but also to poorer quality investments in terms of technological sophistication, management expertise, and sustainability.
- Uncertainty about the size and frequency of facilitation payments has been shown to reduce inward investment and the rate of market entry by foreign firms. Particularly in transition countries, corruption has been identified by some studies as the single most important determinant of investment growth, ahead of firm size, ownership, trade orientation, industry, GDP growth, inflation and the host country's openness to trade.
- Several studies identified medium-sized business firms as the most vulnerable to coercive corruption – i.e., when the firms are compelled to pay bribes. It is speculated that smaller firms are less conspicuous, while larger firms are better placed to rebuff attempts to solicit bribes from corrupt officials or intermediaries.
- Business surveys consistently demonstrate that firms are deeply concerned by corruption in their international supply chains, with foreign partners and in foreign markets.

- Surveys also suggest that firms from countries with tough anti-bribery laws and enforcement mechanisms are increasingly willing to make bold investment decisions as they now feel confident in the compliance programs they have been required to develop in the last few years.
- Recent studies suggest that, given the long germination period of most foreign investments, firms are becoming more interested in long-term prognosis of a potential market's governance profile than in snapshots assessments of corruption levels.

A [2014 review](#) carried out by Transparency International's Anti-Corruption Helpdesk on the Impact of Corruption on Growth and Inequality concluded that corruption is likely to affect long-term economic growth through its negative impact on investment, taxation, public expenditures and human development. More specifically, it found that existing literature and empirical research show that:

- Corruption is a significant factor in lowering Foreign Direct Investment (FDI) in a host country.
- Corruption lowers capital productivity and constitutes an important element of investors' decision-making processes.
- Corruption acts as an inefficient tax on business, ultimately raising production costs and reducing the profitability of investments.
- Corruption distorts the decision-making process associated with public investment and affects the composition of government expenditure.
- Corruption in host countries results in less FDI from countries that criminalize corruption abroad – which are the largest source of FDI – and more FDI from countries with higher levels of corruption.
- Corruption undermines a country's tax structure and its revenue-collection capacity.
- Corruption is also likely to undermine an effective regulatory environment and the efficiency of state institutions as rent seeking distorts incentives and decision-making processes.
- Corruption acts as a non-tariff barrier to trade by raising transaction costs and obstructing foreign investment.
- Corruption leads to income inequality and is detrimental to human development.

With respect to specific countries, corruption is a major challenge for investment in most countries in the region. Some examples are as follows:

- In **Argentina**, our research has found that there are regulations that deal with diverse areas of transparency, access to public information and the fight against corruption but they do not constitute an effective integrity system that fights corruption. Even when regulations have been adopted, a significant gap often remains between policy and implementation. The inability to create an effective anti-corruption system is associated with, among other things,

the lack of capacity to enforce existing regulations as well as the inability to put in place real processes for the implementation of the public policies of integrity. There are also marked fluctuations in the level of political will to implement such anti-corruption measures. Furthermore, the government bodies in charge of prevention, oversight and sanctions either do not have the necessary institutional independence to guarantee their objectivity, or they are denied the resources and/or authority to do their job. [Source: [Shadow Report on the Implementation of Sustainable Development Goal 16 in the Americas](#), p. 24]

The State Department's [2017 Investment Climate Statement](#) on Argentina stated: "Allegations of corruption in provincial as well as federal courts remained frequent. Lack of transparency, autonomy, and clear rules in the selection of judges as well as inefficiencies and pervasive delays compromise the judicial system and create the potential for political influence. Few Argentine companies have implemented anti-foreign bribery measures beyond limited codes of ethics." In a step forward, however, the Corporate Liability Bill was passed in March 2018. This law subjects legal entities to liability for (i) national and transnational bribery and influence peddling; (ii) improper and unlawful transactions of public officials; (iii) illegal exaction committed by a public official; (iv) illicit enrichment of public officials and employees; and (v) forgery of balance sheets and reports to conceal a corruption offense.

- In 2016, the government of **Mexico** enacted a broad anti-corruption system that was enshrined in the Constitution, which, in spite of the fact that the provisions were not perfect, constituted a watershed moment for the country. The effort started in 2015, when advocates, including Transparencia Mexico (Transparency International's chapter) presented the government with hundreds of thousands of signatures backing a nation-wide campaign to combat corruption. However, the promises of the new program have thus far faced continued [government inaction and obstacles](#).

The State Department's [2017 Investment Climate Statement](#) on Mexico stated, "corruption exists in many forms in Mexican government and society, including corruption in the public sector (e.g., demand for bribes or kickbacks by government officials) and private sector (e.g., fraud, falsifying claims, etc.), as well as conflict of interest issues, which are not well defined in the Mexican legal framework. A significant concern is the complicity of government and law enforcement officials with criminal elements in certain cases. While public and private sector corruption is found in many countries, the collaboration of government actors (often due to intimidation and threats) with criminal organizations poses serious challenges for the rule of law in the affected areas in Mexico. The response of the current administration to recent scandals has been criticized as slow and ineffective. Some of the most common forms of official corruption involve government officials stealing from public coffers or demanding bribes in exchange for doing their work."

- Corruption remains one of the main challenges faced by **Brazil**, affecting the quality of services provided, infrastructure and overall investment in the country. The recent grand corruption scheme involving high-level politicians, executives from the Brazilian state-owned oil company Petrobras and the largest construction companies like Odebrecht drew attention to the country's systemic failures that open opportunities to mismanagement and corruption. Such opportunities come from the political finance environment, the politicization of key government positions and weak oversight mechanisms which, combined with a rather ineffective judiciary, contribute to fueling the culture of impunity that permeates the country. Brazil needs to reform its political system and ensure that

existing laws, including the 2014 Clean Companies Act, are implemented and enforced. [Source: Transparency International, [Country Profile: Brazil](#).]

According to the [2017 Investment Climate Statement](#), Brazil “has laws, regulations and penalties to combat corruption, but their effectiveness is inconsistent. Several bills to revise the country’s regulation of the lobbying/government relations industry are pending before Congress. Bribery is illegal, and a bribe by a local company to a foreign official can result in criminal penalties for individuals and administrative penalties, including fines and potential disqualification from government contracts, for companies. A company cannot deduct a bribe to a foreign official from its taxes. While federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states. Corruption is reported to be problematic in business dealings with some authorities, particularly at the municipal level.”

- **Chile** has been able to successfully adopt and implement a policy of transparency and access to information that stands out in the region. Chile has focused on issues such as fiscal policy, public procurement and measures to publish public officials’ sworn declarations of interests and assets. Chile’s integrity system is a leader in the prevention of conflicts of interest and creating access to information but continues to face challenges in sensitive areas such as the movement of civil servants from the public sector to the private sector and vice versa (i.e., revolving door).

Prevention measures against corruption by private sector entities are not a priority in the public agenda in Chile. However, there has been progress in registries regarding the beneficial owners of legal entities. Recent reforms introduced to the Chilean political system have lowered risks of corruption with respect to political activities and campaign financing but there is still more to be done with respect to the individualized disclosure of donors to political parties and granting greater resources to oversight bodies. [Source: [Shadow Report on the Implementation of Sustainable Development Goal 16 in the Americas](#), p. 39]

The State Department’s [2017 Investment Climate Statement](#) stated that in Chile, “corruption exists but on a much smaller scale than is the case with most Latin American countries. [...] A presidential committee against corruption and conflicts of interest created in 2015 issued a report recommending an anticorruption agenda of 236 new measures, laws and regulations, nearly half of which have already been implemented.”

The impact of high magnitude corruption cases on the region

In recent years, the economic health of a number of Latin American countries has been negatively impacted by corruption cases of unprecedented size and scope. Corruption probes involving “Operation Carwash” (*Lava Jato*) in Brazil, uncovered a complex web of public sector corruption, contract fraud, money laundering, and tax evasion stemming from bribes paid in exchange for lucrative government contracts involving the state-owned oil company Petrobras.

The investigation revealed the involvement of more than a dozen corporations, including Brazil’s construction giant Odebrecht. The overlapping investigation against the construction company unveiled one of the largest corruption schemes in history. In April 2017, Odebrecht was ordered to pay fines totaling \$2.6 billion to authorities in Brazil, Switzerland and the United States after admitting to paying officials in twelve countries approximately \$788 million in bribes. The ongoing investigation led to nearly 180 convictions for crimes including corruption, abuse of the international

financial system, drug trafficking, and money laundering. Executives from Petrobras and Odebrecht were sentenced to jail time. Other individuals implicated include oil industry suppliers, money launderers, former politicians, and political party operatives. Petrobras and Odebrecht have laid off more than one hundred thousand people. Petrobras was estimated to have lost at least \$88 billion by mid-2015. [Source: Claire Felner and Rocio Cara Labrador, [Brazil's Corruption Fallout](#), Council on Foreign Relations, April 24, 2018].

As would be expected, the investigations, convictions, financial penalties, and lay-offs delivered a direct and harmful blow to the oil and construction sectors and negative consequences for other economic sectors in Brazil. Estimates for the impact of the fallout on Brazil's GDP in 2015 and 2016 range from between a decrease of 1 and 2.5 percentage points. The scandals have complicated efforts to revive the economy in Brazil amid a large economic downturn that started in 2014. [Source: Claire Felner and Rocio Cara Labrador, [Brazil's Corruption Fallout](#), Council on Foreign Relations, April 24, 2018].

Moreover, the effects of these scandals have been highly detrimental to other countries in the region. According to a recent article in Argentina's [La Nación](#), the Peruvian investigations triggered by the *Lava Jato* scandals caused an economic freeze in Peru in 2017. In Panama, the scandals caused an estimated 0.5 percentage point decrease in GDP in 2017. It is feared that the economy in Argentina will face harms similar to those in Brazil, Panama and Peru, as a result of the allegations of collusion between Odebrecht and Argentinian companies.

The systemic corruption involved in the *Lava Jato* scandals has also caused political instability that may further hamper the adoption of much needed reforms. Multiple political leaders from different countries have been implicated including Brazil's former President Lula da Silva and other high-level Brazilian officials, Colombian President Juan Manuel Santos, Ecuadoran Vice-President Jorge Glas, Venezuelan President Nicolas Maduro and Peruvian President Pedro Pablo Kuczynski. The continued political turmoil caused by the corruption scandals has led to lower investment levels and consumer confidence.

The systemic nature and breadth of the corruption schemes involved in these scandals make it evident that reforms need to focus on embedding permanent key structural changes to the regulatory framework and institutions, in particular in public contracting and political and electoral financing.

As nations try to address their deteriorating infrastructure or derive profit from their extractives sector, large high-value public contracts in those sectors will continue to present high risks of corruption where the stakes are the highest. U.S. businesses bidding for such contracts will face potentially rigged bidding systems unless transparency and accountability mechanisms are put in place. In addition, the increased use of Public-Private-Partnerships adds a new dimension where accountability and integrity systems need to be adapted to that type of delivery method in government contracting. With respect to public contracting, Transparency International has partnered with other international civil society organizations to work on a [new initiative](#) to increase transparency and accountability. The new initiative calls for:

- the adoption of open contracting data standards and monitoring systems
- independent civil society monitoring of specific projects using tools, such as Integrity Pacts

- effective and meaningful participation by affected communities in all phases of the public procurement process, including the pre-tender phase
- a strong, professional and engaged civil society sector
- a strong and credible sanctions regime

Proposals on how the U.S. congress can support these types of reform are listed below as recommendations.

How corruption harms U.S. businesses

At the company level, corruption has a corrosive impact on business activity, performance and growth. The [2014 review](#) carried out by Transparency International's Anti-Corruption Helpdesk on the Impact of Corruption on Growth and Inequality found that corruption raises costs, introduces uncertainties, reputational and legal liability risks and vulnerability to extortion. It depresses a company's valuation, makes access to capital more expensive and undermines fair competition. Companies also lose significant business opportunities because of corruption risks as shown by a survey of company officers conducted by PricewaterhouseCoopers (PwC) in 2008. The survey found that almost 45 per cent of respondents had not entered a specific market or pursued a particular opportunity because of corruption risks, while close to 40 per cent reported having lost a bid because of corrupt officials. In a [2016 PwC survey](#), 55 per cent of 1,400 CEOs questioned, identified bribery and corruption as a threat to their business growth prospects.

The 2014 review also found that bribery is not an effective strategy to alleviate red tape if bureaucrats can increase the regulatory burden and the red tape delay to extract bribes. As explained in the review, empirical evidence indicates that (1) corruption is likely to negatively affect a firm's growth; (2) corruption can significantly affect a firm's investment patterns; (3) corruption may also have a negative impact on a firm's efficiency; (4) corruption may also have an impact on company-level resource allocation and diminish the level of new product introduction; and (5) corruption is also likely to increase exit rates.

A 2018 [expert analysis](#) produced by the U4 Helpdesk operated by Transparency International on the relationship between business integrity and commercial success found that aggregate growth and firm performance is lower in highly corrupt settings, while markets perform poorly when corporate corruption becomes commonplace compared to markets in which firms typically refrain from corrupt behavior. The body of evidence demonstrates that, while there may occasionally be some short-term gains, the costs of paying bribes outweigh the benefits in the long-term. Moreover, although some of the more indirect costs may not be captured on a company's account books, they can have severe implications on a firm's performance. To give one example, corporate corruption – whether detected or undetected – has a deleterious effect on staff morale, which in turn often leads to marked slumps in productivity.

According to a survey conducted by Control Risks in 2015, companies with anti-corruption programs and strong ethical guidelines are found to suffer up to 50 per cent fewer incidents of corruption than those without such programs, indicating integrity and anti-corruption compliance programs are an effective means of minimizing losses which can be incurred as a result of corruption, especially where it is detected. Firms from countries with stringent anti-corruption provisions are reporting fewer losses to corrupt competitors compared with a decade ago. [Source: U4 Anti-Corruption Resource Center, [How Could Anti-Corruption Interventions Tackling Global Corruption benefit the UK?](#), August 24, 2016]

Business leaders increasingly recognize the benefits of anti-corruption laws that require companies to have strong compliance programs. The majority of business people surveyed by Control Risks in 2015 believed anti-corruption laws improve the business environment (81 per cent), deter corrupt competitors (64 per cent) and make it easier for good companies to operate in high-risk markets (55 per cent). The same survey found that companies from countries with the toughest laws and enforcement, such as the U.S. and the UK, are increasingly willing to take bold investment decisions.

Transparency International advocates for the adoption and enforcement of such anti-corruption laws in the region to help these markets become more open and competitive. In addition, the promotion of anti-corruption reforms that offer real and permanent structural and institutional changes in the region would incentivize investment, lower costs, and promote growth and new opportunities for U.S. businesses.

Tackling corruption in markets in the Americas would lower U.S. businesses' risks and transaction costs caused by corruption. In addition, promoting anti-corruption reforms in the region would place U.S. companies on the same footing in obtaining business opportunities as companies from countries with higher level of corruption and no foreign bribery laws. As risks are reduced, trade opportunities open up for smaller companies, which cannot afford the same level of internal controls as larger firms.

Benefits for the U.S. of promoting anti-corruption interventions and measures in the Americas

In addition to the research that shows that corruption adversely affects foreign direct investment in foreign markets and the firm-level studies that demonstrate corruption's detrimental effect on firms' growth and productivity, research demonstrates how corruption undermines security, facilitates transnational organized crime and has a detrimental effect on migration patterns, all of which negatively affect the security and economic growth in the U.S.

Ties to organized crime and security

Corruption enables organized crime to thrive and undermines security in the region. First, corruption is both a product and a driver of instability and conflict as it undermines the rule of law and faith in public institutions. Second, corruption is a crucial enabling mechanism for organized criminality and terrorism. Where regulatory and governance structures are stymied, criminals are able to cleanse and launder profits from illicit markets in human beings, drugs, poached ivory, illegally harvested timber and oil from terrorist-controlled territories. The criminal underworld and authoritarian regimes alike rely on corruption to siphon off their ill-gotten gains, fund their illegal activities and finance terrorist organizations. Third, corruption can prevent effective responses from the security services, prosecutors, and the courts, allowing criminals to escape detection, prosecution and punishment. Lower security and increased crime pose high risks for U.S. businesses operating in the region.

[Source: U4 Anti-Corruption Resource Center, [How Could Anti-Corruption Interventions Tackling Global Corruption benefit the UK?](#) August 24, 2016. For a review of studies on the relationship

between corruption and organized crime see: Anti-Corruption Helpdesk, [Literature Review on Corruption, Narcotics and Illegal Arms Trade](#), June 13, 2014]

Ties to illicit financial flows and transfer of wealth

Corruption is closely linked to many practices that facilitate illicit financial flows, which are resources generated by methods, practices and crimes aiming to transfer financial capital out of a country in contravention of national and international laws, including criminal and tax laws. According to Global Financial Integrity, every percentile increase on the corruption control indicator showed a decrease in global financial flows. Developing and emerging economies with high incidences of corruption are therefore particularly at risk: one estimate states that between 2003 and 2013, these countries lost \$6.6 trillion to illicit financial flows. This transfer of wealth from low-income countries to developed countries leads to reduced public income, cripples long-term growth, and leads to high inequality and larger fiscal deficits in developing countries. In turn, these consequences drastically lower the demand for industrial goods and services provided by advanced economies. [Source: Source: U4 Anti-Corruption Resource Center, [How Could Anti-Corruption Interventions Tackling Global Corruption benefit the UK?](#) August 24, 2016]

Transparency International and numerous anti-corruption NGOs working to stop money laundering and the flows of illicit funds have been advocating the adoption of beneficial ownership registries that would inform the public and enforcement agencies about who the actual beneficiaries are of transactions carried out by legal entities. Argentina, Costa Rica, Honduras and Peru have made concrete efforts to legislate in this area but must still strengthen the implementation processes of these policies and ensure access to the information included in the registries so that civil society can take on an active oversight role. Brazil and El Salvador, on the other hand, are still in the stage of regulation although certain information is accessible regarding the actual beneficiaries thanks to other legal instruments. In the case of Chile, efforts have been made to adopt regulations in this area, without the binding force of the law, that would allow for the registration of the effective controllers of businesses but the availability of this information to the public is still not assured. [Source: [Shadow Report on the Implementation of Sustainable Development Goal 16 in the Americas](#), p. 22]

Ties to migration

There is evidence of a clear but nuanced correlation between higher levels of corruption and increased motivation for migration. The literature surrounding migration and its causes identifies a lack of economic opportunities and a lack of security as two key drivers of legal and illegal migration. As described above, there is ample evidence that corruption has a negative impact on economic opportunities and security, and thus operates as an indirect driver of migration. Studies also have found that corruption can become a more direct incentive for migration out of corrupt countries and toward countries with lower levels of corruption. Corruption negatively affects the flows of migration in different ways: it is a factor contributing to brain drain, to illegal migration of people fleeing poverty and violence, and it enables human trafficking. [Source: U4 Anti-Corruption Resource Center, [How Could Anti-Corruption Interventions Tackling Global Corruption benefit the UK?](#) August 24, 2016]

Thus anti-corruption measures are in the U.S.'s benefit by (1) improving the business environment and establishing fairer markets for U.S. businesses; (2) expanding international trade opportunities in the region and job-creation in the U.S. in export-led businesses; (3) countering security threats and transnational organized crime; (4) improving economic and security conditions in the region; and (5) helping reduce the flows of migration of people fleeing violence and poverty.

Recommendations

Aid-based recommendations

Development aid from countries like the United States contributes powerfully to economic growth, trading relations and human development in developing countries. Development aid programs targeting improvements in health, education and poverty reduction outcomes have the potential to spur greater market participation and generate demands for goods and services, especially in emerging economies. Anti-corruption policies play a central role in both improving the outcomes of development aid interventions and ensuring value for money in development assistance programs.

In countries in receipt of U.S. development aid, targeted assistance can help improve institutions and the regulatory environment, helping to build more prosperous, secure and resilient partners. The position of development agencies as contact points between developing and developed countries make them perfect partners to provide support to anti-corruption work. Programmatic anti-corruption interventions by aid agencies can target the demand side (related to improving the quality of public institutions), the supply side (working with civil society and the private sector to improve accountability and encourage them to participate in anti-corruption initiatives), or a combination of both. USAID, for example, has carried out anti-corruption initiatives in Honduras, Paraguay, Jamaica, El Salvador, and Mexico. Such interventions should be supported and expanded.

Programmatic initiatives should focus on capacity building in public institutions to:

- strengthen institutions involved in the detection, investigation, prosecution and adjudication of corruption-related crimes
- strengthen investigative capacity, reinforce internal disciplinary measures and establish permanent and effective accountability mechanisms
- establish or strengthen accessible, anonymous, reporting channels for whistleblowers which meaningfully protect them from all forms of retaliation
- strengthen access to information systems
- establish transparent, accessible, and data-driven procurement systems
- strengthen integrity rules and accountability mechanisms that reduce public officials' arbitrary discretion and opportunities to solicit bribes and that enable detection and sanctioning of wrongdoing
- improve systems to publish information about electoral funding and the funding of political activities
- increase the participation by local civil society organizations in the monitoring and oversight of public administration processes

Donor agencies also need to have mechanisms in place to investigate allegations of corruption involving the provision of aid for development. Anti-corruption integrity measures within development programs are crucial to ensure that taxpayers' money is being spent effectively and not

contributing to the underlying corruption in the country of operation. Investigations such as those carried-out by the Office of the Inspector General (OIG) with oversight over aid programs from USAID, the Millennium Challenge Corporation, and other donor and lending agencies are crucial to ensure that funds aimed toward development assistance are not diverted through fraud, abuse and corruption, or wasted through mismanagement. The endeavors of the OIG should continue to be supported and expanded.

Finally, there should also be more support for regional lending institutions' work on transparency and accountability such as the Inter-American Development Banks's [Action Plan for Supporting Countries' Efforts to Combat Corruption and Foster transparency](#) (PAACT) and [Transparency Fund](#).

Non-aid-based recommendations

Beyond foreign aid, U.S. policymakers can strengthen anti-corruption policy and practice in the Americas through various other vehicles and mechanisms, including:

- Initiate, participate in and support multilateral and regional initiatives on beneficial ownership transparency and open contracting.
- Promote the inclusion of strong transparency and anti-corruption provisions in trade and investment treaties.
- Support active enforcement of the Foreign Corrupt Practices Act.
- Support the adoption of laws in the U.S. that increase beneficial ownership transparency, such as the passage of bills for a Corporate Transparency Act of 2017 (H.R. 3089).
- Strongly support the International Commission Against Impunity in Guatemala and the Mission to Support the Fight against Corruption and Impunity in Honduras.
- Push for anti-corruption goals at global or regional forums and conferences.
- Welcome the participation of civil society organizations in such global or regional forums and conferences.
- Promote, at the regional level, the adoption of transparency and anti-bribery measures.
- Incentivize alliances and inter-governmental cooperation in order to improve the effectiveness of asset-recovery efforts.
- Support inter-governmental cooperation in the investigation of transnational criminal activities.
- Promote, at the regional level, the lifting of immunity for corruption-related cases.
- Promote, at the regional level, the adoption of whistleblower protection laws.

Questions for the Record

WHEM Subcommittee Hearing: "Combatting Transnational Criminal Threats in the Western Hemisphere"

May 23, 2018 at 2:00 p.m. in Rayburn Room 2172

Chairman Paul Cook

TO: All Witnesses

1. U.S. Interagency Coordination: There are reportedly 60 U.S. federal organizations that are working on countering transnational crime.

- Who is the lead agency in the U.S. government for countering transnational crime for the region and how are U.S. agencies working to advance a unified strategic intelligence, planning, and coordination of U.S. efforts on transnational crime in the region?

Glenn: In February 2017, President Trump issued Executive Order 13773 on Enforcing Federal Law with Respect to Transnational Criminal Organizations (TCOs) and Preventing International Trafficking. This E.O. directs the State Department, along with the Attorney General, Secretary of Homeland Security, and Director of National Intelligence to strengthen federal law enforcement to thwart criminal organizations that undermine U.S. interests and global security. There is not one agency in charge of coordination on countering transnational organized crime (TOC). Instead, the aforementioned agencies co-chair the effort. They assess the U.S. government's practices, resources, authorities, and coordination related to dismantling TCOs and recommend improvements. As part of this whole-of-government effort, the Department of State has seven offices engaged in countering TOC efforts, apart from the regional bureaus. Programs managed by the Bureau of International Narcotics and Law Enforcement Affairs (INL) give foreign partners the capacity to disrupt and defeat TCOs by strengthening laws; enhancing investigative, law enforcement and prosecutorial functions; supporting cross-border law enforcement cooperation; and equipping criminal justice system actors.

Fowler: Although there currently is no lead agency in the U.S. government for countering transnational crime, the National Security Council has initiated a number of efforts focused on this issue in the Western Hemisphere. The Department of the Treasury participates in multiple interagency forums and groups to ensure our work is synchronized with that of other agencies working against the regional transnational organized crime threat. Two of the most important are the National Security Council Policy Coordination Committee (PCC) on Transnational Organized Crime (TOC) and the Threat Mitigation Working Group (TMWG). We have been looking actively in the PCC and the TMWG at how to improve our collaboration on countering transnational crime. For example, the TMWG and USCTOC are forums for Treasury to engage in ongoing dialogue and coordination with a range of interagency partners, including the Departments of Justice, Defense, State, and Homeland Security, as well as the intelligence community, on this issue. The named Departments, to include Treasury, are all Co-Chairs of the TMWG, pursuant to Executive Order 13773 ("Enforcing Federal Law With Respect to Transnational Criminal Organizations and Preventing International Trafficking"). Currently, we are developing a whole-of-government TOC Mission Management solution for strategic planning and strategic intelligence. Separately, Treasury has collaborated across the U.S. interagency on the development of: our 2015 National Money Laundering Risk Assessment and National Terrorist Financing Risk Assessment; our updated 2018 money laundering and terrorist financing risk assessments, and first-ever proliferation financing risk assessment, which will be published later this year, as part of the National Strategy for Combatting Terrorist and Other Illicit Financing.

Hendrickson: The February 2017 Executive Order (Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking) outlines coordination mechanisms among agencies – such as the Threat Mitigation Working Group, the Organized Crime Drug Enforcement Task Forces (OCDETF), DEA’s Special Operations Division, the OCDETF Fusion Center, and the International Organized Crime Intelligence and Operations Center — to counter transnational organized crime (CTOC). Coordination for U.S. CTOC activities overseas is the responsibility of the Department of State, Bureau for International Narcotics and Law Enforcement Affairs, working closely with U.S. law enforcement agencies. Though not the lead for CTOC, the Department of Defense (DoD) is the lead federal agency for the detection and monitoring of aerial and maritime transit of illegal drugs into the United States. In compliance with this statutory requirement, U.S. Southern Command (USSOUTHCOM) is committed to supporting the CTOC whole-of-government approach by bringing DoD-unique authorities, capabilities, and capacity (i.e. detection and monitoring in international maritime and air spaces, collection and analytical support to US and partner nation law enforcement operations, etc.) to defend the southern approaches to the United States. In working with our partner nations in the region, we prioritize security cooperation activities aimed at improving maritime, air, and land domain awareness capabilities in the Northern Tier countries of Central America where the threat posed by transnational criminal organizations is greatest. In the Caribbean, we continue to support the development of a regional maritime interdiction strategy. USSOUTHCOM also provides equipment and training to improve regional maritime and air domain awareness.

2. **2018 Elections:** What effect could the outcomes of upcoming elections in Colombia, Mexico, and Brazil, have on our efforts to combat transnational crime in the Western Hemisphere?

Glenn: Our efforts to address transnational crime in the Western Hemisphere are based on longstanding, shared interests. The United States maintains close partnerships with Colombia, Mexico, and Brazil on a wide range of issues, including on the rule of law and the security sector. We closely track criminal groups operating in all three countries and work with partner governments to address transnational crime and the threat it poses in the region. We look forward to continuing our close partnerships with the new governments in Colombia, Mexico, and Brazil.

Fowler: The Department of the Treasury is following developments related to the 2018 elections in Colombia, Mexico, and Brazil closely and is committed to engaging with the administrations in each country to cooperate effectively against illicit finance. Treasury also looks forward to maintaining its institutional relationships in these countries regardless of electoral outcomes.

Hendrickson: The United States alone cannot stop transnational crime in the Western Hemisphere; we must work closely with partner nations throughout the region to counter these complex threat networks. Having willing and capable partners is critical to the success of this strategy. Currently, Colombia, Mexico and Brazil are all willing and capable partners in the CTOC effort. While elections could result in changes in particular national policies, we would expect our collaboration to address these shared challenges to continue.

3. **Multilateral Organizations:** Multilateral organization, such as the OAS and CARICOM, have internal bodies, programs, and activities to target criminal threats in the region.
 - How do each of your agencies coordinate with these organizations on these issues?

Glenn: The Department of State works closely with the OAS’s Inter-American Drug Abuse Control Commission (CICAD) and the Department against Transnational Organized Crime (DTOC) to combat transnational crime and drug trafficking in the Western Hemisphere. Through the Bureau of International Narcotics and Law Enforcement Affairs (INL), the Department supports OAS

programming to improve understanding of drug trafficking routes and dismantle illicit supply chains throughout the region. INL also coordinates interagency delegations to CICAD Regular Sessions, where expert discussions facilitate the exchange of best practices and lessons learned among Member States. U.S. participation in the CICAD Regular Sessions promotes U.S. policy and programmatic priorities in the region, including encouraging fellow OAS member states to recognize and respond to emerging threats, such as the trafficking of synthetic drugs and precursor chemicals. The United States also participates in CICAD's five standing experts' groups, which provide a mechanism for experts from OAS member states to investigate trends; outline training needs; develop curricula; identify best practices; and draft model legislation and regulatory standards on technical drug control subject matter areas, such as drug demand reduction and anti-money laundering. The United States currently chairs the Group of Experts on Maritime Narcotrafficking, and the Department of State is coordinating with the U.S. Coast Guard to plan a meeting of the expert group this year. INL also supports the OAS by providing funding to the Mission Against Corruption and Impunity in Honduras (MACCIH), which is instrumental in advising the Government of Honduras on how to effectively combat corruption and impunity in order to dismantle corruption in Honduras. Through the Caribbean Basin Security Initiative (CBSI) the United States works with the Dominican Republic and the Caribbean Community (CARICOM) to promote regional cooperation to substantially reduce illicit trafficking; increase public safety and security; and mitigate the underlying causes of crime. The Department coordinates an annual Caribbean-United States Security Cooperation Dialogue with Caribbean and CARICOM leaders and interagency delegations to address issues of citizen security and regional law enforcement collaboration on countering criminal threats in the region. INL collaborates with CARICOM and the interagency to arrange targeted technical working groups on specific criminal threats in the Caribbean, as discussed at the annual Dialogue.

Fowler: Treasury coordinates with the State Department on their engagement with the OAS and CARICOM, including through the State Department's Mission to the OAS, on transnational criminal threats in the region. Treasury and State have worked with the OAS to emphasize the need for member states to have proper legal foundation and processes to ensure law enforcement, regulatory, and intelligence professionals – as well as the private sector and international partners – have the tools they need to fight money laundering and terrorist financing.

Hendrickson: USSOUTHCOM has worked with sub-organizations within the OAS on a variety of issues related to the transnational threats in this region. We have met with the Inter-American Drug Abuse Control Commission (CICAD) to discuss counterdrug efforts. We have also met with the Secretariat for Access to Rights and Equity, Department of Social Inclusion, regarding migration and refugee issues in the region. We have collaborated with the Pan-American Development Foundation over the years on exercises that build partner nation capacity and contribute to government presence in areas that have been permissive to these threat networks. We are also supporting the US Element of the Inter-American Defense College, an element of the Inter-American Defense Board. However, most of our meetings with the OAS have been informational in nature and have not led to a great level of detailed collaboration. We are exploring opportunities for continued engagement with CICAD and the Secretariat for Multidimensional Security [to include the Inter-American Committee Against Terrorism, the Department of Public Security (Violence Prevention and Security and Justice Sections) and the Department to Combat Transnational Organized Crime]. We are also in the preliminary stages of discussing potential collaboration with OAS on Threat Finance. USSOUTHCOM works with CARICOM member states to share information through the Joint Regional Communications Center and the Regional Intelligence Fusion Center. These two centers, sub components of CARICOM's Implementation Agency for Crime and Security, serve as key information sharing conduits for the Caribbean. USSOUTHCOM has also assisted CARICOM with the refinement of regional strategic efforts through the review of key strategic documents (i.e. the

CARICOM Crime and Security Strategy and Caribbean Counter Terrorism Strategy) which serve as foundational cornerstones for the organization's efforts in countering a wide-range of threats.

- How effective have the efforts of these multilateral organizations, such as OAS and CARICOM been in combatting the transnational criminal threat in the Western Hemisphere?

Glenn: Multilateral efforts by the OAS and CARICOM have been effective at reducing the transnational criminal threat in our hemisphere. U.S. support for and engagement in these fora are advancing U.S. policy priorities and bolstering efforts by these organizations. At the United States' request, the OAS' Inter-American Drug Abuse Control Commission (CICAD), at its 63rd Regular Session in April 2018, convened experts to identify regional responses to the challenges posed by synthetic drugs and identified options to respond to new trafficking modalities in the hemisphere. CICAD further highlighted INL-funded programming that provides technical assistance by its Supply Reduction Unit that aim to strengthen Member State capacity to detect and interdict dangerous substances, including synthetic opioids. Research conducted by the OAS' INL-funded Inter-American Observatory on Drugs (OID) enabled OAS member states to have a better awareness and understanding of the opioid problem as a challenge across the hemisphere. For example, 10 years ago, there was no understanding of heroin use in the region, but OID studies demonstrated that it is a challenge in the Southern cone, bolstering attention to these issues by other member states. The Multilateral Evaluation Mechanism (MEM), a peer review mechanism that evaluates OAS member state efforts to comply with obligations within the UN drug control conventions and the OAS' Hemispheric Drug Strategy and Plan of Action 2016-2020, enables CICAD to support member states in implementing and upholding these international commitments. INL uses the information in the MEMs to inform its regional programming. An INL-funded anti-money laundering program within the OAS' Department against Transnational Organized Crime (DTCO) enabled expert cooperation that led to the seizure and return to U.S. custody of a 100 foot luxury yacht (valued at \$6-8million) in the Caribbean. The yacht was originally purchased with profits from an illegal scheme to swap Venezuelan currency for U.S. dollars in the black market.

CARICOM's Implementation Agency for Crime and Security (IMPACS) is the Department's primary multilateral security partner in the Caribbean and helps advance our mutual security interests in the region by promoting law enforcement capacity-building, collaboration and information sharing.

Fowler: Treasury coordinates closely with State in determining the effectiveness of the noted multilateral organizations. The OAS has successfully advanced regional approaches to combatting transnational criminal threats, encouraged information-sharing among member states, provided specialized training and capacity building to law enforcement, and established asset recovery networks that facilitate cross-border coordination between law enforcement agents to combat money laundering.

Hendrickson: USSOUTHCOM does not have the capability or information required to evaluate the effectiveness of these organizations to combat transnational crime. However, we do believe that greater information sharing and collaboration is a necessary component to thwarting this threat.

- Are there areas where the OAS and CARICOM could strengthen their efforts to target criminal threats in the region?

Glenn: As OAS' Department against Transnational Organized Crime (DTCO) was established in 2016, the OAS should continue to strengthen the DTCO's capacity to offer a variety of high quality technical assistance programs in the region. DTCO and CICAD should enhance their coordination to ensure that the OAS advances efficient and effective holistic responses to cross-cutting threats in the region. CARICOM should continue to encourage member states to meet commitments made in the

Joint Action Statement from the 2017 Caribbean-United States Security Cooperation Dialogue. These commitments include increasing capacity to dismantle transnational criminal and terrorist organizations by curbing the trafficking and smuggling of illicit goods and people, strengthening the rule of law, improving citizen security, and countering vulnerability to terrorist threats.

Fowler: We continue to work closely with State to devise strategies that strengthen efforts to target criminal threats in the Western Hemisphere. The OAS could strengthen its work by further promoting the use of international platforms that facilitate information sharing between law enforcement agencies and encouraging member states to strengthen legal processes to criminalize and prosecute transnational criminal organizations and their illicit activities.

Hendrickson: All efforts toward increasing information sharing across all government and multilateral organizations strengthen the friendly network. Ultimately, as I stated in my testimony – it takes a network to defeat a network.

TO: Mr. Richard Glenn

1. **State/ DHS Role in Illegal Mining and Logging:** Reports have shown that illegal gold mining, especially in Colombia and Peru, has become more profitable for criminal groups than drug trafficking in recent years. These groups also make a substantial profit from illegal logging of timber.
 - What is the interaction between the State Department and Department of Homeland Security on addressing the challenges of transnational criminal organizations operating like businesses that try to move illegal gold or illegal timber through U.S. customs to make a profit?

Glenn: The Department of State coordinates closely with the Department of Homeland Security (DHS) and other U.S. government agencies to address transnational organized crime. As the Department of Justice's (DOJ) case against gold buyers from North Texas Refinery (also known as NTR Metals) demonstrates, billions of dollars in illegal gold have been brought into the United States, where it harms our legitimate businesses and exploits our financial system for illicit gain. In Peru, an epicenter for illegal gold mining, ten U.S. government agencies, including the Department of State and the Department of Homeland Security, collaborate through Embassy Lima's Illegal Mining Working Group. In Washington, the Department of State coordinates an interagency working group on artisanal and small-scale gold mining, including its connection to transnational criminal networks. DHS is part of this interagency working group.

To strengthen Peru's environmental enforcement capacity, the Department of State's International Narcotics and Law Enforcement Affairs (INL) Section in Lima has sponsored numerous U.S. government experts to train Peruvian administrative, law enforcement, and justice sector officials on investigating and prosecuting illegal mining and illegal timber crimes. U.S. Customs and Border Protection (CBP) advisors, embedded in the INL team, mentor Peruvian customs officials, resulting in the seizure of millions of dollars of illegal gold within Peru. Homeland Security Investigations (HSI) officers have worked to identify weaknesses in the supply chain potentially exploited by criminals. The U.S. interagency also collaborates to address the trade in illegal timber and encourage improvements to Peru's regulatory oversight of its timber supply chain. DHS and DOJ have trained Peruvian authorities to develop outbound risk mitigation processes and plans for identifying and disrupting illegal timber shipments from Peru to the United States.

U.S. Embassy Bogota coordinates anti-illegal gold mining activities through a Department of State-led interagency working group that includes DHS and other law enforcement agencies. To reduce the possibilities of illegal gold or timber entering the United States, INL Bogota helps Colombia build institutional capabilities in the police, armed forces, attorney general's office, and judicial institutions

to detect, investigate, and prosecute environmental crimes, as well as money laundering, narcotics trafficking, and other organized crime. INL Bogota collaborates with DHS to provide Colombian law enforcement entities with training and field equipment to detect and secure evidence of environmental crimes. INL Bogota has built, equipped, and staffed forensic laboratories to improve the use of evidence of environmental crimes in judicial proceedings and provided training and technical assistance to prosecutors and judges to increase conviction rates and sentences.

- Are there sufficient safeguards in place to ensure that we don't let gold or timber illegally obtained into the U.S., inadvertently lining the pockets of criminal groups?

Glenn: The State Department cannot respond to questions on safeguards against illegal timber or gold as this is the domestic jurisdiction by several other U.S. agencies, including the Department of Homeland Security and the Treasury Department.

2. Private Sector Role in Illegal Mining and Logging: What role does the logging industry and private sector have in addressing this issue?
 - Are there sufficient safeguards in place to ensure that companies exporting mining machinery for projects in Peru or elsewhere in the region can certify that they are not selling their equipment to criminal groups to use in illegal activities?

Glenn: In Peru and other countries, the U.S.-based International Wood Products Association (IWPA) funds and delivers training for private sector companies on transparency and supplier accountability to improve due diligence in supply chains. The U.S. Agency for International Development provided funding for IWPA to develop the curriculum. In addition, the State Department supports specific activities in producer and transit countries to engage the private sector to combat illegal logging and associated trade (ILAT), restrict global markets for illegal timber, and avoid illegal imports to the United States. U.S. agencies consult regularly with the private sector on ILAT issues – more recently on the Asia-Pacific region and Korea, as well as Peru – through the Industry Trade Advisory Committee (Department of Commerce) and the Trade and Environment Policy Advisory Committee (U.S. Trade Representative). In the area of illegal mining activity, separate from the inappropriate use of mining equipment, the United States has Memoranda of Understanding with both the Peruvian and Colombian governments to address illicit mining of gold, including environmental concerns, deforestation, mercury use, and illicit activities. With respect to the use of equipment in illegal mining, private sector companies have limited capacity to address the misappropriation of mining assets for illegal activity. U.S. manufacturers, such as Caterpillar, compete for market share in selling mining equipment in Peru and other countries. It is the responsibility of the importing country to enforce laws relating to mining and other activities. Law enforcement authorities in Colombia and Peru have conducted interventions to destroy the large machinery, including excavators, used by illegal miners in order to disrupt their activities. These officials acknowledge, however, that offenders quickly replace equipment and resume illegal activity. The legal uses for this equipment, such as construction and agriculture, may serve to obfuscate the equipment's final use. Mining equipment exported for use in large-scale mines is unlikely to be used by illegal miners, which are predominantly small-scale.

3. Venezuela: How much would you say are funds from illicit activities and ties to transnational criminal groups contributing to the survival of the Maduro regime in Venezuela?
 - How can the U.S. increase our efforts with regional partners to cut-off this illicit financing?

Glenn: We are concerned by any profit the Venezuelan government may be making from illicit activity at the expense of the Venezuelan people. The United States continues to deploy targeted sanctions on current or former Venezuelan government officials who are complicit in the regime's

corruption, undermining of democratic processes and institutions, and human rights abuses. The 2017 designations of Vice President Tareck El Aissami and his front-man Samark Lopez Bello pursuant to the Kingpin Act highlight our efforts to target those in the Venezuelan government with ties to narco-trafficking. Vice President Pence called upon members of the Organization of American States on May 7 to “cut off Venezuela’s corrupt leaders from laundering money through your financial systems.” The continued sanctions against the Maduro regime and future coordination with members of the Lima Group, the EU, and the broader international community will be critical in helping the Venezuelan people restore stability, prosperity, and democracy to their country. The Department’s extensive programs in the Western Hemisphere will continue to strengthen the institutional capacity of our allies throughout the region to combat transnational criminal networks including dismantling illicit financing that supports public corruption.

4. Venezuelan Humanitarian / Migration Crisis: How have transnational criminal organizations used the Venezuelan humanitarian crisis and subsequent migration throughout the region to their advantage?
 - How can the U.S. help other countries in the region prevent the crisis from benefiting transnational criminal organizations?

Glenn: We are closely tracking how the humanitarian crisis in Venezuela can increase security risks in the region. We will work with partners across the U.S. government to coordinate with partner countries to combat the activities of transnational criminal organizations throughout the region. Close cooperation between law enforcement agencies will be imperative in managing the situation and ensuring the crisis in Venezuela does not benefit transnational criminal organizations.

5. Colombia / Venezuela: Have you seen any evidence of the Maduro regime in Venezuela supporting Colombia’s criminal groups (FARC dissidents/ELN/BACRIM)?

Glenn: We closely track criminal groups operating in Colombia and take seriously any security threat they may pose in the region. We are working with our regional partners to address the growing criminal elements operating in Colombia and Venezuela and commit to broadening and promoting international cooperation efforts to combat criminal groups.

TO: Ms. Jennifer Fowler

1. Money Laundering: In your testimony you mention that Treasury conducted a National Money Laundering Risk Assessment in 2015 that estimated \$64 billion in revenue from U.S. drug sales. Further, you stated that you believe this figure has increased in recent years.
 - When will the next assessment take place?
 - If the revenue number does indeed increase, what would be the cause? And what does this say about the effectiveness, or ineffectiveness, of our security and counternarcotics cooperation in the region?

Fowler: The 2015 National Money Laundering Risk Assessment is being updated this year in compliance with Sections 261 and 262 of Public Law No. 115-44 (Countering America’s Adversaries Through Sanctions Act), which directs the Secretary of the Treasury, in consultation with other relevant federal agencies, to develop a national strategy for combating the financing of terrorism and related forms of illicit finance. Based on the Drug Enforcement Administration’s (DEA) 2017 National Drug Threat Assessment, estimates for U.S. illicit drug sales revenue in 2018 are assessed to be \$100 billion. DEA reports there has been a substantial increase in heroin availability in the United States in recent years as well as increased availability of fentanyl, fentanyl-related substances, and

cocaine. In addition, DEA reports overproduction of methamphetamine has led drug trafficking organizations to attempt to expand the U.S. methamphetamine market to new users. Marijuana continues to be smuggled into the United States from Mexico in large volumes, but domestic production is also increasing. The DEA and the Department of Justice are best positioned to comment on U.S. counter narcotics efforts.

2. Venezuela Sanctions: The U.S. has sanctioned hundreds of individuals under OFAC sanctions programs resulting in millions of dollars' worth of seized assets. However, in cases like Venezuela, where more than 50 high-level government officials have been sanctioned through OFAC, information about the seized assets is scarcely released and hinders the ability of the U.S. to communicate the extent of these officials' criminality to the Venezuelan population.
 - Can you explain why this information is not released? Is there a better way for Treasury, in cooperation with the State Department, to better explain the reasoning and results of OFAC sanctions to targeted populations?

Fowler: When possible, the Department of the Treasury's Office of Foreign Assets Control (OFAC) endeavors to release general information about assets blocked as a result of OFAC designations. For example, we have publicly shared that hundreds of millions in assets have been blocked related to our Kingpin Act designations of Venezuelan VP El-Aissami and his front man Lopez Bello. However, legal and other considerations generally caution against proactively publicizing specific information related to blocked assets. It is also important to understand that the amount of assets blocked is only one measure of a sanction's efficacy. There are a number of other important metrics – including operational disruptions and transactions avoided – that are equally if not more important. Indeed, not every designation results in blocked assets. Nonetheless, Treasury's sanctions actions have significant effects. For instance, many financial institutions across the world implement and screen against OFAC's Specially Designated Nationals and Blocked Persons List (SDN List). The Treasury Department, working in close coordination with the State Department, releases as much information as possible about the reasoning behind and results of sanctions designations, while always striving to protect confidential sources, classified information, investigative techniques, and methods. Treasury publishes a detailed press release when announcing a designation and works closely with the State Department and U.S. Embassies around the world to explain our rationale for designating an individual or entity. In addition, Treasury engages directly with international counterparts to explain our measures and ask them to investigate designated individuals and entities. Secretary Mnuchin, for example, has engaged with Finance Ministers from the Western Hemisphere, Europe, and Japan several times and urged partners to investigate designated individuals and entities and strengthen international cooperation on Venezuela. Other senior Treasury officials also regularly engage with government counterparts and in private sector roundtables to explain in detail the rationale behind our actions and the importance of abiding by U.S. sanctions.

3. Treasury-State Sanctions Coordination: This week, the Trump Administration announced new sanctions on Venezuela, which follow the sanctioning of over 70 Venezuela-related persons.
 - What is the process by which the Treasury Department coordinates with other agencies, specifically the State Department, in designating individuals or entities under sanctions programs?

Fowler: The Department of the Treasury maintains a robust sanctions coordination process with the State Department, as well as with other national security partners, including the Department of Justice, Department of Homeland Security, and Department of Defense. The Treasury Department actively participates in the National Security Council's Policy Coordination Committee process, which provides a forum for interagency coordination and review of sanctions designations before announcement. Additionally, in accordance with the requirements of the relevant Venezuela-related

Executive Orders, the Treasury Department consults with the State Department prior to any designation action.

TO: Rear Admiral Hendrickson

- I. The Coast Guard reports its interdiction of over 223 metric tons of cocaine and detention of 708 suspected smugglers in 2017 is directly related to disrupting transnational criminal organizations. However, the Coast Guard also states that it is only interdicting approximately 30% of the known flow. Is this making a dent or do we need to do more? If more, what else needs to be done?

Hendrickson: Mr. Chairman, I would refer you to the U.S. Coast Guard for their specific operation requirements. Our combined effort on the high seas prevents hundreds of metric tons of dangerous drugs from reaching our shores each year. Additionally, every detained smuggler is a potential source of information that contributes to our collective understanding of these threat networks. I also cannot speak to what more the Coast Guard could do, but I can tell you that additional resources translate into additional seizures. To stop drugs from entering the country, USSOUTHCOM, working with the Coast Guard via the Joint Interagency Task Force - South (JIATF-S), requires force packages that include Maritime Patrol Aircraft (MPA) and medium to high endurance vessels with embarked aircraft (and the authorized to use force) and over-the-horizon RHIBs. For every force package provided, we have historically been able to stop approximately 31 metric tons (or 36 illicit events) annually. MPA are the top priority within the force package as they provide precision geolocation that greatly increases the likelihood of a successful interdictions of illicit conveyances.

- Would it be helpful if the Defense Department via U.S. Southern Command provided supply ships in order to keep the Coast Guard in the transit zones longer to limit their time 'off-target' for logistics?

Hendrickson: USSOUTHCOM is planning to execute a 90-day pilot program in FY19 to do just this. We are in the process of leasing a Multi-Mission Support Vessel (MMSV) that will be able to accept detainees from the Coast Guard vessels and transport them to shore so that the Coast Guard assets can stay on station longer. We estimate that the employment of the MMSV in this fashion will result in a 15% increase the Coast Guard's ship-day presence. USSOUTHCOM is appreciative of Congress' support in enabling this mitigation measure and we are confident that it will contribute significantly to the great work being conducted by JIATF-S and the Coast Guard. It is however, only a temporary mitigation. We will continue to work with Congress and the military services to pursue those resources which will best enable increased effectiveness and efficiency of our limited interdiction capabilities.

- Are there biometric technologies that our interdiction forces can employ which will help you target transnational criminal organizations?

Hendrickson: DoD already employs biometric enrollment kits in support of DHS and partner nation operations against numerous transnational criminal organizations, such as MS-13 and M18, along with Special Interest Aliens (SIA). Biometric means have been successful in providing early detection of numerous SIAs with known or suspected terrorist (KST) linkages. USSOUTHCOM, our USG partners, and partner nations are using biometric equipment emplaced along known and suspected migrant routes to monitor the movement of illegal immigrants through the region. The purpose of these activities is to resolve unknown identities across multiple encounters and potentially halt the transit of threat actors. In order to accomplish identity resolution, interdiction forces require access to collection devices and, as importantly, data architecture solutions that support the retention of identity data and matches identities across multiple encounters. A March 2017 example

demonstrates the utility of biometric technologies to interdicting KST movement. Costa Rican authorities detained a 25-year-old Somali identified as Ibrahim Qoordheen, a KST, within one hour after receiving an immediate arrest request from U.S. immigration officials.

- What is being done to improve our partner nation's capacity to hinder transnational criminal organizations? I understand the Coast Guard has a program that specifically focuses on training our foreign partners. Would additional capacity for this program help?

Hendrickson: USSOUTHCOM is fortunate to have very willing partners in this region and we work very closely with them to help build their capacity to address our common security challenges, including the threat posed by transnational criminal organizations. Regional and bilateral engagements, exercises, training and exchanges with our partner nations that emphasize counter threat network goals, objectives and effects greatly improve their ability to deter transnational criminal organizations. Any additional capacity to train and equip our partners would benefit the region as a whole.

- Do we need to establish a forward operating logistical base in Central America?

Hendrickson: USSOUTHCOM already has a forward operating site at Soto Cano Air Base in Honduras that supports Joint Task Force-Bravo, a Special Purpose Marine Air Ground Task Force, and other tenant units. We also operate air assets out of a cooperative security location in Comalapa, El Salvador. Both locations focus on the mission to counter threat networks operating in this theater.

Rep. Michael McCaul

TO: Mr. Richard Glenn & Mr. Raymond Villanueva

1. In general, a Special Interest Alien (SIA) is a migrant from a country outside the Western Hemisphere with terrorist or security concerns who travels through the Hemisphere to the U.S.
 - What is your official definition for the term "Special Interest Alien?" Do your components and the interagency share a uniform definition of the term?
 - Does your Department maintain an official list of countries considered "special interest" and the reason for such a designation?
 - How does the definition and country list, or lack thereof, impact the interagency effort to combat this threat?
 - How many SIAs cross the U.S. borders each year—both at ports of entry and between ports of entry?

Glenn: There is no interagency, or Department of State, agreed-upon definition for a "Special Interest Alien," and the Department of State does not maintain an official list of countries considered "special interest" for the purpose of identifying "Special Interest Aliens." The Department of State is working with partner governments to improve their capacity to control their borders, airports, and seaports to better position themselves to screen all travelers and migrants entering their countries. Our goal is to better prepare our partners to keep all forms of suspected nefarious travelers and migrants from transiting the region and reaching the U.S. border. With this approach, the lack of specific definition for "Special Interest Aliens" is not a significant obstacle. I refer you to the Department of Homeland Security for details on numbers and types of migrants encountered at our borders.

2. There are numerous security and cost saving benefits to third-country repatriation of migrants, where for example, Panama or Colombia is able to repatriate migrants back to their home countries before they even reach the U.S.
 - What is the current status of third-country repatriation?
 - Does your Department have the authority to fund repatriation assistance to our Central and South American partners?
 - What is DHS's role in repatriation assistance and training? Should DHS have the authority to directly fund repatriation assistance to partner nations since DHS would be conducting the training and operational support?
 - What can the U.S. do to improve and expand third-country repatriation?
 - What are the proper roles of DHS and the State Department in this effort? Is there sufficient coordination between the two?

Glenn: The Department of State, in collaboration with the Department of Homeland Security and other U.S. interagency partners, is pursuing multiple avenues to address irregular migration challenges in the Western Hemisphere. We are coupling diplomatic engagement to encourage our regional partners to better manage migration with targeted capacity-building programs to help strengthen their law enforcement and border control capabilities. In addition, we are working with the U.S. Agency for International Development to build the capacity of foreign governments to address economic, security, and governance challenges that drive illegal immigration to the United States. While foreign assistance is generally not used to support foreign government operations, foreign assistance funds may be available for that purpose in some cases, subject to certain limitations. DHS does not currently have the authority to use its appropriated funds for repatriation operations. Therefore, the Department of State supports a narrowly tailored legislative authority that would allow DHS, with Secretary of State concurrence, to use its own appropriated funds to directly support foreign governments' operations to address irregular migration flows that impact the United States. Under the proposal, the Chiefs of Mission at U.S. Embassies would retain oversight of the DHS program and staff in country. In addition to general oversight, the relevant Embassy would work with recipient governments to garner support for such assistance and to ensure that there are safeguards in place to ensure that removals are conducted in accordance with the country's domestic and international legal obligations, including with respect to any claims for refugee status or other protection.

TO: Rear Admiral Hendrickson

1. In general, a Special Interest Alien (SIA) is a migrant from a country outside the Western Hemisphere with terrorist or security concerns who travels through the Hemisphere to the U.S.
 - What is your official definition for the term "Special Interest Alien?"

Hendrickson: In line with DHS (the lead federal agency for addressing this threat), we define a SIAs as foreign nationals originating from a country with potential or established terrorist links.

- What is DOD currently doing to combat the flow and threat of SIAs reaching the U.S. border? How does DOD work with the State Department and DHS in this regard?

Hendrickson: We are working closely with DHS and partner nations to stop the flow as far from the homeland as possible. This includes our support to Homeland Security Investigations' (HSI) Operation CITADEL and numerous specific investigations being conducted by HSI and the FBI. Our support primarily involves the provision of intelligence and collections support and when appropriate we are prepared to assist in other operational support activities authorized in 10 U.S.C. § 284. Of

particular importance is our ability to assist law enforcement with biometrics exploitation, equipment, and training.

- What else can DOD do to stop and/or track SIAs in South and Central America?

Hendrickson: Early identification is critical to addressing the flow of SIAs. To that end, additional Intelligence, Surveillance and Reconnaissance (ISR) collection and analysis resourcing are key enablers needed to address this problem set. We will continue to work closely with partner nations to help them identify, track, and interdict the flow of SIAs through their borders and before it reaches the U.S. Improved awareness requires improved dissemination of information. We will continue to pursue increased intelligence sharing among DoD, the USG interagency and foreign partners through technical, process and policy changes and improvements. We also continue to work transregionally and collaboratively by, with and through the interagency in a whole-of-government approach. We are currently working with DHS (HSI/CBP), DOS, FBI, USNORTHCOM, USAFRICOM, USCYBERCOM and USSOCOM on an initiative designed to employ a collaborative approach towards enabling a transregional HSI investigation into a priority illicit facilitation pathway.

Rep. Chris Smith

TO: Mr. Richard Glenn

1. In response to a question Rep. Norma Torres raised regarding the International Commission against Impunity in Guatemala (CICIG, by its acronym in Spanish), you stated “I think CICIG is a very good example of an effective entity. CICIG has been roundly criticized and I think – the criticism runs the full gamut from the socialist progressive party criticizing it as an imperialist American tool all the way to the other end of kleptocratic entrenched families who claim it to be a U.N. conspiracy to establish a new world order, but to me, as a neutral foreign assistance giver trying to fight corruption in Central America, I think we’re hitting the spot when we’re able to make everybody upset and threatening that mode of government of using corruption and coercion as a way of government, that’s where we want to be. That’s what we want to be doing, because it ensures fairness for American companies who try to compete in these countries and it ensures that governments are responsible and responsive to their people...”

This response ignores the substance of criticism while categorically stating that the existence of such criticism means “we’re hitting the spot.”

- Beyond your broad characterizations of the criticisms of CICIG by the extremes, what is the specific substance of the criticism you are referring to when you state “CICIG has been roundly criticized?”
- Does the criticism of CICIG include (i) politicization of the judicial process; (ii) advocacy of pre-trial detention; (iii) *ultra vires* acts exceeding the CICIG mandate; (iv) involvement in heavy-handed police raids involving SWAT teams to arrest essentially white collar criminals; or (v) failure to prosecute narco-trafficking, human trafficking and other serious crimes involving criminal networks while focusing on political crimes which may involve small amounts of money?
- Who has made such criticisms?
- What due diligence have you conducted to determine whether the criticisms referenced above are warranted or not?
- What do you mean by the phrase “hitting the spot?”

At a briefing with Congressional staff held on May 24, 2018, CICIG Commissioner Ivan Velazquez stated that he considers the use of extended pre-trial detention in the Guatemalan legal system to be a “human rights abuse;” indeed, the 2017 State Department human rights report for Guatemala notes that over half of prisoners in Guatemala during the period surveyed were under pre-trial detention. However, when pressed as to whether CICIG had advocated the use of pre-trial detention in cases it had investigated and assisted the Attorney General in bringing, Commissioner Velazquez conceded that CICIG had advocated for pre-trial detention on multiple occasions.

- Do you agree with Commissioner Velazquez that use of extended pretrial detention in Guatemala constitutes a “human rights abuse?”
- Are you aware of any criticism of CICIG that accuses CICIG of advocating for extended pre-trial detention?
- If so, do you think such criticism to be warranted?
- What due diligence have you conducted to with respect to any such criticism of CICIG and its advocacy of pre-trial detention?

At a hearing of the Helsinki Commission held on April 27, 2018, testimony established that CICIG cooperated with Russia’s VTB Bank in pursuing claims against a Russian family living in Guatemala which had been persecuted by Russian interests linked to the Kremlin. (<https://www.csce.gov/international-impact/events/long-arm-injustice>) Among other instances, CICIG attorney Claudia Orellana argued that VTB Bank should be allowed to intervene in the case against the Bitkovs on January 22, 2015.

- Given that VTB Bank and its principal, Andrey Kostin, have been sanctioned by the US Government, and Kostin has been identified by the Treasury Department as “an official of the Government of the Russian Federation” (<https://home.treasury.gov/news/press-releases/sm0338>), do you consider CICIG’s role in this matter to be consistent with your claim that CICIG is an “effective entity” in fighting corruption?
 - What due diligence have you conducted with respect to the relationship with VTB Bank and CICIG, especially in light of the fact that VTB Bank is a sanctioned entity and Kostin is a sanctioned Russian official?
2. At the Helsinki Commission hearing, allegations were made that Mayra Veliz, who served until recently as General Secretary in the Attorney General’s office during the tenure of Thelma Aldana, was culpable in the underlying passport fraud/false document case that ensnared the Bitkovs, given that she was in charge of RENAP during the relevant period. Similar allegations of culpability were made with respect to the Cutino law firm.
 - Are you aware of any investigation CICIG has conducted with regard to Mayra Veliz’ role in the underlying fraudulent documents case, as well as that of the Cutino law firm?
 - What due diligence have you conducted with regards to allegations concerning (i) Mayra Veliz and (ii) the Cutino firm?
 3. CICIG Commissioner Ivan Velasquez has become a polarizing figure in Guatemala and is perceived by some to be a political protagonist.
 - Do you agree with this assessment? If not, why not?
 - Do you believe that this involvement in Guatemalan politics has undercut Velasquez’s impartiality to the point where his effectiveness in leading CICIG is compromised?
 - If not, at what point does his mission become compromised?
 4. When one creates a “Commission against Impunity” one is making a statement about human nature and the tendency of power to corrupt, to which no one is immune. The underlying accord between the United Nations and Guatemala which set up CICIG lacks any accountability or oversight

mechanisms, beyond requiring periodic reports to the Secretary General. Indeed, in conversations with U.N. Secretary-General Antonio Guterres, the Secretary-General has said that he has no oversight role with regard to CICIG, nor does the U.N. Office of Internal Oversight Services. Further, at his briefing with Congressional staff, Commissioner Velazquez stated that he favors reform of CICIG.

- Do you agree that the absence of accountability and oversight mechanisms with regard to CICIG is problematic as a matter of principle?
 - Have you, or to your knowledge, anyone else at the State Department, raised this lack of accountability and oversight with Commissioner Ivan Velasquez?
 - If so, what was his response? If not, why not?
 - Do you think accountability and oversight mechanisms would be helpful? If so, what specifically? Would an ombudsman be helpful?
5. Congress has placed a hold on \$6 million in funding for CICIG from the INCL account in order to leverage reforms, which upon information and belief is consistent with the position of the U.S. Mission to the U.N. and the Bureau of International Organizations within the State Department.
- Does the Bureau of International Narcotics and Law Enforcement Affairs support these reform efforts and the use of a congressional hold to leverage these reforms? If not, why not?
 - If Ivan Velasquez has become compromised in his position, do you believe that he should step down as CICIG Commissioner? If not, why not?
 - If substantive reform of CICIG and the resignation of Ivan Velazquez are *sine qua non* prerequisites for the release of funding, does your answer change?

[Note: No responses were received from Mr. Raymond Villanueva prior to printing.]