CAUCUS ON
INTERNATIONAL NARCOTICS CONTROL

UNITED STATES SENATE

The Nexus between the Illicit Drug Trade and Corruption

Wednesday, November 17, 2021

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ALDERSON COURT REPORTING
1111 14TH STREET NW
SUITE 1050
WASHINGTON, D.C. 20005
(202) 289-2260
www.aldersonreporting.com
CONTENTS

2 Statement of

3 Opening Statement of Senator Whitehouse 3

4 Statement of Senator Grassley 8

5 Statement of Ambassador Todd D. Robinson, Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State 13

8 Statement of Bruce Swartz, Deputy Assistant Attorney General, Counselor for International Affairs, U.S. Department of Justice 19

9 Statement of Shannon N. Green, Senior Adviser to the Administrator and Executive Director of the Anti-Corruption Task Force, U.S. Agency for International Development 24

15 Statement of John Brandolino, Director, Division for Treaty Affairs, United Nations Office on Drugs and Crime 54

18 Statement of Vanda Felbab-Brown, Senior Fellow, Center for Security, Strategy, and Technology in the Foreign Policy Program, Brookings Institution 61

21 Statement of Clay R. Fuller, Research Affiliate, Walker Institute, University of South Carolina 67

25
THE NEXUS BETWEEN THE ILLICIT DRUG TRADE AND CORRUPTION

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The caucus met, pursuant to notice, at 1:06 p.m., in Room SD-608, Dirksen Senate Office Building, Hon. Sheldon Whitehouse, chairman of the caucus, presiding.

Present: Senators Whitehouse [presiding], Hassan, Lujan, Grassley, and Cornyn.
OPENING STATEMENT OF SENATOR WHITEHOUSE

The Chairman. All right. Let me call this hearing to order and thank our witnesses for being here and thank Co-Chairman Grassley and Senator Cornyn and Senator Hassan for being here as well.

I will make some opening remarks and then turn to Senator Grassley, and then we will introduce and get the testimony of our witnesses.

In my view, the central conflict of the 21st century has been and will be between the rule of law and the absence of rule of law -- democracy and transparent free markets on one side, and kleptocracy and opaque corruption on the other. The illicit narcotics trade is a central element in this clash. It devastates public health and safety, fuels corruption, and erodes democracy.

It also relies on rule-of-law protections in the U.S. and other democracies to safeguard the ill-gotten gains of its leaders in our property and financial institutions.

Drug traffickers' business empires, taken together, are conservatively estimated at $150 billion annually, exceeding the GDP of 150 countries. Such a massive trade cannot exist without the coerced or willing complicity of government officials and law enforcement.

The links between the narcotics trade and corruption abound. Last month, the former Mexican Minister of Public
Security was convicted of bribery and narcotics charges in U.S. Federal court. He is among a number of high-ranking officials and vetted law enforcement officials who currently await trial or have already been convicted in U.S. courts on various bribery and narcotics charges.

In Afghanistan, Taliban members and other former government officials who vocally disavowed the narcotics trade simultaneously taxed it to enrich themselves and their cause.

The U.S. has indicted Venezuelan President Nicolas Maduro and many of his allies on charges of narco-terrorism and conspiracy to smuggle cocaine, demonstrating the drug trade's infiltration of the highest echelons of government.

The former Rear Admiral of Guinea-Bissau was sentenced by a U.S. court for a conspiracy to facilitate the trade of cocaine in exchange for bribes. And the list could go on.

It is no surprise that drug traffickers exploit countries with weak rule of law. According to Transparency International, the majority of countries designated as major drug-producing or transit countries are among the most corrupt in the world. Impunity rates in these countries are astonishingly high, meaning most perpetrators of crimes go unpunished.

So how do we counter this narcotics-fueled corruption? First, we intentionally weave anti-corruption and anti-
money laundering strategies into our broader national drug control strategy. We cannot ignore the connections between these problems.

In a recent memorandum on the fight against corruption, President Biden called for an interagency review to help craft a whole-of-government strategy for combatting corruption and holding transnational criminal organizations accountable. Co-Chair Grassley and I have asked the administration to include the Office of National Drug Control Policy in this review.

Second, we can redouble cooperation with international partners to strengthen the rule of law, expand judicial transparency, and increase access to justice abroad. We must help partners increase their capacity to implement accusatory justice systems, safeguard judicial personnel and law enforcement from bribes and violence, and ensure that all members of society have access to swift and fair justice.

Third, we should better leverage our sanctions. The U.S. dollar is the most widely used currency in the world. U.S. sanctions effectively freeze the property and assets of narcotics traffickers and those who assist them, but these measures could be much more powerful if we applied them in concert with partners around the globe.

And finally, we have work to do at home. The Pandora
Papers show how bad actors exploit lawyers, realtors, and other gatekeeping professionals who are not subject to Bank Secrecy Act reporting requirements to set up shell corporations for hiding ill-gotten gains. We can stop this by fully and swiftly implementing the bipartisan Corporate Transparency Act to allow law enforcement to track the true owner of a shell company, by making geographic targeting orders permanent and nationwide to prevent narcotics traffickers and others from using the real estate market to hide illicit wealth, and by strengthening anti-money laundering regulations to reduce risk and strengthen law enforcement's hand.

The illicit drug trade and the consequences that accompany it directly impact citizens worldwide. In the United States, from April 2020 to April 2021, over 100,000 Americans died from drug overdoses. Globally, the U.N. Office on Drugs and Crime reports that -- and I am quoting here -- "Since the start of the 21st century, organized crime has resulted in roughly the same number of killings as all armed conflicts across the world combined." That is a bloody record.

For America to stop these harms and to remain an example to the world, we must prevail against the transnational drug trade and the corruption that it fosters. Today's hearing will examine how U.S. agencies
address that nexus between the illicit drug trade and corruption, how we might improve our efforts against those forces, and how we can harness our partnerships with fellow rule-of-law countries to hold corrupt actors to account.

Chairman Grassley, all yours.
STATEMENT OF SENATOR GRASSLEY

Senator Grassley. Thank you, Mr. Chairman, for holding this very important hearing, so connected with lots of deaths in the United States as a result of drugs, et cetera.

Corruption threatens economic, social, and political development. The illicit drug trade is a massive barrier to ending corruption. So we are here today to discuss a complex nexus.

Many countries struggle with regulating and stopping the flow of illegal and illicit drugs. This impacts Americans, as evidenced by the ongoing drug overdose crisis, which, of course, is driven by fentanyl. China ships fentanyl precursors to drug cartels in Mexico, who then funnel it into our and through our Southwest border.

Now, for nearly 15 years, the United States has sought to work with allies in Mexico to stop the flow of drugs into our country through the Merida Initiative, yet Mexican-based drug trafficking organizations maintain control of the drug trade through violence, through intimidation, and through corruption.

Some progress has been made in this space. Just a few weeks ago, Mexico recorded the largest seizure of fentanyl in the country's history. Also, our nations are having ongoing talks about how to stop the supply and demand of
Rooting out corruption isn't confined to Mexico. So as we review our efforts, we must ensure strong oversight. In August of this year, the Justice Department Inspector General reported that DEA hasn't been keeping track of the partnerships with foreign law enforcement to combat the flow of illicit drugs. When the OIG checked, the Drug Enforcement Administration headquarters didn't even have a complete record of the foreign law enforcement units DEA personnel established.

And according to the Office of Inspector General, after serious incidents involving alleged intelligence leaks and corruption, the Drug Enforcement Administration had failed to perform programmatic reviews on the causes of those incidents and to prevent similar events again.

Another country on the front lines in our effort to stop the illegal flow of drugs is Haiti. In that country, we also have a need for strong oversight.

Since the Haitian president was assassinated in July, we have learned that two Haitian nationals wanted in connection with that assassination have had past associations with the Drug Enforcement Administration. Haiti's DEA office was also the subject of recent whistleblower allegations and damaging reports issued in July by the U.S. Office of Special Counsel.
Yesterday, Senator Durbin and I sent a letter to the Drug Enforcement Administration raising our concerns related to both the Office of Inspector General and the Office of Special Counsel reports. I look forward to getting prompt answer to those questions.

Today's hearing is on a broad and complex issue. So I want to learn about the best ways to address the connections between illicit drug trade and corruption, what tools can be used, and what programs the Federal Government has in place. But it is also our job to ask if these tools and programs are effective, if they are a use in a good way of taxpayers' money, and how to improve those tools.

I look forward to having interesting and important discussion with our witnesses on these subjects. So thanks again, and I thank our witnesses for taking time to be here to help us explore this issue.

The Chairman. Thank you, Chairman Grassley.

I will now introduce the witnesses, and then each will have 5 minutes to make their statements. And then the questioning may proceed.

I think I will just go right across the line and start with Ambassador Todd Robinson, who is our Assistant Secretary for the Bureau of International Narcotics and Law Enforcement Affairs. Ambassador Robinson last served as the Director of the International Student Management Office
at the National Defense University. Prior to this, he served in a number of capacities at the State Department, including as senior adviser for Central America in the Bureau of Western Hemisphere Affairs; as the charge in Caracas, Venezuela; and as our U.S. Ambassador to the Republic of Guatemala, where, by the way, he was the multiple-time successor of my grandfather, who was also our minister in Guatemala many, many years ago.

Ambassador Robinson is a career diplomat with the exalted rank of career minister.

Next, we have Bruce Swartz, the Deputy Assistant Attorney General at DOJ, where he supervises the Department's Office of International Affairs, as well as the Department's Office of Overseas Prosecutorial Development, Assistance, and Training, and the International Criminal Investigative Training Assistance Program. In this role, he coordinates the overseas operational activities of the Department, including all extraditions and mutual legal assistance in transborder criminal and terrorism cases.

He also manages the Department's overseas capacity-building programs, which work with partner nations on issues ranging from counterterrorism to transnational organized crime to anti-corruption. As the Department's counselor for international affairs, Mr. Swartz advises the
Attorney General on international issues, chairs the Department's International Affairs Committee, and represents DOJ in international negotiations and multilateral and bilateral consultations.

Finally, Shannon Green is senior adviser to the Administrator and Executive Director of the Anti-Corruption Task Force at one of my favorite Government agencies, USAID. Previously, Ms. Green was the Senior Director of Programs at the Center for Civilians in Conflict, CIVIC, where she oversaw the organization's global efforts to recognize the dignity and rights of civilians, prevent civilian harm, and protect civilians caught in conflict.

Before, that Ms. Green was the Director and senior fellow of the Human Rights Initiative at the Center for Strategic and International Studies. She also served as the Senior Director for Global Engagement on the National Security Council and for nearly a decade led strategic planning, program design, and policy engagement at USAID.

So we are fortunate to have such a strong panel. I am grateful to you all.

Ambassador Robinson, please proceed.
STATEMENT OF AMBASSADOR TODD D. ROBINSON, ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador Robinson. Chairman Whitehouse, Co-Chairman Grassley, distinguished members of the caucus, thank you for calling this hearing and for the strong bipartisan support and attention to the fight against corruption.

I am pleased to be here today with colleagues from the Department of Justice and the U.S. Agency for International Development, with whom we are working side by side to tackle this complex set of challenges.

The illicit drug trade is probably the single greatest revenue stream behind corruption globally, and it gives transnational criminal organizations a devastatingly powerful capacity to corrupt government institutions. Corruption is the illicit drug trade's great force multiplier, capable of elevating drug trafficking from a localized criminal and public health challenge into a threat to democracy, national security, and the rule of law. Combatting it is core to INL's mission and woven into our work in over 90 countries. We are supporting primarily three lines of effort targeting prevention, enforcement, and accountability.

The first is building shared standards and political will against corruption at the global level. Over the past
two decades, INL has led U.S. efforts to develop shared
global standards against corruption and the architecture
for anti-corruption cooperation across borders. INL
leadership was key to negotiating the world's only global
legally binding commitments against corruption, the U.N.
Convention against Corruption, UNCAC, completed in 2003.

Based on U.S. domestic best practices, this treaty now
requires 188 governments to implement the same anti-
corruption standards to which we hold ourselves. To cite
one example, over the past 2 years, INL led efforts against
foreign bribery through the G20 Anti-Corruption Working
Group, working closely with like-minded partners to secure
the first-ever time-bound commitment from all G20 countries
to criminalize foreign bribery and enforce foreign bribery
legislation. Progress in building these global standards
helps shrink the enabling environment that allows drug
trafficking and all other forms of transnational crime to
thrive.

The second pillar of our work is focused on
strengthening capacity in partners to prevent, detect, and
hold accountable those that participate in corruption.
INL's foreign assistance programs support the capacity of
governments and civil societies to build transparent,
accountable -- and accountable institutions; strengthen
criminal justice authorities' ability to detect,
investigate, and prosecute corruption, including corruption relating to drug trafficking; and assist officials to work across borders to build cases and track proceeds.

An example of this, in Albania, our work to strengthen the capacity of Albanian authorities to investigate and deter high-level corruption and organized crime contributed to the arrest last month of a dozen corrupt police officers involved in trafficking -- in drug trafficking.

INL's anti-corruption efforts hit every facet of our program in Mexico, where it has helped strengthen the capacity of security and justice institutions to reduce opportunities for corruption, prosecute offenders, and promote a culture of accountability.

To complement and reinforce our diplomacy and foreign assistance, our third line of effort employs targeted sanctions and deterrence tools to discourage high-level corruption and support the work of law enforcement. INL manages two rewards programs targeting high-level drug traffickers and other transnational criminal leaders, which have helped our law enforcement partners bring over 75 international drug kingpins and crime bosses to justice.

We also manages two anti-corruption visa restriction authorities and, in close cooperation with the Department of Treasury, support implementation of the corruption prong of the Global Magnitsky sanctions program.
The public designation of corrupt actors under our visa restriction authorities has significantly reinforced our broader anti-corruption agenda, including through increasing media attention and spurring governments to remove designees from office or to open law enforcement investigations and to build momentum to adopt anti-corruption reforms.

Mr. Chairman, my testimony today has focused on the work of my Bureau, but let me end with an important point that cannot be stressed often enough. Political will on the part of our partners to confront corruption and the drug trade is absolutely critical. Even the best-resourced and planned U.S. foreign policy intervention cannot succeed if our partners are not equally or more committed to the challenge.

Governments must own their efforts to enact reforms and disrupt drug networks and the corruption they engender, and we must brace ourselves for pushback. Corruption can run deep throughout institutions and societies, and those that benefit from it do not stand aside quietly.

Confronting corruption often means things may get worse before they get better. We are prepared for that reality and are firmly committed to staying the course in combatting this threat aggressively. The stakes are too high.
Thank you, and I look forward to your questions.

[The prepared statement of Ambassador Robinson follows:]
The Chairman. Thank you, Ambassador. Much appreciated.

Mr. Swartz, to you.
STATEMENT OF BRUCE SWARTZ, DEPUTY ASSISTANT ATTORNEY
GENERAL, COUNSELOR FOR INTERNATIONAL AFFAIRS, U.S.

DEPARTMENT OF JUSTICE

Mr. Swartz. Thank you, Chairman Whitehouse.

The Chairman. You may need to punch your mike.

Mr. Swartz. Thank you, Chairman Whitehouse and Co-Chairman Grassley, distinguished members of the caucus.

There are three points I would like to emphasize this morning. First, the Department of Justice is deeply committed to investigating and prosecuting narcotics traffickers and their illicit financial networks. Second, we are equally committed to building the capacity of our foreign counterparts to do the same. And third, both missions are critical to the security of the American public.

Let me turn first to our own investigations and prosecutions. As I noted, they are aimed not only at traffickers, but at their financial networks. And let me cite just two examples from the past month.

As I think you may have seen, in October, we announced Operation Dark HunTor. This is an operation led by JCODE, the Department of Justice's Joint Criminal Opioid and Darknet Enforcement team that was a global enforcement action resulting in 150 arrests worldwide and the seizure of more than $31 million in cash and virtual currency.
Similarly, last month, we announced a new tip line for Central America, to provide leads to the Department of Justice's Northern Triangle Anti-Corruption Task Force, a joint task force bringing together our Narcotic and Dangerous Drug Section, our Money Laundering and Asset Forfeiture Section, and our Fraud Section. In all of these respects, I would like to pay particular tribute to Chairman Whitehouse, Co-Chairman Grassley, and members of this caucus for your focus on the dark economy and in particular the provisions on corporate transparency that appeared in the NDAA this last year. Those are significant steps forward, and we are grateful for your leadership.

Those are some of the examples of what we are doing in this country. But as I said, we are equally committed to ensuring that our foreign counterparts have the capacity to do the same in their country.

From the Department of Justice's perspective, this is not simply a matter of foreign assistance. This is about protecting the American public. We need to have partners who can deal with narcotics trafficking, with corruption, with transnational crime before it reaches our border.

And in my written statement, I have set out a number of examples of how we have achieved that, particularly through the work of the two offices at the Department of Justice solely dedicated to this task -- our overseas
prosecutorial development office, known as OPDAT, and our International Criminal Investigative Program, known as ICITAP. Let me cite just two of those examples.

In late October, Colombian security forces arrested Otoniel, the leader of the Clan del Golfo, which is Colombia's largest narcotics trafficking network. The two Colombian prosecutors who brought the charges against Otoniel were part of OPDAT's, the Department of Justice's program focusing on Clan del Golfo, our technical working group that we had with Colombia.

Similarly, in the same year, just a few months earlier across the globe, as Ambassador Robinson has pointed out, in Albania, the Albanian special anti-corruption and anti-trafficking unit known as SPAK, which is mentored by OPDAT and ICITAP, made numerous arrests, including, as has been noted, high-ranking police officials, of Albanian prosecutor and other government officials, and also seized narcotics worth $61 million. Those are just a few of the achievements of OPDAT and ICITAP, and we attain these achievements because the capacity-building model we have has four unique aspects.

First, we deploy highly experienced Federal prosecutors and senior law enforcement experts. Second, we deploy them for long-term positions in host countries for multiple-year assignments. Third, we are not engaged
simply in training. That is not our objective. Our goal is to engage in case-based mentoring. That is to help our counterparts conduct investigations and prosecutions in their most complex cases. And finally, because OPDAT and ICITAP deploy Federal employees, not contractors, they can reach back to all of the Department of Justice's assets and coordinate with our operational teams on the ground and can ensure that we are working collectively.

Now OPDAT and ICITAP are not funded to do any of this work. We have to look to our colleagues at INL, my friend the Ambassador here, or State counterterrorism. But notwithstanding this, the accomplishments have been, as I have said, strong, consistent over the 30 years that these organizations have been in existence.

And I am happy to say that I think we have also made a significant step by INL's willingness to agree to our proposal for the creation of a global anti-corruption rapid response fund, which will allow the Department to deploy prosecutors and agents more agilely, more quickly to deal with urgent problems of corruption and narcotics trafficking abroad. And whatever we can do to improve our agility in this regard also improves our ability to protect the American public.

Thank you. I look forward to your questions.

[The prepared statement of Mr. Swartz follows:]
The Chairman. Thanks very much, Mr. Swartz.

Ms. Green?
STATEMENT OF SHANNON N. GREEN, SENIOR ADVISER TO THE
ADMINISTRATOR AND EXECUTIVE DIRECTOR OF THE ANTI-CORRUPTION
TASK FORCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. Green. Chairman Whitehouse, Co-Chairman Grassley,
and distinguished members of the caucus, thank you for
bringing us together today to discuss the dual threats of
corruption and the illicit narcotics trade.

I am pleased to have the opportunity to share how
USAID's long-term investments in development and deep
network of local staff and partners help to address these
challenges as a complement to the efforts of my interagency
colleagues.

As Administrator Power said on USAID's 60th
anniversary, corruption is basically development in
reverse. It undermines the rule of law, scares away
private investment, contributes to insecurity, and weakens
support for democracy itself. Drug trafficking thrives in
places where corruption has crippled economic investment,
crushed faith in the government, and cause enforcement
officials to turn a blind eye to their obligations.

USAID is taking a number of steps to tackle the
problem of corruption and its effects on drug trafficking,
mobilizing its mission in more than 80 countries.

First, USAID provides vital support to civil society
organizations and media outlets that expose corruption and
generate pressure for reform, often at great personal and professional risk to themselves. For example, since 2007, USAID has funded organized crime and corruption reporting projects. This network releases more than 80 major investigations per year that uncover corruption, drug trafficking, and other forms of crime.

For instance, they have documented evolution of Balkan criminal groups into a syndicate that has earned billions and influenced politicians, police, and prosecutors across the region, illustrating how the proceeds of drug trafficking can be used to pay off public officials who then, in turn, undermine counternarcotics efforts.

It is not enough, though, to expose corruption and crime. We need governments to take action against it, and that is why USAID pairs this support to nongovernmental organizations with robust investment in democratic institutions and the rule of law.

For example, in Mexico, USAID is strengthening oversight and regulatory bodies at the federal and state levels in order to reduce corruption at key points where governments and citizens interact, such as when obtaining licenses or permits. In Mali, USAID is building the capacity of justice sector institutions and civil society to fight corruption, including along key trade routes where citizens just seeking to earn a living are regularly
subject to rent-seeking behavior and harassment.

USAID has long worked on improving government transparency and accountability. These efforts make it harder for criminals to profit from corruption and drug trafficking and to use those profits to pay off public officials.

In Moldova, USAID has worked with a central electoral commission and political parties to improve financial disclosures and integrity. This work is essential to detecting attempts by external actors to co-opt politicians to serve their interests rather than the interests of the population.

As the largest bilateral development agency, USAID has the unique ability to root out corruption and drug trafficking through our work in multiple sectors. For example, cartels in Latin America use illicit gold mining to generate billions in revenue and to launder the proceeds of their crime. USAID's gold mining program in Colombia has removed more than $160 million from the illegal economy, paying for itself more than 8 times over.

USAID recognizes the deep linkages between corruption and transnational organized crime. As such, we are adapting our programming to transform the fight against corruption, including by tackling it from a variety of angles. This includes increasing our agility to respond to
what can be fleeting windows of opportunity as well as moments of backsliding; enhancing collaboration with other U.S. departments and agencies, local anti-corruption reformers, and the private sector; and experimenting with new programmatic approaches, tools, and technologies to tackle transnational corruption and crime.

USAID's assistance is essential to addressing the underlying conditions that foster the illicit narcotics trade to devastating effect in the United States and around the globe. We look forward to deepening those efforts in coordination with Members of Congress, our partners across the U.S. Government, the private sector, and very importantly, the front-line reformers and activists in the countries in which we work.

I thank you and look forward to your questions.

[The prepared statement of Ms. Green follows:]

The Chairman. Thanks very much.
You know, it strikes me that the United States is involved in a global contest, what you might even call a clash of civilizations, between rule of law world and non-rule of law world. I will have to come up with a better term for "non-rule of law world," but it is basically kleptocracy, autocracy, and criminality. And it strikes me that in my lifetime, most of the evil that has been done to America has emerged from non-rule of law world.

Given that background, do each of you agree that there is a significant nexus between international corruption and American national security?

Ambassador Robinson. Yes, absolutely.

Mr. Swartz. Without a doubt, Senator.

Ms. Green. One hundred percent.

The Chairman. So if we are going to win that contest, prevail in that clash, one of the things it seems we have to address is the problem of illicit proceeds of all that corruption, in particular the problem of illicit proceeds of all that corruption finding shelter in rule of law. If you are the biggest thief in your country, what you have stolen is only as safe as the next big thief to come and take you over and steal what you stole.

So what you need is to get your pelf, your crooked goods, sheltered behind rule of law. And so, in very significant ways, it seems to me we rule of law nations are
aiding and abetting in legal terms, or giving aid and comfort to in military terms, our own enemies. We made a big step against that, thanks to Chairman Grassley, who worked very hard on the beneficial ownership rules, which are being written by Treasury right now, I hope, with a lot of input from all of your organizations.

How important is it that America clean up its own act in this regard and also lead the rest of the rule of law nations to have common cause against that kind of shelter for ill-gotten gains?

Ambassador Robinson, why don't you go first? We will just call these right across the line.

Ambassador Robinson. Well, obviously, I think it is -- I think it is absolutely important that we put our house in order. But INL is focused on making sure that our partners have the tools that are necessary to uncover, to go after, and to know when these ill-gotten gains are entering their system.

The Chairman. Is this going to be a priority, do you think, for the Summit for Democracy that the President has called?

Ambassador Robinson. Absolutely, absolutely. I think the idea that -- in fact, I know one of the -- one of the areas that the summit will focus on is corruption broadly, but anti-money laundering.
The Chairman. And specific to your line of work, is there more that we could or should be doing with sanctions? And do you need any further authorities from Congress to apply further sanctions to discourage both kleptocracy and aiding and abetting of it by those in rule of law countries?

Ambassador Robinson. I think we are in a good place, sanction wise. One, because we have the ability to publicly -- sometimes privately, but mostly publicly -- name and shame those who are moving this money.

The Chairman. Well, let us know if you would like more authority because we, I think, really want to try to address this problem.

Last question, for Mr. Swartz, DEA within the Department of Justice focuses a lot on interdiction. Our prosecutions focus a lot on interdiction. It seems to me that we focus a little bit less on follow the money, but for every pound of cocaine, for every package of heroin, there is a financial transaction on the other side of it. And making sure that we pursue the money can be -- well, they said follow the money in Watergate for a reason.

And then beyond that is the question of disrupting the safe havens where that money goes. And it seems that most of our attention is to interdiction. Less, but some is to follow the money, and not so much has been to disrupting
the safe havens to which the money flows.

Are you doing anything to try to correct or adjust that?

Mr. Swartz. Mr. Chairman, the Drug Enforcement Administration --

The Chairman. Microphone.

Mr. Swartz. Mr. Chairman, the Drug Enforcement Administration plays a key role, as you say, in disrupting narcotics trafficking networks. But increasingly, it is also focused on the connected illicit financial networks that make those trafficking networks possible. And that is reflected, including in their involvement in JCODE, our Criminal Opioid and Darknet Enforcement team, as well as steps they have taken on their own investigations to focus on the financial flows.

We couldn't agree more. It is essential that we do this. And as you have said, the fact that we have put our own house in order I can say, as the Department official responsible for our international cooperation, has been essential.

To be able to say that we are doing what we have asked other countries to do is critical, as well, of course, as making it possible for us to conduct these kinds of investigations. And in that regard, we have continued our focus, including through the Kleptocracy Initiative, which
is now celebrating its 10th anniversary, to track down funds that have transited to the United States or have been invested in the United States, to seize and forfeit those funds, and then to return them to the countries from which they were stolen.

I think it has really been one of the most effective things we have done, and we couldn't agree more. This is a clash of civilizations. It is a clash between two different types of governance of how citizens are treated, and we are determined at the Department of Justice to show that we are working not only to protect the American people, but the people of our -- of the countries that are allies and are partners.

The Chairman. Thank you. Chairman Grassley?

Senator Grassley. Thank you, Mr. Chairman.

I want to start with Ambassador Robinson. In August, the Justice Department Inspector General released a report that showed DEA is failing to oversee foreign law enforcement units. The State Department provides funding for some of these foreign law enforcement units and facilitates necessary agreements between the United States embassies and the host countries.

Have you considered whether the Bureau should review its own processes as they relate to the DEA program in light of the IG's findings?
Ambassador Robinson. Mr. Co-Chairman, the fact is we are reviewing our relationship with our partners all the time. We took the GAO report very seriously, and we will continue to review to make sure that we are focusing on taking good care of the American people's resources.

Senator Grassley. What oversight, Ambassador, does the State Department's Bureau of International Narcotics and Law Enforcement Affairs do to ensure that the funds it provides for DEA-supported foreign law enforcement units will be used for their intended purpose?

Ambassador Robinson. We sign agreements, interagency agreements with all of the different interagencies that we work with. So that is -- at the Washington level, that is how we make sure that we are focusing on the funds that go to these agencies, but also at the post level, the country teams, led by the Ambassador and DCM, are also making sure that they are focused on how funds are being spent by our interagency partners.

Senator Grassley. Also, Mr. Ambassador, the IG recommended that DEA conduct a comprehensive review of its local foreign law enforcement units to ensure that necessary and appropriate agreements are up to date. Is the DEA actively coordinating with the State Department to make those determinations?

Ambassador Robinson. DEA actively coordinates on a
regular basis with the State Department on issues such as this.

Senator Grassley. To your knowledge, are up-to-date letters of agreement in place for all the countries where DEA has established relationships with local foreign law enforcement units?

Ambassador Robinson. To my knowledge, yes.

Senator Grassley. Okay. For Mr. Swartz, we had a recent Justice Department Inspector General report, the same one I referred to, found that the DEA doesn't have a complete list of foreign law enforcement units that it supports and doesn't have a complete record of funding provided by the State and Defense Departments to support the units. Do you agree that the DEA headquarters should conduct strong oversight of the relationships its country officers form with foreign law enforcement partners?

Mr. Swartz. Well, thank you, Mr. Co-Chairman.

The Department, of course, takes the Inspector General's report extremely seriously, and I am happy to note that on August 26th, the DEA announced that it was doing an independent top-to-bottom review of its foreign and international footprint, including all of the issues raised by the Inspector General. And we, of course, will follow that independent review and take any appropriate actions that are suggested thereby.
Senator Grassley. Also, Mr. Swartz, do you agree that when serious incidents occur involving DEA-supported foreign law enforcement units, it is incumbent upon the DEA headquarters to conduct oversight to identify problems and prevent similar incidents?

Mr. Swartz. I am confident, Senator, that that is the position taken by the DEA Administrator and by all of those involved at DEA headquarters to carefully monitor this activity and, again, to abide by the results of the independent review of their international footprint.

Senator Grassley. And also, Mr. Swartz, I recently chaired this Drug Caucus field hearing in Cedar Rapids, Iowa. At that hearing, there was a person named Jeffrey Stamm, Director of the Midwest HIDTA, testified that every State, including Iowa, is a border State. He stated we need to deal with the flood of drugs like fentanyl impacting our country.

You mentioned in your written testimony two Department of Justice anti-corruption programs that work in Mexico. How are these programs and trainings effective at stopping fentanyl and other deadly drugs from entering the United States?

Mr. Swartz. Well, thank you, Mr. Co-Chairman.

The broader framework, of course, for our cooperation with Mexico has now been set by the new Bicentennial
Framework and the high-level security dialogue, which Attorney General Garland attended, as did I, the Ambassador, last month. That is just a framework that is going to focus us on illicit finance, on precursor chemicals, and to provide a new direction forward.

Senator Grassley. Thank you. Thank you, Mr. Chairman.

The Chairman. Next is Senator Hassan, and she will be followed by Senator Cornyn and then Senator Lujan.

Senator Hassan. Well, thank you, Mr. Chairman. And I want to thank you and Co-Chair Grassley for convening us. I want to thank the witnesses not only for being here today, but for your work, and I just want to note that as we talked about the stunning statistic just being reported of 100,000 overdose deaths in the United States in a year of the pandemic, how critical your work is. I also know that while we are talking today about illicit international drug trafficking, it is really important that we also recognize that all of this illicit trafficking is influenced by demand here at home.

And we certainly know that the pharma industry has influenced that demand, sometimes with reckless, other times with predatory behavior. And sometimes enabled by a fairly lax FDA oversight and potential conflicts of interest there. So I just don't want to take our eye off
that ball either.

To Ambassador Robinson, I just wanted to start
following up on a line of questioning that Co-Chair
Grassley was asking. We continue to see illicit fentanyl
trade in the U.S. that originated in China. As Senator
Grassley mentioned, Chinese manufacturers produce fentanyl
precursor chemicals and then sell and ship them to drug
trafficking organizations in Mexico. The cartels then
produce fentanyl from these precursor chemicals and smuggle
it across the Southern border.

I just want to drill down a bit, Ambassador.

Criminals profit at every stage of this process. How can
we use existing money laundering rules to combat the
financing of illicit fentanyl trade?

Ambassador Robinson. We are focused very closely on
making sure that we are following the money. Current rules
allow us to work with -- work more closely with the
Department of Justice and DEA to make sure that any money
that is trying to reach our shores is investigated.

We are working with our partners to make sure --
particularly Mexico to make sure that any resources that
they -- that they have the tools to investigate, working
with their prosecutors to investigate the illicit gains
that are coming from these -- from this drug trade. So
that is how -- that is how INL would focus on this effort.
Senator Hassan. Thank you.

Deputy Assistant Attorney General Swartz, I share the encouragement that you expressed about recent operations spearheaded by the Joint Criminal Opioid and Darknet Enforcement, or JCODE, such as Operations Dark HunTor and DisrupTor that have taken down illegal drug marketplaces on the dark web and led to hundreds of arrests worldwide. I am working on legislation to permanently authorize JCODE and bolster the resources it receives.

Can you speak to how JCODE, in conjunction with Federal, State, local, and international law enforcement partners, is able to pursue and shut down dark web illegal drug marketplaces, both in the U.S. and around the world?

Mr. Swartz. Well, thank you, Senator.

JCODE, I think, represents the future of much of what we are going to see in terms of dealing with illicit finance, particularly as we move towards the darknet and cryptocurrencies. And by bringing together experts both on the drug side, the money laundering side, and our cyber experts, it is the future of how we are going to interact on this. We found that JCODE also works well and helps coordinate our various law enforcement agencies at the Federal level and to help advance State actions as well.

And we are also doing this through other means.

Thanks to support from INL, we have created a worldwide
network of cyber prosecutors through OPDAT who are
stationed abroad, working to build the capacity of our
foreign counterparts to deal with cryptocurrency and other
money laundering techniques. And we have also built out
with our prosecutors on the ground, working on particular
cases, with Mexico a money laundering group that has
already met twice in the short time it has been in
existence in this fall, and we expect, again, this will not
simply be training. This will be case-based, directed
activity.

Senator Hassan. Well, thank you. I look forward to
working to make sure that JCODE has the resources it needs
to continue this vital work.

I wanted to touch on one more thing with you, and we
are running out of time. So I may do it for the record.
But I am sure that Chairman Whitehouse will talk more about
the amendment to the national defense bill that he and I
have been working on -- and I think it is going to get
introduced -- to target drug cartels' money laundering.

One key piece of the bill is providing resources,
assistance, and training to other countries. Can you and
Ambassador Robinson speak to how this support will help
target drug trafficking organizations where they are most
vulnerable?

Mr. Swartz. Thank you.
We feel at the Department of Justice that there is more we can do in this regard. We can place prosecutors, if we have the funding to do it, to serve as mentors, again, focused on cases, on building out cases involving illicit finance that affect our country.

So we look forward to any opportunity to discuss how that can best be done, but from our perspective -- and this goes to Senator Grassley's point -- there is no better expenditure of monies for the American taxpayer and to protect the American taxpayer than placing our prosecutors and investigators on the ground to build the capacity of our counterparts to obtain results and to defeat these criminal organizations before they reach our borders.

Senator Hassan. Well, I thank you. And Ambassador, I will follow up with you perhaps for the record since I am a bit over time here.

I appreciate all of you very much.

The Chairman. Senator Cornyn?

Senator Cornyn. Thank you all for being here today.

Let me start, Ambassador Robinson, I could not agree more with your -- the final statement that you made talking about the importance of political will and cooperation in the countries that we are trying to assist. And frankly, without that political will, there is not a whole heck of a lot the U.S. can do, in my opinion. We have not shown
ourselves very good at nation building, and particularly when we are working against the powers that be in foreign countries, it makes things hard, if not downright impossible.

I am thinking about, for example, President Lopez Obrador's backtracking on law enforcement just on extraditions. For example, in '19, 2019, there were 17 extraditions from Mexico, 22 in '20, and so far in 2021, there have only been 9.

We are waiting on visas from the Government of Mexico so that our DEA Federal agents can get in there and do their job. And unfortunately, President Lopez Obrador has said that using force against the drug cartels doesn't resolve anything and essentially has raised the white flag.

What I want to ask the panel about is transnational criminal organizations. We talk about transnational criminal organizations, sometimes use the word "cartels" and the like. But I have heard it said, and I think it is true -- but I would like to get your opinion -- that these criminal organizations are, by and large, commodity agnostic. In other words, they are in it for the money, and they don't care if they have to smuggle drugs, people, traffic in sex, whatever it is.

Do you agree, Mr. Robinson, Mr. Swartz, that these transnational criminal organizations are commodity
agnostic?

Ambassador Robinson. Absolutely, Senator. And not
only would I -- would I agree with that, but I think it is
important to recognize that they use the same routes for
all of those "commodities." We know that they are moving
people through the same routes that they are moving drugs
north and trying to move money and guns south. So
absolutely agree that they are agnostic.

Senator Cornyn. Mr. Swartz and then Ms. Green?

Mr. Swartz. Senator, absolutely. And we have taken
steps to address exactly that issue, which you so
accurately pointed out, and that includes building out task
forces with Mexico and Central America focused on human
smuggling groups that tie into organized crime.

And beyond the other areas you have talked about, so
there are less obvious areas in which they are commodity
agnostic, including wildlife trafficking and natural
resources trafficking, where we have seen very devastating
losses and tremendous profits for the organized crime
groups. And here, too, working with the State Department,
we have placed prosecutors overseas to focus on that issue
so that we can attack organized crime from all fronts.

And Senator, I would also be glad to work with your
staff on the extradition issues. The numbers we have from
Mexico are significantly higher, including some key people
who were extradited in the cartel context. But we would be

glad to discuss that for the record.

Senator Cornyn. Thank you. Ms. Green?

Ms. Green. Yes, Senator. We, too, at USAID see those

linkages, and that is why the anti-corruption task force is

viewing our work on anti-corruption as intimately connected
to the work that USAID does on countering wildlife

trafficking, on countering the trafficking of natural

resources, on transnational organized crime.

We are building the capacity of our government

partners and our nongovernmental partners to detect the

flow of those commodities, whether it be gold or timber,
because we do see very intimately those linkages, and we

know that we need new partnerships, new kinds of

technologies, and new approaches in order to address the

transnational flow of those kinds of commodities.

Senator Cornyn. Well, I thank each of you for your

answer. I think obviously, coming from a border State that

has seen a huge influx of migrants coming across the

border, 1.7 million so far this year with approximately

300,000-plus get-aways -- although I don’t know how you

count the ones, the people you never saw. But that is one

of the estimates that have been given to us.

But of course, what we have seen is that these

transnational criminal organizations are pretty
sophisticated, and one of the ways they succeed in getting
drugs across the border -- and the vast majority of the
drugs that killed 100,000 people last year make their way,
unfortunately, across the Southwestern border -- these
cartels will flood the zone with people, with migrants, and
then the Border Patrol has to get off the front lines to
process unaccompanied children and the like. In the
meanwhile, it is a four-lane highway across the border
opened up to the cartels to move drugs into the United
States.

I know many people view what is happening at the
border as simply an immigration issue, but I think it is
inextricably intertwined with the other illegal conduct
that is occurring, particularly smuggling drugs. Do you
have a -- do you agree, Ambassador Robinson, or do you have
a different view?

Ambassador Robinson. No. As we said before, we
absolutely believe that the routes that are being used for
drugs are used for any number of commodities. The
migration challenges at the border I don't think happen
coincidentally, and we are working with our partners in
Mexico to address just those issues.

And I would also add that you raised an issue on visas
for DEA agents. That issue was raised by both the
Secretary and the Attorney General during our trip to
Mexico for the bicentennial agreement.

Senator Cornyn. I hope they have a breakthrough in that.

Mr. Swartz. If I might, Senator? We do understand that issue has been resolved.

Senator Cornyn. Good. Thank you.

The Chairman. Thanks, Senator Cornyn. Senator Lujan?

Senator Lujan. Thank you, Mr. Chairman.

Deputy Assistant Attorney General Swartz, is it illegal, is it a crime for United States financial institutions, banks, to launder money for drug cartels or narco-terrorist Organizations?

Mr. Swartz. Senator, of course, money laundering is a crime. The circumstances of the particular case would have to be considered. I couldn't answer that in the abstract before knowing what laundering of funds for a narcotics cartel --

Senator Lujan. Mr. Swartz, let me just help you here. It is really troubling that you cannot just say yes.

Mr. Swartz. Well --

Senator Lujan. Is it -- let me ask this question again. Is it a crime for banks in the United States to illegally launder money for a drug cartel?

Mr. Swartz. Yes, Senator. It is a crime to engage in money laundering on behalf of a drug cartel.
Senator Lujan. And maybe there was an anticipation of what my follow-up is. Look, every time that I have had a briefing and looking at this issue, there is always a report when we look at other countries of bringing attention to the campesinos, the farmers, who are being pressured by the cartels to grow drugs. Nobody wants to talk about the illicit financial markets.

So I appreciate in your opening testimony that you touched on the importance of illicit financial markets, and that in response to a question from one of my colleagues, you also were clear that there was criminal pursuit of illicit financial crimes.

The reason that I wanted to ask these particular questions and open up there -- I am sorry it took so long to get where I am now -- is there was a decision made in 2012 with HSBC in the United States to levy a $1.9 billion fine, which is about 5 weeks of profits for the bank. But there was a decision by the United States Department of Justice not to criminally prosecute anyone that was caught laundering money in that case, 175 criminal charges that we know about. Is that going to change?

Mr. Swartz. Well, Senator, I would be glad to discuss with your staff and get more details of the background for the resolution in that particular case. But in terms of the more general question you asked, our commitment to go
after these illicit networks, to go after anyone who knowingly is laundering funds, is ironclad.

Senator Lujan. Are they going to go to jail? Will we prosecute them, or are we just going to give them deferred prosecution agreements? What is the goal here?

Mr. Swartz. Senator, where the -- where the facts exist, where the prosecution can be conducted, we do that, exactly those steps.

Senator Lujan. And I am sorry to be so passionate about this. Mr. Chairman, this is an area that I have a lot of concern because in case after case that I have tried to study in this particular area, the United States Department of Justice puts people in jail that they find selling small amounts of narcotics. They are in jail today, even though we are legalizing marijuana in State after State, and hallucinogenics and mushrooms and others. They are still in jail.

But no one went to jail from HSBC. So that was in 2012. Let me back up a little bit. 2003, HSBC promised and agreed to a consent order to clean itself up from money laundering. They promised, and they agreed to this by the United States. Same thing happened in 2010. They followed up, and they promised and agreed to another consent order.

2012, the United States levies a $1.9 billion fine, 5 weeks of profits. No one goes to jail, and 175 criminal
charges do not get prosecuted.

2018, HSBC agrees to pay another $100 million because they got caught laundering money again. 2019, a $192.5 million fine, HSBC gets caught laundering money. 2017, the United States Department of Justice -- I will back up a couple years -- lifted its deferred prosecution agreement.

Mr. Chairman, drugs are going to be continued to be sold as long as people can profit and they get a slap on the wrist, and the people that are laundering the money, knowingly laundering this money, they are just as guilty as every other element of these cartel organizations where there is record murders in Mexico, threats of people that are trying to do everything they can to escape this.

Nothing is going to change unless people go to jail that are knowingly laundering money. That is number one.

Number two, Ms. Green, with the work you and the Ambassador are doing, are we also in the United States doing something about the flow of guns into Mexico, illegal flow of guns. Ms. Green?

Ms. Green. Well, I will have to defer to my colleagues. That is not something that USAID works on.

Senator Lujan. Ambassador?

Ambassador Robinson. The short answer is yes. This is an issue that came up during the -- during our summit in
Mexico, and we have committed to working much more closely with our interagency partners. We have committed to working much more closely on this issue.

Senator Lujan. And Mr. Chairman, I will go back, and I appreciate -- will get something on the record, Mr. Swartz, since I am out of time.

Mr. Chairman, one thing that I am also hopeful that we can do here is have the Department of Justice submit to the appropriate committee, whether it is this or another, the suspicious activity reports associated with the cases that I just talked about so that we can try to get it in our hands and understand what is going on here.

I think that it is also clear that these monitors that are being hired by the banks with the permission of the Department of Justice and these deferred prosecution agreements, I don't know why the banks get to pay them and hire them and get to determine who is going over there to do the work. It seems that we should have investigators from the Federal Government doing this work. I don't know why they get a pass.

So this is an area that I am going to keep pressing and pushing now that I am a member of the United States Senate because, again, this is not going to stop as long as people just pay a small fine and a small penalty, and then they get to go home with their deferred bonuses while
people are dying on the streets of America and in other parts of the world.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator.

Let me thank the panel. With respect to Senator Lujan's point about corporate enforcement, Mr. Swartz, if you could pass back to Deputy Attorney General Monaco my compliments on the new corporate prosecution memorandum that she announced, which I think is a very important step in the right direction for the Department.

I think that we have work to do to prepare for the Summit for Democracy in this area and make sure that that is a success at rallying nations around the world to this standard. Because, frankly, if 80 percent of our allies in rule of law land help and 20 percent don't, guess where the dirty money will go -- to those 20 percent.

So we really have to do what the administration did with the international minimum tax and create a very significant international consensus around this and continue to press for the strongest beneficial ownership regulations that you need. I know that Treasury has the pen on that, but I expect that they are listening to USAID. I expect that they are listening to DOJ, FBI, and DEA, and I expect that they are listening to the State Department. And if they are not, let me know so I can make sure that
they do.

And finally, if there is anything else that you need from Congress by way of improved support, resources, or legal authorities, don't hesitate to come to us. I think, as you have seen, this is a matter of significant bipartisan interest in the Senate. I am grateful to all of you for your service and for your testimony today.

And I will excuse this panel so that we can bring on the next panel, and we will go into recess just for a few moments while the electronics are done to bring our next panel on via the Internet.

[Recess.]

The Chairman. All right. Let me call the hearing back to order for our second panel. I appreciate very much all of the witnesses' participation, particularly since they are coming from far away. One is located in Vienna. Another is in Iraq. And another is in South Carolina, slightly less far away. If only Senator Graham were here for me to take advantage of that comparison.

John Brandolino is the Director of the Division for Treaty Affairs at the United Nations Office on Drugs and Crime, where he oversees U.N.-mandated policy processes related to drug and crime and technical assistance centers related to corruption, organized crime, money laundering, cyber crime, and terrorism.
Mr. Brandolino previously served in a variety of positions at the U.S. State Department's Bureau for International Narcotics and Law Enforcement, including as Acting Deputy Assistant Secretary and Director for the Office of Anti-Crime Programs. Before that, Mr. Brandolino worked for the American Bar Association, served as assistant general counsel for the multinational force and observers, did some time here in the United States Senate and also as an aide to the Speaker of the House of Representatives.

Vanda Felbab-Brown is a senior fellow in the Center for Security, Strategy, and Technology in the Foreign Policy Program at the Brookings Institution. She is the Director of the Initiative on Nonstate Armed Actors and Co-Director of the Africa Security Initiative and the Brookings series on opioids, "The Opioid Crisis in America: Domestic and International Dimensions."

Dr. Felbab-Brown is an expert on international and internal conflicts and nontraditional security threats, including insurgency, organized crime, urban violence, and illicit economies. She is the author of the forthcoming "Narco Noir: Mexico's Cartels, Cops, and Corruption," and is a frequent commentator in U.S. and international media.

Finally, Clay Fuller is a research affiliate with the Walker Institute at the University of South Carolina.
Previously, he was a Jeane Kirkpatrick Fellow at the American Enterprise Institute, and he has worked closely with the Hudson Institute's Kleptocracy Initiative, which is a great initiative that we have done a lot of work with over the years. And he is a current member of the Global Initiative against Transnational Organized Crime.

His academic and policy work highlights how modern dictators, terrorists, and criminals utilize free market to consolidate and project power. Dr. Fuller recently authored a report on dismantling the authoritarian corruption nexus, which examines the national security implications of domestic and international economic policy.

I am very grateful to all of our witnesses. You can tell from their bios they are perfectly suited for this hearing, and I look forward to hearing from them.

And if we can, why don't we begin with Mr. Brandolino coming in from Vienna, I believe.
STATEMENT OF JOHN BRANDOLINO, DIRECTOR, DIVISION FOR TREATY AFFAIRS, UNITED NATIONS OFFICE ON DRUGS AND CRIME

Mr. Brandolino. Chairman Whitehouse, Co-Chairman Grassley, distinguished members of the caucus, good evening from Vienna. It is an honor to join you today to outline how the United Nations Office on Drugs and Crime, or UNODC, is helping countries around the world to address drug trafficking and related corruption.

My written statement provides more background about our organization. So I won't get into detail. But using our unique vantage point of being the secretariat to the most important policy processes, global policy processes related to drugs and crime and having a technical assistance and political presence in 124 countries, supplemented by our continuing data gathering and research, I would like to share how we try to build our knowledge about illicit drug flows and related corruption and what we are doing to address it.

The Chairman. Please proceed. Have we lost signal?

Mr. Brandolino. I am here. Can you hear me? Can you hear me?

The Chairman. Yes, go ahead.

Mr. Brandolino. Okay, sorry. I wanted to take this opportunity to thank the U.S. Department of State INL Bureau for their longstanding policy, substantive, and
financial support for many key areas of our work and the
Department of Justice, which regularly contributes its
expertise to our work around the world.

First, there are two levels that we address this
issue. First is a very general one. There is a science to
fighting corruption. It has developed over decades. An
effective anti-corruption regime consists of actions taken
by many stakeholders on a number of different fronts.

This means engagement in simultaneous actions by
governments, private sector, and civil society, and a wide-
ranging set of actions and commitments that consist of an
anti-corruption holistic regime are actually found in the
U.N. Convention against Corruption in its chapters relating
to prevention, criminalization, international cooperation,
and asset recovery.

And one way, one path that we use to fight corruption
generally is to ensure that effective action is being taken
on all of these fronts and that there is visible and
holistic anti-corruption regime within the specific country
involving all actors.

But in addition to this, the second path is we need to
also understand the different contexts of corruption and
develop measures that are tailored to combatting and
preventing corruption in those specific contexts. My
written statement discusses how UNODC is trying to better
understand drug flows and related illicit financial flows, which, in turn, allows us to target corruption points that facilitate those flows.

But we know that drugs or related illicit financial flows take certain paths among source, transit, and other destinations, and we can start to dig deeper to identify where corruption may facilitate those flows. For example, where corruption moves by land, where drugs move by land, there may be government officials, including border authorities and law enforcement officials, along the way who may be exposed to greater corruption risk.

Our CRIMJUST program, which has been involved in cross-cutting work related to the cocaine trafficking route from South America to Europe and is now being expanded to other parts of the world involving all types of drug flows, have been involved in targeting corruption points that help move drugs flows. We have seen, for example, that bribes are paid to obtain false documents, avoid baggage checks, obtain confidential information on law enforcement measures, and secure safe passage for drugs across borders.

Organized crime groups frequently use corrupt practices also to recover drugs seized and placed under the custody of law enforcement authorities.

Money laundering is obviously, as been discussed today, used to move and hide corrupt proceeds. But
corruption can also help fuel the laundering of proceeds generally of illicit drug activity. So we need to understand how corruption can facilitate, for example, bulk cash flows and trade-based money laundering when those types of laundering are used.

We can predict with confidence that the proceeds of crime and corruption will seek to exploit the anonymity of cryptocurrencies and corporate vehicles, and we further need to understand how corruption might facilitate these relatively new avenues.

It is a jigsaw puzzle for sure, but we are continually trying to add pieces to the puzzle. And so what is UNODC doing specifically? What are we doing to target these corruption points?

I mentioned our CRIMJUST program, which addresses the cross-cutting issue of corruption with an integrity component aimed at the drug law enforcement units and judicial authorities. We are now in 22 countries.

Our UNODC Container Control Program and our AIRCOP program are active in 99 seaports and 26 airports throughout the globe. Our experts use their knowledge on the ground to help identify unique corruption risk points at each single port and how to address them.

Our Global Program on Money Laundering has developed a series of trainings related to investigating movement of
funds via cryptocurrencies, particularly corrupt proceeds. And we have a number of prevention-related programs that support anti-corruption authorities, supreme audit institutions, procurement bodies, and other oversight bodies, and it is also to strengthen effective reporting mechanisms that ensure high levels of confidentiality.

And we have established a series of regional platforms to fast-track implementation of the U.N. Convention against Corruption, including a platform for South America and Mexico.

Finally, in this context, we have created a special partnership with the World Bank, where the Stolen Asset Recovery, or StAR, Initiative provide practitioners with knowledge and policy tools on cutting-edge issues related to preventing the laundering of proceeds of corruption.

In conclusion, continued support is necessary for activities that target corruption risk points and apply the measures contemplated in the U.N. Convention against Corruption. My written statement provides more information on our work and our programs, and I commend that to you. But as a leader of international anticorruption efforts since the very early days of anti-corruption, the contributions of the United States in regard to funding, expertise, and influencing international policy will be critical to moving forward this work and international
anti-corruption work generally.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Brandolino follows:]
The Chairman. Thanks very much, Mr. Brandolino.

Next, Ms. Felbab-Brown, please proceed -- from Iraq, no less.
STATEMENT OF VANDA FELBAB-BROWN, SENIOR FELLOW, CENTER FOR 
SECURITY, STRATEGY, AND TECHNOLOGY IN THE FOREIGN POLICY 
PROGRAM, BROOKINGS INSTITUTION

Dr. Felbab-Brown. Thank you very much. Thank you very much, Chairman Whitehouse, Chairman Grassley, and distinguished members of this committee. I am honored to have the opportunity to address the caucus.

As was mentioned, I am speaking from Iraq, and my electricity is going in and out. I hope that won't affect my testimony and engagement with the members of the Drug Caucus. The lack of electricity, or sporadic nature of it here in Iraq, is itself one of the manifestations of corruption.

Vast illegal economies, such as the drug trade, strongly exacerbate corruption and undermine rule of law. Conversely, corruption undermines counternarcotics efforts, be they interdiction of drug trafficking networks in places such as Mexico, Afghanistan, or Honduras; efforts to build legal livelihoods for those marginalized populations that participate in the production of illegal drugs, as is often the case in Colombia where government officials, vested elites, and exclusionary and vested interests appropriate money meant for development of legal livelihoods.

And in some cases, such as in Venezuela, North Korea, or Myanmar, entire regime survival is deeply intertwined
and dependent on the persistence of exclusionary patronage, corruption, and illegal economies, such as the drug trade. Similarly, in Central America's Northern Triangle, such systems of political exclusion and patronage have for decades dominated the countries and become deeply intertwined with the drug trade, with criminal organizations penetrating the highest levels of the government, such as in Honduras.

So from this overview, it is obvious that corruption is complex and not uniform. Consequently, one anti-corruption strategy does not fit all settings. Very frequently, however, anti-corruption policies are not simply monumental tasks. They are profoundly political tasks to reshape local and even national political arrangements and orders in the countries. They are not merely technical undertakings.

If they are considered and developed as merely technical projects, they can generate perhaps some capacity abroad, but they will fail to generate adequate political will and, in fact, might be undermined. Indeed, we have seen in various parts of the world that when anti-corruption efforts become effective and become mutual, not merely targeting political enemies of current government officials, they become undermined by those very same current government officials.
The attacks and efforts to dismantle CICIG in Guatemala and MACCIH in Honduras are prime examples. And other times, both counternarcotics and anti-corruption efforts are corrupted to, in fact, perpetuate the very system of narrow parochial rapacious predatory corrupt rule and merely target political and business enemies.

The record of police reform, so fundamental for anti-corruption and counternarcotics efforts, has been highly disappointing around the world. Often the preferred solutions in places where corruption is pervasive across agencies and layers of government is building special interdiction units, and indeed, they can be very effective tools. Yet once again, often when they become effective, the government is sent to dismantle them, or we have also seen circumstances where they go rogue and become, in fact, criminals in the country.

And finally, I want to say that violence matters. The more violent a criminal setting is, such as in Mexico, the harder it becomes for government officials to resist corruption, particularly if local-level officials have little to no backup protection from national government.

In my written statement, I provide a detailed set of policy recommendations. Let me just make a very few -- let me just pull out a very few examples from that.

One is that corruption efforts need to be prioritized
to focus on settings where entire communities are excluded from access to jobs or markets because this will aid political will both to proceed in anti-corruption efforts and to mount effective counternarcotics efforts. But because they are profoundly political undertakings, they require a systematic policy from the get-go to build political lines of support for the persistence and advancement of anti-corruption efforts.

The U.S. long-term goal needs to be strengthening checks and balances within the political system by reducing patronage, clientelism, all of which enable corruption. I want to also highlight something that came out in the previous panel, namely that the presence of U.S. law enforcement officials, such as DEA officials, is frequently key to monitoring the systems of corruption and penetration by criminal groups into political and law enforcement system and often stimulates at least some action.

And finally, integrating into anti-narcotics and anti-corruption policies strategies to reduce criminal violence is critical. If violence persists at very high levels, governments lose will to continue with both anti-corruption and anti-drug policies, and very high violence levels enable criminal groups to be effective in their corruption strategies.

Thank you.
[The prepared statement of Dr. Felbab-Brown follows:]
The Chairman. Thank you very much, Ms. Felbab-Brown.
And finally, Mr. Fuller, please proceed.
STATEMENT OF CLAY R. FULLER, RESEARCH AFFILIATE, WALKER
INSTITUTE, UNIVERSITY OF SOUTH CAROLINA

Dr. Fuller. Thank you, Chairmen Whitehouse and Grassley, for inviting me to share my thoughts on this important topic with the Drug Caucus today.

Although I am a native Texan, hello from South Carolina.

So the nexus between the illicit drug trade and corruption is a topic that is of great interest to me. As you mentioned, I authored a report at the American Enterprise Institute in 2019 on dismantling the authoritarian corruption nexus, which this directly addresses the global competition between systems of governance that Senator Whitehouse referred to in his opening remarks.

That report points out that greater economic transparency, done in a way that protects individual privacy rights, is a nonviolent asymmetrical weapon that can be used against our adversaries. And these adversaries include not only nation-states, but drug traffickers and corrupt foreign officials also.

So I completely applaud U.S. efforts to stem drug flows and corruption around the world. However, the world, and especially the very, very dark world of illicit drugs and corruption, has changed dramatically in just the past
5 years and has sped up especially since the pandemic began and has become much, much worse.

And so, to answer Senator Grassley's question in his opening remarks about whether or not what we are doing is working, in my opinion, it seems clear from the data that I look at as a political scientist that what we have been doing is not working, or at least not working very well.

When looking at the data, nearly all corruption measures around the world are up. Nearly all democracy measures around the world are down. Drug use and overdoses are constantly rising, and to hear that 100,000 Americans died of overdose deaths just since the pandemic began is a very depressing statistic.

So what I have done today for this -- for my written testimony and these comments is I have brought three ideas here that I have spoken about before that I think may be of help to Congress and the free world's fight against authoritarianism and nondemocracy and corruption, and the important work here of this caucus and Congress.

The first idea, similar to how FinCEN, or the Financial Crimes Enforcement Network in the U.S. Treasury, they began issuing geographic targeting orders to address money laundering through real estate here in the U.S. We could, I think, develop global geographic targeting orders to address the key transshipment points where drugs are
moved through that often involve large-scale corruption in customs.

These are usually foreign trade zones, also known as free trade zones or special economic zones or free ports. We could spend a lot of time updating those and getting more information on them, and I have worked with the Helsinki Commission on drafting ideas for how we would go about identifying the worst of the worst offenders, and I identify a lot of them in my written testimony.

The second idea I have here is that we should start, in my opinion, incorporating existing international treaties on drugs and corruption into all regional and bilateral trade agreements. So these were referred to, UNCAC and others.

As far as I know, Chapter 27 of the USMCA, which was the trade agreement that replaced NAFTA recently, this was the first time that this was ever done in our trade agreements, was to incorporate anti-corruption and drug treaties into trade agreements. And I think that should be something that we should think about doing all the time.

Third idea is that we need to radically rethink how we think about transparency. I see it as credible information instead of digging for dirt on things we don't like and exposing them. I see it as credible information that everybody can see and make their own decisions about.
We can do this, we can create this new kind of transparency by utilizing new and powerful technologies, such as blockchain technology and cryptocurrency. These technologies are developing and being adopted at a speed that is difficult to comprehend, and it is even harder for Government to keep up with. But the thing that is most misunderstood about them is that they are built on the premise of enforcing an unbreakable transparency, and they do this through decentralizing everything -- decentralizing finance and decentralizing the Internet -- so we don't have things like the HSBC incidents that were referred to earlier.

Many, if not most, of the companies developing and operating these technologies have been begging Congress for a while now for a clear framework on how they will be able to be regulated, and I think this is a clear opportunity for Congress and for the Drug Caucus to help create this framework in a way that will prioritize the transparency of the technologies without hurting the innovation in this area.

And with that, I thank you and welcome your questions.

[The prepared statement of Dr. Fuller follows:]
The Chairman. Thanks very much, Mr. Fuller, and thanks to the whole panel. You are a very expert group, and I appreciate that you have joined us from all around the globe.

Mr. Brandolino, no doubt in your mind that there is a nexus between international corruption and our own country's national security. Correct?

Mr. Brandolino. Absolutely. Every country's security.

The Chairman. And that said, if you could have your way, what would you like to see of best-case outcomes from the Summit for Democracy?

Mr. Brandolino. I think the Summit of Democracy, like addressing corruption, is a long-term project, and I am hopeful that this summit can come up with some concrete ideas that we can move forward internationally with other partners. So I think it is important to bring other -- international cooperation and multilateral work is important because we need to have a number of countries going down the same path. There is strength in numbers.

So I think we need to identify the measures we want people to take, the paths we want to go down, and bring a number of countries with us.

The Chairman. Thank you.

And Ms. Felbab-Brown, in terms of disrupting narcotics
finance, what would you think the best outcomes could be with respect to disrupting safe havens for the proceeds of the international drug trade?

Dr. Felbab-Brown. Building both legal frameworks that require governments to take some action and then building political coalitions within countries, investing in building political coalitions in those countries to, in fact, enforce those legal structures.

The Chairman. And Mr. Fuller, again, thank you for your work in this space. It has really been terrific to work with the Hudson Institute's Kleptocracy Initiative over the years.

What would you like to see -- similar question to Mr. Brandolino's. What would you like to see come out of the Summit for Democracy? And if I could ask you to tag on to Ms. Felbab-Brown, specifically what would you like to see come out of the Summit for Democracy that would relate to disrupting safe havens for international criminal drug financing?

Dr. Fuller. Thank you for the question.

I would like to see a focus on improving trade and supply chains, specifically as related to foreign trade zones, these transshipment points. I have been studying these for more than a decade now, and they are very understudied, not understood, under regulated. There is
very little data on them, and they have very critical, in
my view, point in all of this that have been overlooked for
a very long time.

The Chairman. Last question. What would you
particularly like to see us do in dealing with the Mexican
cartels and the border trade with the United States?
Anybody could take that question.

Dr. Fuller. Is that for me? Is that for me?
The Chairman. Sure.

Dr. Fuller. Well, again, the trade zones, I mentioned
USMCA. We could start enforcing Chapter 27 out of it, and
actually bringing -- bringing cases out of that is
something that could be done. But I would have to look
into some other ideas specifically for that.

Encouraging Mexico to pay their police more,
especially at the border, would help with the corruption
issue, I believe.

The Chairman. I guess one final question. Does
anybody disagree with the response from the official panel
that we have adequate resources in terms of sanctions of
people involved in corruption and that they are being
deployed adequately?

Dr. Felbab-Brown. Perhaps I can start, Mr. Chairman.
I think that the Magnitsky Act is a very powerful tool that
can be applied across a great range of issues that have
been applied for that very much links to both corruption
and counternarcotics. For example, the issue of darknet,
deep net, cryptocurrency, and money laundering have been
mentioned. Many of the organizations are also linked to
powerful states, including China and Russia. And in my
view, there are opportunities to use the Magnitsky Act to
sanction some of the proxies that engage in using
cryptocurrency for laundering all kinds of proceeds, as
well as other attacks against the United States.

And if I may, to add one comment to Mexico, I just
spent several weeks in Mexico exploring corruption, drug
trade, and other illegal economies in the country, and I am
deeply concerned about the situation there. I have
traveled there, done research there over the past 20 years,
and I have perhaps never found such extensive territories,
populations, and government officials intimidated by drug
trafficking groups, feeling they don't have adequate backup
from the federal government, from Mexico City.

And increasingly, not simply criminal groups
corrupting government officials at all levels of the
government and across law enforcement agencies, something
that requires far greater set of measures than simply
raising salaries, but in fact, criminal groups fielding
political candidates to run for office.

The Chairman. Thank you very much.
Let me turn it over to my co-chair, Senator Grassley.

Senator Grassley. Thank you, Mr. Chairman.

I am going to ask my first question of Felbab-Brown, but I am going to introduce it with what she already knows about fentanyl and the adulterating that product with other drugs, and then it gets into the United States. We spent $3 billion through the Merida Initiative to promote counternarcotics efforts in Mexico. One of the goals of the initiative is to strengthen Mexico's criminal justice system. Rooting out corruption is an essential piece of that.

So how do you -- how do weak criminal justice systems in neighboring countries impact the United States counternarcotics goals and policies?

Dr. Felbab-Brown. Well, the functioning of the criminal justice system abroad is absolutely fundamental to minimizing drug trade corruption and protecting U.S. national security and the lives of U.S. citizens. And indeed, the effort that the United States put in helping Mexico improve the justice system through the Merida Initiative made some very important progress, the most significant one being improvements to the judicial system, such as switching to trials and moving from a pure inquisitorial system to a system that is a hybrid of inquisitorial and accusatorial system.
This is important progress. It is highly imperfect.
It is also under threat with significant rollbacks to the system, and it is something that I hope will continue to be a significant part of the Bicentennial Framework efforts. We are yet to see the details of what the framework actually will mean in practice.

I am concerned that if the framework ends up defined on the part of the Mexican government as the United States stops the flows of money, weapons, and demands in the U.S., and Mexico does what it wants inside its borders, that it will not be an effective framework.

Senator Grassley. Also to you as well, I want you to tell us how to spend our taxpayer dollars more wisely. How can we better assist partner nations with defending against corruption and preventing the flow of illicit drugs destined for the United States?

Dr. Felbab-Brown. Well, there is a wide set of measures, Mr. Chairman. I outlined some of it in the written testimony. Let me perhaps pull up one. A very key element of those strategies is building special interdiction units. Yet oftentimes we are forced to work with units in which only some members are vetted, in which perhaps top-level officials refuse to be vetted.

If something like that happens, we should immediately see that it should already raise red flags about genuine
commitment on the part of our bilateral counterparts to the use of special investigative units. We also see that when they are effective, they often come under threat and perhaps are dismantled.

So building them, my required building or trying to encourage the development of legal political framework that would not subject those units to merely political discretion of being dismantled.

The Chairman. Dr. Fuller, what lessons should we be taking away from our anti-money laundering and counternarcotic strategies, and what can the United States do better than we are now doing?

Dr. Fuller. Many things. There is as attitudes towards marijuana change around the world, and especially here in the United States, it might be prudent to start thinking about shifting resources towards focusing on cocaine, fentanyl and heroin, and other drugs.

Around the world, working with our partner nations, there are very cheap and inexpensive things that we can do that would have great effect, such as teaching our partner nations how to generate, collect, and disseminate more credible aggregate data about what is going on in their country. So, for example, the statistic mentioned earlier that 100,000 Americans died of overdoses during the pandemic. It is credible, and I believe it. And it
affects me, and it encourages me as an individual to want
to do something to help fix that statistic.

A lot of our partner countries around the world don't
collect much or any data that is either believable or
exists. I went through and tried to calculate what each
country around the world spends on collecting statistics
for each individual on things in their country, and the
United States by far spends more per person collecting data
than any other country in the world, and the UK was second.

But then you start getting into Africa and East Asia
and Latin America, and it dramatically drops down to very,
very little. So we could send data scientists and
computers to these countries and teach them, you know,
better data collection and dissemination methods.

Senator Grassley. My time is up, Mr. Chairman.

The Chairman. Do you have another question? Please
feel free to proceed.

Senator Grassley. No.

The Chairman. If not, we will conclude the hearing.

Let me thank the panel, and particularly thank our
tech support team for bringing them in from Vienna, Iraq,
and South Carolina. This has been, I think, a very helpful
hearing, and I am very grateful for the expertise and
participation of each one of you.

Thanks so much for being with us, and we look forward
to continuing to work with you as we prepare for the Summit for Democracy and to assert a really strong American role in international transparency in our clash with kleptocracy, autocracy, and criminality.

With that, the hearing is concluded. Thank you all.

[Whereupon, at 2:48 p.m., the caucus was adjourned.]
once 63:13
ones 43:22
ongoing 8:12, 25
opaque 3:12
OPDAT 21:1, 14, 19 22:4, 9 39:1
OPDAT’s 21:8
open 16:5 46:14
opened 44:9
Opening 1:3 3:1, 6
46:8 67:15 68:4
operating 70:14
Operation 19:21
operational 11:18
22:7
operations 38:3, 5
opinion 40:25
41:19 68:5 69:11
Opioid 19:22
31:13 38:4 52:16
opioids 52:16
opportunities 15:12
74:6
opportunity 24:8
27:1 40:6 54:24
61:7 70:16
order 3:3 25:20
29:15 31:18 43:15
47:20, 23 51:14
orders 6:8 62:15
68:22, 24
organization 54:10
organizations 5:8
8:19 13:14 22:14
24:25 25:16 29:6
37:8 39:23 40:13
41:16, 20, 25
43:25 45:12 48:12
62:7 74:4
organization’s 12:10
organized 6:18
11:24 15:6 25:3
26:22 42:14, 19, 22
43:9 51:24 52:20
53:6 56:21
originated 37:5
Otouniel 21:5, 8
outcomes 71:11
72:1
outlets 24:25
outline 54:5
outlined 76:18
overdose 8:12
36:15 68:12
overdoses 6:16
68:10 77:24
overlooked 73:2
oversaw 12:10
Overseas 11:14, 17, 21 20:25 42:21
oversee 32:18
oversights 9:3, 18
25:19 33:6 34:15
35:4 36:24 58:4
overview 62:9
owner 6:7
ownership 29:4
50:20
paths 56:5 71:22
Patrol 44:6
patronage 62:1, 4
64:11
pay 20:7 25:11
26:5 48:2 49:16,
24 73:15
paying 26:20
pelt 28:23
pen 50:22
penalty 49:24
penetrating 62:7
penetration 64:15
people 32:12 41:22
42:6, 25 43:22
44:3, 5, 11 47:13
48:9, 10, 13, 15
49:24 50:1 71:22
73:21
people’s 33:5
percent 28:14
50:14, 15, 16
perfectly 53:14
perform 9:14
permanent 6:8
permanently 38:8
permission 49:14
permits 25:22
perpetrators 4:22
perpetuate 63:4
persecution 62:1
64:7
persecutes 64:20
person 35:13 78:8
personal 25:1
personnel 5:15
9:10
perspective 20:17
40:7
pervasive 63:10
pharmaceutical 36:21
piece 39:20 75:10
pieces 57:12
pillar 14:19
place 10:10 30:7
34:4 40:2
placed 42:21 56:22
places 24:18 61:17
63:10
placing 40:10
planned 16:13
planning 12:18
platform 58:9
platforms 58:7
plays 31:8
please 12:21 54:19
60:2 66:2 78:16
pleased 13:8 24:8
point 16:9 40:8
50:6 54:11 73:2
pointed 21:12
42:12
points 19:8 25:20
56:2, 16 57:14, 22
58:17 67:16 68:25
72:23
police 15:7 21:16
25:9 63:7 73:15
policies 62:12
64:19, 22 75:14
Policy 1:20 5:10
12:18 16:13 51:22
52:13 53:7, 12
54:12, 25 58:14, 24
61:2 63:23 64:6
political 8:6 13:24
16:10 26:8 40:22,
24 54:14 62:4, 13,
14, 19, 23 63:6
64:3, 5, 7, 10, 16
68:6 72:6, 7 74:24
77:6, 7
politicians 25:9
26:10
population 26:12
populations 61:19
74:16
port 57:23
ports 69:4
position 35:7
positions 21:24
52:2
possible 31:11, 23
post 33:15
potential 36:24
pound 30:18
Power 24:13 53:9
powerful 5:23
13:15 70:2 73:24
74:5
powers 4:12
practice 76:6
practices 14:7
56:22
practitioners 58:13
precursor 36:4
37:7, 9
precursors 8:14
predatory 36:23
63:5
predict 57:6
preferred 63:9
premise 70:8
prepare 50:11 79:1
prepared 16:22
17:2 22:25 27:16
59:3 65:1 70:22
presence 54:14
64:13
Present 2:12
President 4:10 5:5
9:19 29:20 41:5, 12
presiding 2:11, 12
press 50:20
pressing 49:21
pressure 25:1
pressured 46:6
pretty 43:25
preval 6:23 28:16
prevent 6:8 9:15
12:11 14:20 35:5
preventing 55:24
58:15 76:15
prevention 13:22
55:14
prevention-related 58:2
previous 64:13
Previously 12:8
52:1 53:1
primarily 13:21
prime 63:2
Prior 11:1
prioritize 70:18
prioritized 63:25
priority 29:19
privacy 67:18
private 24:16 27:4,
12 55:10
privately 30:9
probably 13:12
problem 24:22
28:17, 18 30:13
problems 5:3
22:20 35:4
proceed 10:20
12:21 54:19 60:2
64:3 66:2 78:17
proceeds 15:3
25:10 26:17 28:17,
18 56:25 57:1, 6
58:1, 15 72:2 74:8
process 37:12 44:7
processes 32:24
51:22 54:12
procurement 58:4
produce 37:6, 9
product 75:5
production 61:20
professional 25:2
professionals 6:2
profit 26:4 37:12
48:9
profits 26:5 42:19
46:17 47:25
profoundly 62:13
64:5
Program 1:20
11:17 12:18 15:10,
25 21:2, 9 26:18
32:24 52:13 56:12
Senator Sheldon Whitehouse
Senate Caucus on International Narcotics Control
***AS-PREPARED*** Opening Statement – “The Nexus between the Illicit Drug Trade and Corruption”
November 17, 2021

The central conflict of the 21st Century has been and will be between the rule of law and the absence of rule of law – democracy and transparent free markets on one side, and kleptocracy and opaque corruption on the other.

The illicit narcotics trade is a central element of this clash. It devastates public health and safety, fuels corruption, and erodes democracies. It also relies on rule-of-law protections in the U.S. and other democracies to safeguard its ill-gotten gains in our property and financial institutions.

Drug traffickers’ business empires, taken together, are conservatively estimated at $150 billion annually, exceeding the GDP of 150 countries. Such a massive trade cannot exist without the coerced or willing complicity of government officials and law enforcement.

The links between the narcotics trade and corruption abound:

- Last month, the former Mexican Minister of Public Security was convicted of bribery and narcotics charges in U.S. federal court. He is among a number of high ranking officials and vetted law enforcement officials who currently await trial or have already been convicted in U.S. courts on various bribery and narcotics charges.
- In Afghanistan, Taliban members and other former government officials who vocally disavowed the narcotics trade simultaneously taxed it to enrich themselves or their cause.
- The U.S. has indicted Venezuelan President Nicolas Maduro and many of his allies on charges of narcoterrorism and conspiracy to smuggle cocaine, demonstrating the drug trade’s infiltration of the highest echelons of government.
- The former Rear Admiral of Guinea Bissau was sentenced by a U.S. court for a conspiracy to facilitate the trade of cocaine in exchange for bribes.

The list goes on.

It’s no surprise that drug traffickers exploit countries with weak rule of law. According to Transparency International, the majority of countries designated as major drug producing or transit countries are among the most corrupt in the world. Impunity rates in these countries are astonishingly high, meaning most perpetrators of crimes go unpunished.

So how do we counter this narcotics-fueled corruption?

First, intentionally weave anti-corruption and anti-money laundering strategies into our broader national drug control strategy. We cannot ignore the connections between these problems. In a recent memorandum on the fight against corruption, President Biden called for an interagency review to help craft a whole-of-government strategy for combatting corruption and holding
transnational criminal organizations accountable. Co-chair Grassley and I have asked the
administration to include the Office of National Drug Control Policy in this review.

Second, redouble cooperation with international partners to strengthen the rule of law, expand
judicial transparency, and increase access to justice abroad. We must help partners increase their
capacity to implement accusatory justice systems; safeguard judicial personnel and law
enforcement from bribes and violence; and ensure that all members of society have access to
swift and certain justice.

Third, better leverage sanctions. The U.S. dollar is the most widely used currency in the world.
U.S. sanctions effectively freeze the property and assets of narcotics traffickers and those who
assist them. But these measures could be much more powerful if we apply them in concert with
partners around the globe.

Finally, we have work to do at home. The Pandora Papers show how bad actors exploit lawyers,
realtors, and other gatekeeping professionals who are not subject to Bank Secrecy Act reporting
requirements to set up shell corporations for hiding ill-gotten gains. We can stop this by fully
and swiftly implementing the Corporate Transparency Act, to allow law enforcement to track the
true owner of a shell company; by making geographic targeting orders permanent and
nationwide, to prevent narcotics traffickers and others from using the real estate market to hide
illicit wealth; and by strengthening anti-money laundering regulations, to reduce risk and
strengthen law enforcement’s hand.

The illicit drug trade and the consequences that accompany it directly impacts citizens world-
wide. In the United States, from April 2020 to April 2021, over 100,000 Americans died from
drug overdoses. Globally, the U.N. Office on Drugs and Crime reports that “Since the start of
the 21st century, organized crime has resulted in roughly the same number of killings as all
armed conflicts across the world combined.”

For America to stop these harms and to remain an example to the world, we must prevail against
the transnational drug trade and the corruption it fosters. Today’s hearing will examine how U.S.
agencies address the nexus between the illicit drug trade and corruption, how we might improve
those efforts, and how we can harness our partnerships with fellow rule-of-law countries to hold
corrupt actors to account.
Prepared Statement by U.S. Senator Chuck Grassley (R-Iowa)  
Co-Chairman, Caucus on International Narcotics Control  
Hearing on The Nexus Between the Illicit Drug Trade and Corruption  
Wednesday, November 17, 2021

Corruption threatens economic, social, and political development. The illicit drug trade is a massive barrier to ending corruption. We’re here today to discuss this complex nexus.

Many countries struggle with regulating and stopping the flow of illicit drugs. This impacts Americans, as evidenced by the ongoing drug overdose crisis, which is driven by fentanyl. China ships fentanyl precursors to drug cartels in Mexico, who then funnel it over the southwest border.

For nearly fifteen years, the U.S. has sought to work with allies in Mexico to stop the flow of drugs into the U.S. through the Merida Initiative. Yet Mexican-based drug trafficking organizations maintain control of the drug trade through violence, intimidation, and corruption.

Some progress has been made in this space. For instance, a few weeks ago, Mexico recorded the largest seizure of fentanyl in the country’s history. Also, our nations are having ongoing talks about how to stop the supply and demand of drugs.

Rooting out corruption isn’t confined to Mexico. So as we review our efforts, we must ensure strong oversight.

In August of this year, the Justice Department Inspector General reported that DEA hasn’t been keeping track of the partnerships with foreign law enforcement to combat the flow of illegal drugs.

When the OIG checked, the DEA’s headquarters didn’t even have a complete record of the foreign law enforcement units DEA personnel established.

And according to the OIG, after serious incidents involving alleged intelligence leaks and corruption, the DEA had failed to perform programmatic reviews on the causes of those incidents and to prevent similar events again.

Another country on the front lines in our effort to stop the illegal flow of drugs is Haiti. In that country, we also have a need for strong oversight.

Since the Haitian President was assassinated in July, we’ve learned that two Haitian nationals wanted in connection with the assassination have past associations with the DEA.

Haiti’s DEA office was also the subject of recent whistleblower allegations and a damaging report issued in July by the U.S. Office of Special Counsel.

Yesterday, Senator Durbin and I sent a letter to the DEA raising concerns related to both the OIG and OSC reports. I look forward to getting prompt answers to our questions.
Today’s hearing is on a broad and complex issue. So I want to learn about the best ways to address the connection between the illicit drug trade and corruption, what tools can be used, and what programs the federal government has in place.

But it’s also our job to ask if these tools and programs are effective; if they’re a good use of the taxpayer dollars; and how to improve them. I look forward to having interesting and important discussions with our witnesses on these topics.

-30-
Statement of Ambassador Todd D. Robinson
Assistant Secretary of State for
International Narcotics and Law Enforcement Affairs
Before the
Senate Caucus on International Narcotics Control
“The Nexus between the Illicit Narcotics Trade and Corruption”
November 17, 2021

Chairman Whitehouse, Co-Chairman Grassley, distinguished Members of the Caucus; thank you for the opportunity to appear before you today. The topic of this hearing – the nexus between the illicit narcotics trade and corruption – could not be more timely or important to the work of the Bureau I have led since September, the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL).

President Biden has identified corruption as a critical threat to U.S. national security and to democracy. The illicit drug trade is probably the single greatest revenue stream behind corruption globally. No other criminal revenue stream approaches the scale of illicit drug profits, which reach hundreds of billions of dollars annually. While corruption takes many forms and stems from many sources, wealth on this scale gives transnational criminal organizations an almost unlimited capacity to corrupt government institutions and guarantee themselves more secure operating environments. Conversely, no criminal organization can thrive in the long-term or grow into a threat to democracy or international stability without significant corruption. This interdependency between the two threats requires integrated countermeasures, and I will briefly summarize how INL approaches this challenge.

INL Support for Holistic Criminal Justice Reform

First, Congress must be credited with playing an important role in supporting INL’s evolution to confront corruption. INL’s original mandate when the Bureau was created over 40 years ago was more restricted to illicit drug crops and trafficking. The nexus between drug trafficking and corruption was never a secret, and our foreign assistance programs included support for vetted units that addressed corruption in cooperation with law enforcement partners. But INL did not acquire the authorities to address the institutional and environmental factors that enabled corruption until the mid-1990s, when Congress expanded our mandate, giving INL authority to coordinate U.S. diplomacy, foreign assistance,
and multilateral engagement targeting all forms of global crime on behalf of the Secretary of State.

INL’s diplomacy and foreign assistance programs have since evolved beyond drug supply reduction and intervention to engage the entire spectrum of criminal justice institutions of our international partners. INL now works with law enforcement, judges, prosecutors, and correctional institutions. All links in this criminal justice chain need resiliency to prevent sophisticated trafficking organizations from exploiting the weakest link. INL works closely with the Department of Justice, including the Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and the International Criminal Investigative Training Assistance Program (ICITAP), the U.S. Agency for International Development, and other interagency partners, as well as with international organizations, civil society, the private sector, and U.S. state and local experts to promote fair, transparent, and accountable criminal justice systems capable of investigating and sanctioning corruption. By helping our international partners become more effective and resilient, our work helps prevent and combat international drug trafficking and corruption in tandem.

Anticorruption is a core INL mission that is interwoven into our work in over 90 countries. Conceptually, our efforts fall under three pillars, all aimed at supporting prevention, enforcement, and accountability. The first is building shared standards and political will against corruption at the global level; the second is strengthening capacity in partners to prevent, detect, and hold accountable those that participate in corruption; and the third is employing targeted sanctions as well as deterrence tools to discourage corruption and isolate offenders.

**Building the Global Anticorruption Framework**

Over the past two decades, INL has led U.S. efforts to develop shared global standards against corruption and the architecture for anticorruption cooperation across borders. INL leadership was key to negotiating the world’s only global, legally binding commitments against corruption, the UN Convention against Corruption (UNCAC), completed in 2003. Based on U.S. domestic best practices, this treaty now requires 188 governments to implement the same anticorruption standards to which we hold ourselves. INL also leads U.S. participation in multilateral frameworks including the G20’s Anticorruption Working Group, and anticorruption discussions in the G7, Asia-Pacific Economic Cooperation, and the Organization of American States. These shared standards and commitments provide us with diplomatic leverage that is bearing results.
For example, over the past two years, INL led efforts against foreign bribery through the G20 Anticorruption Working Group. We worked closely with like-minded partners to secure the first ever time-bound commitment from all G20 countries to criminalize foreign bribery and enforce foreign bribery legislation. This commitment puts pressure on countries like China and India to act against companies using bribes to secure business abroad, leveling the playing field for U.S. businesses. Leveraging this achievement in the G20, the United States was then able to secure a similar commitment from the 188 States Parties to the UNCAC in June 2021 at the UN General Assembly Special Session against Corruption. Progress in building these global standards helps shrink the enabling environment that allows drug trafficking and all other forms of transnational crime to thrive.

The development and promotion of these global commitments are critical to achieving sustainable buy-in from governments. Because other countries have participated in the negotiation of these instruments and agreed to these standards, the United States stands on more solid ground to urge governments to demonstrate the political will needed to live up to them.

**Integrating Anticorruption into INL Capacity Building**

Our foreign assistance programs similarly integrate anticorruption objectives into broader country and regional strategies to fight illicit drugs and promote broader criminal justice reform.

INL programming supports the capacity of governments and civil societies to build transparent and accountable institutions, promote public sector integrity, and strengthen compliance with international anticorruption standards. Our assistance also helps to strengthen criminal justice authorities’ ability to detect, investigate, and prosecute corruption, including corruption related to drug trafficking.

For example, for the past several years, INL has worked closely with Albania in cooperation with OPDAT and ICITAP to advance anticorruption efforts by providing training, mentorship, and equipment. INL’s engagement has successfully expanded the effectiveness of Albanian authorities to investigate and deter high-level corruption and organized crime. In October, Albania’s INL-supported Specialized Anti-Corruption Body and Internal Affairs Service arrested 12 people, including five corrupt police officers, involved in cannabis cultivation and trafficking.
INL works closely with the Department of Justice, the U.S. Agency for International Development and other interagency partners to build foreign law enforcement and justice capacity to investigate and prosecute complex corruption and drug trafficking cases, including by providing funding to support the deployment of expert advisors. For example, INL works with the U.S. Department of Justice in Pakistan to train and support prosecutors handling complex financial crimes and money laundering linked to corruption. Prior to August 15, 2021, INL’s Afghanistan program included support for a judicial unit based at the Counter Narcotics Justice Center, which served as the central facility for the investigation, prosecution, and trial of major drug and drug-related corruption cases.

INL’s anticorruption efforts hit every facet of our programming in Mexico. Particularly at the state level, our partnership with Mexico has helped strengthen the capacity of security and justice institutions to reduce opportunities for corruption, prosecute offenders, and promote a culture of accountability. Our work complements robust interagency programs, including those of USAID. Our joint work in helping Mexico transition to a more open and transparent accusatorial judicial system is a centerpiece of these efforts. INL support helped Mexico to achieve international accreditation of Mexican security and justice institutions to increase transparency. Such efforts are essential for reducing crime rates, improving criminal justice processes, and protecting human rights. Going forward under the U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities, the United States will expand its partnership with Mexico to counter corruption through the investigation, seizure, and forfeiture of corrupt officials’ illicit assets. We will also work to expand local institutional capacity to increase the investigation and prosecution of organized criminal groups. The success of these measures limits opportunities for drug trafficking organizations to leverage corruption to advance and protect their operations.

Another way by which INL mainstreams anticorruption goals into our counterdrug programs is through our support for vetted units. Vetted units are investigative units of foreign law enforcement personnel that are put through a security screening or vetting process, to include background checks and polygraph examinations. To cite one example, in cooperation with the Department of Homeland Security’s Homeland Security Investigations, INL has equipped and trained a vetted team of Colombian officers to build strong cases against criminal organizations and corrupt officials who enable money laundering. Since April 2020, that team has reported seizing 2,880 kilograms in illicit drugs and over $9 million in counterfeit and contraband products.
Corruption and the illicit drug trade cannot be separated from what motivates both – the money. Illicit finance is the genuine nexus between the drug trade and corruption. The infrastructure used by drug traffickers and other transnational criminals to launder illicit proceeds is extensive and worldwide. In addition to movement through the traditional financial system, informal value transfer systems, and bulk cash smuggling, it is increasingly common for criminals to move illicit proceeds through trade-based money laundering and the exploitation of new technologies. Regardless of the methodology, transnational criminal organizations increasingly outsource the laundering of criminal proceeds to professional money laundering networks, whose specialized expertise enables them to evolve and adapt more quickly.

To strengthen international capacities to deter, detect, and disrupt these illicit financial flows, INL provides support to strengthen anti-money laundering capacities of international partners in line with international standards. Our assistance efforts seek to strengthen the capacity of financial intelligence units and other relevant authorities to collect and share financial intelligence, as well as to provide case-based mentoring on financial crime investigations. INL programs are also working to promote beneficial ownership transparency in partner jurisdictions to prevent criminals from hiding illicit proceeds – a critical challenge for progress against corruption writ large.

INL’s partnerships with other federal agencies and international organizations is crucial to the success of our efforts. To cite one example, the UN Office on Drugs and Crime has a global platform for providing high-quality capacity assistance based on leading international standards, and INL is a proud supporter of its work, including its flagship CRIMJUST program, which provides training and support to criminal justice institutions across multiple countries along major drug trafficking routes. INL has contributed more than $29 million over the past five years to CRIMJUST programs in eight countries, including in Mexico, Nigeria, and other West African countries to bolster cross-border cooperation against drug trafficking and other forms of transnational organized crime.

**Deterrence Tools**

To complement and reinforce our diplomacy and assistance, INL also works with interagency counterparts to employ targeted sanctions and deterrence tools to discourage high-level corruption and support the work of law enforcement. INL manages two rewards programs targeting high-level drug traffickers and other transnational criminal leaders, which have helped our law enforcement partners
bring over 75 international drug kingpins and crime bosses to justice. INL also manages two anticorruption visa restriction authorities, and, in close cooperation with the Department of the Treasury, supports implementation of the corruption prong of the Global Magnitsky sanctions program.

The public designation of corrupt actors under our visa denial authorities has significantly reinforced our broader anticorruption agenda, including through increased media attention. We have also seen these designations spur governments to remove designees from office or to open law enforcement investigations and to build momentum to adopt anticorruption reforms. INL has greatly expanded the use of these tools since 2019, completing 2.5 times more visa restrictions cases and seven times more reward cases than in the previous two years.

**Expanding the Knowledge Base**

Addressing the nexus among various forms of transnational organized crimes, including corruption and drug trafficking, requires evidence-based approaches. To expand our organization’s understanding of this complex issue, INL partners with academia and civil society to expand our knowledge on what interventions work. For example, through its Justice Sector Training, Research, and Coordination plus (JusTRAC+) program, INL partners with the University of South Carolina’s Rule of Law Collaborative and the American Bar Association. JusTRAC+ convenes academics, civil society, and U.S. government practitioners, to share evidence-based approaches to combating corruption-enabled transnational crime. This information is then promulgated through practitioner toolkits, trainings, symposia, and an online knowledge hub.

**Conclusion**

Mr. Chairman, my testimony has focused on the work of my Bureau but let me end with an important point that cannot be stressed often enough: political will on the part of our partners to confront corruption and the drug trade is absolutely critical. Even the best resourced and planned U.S. foreign policy intervention cannot succeed if our partners are not equally or more committed to the challenge. Governments must own their efforts to enact reforms and disrupt drug networks and the corruption they engender.

The international anticorruption standards we have developed and promoted help immensely, and our assistance programs can nudge countries in the right direction. But long-term progress to close pathways for corruption and push the
illicit drug trade to the margins must come from our partners. To mobilize political will for further reforms, the United States must continue to engage civil society and public audiences. Governments that are accountable to their publics and value contributions from civil society have much greater resiliency against corruption, drug trafficking, and other criminal threats. No country is immune to these challenges, and we share them ourselves. The United States must also achieve further success here at home to reduce our own vulnerabilities, such as reducing demand for illicit drugs. By holding ourselves and our partners accountable, and recognizing that these are shared challenges, we give greater strength to our public messaging and increase our appeal as a partner.
STATEMENT OF
BRUCE C. SWARTZ
DEPUTY ASSISTANT ATTORNEY GENERAL
AND COUNSELOR FOR INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF JUSTICE

BEFORE THE

SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL
UNITED STATES SENATE

FOR A HEARING ENTITLED

THE NEXUS BETWEEN THE ILLICIT NARCOTICS TRADE AND
CORRUPTION

PRESENTED

NOVEMBER 17, 2021
Chairman Whitehouse, Co-Chairman Grassley, and distinguished members of the Senate Caucus on International Narcotics Control, thank you for this opportunity to testify on behalf of the Department of Justice. The topic of today’s hearing – the nexus between the illicit narcotics trade and corruption – is one of central importance to the Department of Justice (Department).

At the Department, we are deeply committed to investigating and prosecuting narcotics traffickers, and those they corrupt – which we do through our Narcotic and Dangerous Drug Section, our Money Laundering and Asset Recovery Section, the Office of International Affairs, and our U.S. Attorneys’ Offices throughout the country. In this regard, our prosecutors work closely with agents from all of the Department’s law enforcement agencies, including the Department’s Drug Enforcement Administration and the Federal Bureau of Investigation. Our prosecutors also work with investigators from the Department of Homeland Security – including Homeland Security Investigations – and with the U.S. Postal Service and a wide range of other partners.

But the Department is no less committed to building the capacity of our foreign counterparts to fight narcotics, and the corruption related thereto. This is not simply a matter of providing foreign assistance: it makes our country safer as well. Through our overseas capacity building work, we help develop partners who can fight narcotics and corruption before it reaches our borders – or who can collaborate with us when the criminal activity is already present in our country.

In particular, the Caucus has asked that I discuss today the role that the Department’s Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and our International Criminal Investigative Training Assistance Program (ICITAP), along with other related DOJ components, play in building the capacity of institutions in partner nations to prevent and curb corruption associated with drug trafficking organizations and transnational criminal organizations. I am very glad to do so, since the work of OPDAT and ICITAP – together with the related international capacity-building work of other DOJ components –
constitutes a remarkable record of achievement in helping our overseas partners to fight transnational crime and corruption – thereby making our citizens more secure as well.

I begin by describing briefly the structure – including the financing – of OPDAT, ICITAP, and other Department capacity-building programs. I then turn to some of the achievements of those programs in fighting narcotics trafficking and related corruption. Finally, I discuss what more could be done to advance this vital overseas work by the Department.

**OPDAT and ICITAP:** This year marks the 30th anniversary of the Department’s Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), and the 35th anniversary of our International Criminal Investigative Training Assistance Program (ICITAP). During the past three decades, OPDAT prosecutors and ICITAP law enforcement experts have deployed to more than 110 countries around the world and have played leading roles in all of the U.S. Government’s overseas post-conflict and transitional justice programs. At present, there are 73 OPDAT prosecutors and 175 ICITAP personnel deployed to 69 U.S. missions around the globe.

Significantly, the OPDAT and ICITAP model is not simply to provide training courses. Rather, the Department deploys highly-experienced federal prosecutors and law enforcement assistance attachés to serve multiple-year terms as resident advisors in host countries. Assigned to U.S. Embassies, OPDAT and ICITAP advisors work on a daily basis with their foreign counterparts, with a particular emphasis on case-based mentoring – that is, advising foreign prosecutors and law enforcement personnel on how best to investigate and prosecute the most complex cases they face, including narcotics and corruption cases. Moreover, because OPDAT advisors and ICITAP attachés are federal employees, not contractors, they can link back to the Department’s domestically-based prosecutors and investigators, in order to bring the Department’s full expertise to bear, and in order to link together foreign and U.S.-based investigations regarding common criminal actors.

Similarly, in a number of countries, the DEA and FBI sponsor and coordinate with “vetted teams” – that is, teams of trusted foreign law enforcement agents, who have passed through anti-corruption processes and who receive support and mentoring from DEA and FBI agents assigned to the host country. These vetted teams play a key role in investigations within their countries, and in coordinating with the Department’s own investigations and prosecutions.

As foreign assistance authority falls with the Department of State and USAID, the Department of Justice does not receive direct appropriations to provide these OPDAT and ICITAP advisors to foreign countries, or to establish vetted teams through DEA and FBI. Accordingly, the funding for OPDAT and ICITAP, and for these vetted teams, comes from the State Department and USAID foreign assistance funding, either through the State Department’s Bureau of International Narcotics and Law Enforcement Affairs (known as INL) – whose Assistant Secretary, my friend and colleague Ambassador Todd Robinson, is also testifying today – or through State’s Counterterrorism Bureau. USAID also provides funding for one of our ICITAP programs in the Dominican Republic.
In sum, with respect to overseas capacity building programs involving criminal justice matters – including narcotics or corruption – interagency agreements are negotiated with State/INL to determine which countries OPDAT and ICITAP may operate in, and what criminal justice areas we may address.

**OPDAT and ICITAP Achievements:** Wherever they have been funded to operate, OPDAT and ICITAP, along with the DEA’s vetted units, have achieved remarkable results in building the capacity of their foreign counterparts to fight narcotics, and narcotics-related corruption. To cite but a few recent examples from earlier this year alone:

- The October 23rd arrest by Colombian security forces of the Clan del Golfo’s leader Dairo Usuga David, also known as Otoniel, was supported by OPDAT and the DEA’s vetted Colombian units, with funding by State’s INL Bureau. The Clan del Golfo is Colombia’s largest national-level drug trafficking organization, and Otoniel’s arrest was a remarkable achievement by the Colombian security forces. The DEA’s vetted units played an important role in the weeks leading up to the arrest, by conducting one of the largest asset forfeitures in Colombian history. Similarly, OPDAT’s Resident Legal Advisors had created a Clan del Golfo technical assistance working group, and the two Colombian prosecutors who filed charges against Otoniel had been part of that working group and had received extensive OPDAT training. Important assistance in the arrest was also provided by the Department’s Narcotic and Dangerous Drug Section attaché in Colombia, and by the Department’s Office of International Affairs.

- On July 23rd, ICITAP-trained Tactical Operations Response (TOR) officers from the Patrol Police Department of Ukraine participated in disrupting a major international drug trafficking group that was transporting more than 368 kg of heroin from Iran through Ukraine to the European Union. The multi-agency operation involved officers from several branches of the National Police of Ukraine, Border and Customs Services of Ukraine and Armenia, law enforcement from Georgia, Crimean authorities, and the Drug Enforcement Administration.

- On July 2nd, in several Albanian cities, 38 suspects – including an Albanian prosecutor, the Albanian State Police Section Chief for narcotics trafficking, four senior police officers, and one local government director – were arrested on drug trafficking charges by OPDAT-mentored prosecutors from the Special Structure against Corruption and Organized Crime (SPAK), which also received support from ICITAP. In addition to narcotics trafficking, the defendants are under investigation for corruption, abuse of office, money laundering, and other related criminal activity. During the operation, SPAK seized assets valued at more than $4,000,000, as well as six tons of marijuana, cocaine, and hashish worth approximately $65,000,000. As U.S. Ambassador Yuri Kim noted, this was a major blow against organized crime and corrupt officials.

- On May 22nd, an apartment in New Belgrade, Serbia, was searched by members of the Serbian Service for Combating Organized Crime (SBPOK), a department which has
participated in trainings from ICITAP in advanced investigative techniques. The apartment was being used as a vault for illegal assets owned by a major Serbian organized crime group. During the search, computer equipment and flash memory devices were seized, along with 100,000 Euros in cash. Approximately two dozen members of this group, including most of its leadership, were arrested earlier this year and recently charged with narcotics trafficking, money laundering, kidnapping and murder.

- On May 17th, DOJ-ICITAP and OPDAT-mentored Kosovo police and prosecutors led an operation resulting in the seizure of over 400 kilograms of cocaine, valued at approximately $24 million. Applying best practices learned from ICITAP and OPDAT, and acting on information from DEA, Kosovo prosecutors coordinated with Italian and Albanian law enforcement agencies to track the cocaine, which was hidden in a food shipment from Brazil, through Italy and Albania, before being seized in Kosovo. Police also arrested seven Kosovo suspects and seized motor vehicles, firearms, ammunition, and over 25,000 Euros in cash.

- On April 6th, outside of Monterrey, Mexico, Mexican law enforcement authorities working with OPDAT-mentored prosecutors arrested Evaristo Cruz Sánchez, a/k/a “El Vaquero,” along with three other individuals. Sanchez is a leader of the powerful and violent Gulf Cartel, which operates primarily out of the Mexican State of Tamaulipas bordering Texas. In addition to firearms trafficking and narcotrafficking charges, the fourth defendant faces charges for attempted bribery after he tried to bribe federal prosecutors to release him – showing again the narcotics-corruption link.

In addition to the above cases, during this same time period, OPDAT and ICITAP advisors also provided counternarcotics and anti-money laundering mentoring and training to counterparts in, among other locations, Indonesia, Paraguay, Latvia, Malta, Morocco, North Macedonia, and the Gulf Region. Through its world-wide International Computer Hacking and Intellectual Property advisors (ICHIPs), OPDAT also provided extensive mentoring and training on cryptocurrency, and formed cryptocurrency working groups in Europe and Southeast Asia.

More generally, all the work of OPDAT and ICITAP overseas is designed to build the rule of law, and thus to fight corruption, whether that corruption originates from narcotics trafficking or other sources. Three recent examples of such anti-corruption mentoring are:

- The creation this year, with the assistance of OPDAT, of a regional working group of prosecutors focusing on corruption in El Salvador, Guatemala, and Honduras. This regional working group in turn mirrors and coordinates with the U.S.-based Central American Anti-corruption Task Force, through which the Department is focusing on prosecuting corruption-related money laundering from Central America, and on recovering corrupt assets from the region that may have been invested in the U.S.

- The arrests in Malta, on March 20th, of 11 suspects on money laundering and conspiracy charges, including the chief of staff to the former prime minister, along with other
government officials. The police superintendent and the lead prosecutor on the case are key OPDAT partners on anti-money laundering reforms.

- The charges by OPDAT-mentored prosecutors in El Salvador, on March 19th, against nine defendants, who are accused of laundering $16 million through fraudulent or nominee entities and false contracts. The case stems from former El Salvador President Elias Antonio Saca Gonzalez’s role in embezzling $298 million while in office. Saca and six others were convicted in November 2018, with Saca receiving ten years’ imprisonment for embezzlement and money laundering. OPDAT provided case-based mentoring in the Saca case and continues to do so in the current one.

**The Path Forward:** The foregoing accomplishments from the past year are only a small part of the successes that OPDAT and ICITAP have had in fighting narcotics trafficking and corruption during their three decades of existence, supported with funding from the State Department’s Bureau of International Narcotics and Law Enforcement Affairs.

Moreover, in a significant development, the Bureau of International Narcotics and Law Enforcement Affairs earlier this year supported funding the Department’s proposal for the creation, through an Interagency Agreement, of a Global Anticorruption Rapid Response Fund. This Fund will allow OPDAT and ICITAP to deploy prosecutors and agents – when approved by INL and the relevant U.S. Embassy -- to provide case-based mentoring and training to foreign counterparts who need urgent assistance in investigating and prosecuting complex corruption cases. This Anticorruption Rapid Response Fund is modeled on the existing and highly successful Counterterrorism Rapid Response Fund, which was established by State’s Counterterrorism Bureau in 2014, and which has permitted the rapid deployment of Department of Justice prosecutors and agents by OPDAT and ICITAP to assist in counterterrorism matters.

While the initial amount set aside under the Global Anticorruption Rapid Response Fund is modest – only $750,000 – it is nonetheless an important step towards increasing the ability and agility of the Department to fulfill its mission of assisting foreign counterparts to fight narcotics trafficking and corruption. Whatever we can do to advance that mission in turn advances the safety of U.S. citizens.

Thank you, and I would be glad to address any questions you might have.
Statement of Shannon N. Green
Executive Director of the Anti-Corruption Task Force and Senior Advisor to the Administrator, U.S. Agency for International Development (USAID)
Before the Senate Caucus on International Narcotics Control
“The Nexus between the Illicit Narcotics Trade and Corruption”
November 17, 2021

Chairman Whitehouse, Ranking Member Grassley, distinguished Members of the Caucus; thank you for bringing us together today to examine the nexus of the illicit narcotics trade and corruption and for your leadership on these issues. I am grateful to have the opportunity to share with you how USAID works alongside our interagency partners – particularly the Departments of State, Justice, and Treasury – to address these critical, and mutually reinforcing, threats to inclusive development, democracy, and security. USAID’s robust on-the-ground presence, network of local employees and partners, and sustained investments in institutions and frontline actors are essential for shifting the systems, norms, and incentives that enable corruption and drug trafficking.

As Administrator Power said in outlining her vision for development on USAID’s 60th anniversary, “corruption is basically development in reverse.” It undermines national security, scares away private investment, contributes to environmental degradation, erodes the rule of law, and weakens support for democracy itself. Corruption fuels and is fueled by the prevalence of drug trafficking and the transnational criminal organizations (TCOs) that facilitate it. Both corruption and the trade in illicit narcotics are rooted in weak governance systems, captured or compromised justice sector institutions, and ineffective oversight and enforcement bodies. And these dynamics know no borders, involving actors, systems, and networks across countries and regions. Addressing the dual threats of corruption and the illicit narcotics trade, then, will require a persistent, coordinated, and whole-of-government effort. With Missions in more than 80 countries and programs in more than 100, USAID plays a critical role in this endeavor.

USAID’s Holistic Approach to Combating Corruption

The fight against corruption and efforts to enhance transparency, accountability, and good governance are central to USAID’s mission and work around the world. USAID’s approach to combating corruption is long-term,
systems-oriented, and people-centered. USAID’s programs seek to identify points of entry to engage reformers and to strengthen the ecosystem within countries to prevent, detect, mitigate, and punish corruption. Our programs balance support to civil society and media to serve as watchdogs and expose corruption with the equally critical work of enhancing the effectiveness, independence, and accountability of public sector institutions.

**Bolstering Civil Society and Media**

USAID provides extensive support to civil society and investigative journalists to expose corruption, drug trafficking, money laundering, and other forms of organized crime, often at great personal and professional risk. Their work is vital to generating demand for reform and accountability.

For instance, since 2007, USAID has funded the Organized Crime and Corruption Reporting Project (OCCRP), which supports, networks, and strengthens the capacity of investigative journalists and editors across Europe and Eurasia to produce high quality, fact-based, cross-border investigative journalism. This network releases more than 80 major projects per year that uncover corruption, criminal activity, and the illicit trafficking in drugs, commodities, and natural resources.

One such project followed drug trafficking groups that have been operating in the Balkans and their rise to control some of the most lucrative drug markets in Europe. Using classified intelligence reports, police and court documents, as well as interviews with gang members and people who know them, the reporters pieced together the complex web of alliances behind the violent Balkan cocaine wars between rival clans. Their findings offer the first comprehensive picture of the secret war between these two cocaine clans, which have carved a bloody trail across Europe. OCCRP and its partners have also documented the coalescence of Balkan criminal groups into a syndicate that has earned billions and influenced politicians, police, and prosecutors across the region -- illustrating how the proceeds of illicit narcotics can be used to pay off public officials, who in turn undermine the fight against illicit narcotics.

**Enhancing Public Sector Institutions**

A central feature of USAID’s anti-corruption approach is our work to make partner government institutions more transparent, responsive, and effective. Our programs do this by: strengthening justice systems, enhancing public administration and public financial management, and promoting transparency and
accountability across the public sector. Across these lines of effort, USAID works to curb money laundering, which sustains and enriches drug cartels, other criminal networks, kleptocrats, and terrorist organizations.

Our programs bolster **legal frameworks and oversight bodies** within countries to prevent and detect corruption. This includes supporting the development and passage of laws on bribery, anti-money-laundering, and whistleblowing; supporting anti-corruption bodies and oversight institutions; and enhancing legislative oversight commissions. For example, in Mexico, USAID is strengthening oversight and regulatory bodies, and promoting collaboration among them at the federal and state levels, in order to reduce corruption risks at key points where government and citizens interact, such as when obtaining licenses or permits. In the Philippines, USAID’s Integrity for Investments Initiative (i3) builds the capacity of government anti-corruption offices, including the Office of the Ombudsman and Commission on Audit, to enforce anti-corruption laws. Across our programs, these critical investments in democratic institutions provide the basis for effective anti-corruption efforts.

**USAID strengthens the rule of law and justice sector institutions** to help countries prevent, detect, investigate, and prosecute corruption. This includes programs to strengthen specialized anti-corruption units; improve the capacity of prosecutors, judges, and law enforcement officers to detect, investigate, and prosecute financial crimes and corruption; strengthen inter-governmental coordination in detection and referral; and support administrative and other civil sanctions for corruption. For example, USAID’s Mali Justice Program works with the formal and informal justice sectors and civil society to advance institutional reforms, increase access to justice, and reduce corruption. Achievements of this program include the creation of a regional platform for the fight against corruption, development and implementation of capacity-building programs for the Ministry of Justice, and development of the human resources management system for the government entire justice sector. Efforts to prevent and disrupt illicit narcotics trade rest upon the foundation that these justice sector interventions provide.

USAID’s extensive **public administration and public financial management** work contributes to preventing and detecting corruption and money laundering, weakening the ability of drug traffickers and other criminals to launder and hide their ill-gotten gains. Since March 2021, USAID has provided technical assistance to North Macedonia’s Financial Intelligence Office to improve its capacity and policy framework for preventing and mitigating money laundering.
and terrorist financing risks, including in the civil society sector. Through this partnership, USAID contributed to North Macedonia’s 2021 Strategy for Preventing Money Laundering and Terrorism Financing and supported the Financial Intelligence Office in implementing anti-money laundering (AML) measures in preparation for its Council of Europe, Committee of Experts on the Evaluation of Anti-money Laundering Measures and Financing of Terrorism (MONEYVAL) evaluation in 2022. These efforts decrease the ease of profiting from corruption, drug trafficking, and other criminal activities.

USAID also promotes transparency and good governance standards and norms to transform public institutions. USAID partners with governments to create and strengthen ethics programs, codes of conduct, and disciplinary procedures for judges, prosecutors, public defenders, private attorneys and public servants, and supports ethical leadership training, legal education, and professional development programs aimed at promoting a culture of accountability. In countries such as Guyana, the Democratic Republic of Congo, Nepal, and Peru, USAID is supporting implementation of international transparency norms and standards through platforms such as the Open Government Partnership, the Extractive Industry Transparency Initiative, and the International Budget Partnership.

In addition, USAID’s campaign finance work increases transparency and makes it more difficult for drug traffickers and other criminal actors to “buy” politicians they can then use to provide cover for their illicit activity. For example, for the last five years, USAID has worked to cultivate an expectation of financial transparency among Moldova’s political parties by working with the Central Electoral Commission to build systems and train party members to maintain sound and accurate financial records, file official reports and asset disclosures, and remain in compliance with relevant political and campaign finance legislation. This activity reduces the space for political leaders to be corrupted by drug cartels, criminal networks, and other nefarious actors.

**Leveraging USAID’s Sectoral Work**

As the largest bilateral development agency, USAID has the unique ability to combat corruption and drug trafficking through multiple sectors, including in health, education, conflict prevention and violence reduction, and the environment. USAID’s work across development sectors helps address the overall environment of corruption and impunity, in which the illicit narcotics trade thrives.
For example, illegal wildlife trade is perpetrated by some of the same TCOs that traffic in drugs, arms, and humans, resulting in convergence with these crimes and with corruption. Based on data recorded in TRAFFIC’s Wildlife Trade Information System from 2004 to 2019, 1,321 incidents of wildlife trade were linked to serious or organised crime and/or the seizure of other non-wildlife items, with 53 percent involving corruption, 14 percent involving illegal drugs, and 6 percent involving money laundering.

To address these linkages, USAID’s Targeting Natural Resource Corruption (TNRC) project, which aims to improve biodiversity outcomes by addressing threats posed by corruption, held virtual roundtables connecting a group of AML professionals in the Washington, DC area with select conservation practitioners to identify information gaps and strengthen collaboration, including in areas such as beneficial ownership transparency.

As part of its approximately $65 million annual response to wildlife trafficking, USAID supported the wildlife monitoring network TRAFFIC to analyze and address illegal trade in South African abalone, a highly sought-after, high-value marine mollusk, produced and harvested as a seafood delicacy for predominantly East Asian markets via Hong Kong. TRAFFIC found that East Asian criminal groups have long bartered for abalone using precursor ingredients for drugs, first for Mandrax (quaaludes) and later methamphetamines, forging cash-free trade relationships with gangs that control the local drug market. It is believed that a People’s Republic of China-based organized crime group distributed approximately 16 million Mandrax tablets annually, worth an estimated $36 million. Where there is this type of convergence, efforts to address wildlife trafficking also address drug trafficking.

Corruption is a critical issue in extractive industries, with clear links to transnational crime, smuggling, and human rights violations. The vast majority of artisanal and small-scale mining is informal in nature and uniquely vulnerable to exploitation by corrupt officials, elites, and criminal groups. For example, illicit artisanal and small-scale gold mining generates billions of dollars in revenue for drug trafficking organizations in Latin America, and these organizations also use gold to launder the proceeds of their drug trafficking. Some estimates value illegal gold as more lucrative than coca. USAID’s gold mining program in Colombia has removed more than $160 million dollars from the illegal economy, paying for itself eight times over.
Transforming the Fight Against Corruption

Anti-corruption work is not new to USAID. However, with the Biden-Harris Administration’s elevation and prioritization of the fight against corruption, the Agency is now addressing corruption with the urgency and resolve that it requires. Under Administrator Power’s leadership, USAID is deepening and expanding policy engagement, public outreach, and programming to tackle corruption from a variety of angles and confront the rise of transnational corruption and its linkages to kleptocracy, strategic corruption, and transnational organized crime.

USAID is taking concrete steps to upgrade its work on the linked threats of corruption and the trade in illicit narcotics. First, we are increasing our agility to respond to windows of opportunity or backsliding on corruption. Second, we are enhancing collaboration with other U.S. departments and agencies in Washington and at posts to leverage the full range of our capabilities and align incentives for reform. Third, USAID is creating more opportunities to support and partner with local anti-corruption activists and reformers, as well as the private sector, which is so crucial to winning the fight against corruption. Fourth, USAID is experimenting with new programmatic approaches and seeking to develop, test, and scale new tools and technologies that can be brought to bear on combating transnational corruption. And finally, we are expanding our research and learning efforts to identify the most effective ways of rooting out corruption in the public and private sectors and building cultures of transparency and accountability.

Conclusion

Corruption serves as a weapon of choice for drug cartels, allowing them to buy off politicians, police, border control agents, and judges who are supposed to regulate, prevent, and disrupt the production and trade of illicit narcotics and hold perpetrators accountable. As such, anti-corruption efforts remain central to a holistic and effective effort to curb the illicit narcotics trade.

Mr. Chairman, USAID’s anti-corruption and development efforts play a critical role in addressing the enabling environment that fosters the illicit narcotics trade which has detrimental effects around the globe, including here in the United States. We look forward to continuing and strengthening our efforts in coordination with our partners across the U.S. government, the development community, and the frontline reformers and activists in the countries in which we work.
Good afternoon Chairman Whitehouse and distinguished Members of the Caucus. It is an honor to join you today to outline how the United Nations Office on Drugs and Crime (UNODC) is helping countries around the world to effectively address drug trafficking and related financial flows and corruption.

BACKGROUND ON UNODC

First, a bit about my agency.

UNODC is a specialized office of the UN secretariat, established in 1997 by the Secretary-General to merge the then-separate UN entities that focused on drugs and crime, respectively. The merger enhanced the UN’s capacity to address the interrelated issues of drug control, crime, including corruption, and international terrorism.

UNODC is unique in its field, as our mandates include a combination of policy, technical assistance, and data/research.

Policy: We are currently guardians to the most significant global treaties relating to crime, drugs and corruption, particularly the United Nations Convention against Transnational Organized Crime and its three protocols (against trafficking in persons, smuggling of migrants and trafficking in firearms); the United Nations Convention against Corruption; and the three international drug control conventions. In addition, we are secretariat to the major UN policy processes related to crime and drugs, including the UN Commission on Narcotic Drugs (CND), which is the prime global forum for establishing political commitments and sharing latest trends and practices.

Expertise and Presence on the Ground: Our technical assistance work spans a wide range of activities. We currently have a presence in 124 countries, with most of our staff based in the field working with governments and other stakeholders -- from the private sector to civil society and academia -- to support and facilitate progress in tackling serious crimes, corruption and drug-related activity. We have direct access to main beneficiaries through global, regional and national programmes and projects.

Data/Research: UNODC has a professional research branch that is involved in compiling several flagship global publications, as well as numerous others targeted to regions and countries. Among them, we publish the annual World Drug Report, which provides
important data and trends in drug use, production and illicit trade and flow of drugs, and provides analysis on several cross-cutting issues related to the world drug problem.

By the way, UNODC’s work is 94 percent funded by donors, and we rely heavily on tapping experience and expertise from governments around the world. In both these areas, the United States remains a most critical donor and partner.

I would like to take this opportunity, given their presence at today’s hearing, to thank particularly the U.S. Department of State’s Bureau for International Narcotics and Law Enforcement Affairs (INL) for its longstanding policy, substantive and financial support for many key areas of our work. We are also extremely grateful for the invaluable expertise and experience contributed regularly by the U.S. Department of Justice to our activities in Vienna and around the world.

PROMOTING HOLISTIC ANTICORRUPTION REGIMES: THE UN COVENANT AGAINST CORRUPTION

There is a science to fighting corruption.

Developed over decades, an effective anticorruption regime consists of actions taken by many stakeholders on a number of different fronts.

For example, governments must ensure ethical standards among civil servants, ensure proper financial controls, allow for checks and balances, among many other actions.

At the same time, the private sector must also ensure ethical standards among employees, create values-based systems, and ensure proper financial controls, among many other actions.

And at the same time, civil society has an oversight and advocacy role, in addition to its own role in promoting integrity internally.

In fact, the wide-ranging set of commitments found in the UN Convention against Corruption are based on such a holistic anticorruption regime, with commitments relating to prevention, criminalization, international cooperation and asset recovery.

One way to fight corruption generally is to ensure effective action is being taken on all these fronts, and that there is a viable and holistic anticorruption regime within a specific country, involving all actors.

But in addition to promoting holistic anticorruption regimes, we need to understand different contexts of corruption and target measures that are tailored to combating and preventing corruption in those specific contexts.

HOW UNDERSTANDING DRUG AND FINANCIAL FLOWS CAN HELP IDENTIFY CORRUPTION POINTS

Using our unique vantage point of policy, presence around the world and professional data gathering and research, I would like to share how we try to build our knowledge about illicit drug flows and related corruption – and what we are doing to address it. It is a jigsaw puzzle for sure, but we are continually trying to add pieces to the puzzle through our work and experience with partners around the world.
UNODC, with data from governments and others, is fairly good at identifying flows of illicit drugs around the world. Every year, we use a range of data to review the latest evidence regarding the supply and smuggling of drugs. All is analyzed and compiled in our annual flagship World Drug Report. The details of such flows for various drugs and precursors -- such as cocaine, heroin, methamphetamines and fentanyl -- and how these flows have changed over the years are well known to this Caucus, so I will not take the time to repeat them here.

We are also beginning to gain useful expertise on estimating illicit financial flows between countries linked to drug flows. UNODC’s work to date has primarily been methodological in nature, but we are starting to use this methodology to identify and track dollar amounts.

As a custodian agency of the UN Sustainable Development Goal 16.4 that calls on countries to significantly reduce illicit financial flows and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime by 2030, UNODC has, in cooperation with the United Nations Conference on Trade and Development (UNCTAD) developed methodological guidelines to measure illicit financial flows (IFFs) from selected illegal market activities, including from trafficking along the northern route. In addition, UNODC leads technical assistance projects to test the guidelines and measure illicit financial flows in selected countries of Latin America and Asia-Pacific and conducts regional studies on illicit financial flows dedicated to specific illegal activities.

Our piloting to date has included analyzing financial flows related to illicit drug movement from Colombia and Mexico to the United States. Through the triangulation of datasets on drug production, consumption and seizures from all concerned countries, it has been possible to estimate illicit financial flows related to drug trafficking from Mexico to the United States. For example, trafficking in heroin, cocaine and methamphetamine are estimated to have generated a combined annual average of $12.1 billion in IFF’s into Mexico during the 2015-2018 period. This is equivalent to the average annual value of total Mexican agricultural exports in the same period. According to the pilot study, the heroin market is the most lucrative of the three, generating average annual inward IFFS of $4.8 billion in the same period, reaching a peak of $5.3 billion in 2017. Inward IFFS related to cocaine trafficking reached an annual average of $4.5 billion, reaching a peak of $5.3 billion in 2017, and those related to the methamphetamine market reached an annual average of $2.4 billion in the same period.

How does all this relate to corruption?

Understanding the flow of illicit drugs can help us identify where there may be high-risk points for corruption. When we know that drugs take a certain path from the source to the United States or other destinations, then we can start to dig deeper to identify where corruption may facilitate those flows. Where drugs move by land, there may be government officials, including border authorities and law enforcement officials along the way, who may be exposed to greater corruption risks. Along the cocaine trafficking route from South America to Europe, for example, we are seeing that bribes are paid to obtain false documents, avoid baggage checks, obtain confidential information on law enforcement interdiction measures, and secure safe passage for drugs across borders. Organized crime

groups frequently use corrupt practices also to recover drugs seized and placed under the custody of law enforcement authorities.

**In addition, understanding illicit financial flows related to drug flows also helps supplement our knowledge of high-risk points for corruption.** While money laundering is used to move and hide corrupt proceeds, corruption can also help fuel the laundering of proceeds generally of illicit drug activity. So we need to understand how corruption can facilitate bulk cash flows and trade-based money laundering. We can predict with confidence that the proceeds of crime and corruption will seek to exploit the anonymity of cryptocurrencies and corporate vehicles, and we further need to understand how corruption might facilitate these avenues.

The Financial Action Task Force and other international actors have developed typologies for money laundering in specific situations, including related to drug flows, and these can be useful to add to the knowledge base. We are also trying to gather knowledge through our work in over 100 countries.

**WHAT IS UNODC DOING TO ADDRESS CORRUPTION RELATED TO DRUG FLOWS**

Through a number of UNODC programmes, we are specifically targeting corruption risk points that are common to many drug flows.

- **UNODC’s CRIMJUST Programme** was initiated in 2016 with the initial objective of strengthening criminal investigation and criminal justice cooperation along the cocaine trafficking route. The program initially supported seven Latin American and Caribbean countries (Colombia, Peru, Bolivia, Argentina, Brazil, the Dominican Republic and Panama) and four West African countries (Nigeria, Ghana, Cape Verde and Guinea Bissau), but has been expanded to four additional countries in Latin America and the Caribbean (Mexico, Ecuador, Paraguay and Uruguay) and eight additional countries in Africa (Benin, Togo, Cote d’Ivoire, Senegal, The Gambia, Morocco, South Africa and Mozambique). CRIMJUST has evolved in its thematic focus over the past years and now aims to support and promote criminal justice cooperation along drug trafficking routes, regardless of the drug type or the route, and has placed stronger emphasis on promoting criminal justice strategies to disrupt and/or dismantle the organized crime groups responsible for the trafficking. The program specifically addresses the cross-cutting issue of corruption through an integrity component aimed at drug law enforcement units and judicial authorities. UNODC’s assistance aims to build capacity and supervision, strengthen internal and external accountability and oversight, implement effective reporting mechanisms and provide tools for effective corruption risk assessment and management. Activities also focus on individual integrity through training on rules and regulations, standard operating procedures, codes of professional conduct, staff management and disciplinary procedures. Given this programme has been primarily funded by the European Union, we have mainly targeted source, transit and destination countries in Latin America, through the Caribbean and Africa to Europe.

- Several other UNODC programmes have also allowed us the opportunity to identify and target corruption risk points relating to flows between borders. For example, our **UNODC Container Control Programme** (CCP) is primarily geared towards helping airport and seaport authorities stop the flow of illicit goods, including drugs, via containers and cargo. Our **AIRCOP** programme does the same for illicit goods and financial flows.
involving passengers. Through these programmes, we are active in 99 seaports and 26 airports throughout the globe. Our experts use their local knowledge to help identify corruption risk points and address them. They have delivered ethics and integrity training and procedures to the police and customs units at airports and seaports in West Africa, Latin America, the Caribbean and the Middle East. We partner with the World Customs Organization and INTERPOL in this work.

- Our **Global Programme on Monday Laundering** has developed a series of trainings related to investigating movement of funds via cryptocurrencies. We have also developed a guidebook and courses on Financial Disruption.

- Not surprisingly, prevention is a huge part of the fight against corruption. UNODC provides assistance and substantive guidance to anti-corruption authorities, supreme audit institutions, procurement bodies and other oversight bodies on measures to mitigate risks of fraud and corruption as well as to reinforce oversight, accountability and monitoring mechanisms. UNODC also supports governments and institutions to establish and strengthen effective reporting mechanisms that ensure high levels of confidentiality, including through the use of information technology or digital platforms to process whistle-blowing reports. We also need to address the use of corporate and related vehicles that facilitate anonymous movement of funds through strengthening mechanisms to identify and track beneficial ownership.

- We have also established a series of **Regional Platforms** to fast-track implementation of the UN Convention against Corruption, including the Regional Platform for South America and Mexico. The Regional Platforms are comprised of targeted countries of the same region that jointly identify regional anti-corruption priorities, based on an analysis of needs. Each Platform has produced a Roadmap of activities designed to advance countries’ efforts to implement UNCAC. The experts from South America and Mexico identified four priority thematic areas for attention: (1) building integrity systems with a focus on conflicts of interest as well as income and asset declarations; (2) promoting corporate compliance; (3) strengthening whistle-blower protection; and (4) promoting international cooperation.

- Related to these Regional Platforms, UNODC is in the process of establishing **Regional Hubs** of anti-corruption advisers and experts who will help address these technical assistance needs throughout the Latin America and Caribbean region. This will allow us to group staff with diverse and complementary expertise and provide an environment for deploying field-based teams consisting of different levels of seniority and expertise. This approach is also designed to respond more rapidly to increasing requests from States for guidance, technical support and capacity-building for the investigation and prosecution of complex multi-jurisdictional corruption cases, and the recovery of proceeds of crime.

- Finally, in this context, we have created a special partnership between UNODC and the World Bank. Known as the **Stolen Asset Recovery initiative, or StAR**, this initiative supports international efforts to end safe havens for corrupt funds by providing practitioners with knowledge and policy tools consolidating international good practice on cutting edge issues related to preventing the laundering of the proceeds of corruption. In particular, the StAR Initiative works with the national authorities in
Colombia, Costa Rica and Ecuador on multiple aspects of asset recovery framework, including the training on illicit financial flows behind corruption, financial investigations and the use of open-source intelligence.

CONCLUSION

By understanding illicit drug flows and illicit financial flows, we can continue to identify potential risk points for corruption. The UN Convention against Corruption provides a holistic framework of how to address and prevent corruption from a number of fronts. Continued support is necessary for activities that then target corruption risk points and apply the measures contemplated in the UNCAC, whether it be to combat existing corruption or prevent corruption from happening in the future. As a leader in international anticorruption efforts since its very early days, the contributions of the United States with regard to funding, expertise and international policy will be critical to moving forward the international anticorruption agenda.
Dr. Vanda Felbab-Brown

Director, The Initiative on Nonstate Armed Actors
and
Senior Fellow
The Brookings Institution

Senate Caucus on International Narcotics Control

Wednesday, November 17, 2011
Dirksen Senate Office Building Rm 608
1:00 p.m.

“The Nexus between the Illicit Narcotics Trade and Corruption”
Senator Whitehouse, Senator Grassley, and Distinguished Members of the Senate Drug Caucus:

I am honored to have this opportunity to address the Caucus on the important issue of the relationship between the drug trade and corruption and U.S anti-corruption efforts. Illicit economies, such as the drug trade, organized crime, corruption, and their impacts on U.S. and local security issues around the world are the domain of my work and the subject of several of the books I have written. I have conducted fieldwork on these issues in Latin America, Asia, and Africa. For example, I have recently spent several weeks studying the impact of the illegal drug trade, criminal groups, and corruption in Mexico. I speak to you today virtually from Iraq where I have also studied the relationship between militancy, illegal economies, and state-building. I will focus my comments on the general dynamics of the drug-corruption nexus and provide illustrations from Mexico, Colombia, Afghanistan, Myanmar, and other settings. I will conclude with implications for U.S. policy for dealing with this difficult and complex problem.

The Biden administration’s statement of drug policy priorities for its first year released on April 1, 2020 is a praiseworthy document.¹ In terms of supply reduction, the plan details six primary lines of effort, two of which are 1) working with key partners in the Western Hemisphere, such as Mexico and Colombia, and 2) engaging China, India, and other source countries to disrupt the flow of synthetic drugs and their precursors. Significantly, the section on working with partners in the Western Hemisphere emphasizes a comprehensive response of deepening bilateral cooperation on public health approaches, expanding effective state presence, developing infrastructure, and ensuring respect for the rule of law and human rights. Across a variety of policy domains, the Biden administration has also recognized and strongly emphasizes the need to tackle corruption. This is also essential in being able to implement effective drug policies abroad.

Persistence of vast illegal economies, such as the drug economy, often strongly exacerbates corruption and undermines rule of law. Corruption in turn undermines counternarcotics efforts – whether they are interdiction of drug trafficking networks, as has often been the case in Mexico or Honduras, or efforts to build up legal livelihoods for marginalized populations cultivating illegal economies as government officials, vested interests, and exclusionary elites as has at various times been the case in Colombia.

Effectively addressing corruption is vital for the effectiveness of all forms of counternarcotics policies. Yet it is also complex, with one anti-corruption strategy not fitting all settings. It can also be a monumental task profoundly reshaping local and even national political arrangements in a country, not merely a technical undertaking.

In almost every country, there will be some corrupt individuals in law enforcement or government roles.

Yet in some settings, corruption systematically pervades all layers of government and all law enforcement institutions, a situation that may well have persisted for decades. In such settings, the relationship with illicit economies and organized crime groups and political arrangements are often mutually constitutive. Thus, measures and strategies against

the illegal drug economy, other illicit economies, and predatory criminality, or their absence, also need to be understood as profoundly political efforts.

In such circumstances, anti-crime and anti-corruption efforts are thus not merely technical interventions and assistance to strengthen institutions and civil society; they are projects in reorganizing local political arrangements and local balances of power.

Conversely, their effectiveness is thus also a function of relative balances of power and the long-term wherewithal and capacities of the would-be reformers, internal or external. If they are treated as merely technical efforts to reform the law enforcement or justice sector and ignore the political realities of country and of how they change local balances of power, they will be at best ineffective in effectively countering drug economies and at worst can weaken a desirable political order and intensify conflict.

In many countries, political patronage strongly overlapping with pervasive corruption, is a defining feature of political processes and arrangements, a situation that limits the ability to mount either counternarcotics policies or anti-corruption efforts. Such an analytical premise needs to shape the design of policy in both domains.

Moreover, settings of violent conflict and counterinsurgency or counterterrorism efforts, such as in Afghanistan between 2001 and 2021, or very highly violent criminality, such as in Mexico over the past two decades, add further complexity to the relationship between corruption, illicit economies, and political arrangements and additional complications for the design of counternarcotics and anti-corruption strategies.

Finally, in some circumstances, such as in Venezuela, North Korea, or Myanmar, the entire regime’s survival is dependent on the persistence of exclusionary patronage, corruption, and illegal economies of the drug trade.

Consequently, both counternarcotics and anti-corruption policies need to be pointedly sequenced and prioritized as well as nested within wider diplomatic, development, and in some circumstances, stabilization and military efforts.

Recognizing the large amount of resources and time anti-corruption and counternarcotics efforts require is fundamental. International partners often lack both; but, importantly, local governments are even more bereft of the wherewithal and capacity to generate and apply those needed resources – Colombia’s post-peace-deal struggles and misguided premature forced eradication efforts of coca crops and inadequate design of and funding for alternative livelihoods programs are a prime example.

Large and more political powerful segments of the population may also have a highly limited will to support such projects. The willingness of the powerful exclusionary elites to absorb taxes necessary to develop resources for effective counternarcotics approaches may be sorely lacking. In Mexico, when governments have bothered to invest in building state institutions to counter to criminal groups, they’ve been unable to generate the will to sustain and concentrate the source flows. With inadequate or shrinking of resources, even temporary successes rapidly crumble.

Deeply linked to the issues of resources and the lack of will of national governments (and sometimes larger populations) to devote the necessary expenditures to decades-long

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counternarcotics and stabilization projects are the interests of the national governments themselves. They can differ significantly from the interests of international partners.

For many national governments, parochial politics centering on narrow competition over power and resources and their division and redivision among narrow cliques is far more vital for regime stability and far more central to governmental purposes than addressing national interests and delivering an effective and accountable state throughout the territory. Countering corruption and devising effective, sustainable, and human-security- and human-rights-focused counternarcotics and rule-of-law policies will be low on their agenda. Instead, they may seek to adopt policies that merely appease international partners, such as the United States, disguise their own or institutional corruption and complicity in illegal drug production and drug trafficking, and divert counternarcotics and anti-corruption efforts against their political, criminal, and business rivals, to the distress of the most vulnerable and marginalized populations.

Counternarcotics and anti-corruption efforts can thus merely replicate the very same narrow, parochial, self-interested, rapacious, predatory, and corrupt rule that characterizes the national regime.

In conflict settings or settings of high corruption and highly violent criminality, official policies and actions can be so pernicious that even the deficient and brutal, but predictable rule of nonstate armed actors, including criminal groups, may be preferred by local populations, thereby giving the nonstate armed actors significant local entrenchment.\footnote{\textsuperscript{4} Vanda Felbab-Brown, Harold Trinkunas, and Shadi Hamid, \textit{Militants, Criminals, and Warlords: The Challenge of Local Governance in an Age of Disorder} (Washington, DC: The Brookings Institution, 2017).}

The objective of the militaries and law enforcement units a partner state deploys to conflict areas may well be merely to suppress conflict and violent criminality to a less intense level. Such an approach can both limit resource expenditures and the bringing in of new rents. But the forces mobilized to counter the criminal and militant groups can themselves become deeply involved in lucrative local economies, such as the drug trade, an access they would lose if the conflict and criminality fully ended.

Parochial corrupt political processes tend to infect and eviscerate even efforts to build up national military and law enforcement forces. The long-known technical, logistical, parochialism, and corruption deficiencies of the Afghan security forces that ultimately made twenty years of U.S. and NATO efforts to go up in smoke in just ten days are being replicated in Somalia, Nigeria, Mali, and elsewhere.\footnote{\textsuperscript{5} Vanda Felbab-Brown, “Why the Taliban Won,” \textit{Foreign Affairs}, August 17, 2021, https://www.foreignaffairs.com/articles/united-states/2021-08-17/why-taliban-won.}

The record of police reform and police force build-ups is also highly disappointing. Not only have police reform and institution-building efforts failed to suppress militant and criminal groups in many parts of the world (from the Northern Triangle of Central America, Haiti, and Mexico to Iraq and Afghanistan to Nigeria and Mali), the police have often become key sources of insecurity, criminality, abuse, repression, and cooptation of and by nonstate armed actors. In war zones, such as Afghanistan, the United States often erroneously built police forces as light counterinsurgency forces, not paying attention to the rise in predatory urban and rural criminality, often perpetrated by U.S. presumed partners -- and thus providing opportunities for the insurgents to entrench themselves. Elsewhere, such as in Iraq, parochial, but powerful political actors managed to subvert and appropriate police reform efforts, with the subsequent sectarian police abuses key sources of new militancy.
Even successful police reform efforts have turned out to be ephemeral. In Colombia, where the reform of the national police and improvements in its anti-crime capacity turned out to be one greatest successes of the 2000s decade, the police force recently became disgraced by its renewed anti-protestor brutality.

*When success is achieved, presumed partners may have little political interest in sustaining the successes.* In Mexico, where amidst massive corruption of law enforcement forces and decades-long failures to effectively reform, the United States investment of extensive resources for building the Federal Police produced highly-imperfect results, including allegations of criminal collusion among segments of the Federal Police with the Sinaloa Cartel, nonetheless, some important progress was achieved. Nevertheless, the Andrés Manuel López Obrador administration for political and nationalist reasons disbanded the *Federales* essentially overnight, discarding all the technical and financial investment made.

Similarly, in early post-apartheid South Africa, the United States and Britain invested extensive resources into building a special law enforcement and anti-corruption unit known as the Scorpions. The unit achieved impressive success in exposing and prosecuting corruption. But once its independence and authority started exposing the corruption within the African National Congress, the Thabo Mbeki government dismantled the unit as the United States and Britain watched helplessly from the sidelines. The end of the Scorpions was a preview of the dismantling of the International Commission against Impunity in Guatemala (CICIG) and the Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH), the international bodies tasked with addressing corruption in those countries after their political and rule of law systems became infiltrated by criminal and militia actors. Presumed local partners were willing to tolerate them only as long such bodies targeted their political opponents or isolated individuals: When these bodies started targeting the core corrupt and parochial patterns of governance and structures of power, i.e., the most important interests of the governing elites, the presumed local partners got rid of them.

In these settings, governance at the national level and anti-corruption and counternarcotics policies are not conceived of as serving public and national interests, but as protecting and advancing narrow parochial interests of specific cliques, even if the consequences are persistent violent criminality, such as in South Africa and Central America, or militancy.

And other *special interdiction and special investigation units (SIUs), including those trained by the United States and other external interveners, can go rogue* and become the top criminals in a country or locality, perversely exploiting the internationally-obtained training and capacities to manipulate the criminal market and militant landscape to serve their parochial and rent interests. Any initial one-time vetting can be insufficient to keep such SIUs anchored to a national-interest, good-governance, and rule-of-law purposes. The risks that SIUs will go rogue increases if recipient governments are unwilling to agree to unfettered and repeated vetting of all members of the SIUs by international partners throughout the existence of the SIUs, not merely at the beginning, or if they insist that leaders of SIUs not be vetted, as was the case in Mexico even at the height of U.S.-Mexican counternarcotics and rule-of-law collaboration during the Felipe Calderón administration.

In many parts of the world, *advancing rule-of-law and anti-corruption efforts will need to take the form of a complex and non-linear, but persistent policy engagement seeking to identify political reformers who benefit politically from engaging in anti-

corruption and broader stabilization efforts and over time trying to find ways to enhance these narrow political motivations into broader and neutral institutional habits.  

However, it is vital to distinguish between corruption and appropriate recognition that certain counternarcotics policies, such as forced eradication of illegal crops in the absence of legal livelihoods for large segments of the population, may be inappropriate. It is equal appropriate and not a manifestation of corruption to deconflict and synchronize the chosen counternarcotics policies with other national objectives, such as counterinsurgency and counterterrorism efforts or institution building.

In the absence of legal livelihoods of large segments of local populations, forced eradication of illegal crops often generates significant political capital for those who oppose eradication, including criminal and militant groups. Forced eradication thus complicates broader conflict mitigation and state-building efforts and can undermine vital counterterrorism and counterinsurgency objectives.

In Afghanistan, forced eradication between 2003 and 2009 had the following effects: It did not bankrupt the Taliban. In fact, the Taliban at first reconstituted itself in Pakistan between 2002 and 2004 without access to large profits from drugs, rebuilding its material base largely from donations from Pakistan and the Middle East and from profits from another illicit economy, the illegal traffic with licit goods between Pakistan and Afghanistan. Later on, it became fully involved in the drug economy, just as anti-Taliban powerbrokers and militias and Afghan government officials did. Eradication strengthened the Taliban physically by driving economic refugees into its hands. Critically, eradication alienated the local population from the national government as well as from local tribal elites that agreed to eradication, thus creating a key opening for Taliban mobilization. Eradication brought the Taliban significant political capital and critically undermined the motivation of the local population to provide intelligence on the Taliban to the counterinsurgents while it motivated the population to provide intelligence to the Taliban. Moreover, locals officially in charge of eradication were in the position to best profit from counternarcotics policies, being able to eliminate competition – business and political alike – and alter market concentration and prices at least in the short term and within their region of operations. The decision of the Obama administration to defund centrally-led eradication was thus highly appropriate.

In contrast, interdiction efforts were often eviscerated by corruption and political patronage processes in Afghanistan deeply intertwined with regime survival and cooptation of political rivals. And they were also limited by the effect that U.S.-embraced anti-Taliban militias and powerbrokers were themselves deeply involved in drug trafficking. The United States and the international community did attempt to mount several anti-organized-crime and anti-corruption initiatives. One of the most visible tools became the military’s anticorruption task

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force, Shafafiyat (Transparency). Shafafiyat had a broad mandate to lead NATO investigations into all aspects of corruption in Afghanistan. But ultimately hamstrung by both political complexities in Afghanistan where key political powerbrokers were involved in the drug trade and other illegal economies and predatory criminality and the significant drop-off of ISAF’s focus on corruption and governance a year later, this anticorruption body failed to make more than a sporadic difference.

For years, then, the dynamic would be as follows: The U.S. government would secure dramatic promises from the Afghan government to tackle corruption, but little meaningful action would follow. Such declaratory commitments would usually ramp up before major donor pledging conferences, but most would not be implemented, with little change in practice. And the United States and the Afghan government would refrain from suspensions of the international aid, even in response to gross failures by the Afghan government to meet the conditions placed on it.

Finally, it is also critical to recognize that highly intense violent criminality or violent political conflict will exacerbate corruption and limit government wherewithal to adopt effective counternarcotics policies. When government officials and their families are under constant threat of being killed by criminal actors, perhaps even with the help of other corrupt government officials and when they receive little-to-no backup and protection from national or higher-level officials, they will have little ability to resist corruption pressures. In Mexico, local municipal government officials and law enforcement forces increasingly face unbearable intimidation and violence pressures from criminal groups in all aspects of their work, from elections through anti-crime policy implementation. Corruption, which has long-plagued local and state-level institutions in Mexico, and continues to pervade national level judicial and law enforcement institutions, is enabled and exacerbated when national-level authorities provide no meaningful counter to violence perpetrated by criminal groups. The more criminal groups can get away with brazen violence and intimidation pressures on local, state, and even national level law enforcement and government authorities, and the less the national government mounts a strong effective response to counter the violence and intimidation pressures of criminal groups, the more corruption and capture of state institutions and officials by criminal groups grow.

Reducing violence is critical, the essential and inescapable function of state institutions. Counternarcotics policies that exacerbate violence, such as high-value targeting policies in settings like Mexico, will come to be seen as illegitimate, undesirable, and politically unsustainable. However, the essential imperative to limit criminal violence and predatory criminality will not be effectively accomplished if the government merely hands out the rule of large territorial spaces and economic domains to criminal actors or gives up on its responsibility to counter them and develop effective law enforcement incapacitation and deterrence capacity vis-à-vis criminal groups.

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Unfortunately, these pernicious developments have characterized the Andrés Manuel López Obrador administration in Mexico. Furthermore, Mexico’s national security law of December 2020 and the refusal of the Mexican government to issue visas for U.S. Drug Enforcement Administration has critically hampered the ability of U.S. law enforcement agents to operate in Mexico and reduced a vital monitoring capacity of the extent of corruption in Mexico, intimidation and cooptation of law enforcement institutions and government officials by criminal groups in Mexico. The new U.S.-Mexico Bicentennial Framework for Security, Public Health and Safe Communities may provide new opportunities for meaningful rule-of-law, anti-corruption, and anti-crime collaboration between the United States and Mexico. But this will not be accomplished if the Mexican government merely conceives of the implementation as the United States confining its shared responsibility efforts to anti-weapons-trafficking, demand-reduction, and money-laundering efforts while Mexico continues to limit and hamper U.S. interdiction, anti-corruption, and institution-strengthening efforts in Mexico.

POLICY RECOMMENDATIONS

Anti-corruption and counternarcotics efforts need to be tailored to various contextual dimensions: the extent and pervasiveness of corruption, the intensity of criminal violence, and presence or absence of insurgency and armed groups.

Taking Advantage of Early Windows of Opportunity

In circumstances where counternarcotics policies and anti-corruption policies are taking place in the early post-intervention or post-regime-transition period, taking advantage of early windows of opportunities is critical. In those periods, the local population is most willing to work with the new regimes and outside interveners in setting up a new political dispensation. Under the best of circumstances, the local population will have disliked the previous political regime and will now be hopeful about the future. At minimum, local populations and power structures will be uncertain about the power and capabilities of the intervener and fearful of actively resisting it; at such times, local powerbrokers have the least certainty about the future and show the greatest restraint in directly or covertly challenging the intervener, since their networks of power will have been weakened by the collapse of the previous order and they will not have had time to reconsolidate and reconstitute their new power networks.

The longer early transition efforts wait to set up capable state structures, the harder the state-building effort becomes: Military opposition can emerge. At minimum, local powerbrokers’ criminal and political networks are (re)established. Undoing such negative trends becomes harder and harder as more time elapses. Remobilizing the support of the population becomes especially difficult. The window of opportunity closes rapidly; and at some point, reversing the adverse trends may become impossible.

It is important to recognize, however, that the influence of external actors promoting rule-of-law and anti-corruption efforts is inherently limited and that efforts to suppress illicit economies, such as the illegal drug trade, will only be sustainable if the population in the country and its political representatives have the economic and political incentives to support such policies.

It is unrealistic to expect that policy interventions by outsiders can suppress all malign networks – whether militant or criminal. The priority for the international community should be to focus on the most disruptive and dangerous networks, those that cause most damage. These include those with the greatest links or potential links to international terrorist groups with global reach, those that are most rapacious and detrimental to society and the development of an equitable state, and those that most concentrate rents from illicit economies to a narrow clique of people. These three criteria may occasionally be in conflict, and such tensions will pose difficult policy dilemmas. In addition to considering the severity of the threat posed to the international community and to the host state and society by such drug-trafficking or organized-crime groups, the estimated effectiveness of any policy intervention needs to be factored into the cost-benefit analysis of policy choices.

If outside military forces and their civilian counterparts decide to promote “good governance” and undo existing criminal enterprises and illicit economies, such as the drug trade, and prevent the emergence of new ones, they need to plan for and take on this effort early in the mission. The immediate and early post-intervention, post-military-operations period is the critical and optimal time to shape the political and criminal environment in the country.

In fact, external stabilization actors often have not only a poor capacity to understand local illicit economies and patronage networks of crime and politics, but also lack the capacity to respond to crime – to both organized and street crime.

The rise in street crime is often the first and most direct way that local populations experience post-transition insecurity. This can alienate the population from the new government and its external partners, stimulate a hankering for the ancien régime, empower extralegal powerbrokers, and even bring on a full-blown criminal order and predatory criminality that undermines both counternarcotics and anti-corruption efforts.

**Limiting the Role of Warlords and Their Militias and Criminal Powerbrokers**

The international community should limit and ideally altogether avoid relying on problematic powerbrokers for the sake of short-term counterterrorism and counterinsurgency objectives or other short-term imperatives. Supporting these problematic but available actors against more dangerous and vicious enemies should be the last resort since the odds are very high that they will turn rogue and predatory and ultimately contradict stabilization interests.

Nonetheless, if supporting militia forces and embracing unaccountable powerbrokers is the least bad option, the international community from the very beginning needs to build into its policies a consideration of how to disempower them and roll them back and limited their engagement in predatory criminality and illicit economies such as the drug trade. It is only a matter of time that the friendly militias and powerbrokers of today will likely end up as threats to the interests of the international community.

Thus, all assessments of the chances of success of external efforts need to be much broader than merely eliminating a particular terrorist group and deposing a particular regime. They also need to include judgements of whether a sufficiently stable, sustainable, and legitimate order and governance will ensue or whether supporting “partners” merely perpetuates structural causes of instability.

A smaller presence of the international community on the ground means that it has more limited leverage to influence the behavior of the power brokers. But smaller leverage does not imply the absence of all mechanisms to weaken at least the most pernicious powerbrokers and modify the behavior of others by creating incentive structures that at least discourage egregious
abuse. Prioritizing the focus on the most malign actors—such as power brokers who create and fuel conflict among communities, systematically marginalize particular groups, or perpetrate major human rights abuses—will be necessary.

But the purpose of prioritization and sequencing is precisely to transform an intractable system-wide problem into manageable discreet situations that also reinforce a desired balance of political power in the hands of reformers. U.S. influence may not always be able to effect the removal or even weakening of such powerbrokers. However, the leverage may be sufficient to alter their behavior enough to make them more acceptable to local communities and less detrimental to other U.S. objectives such as limiting the drug trade and corruption. The international suasion may, for example, include merely encouraging local power brokers to expand and broaden their patronage networks so that more people and more communities have access to some of the privately sponsored goods.

There is no guarantee that if a highly pernicious power broker is removed, a good official will then be appointed. The choices will often have to be between bad and awful. But a competition among power brokers for access to international assets will also provide opportunities to shape their behavior.

Even if the international community cannot get the noxious powerbrokers removed and has to engage with them, it should limit any visible public embrace of them. And even if it cannot accomplish the removal of the problematic power brokers, the United States can impose other sanctions on them, such as denying them visas. Portfolios of corruption and evidence of abuse should be assembled, which can be used if the political context becomes more permissive of corrective action. But even the existence of such a folder of evidence—if quietly communicated to the power broker—may well increase U.S. leverage.

Adopting a Prioritized Sequential Approach against Predatory Criminality, Pernicious Powerbrokers, and Corruption

Especially in situations where key political powerbrokers are intimately connected to organized crime and illicit economies, such as the drug trade, and the political system is pervaded by criminality and corruption or based on political-economic bargains around illicit economies, and where rule of law reformers are relative weak vis-à-vis the pernicious powerbrokers and the systems, prioritizing anti-corruption and anti-criminality steps will be required. Such prioritized and sequential approaches may involve taking on one criminal powerbroker at a time. Moving against all criminals and all powerbrokers involved in illicit economies may be infeasible and undermine the political survival of reform actors. Ideally, early moves against the illicit economies and predatory criminality would not only limit crime, but would also increase the relative power of the reformers in the system.

Although moves against the unaccountable powerbrokers need to be prioritized, the United States should demand that the host government institute accountability measures and appropriately severe punishment for the most serious crimes perpetrated by the powerbrokers, such as major land theft, rape, kidnapping, and murder. The resulting demonstration effects can be very powerful and even possibly generate deterrence of these crimes. For example, reducing crime in one or two major localities, such as an important city, by concentrating resources and focus there, or by holding accountable the local government officials, could serve as a demonstration of legitimacy and power of the national government or rule-of-law reformers.

For the United States, trying to roll back criminality and corruption in systems pervaded by corruption and criminality thus entails looking for rule of law reformers also among powerful
political actors who will benefit politically from breaking with the prevailing system of crime and politics.

However, the crucial task and challenge is to transform anti-crime measures from a tool of political convenience into one of institutional habit and systemic proclivity.

**Improving Governance and Reducing Corruption**

The United States should define good governance in ways that are consistent with the views of local populations as well as key international principles: Good governance is not just the delivery of services but also, critically, physical security, food security, the provision of justice, and a reduction in impunity for egregious corruption and extensive crime. A good measure of the quality of governance is one that is derived from a comprehensive concept of human security—that is, security from physical abuse, whether from insurgents, criminals, warlords, local militias, or the local government, and security from great economic want, as well as access to justice and accountability mechanisms.

Promoting good governance thus does not imply promoting particular political or institutional visions and arrangements. But the U.S. long-term goals should include strengthening checks and balances within the political system, reducing patronage, clientelism, and corruption—in addition to enhancing the government’s delivery of services.

Equitable and inclusive political dispensations will have a much better chance of being sustainable than rapacious and exclusionary ones.

Given local power realities, just as anti-crime measures might have to be sequenced and prioritized, so might measures against corruption. Anti-corruption efforts should focus on limiting corruption that systematically excludes entire communities from access to jobs, particularly in the national security and police structures, or from the country’s economic markets. A corollary to limiting ethnic or communal discrimination within the security services is to ensure that command levels are not dominated by a particular ethnic or communal group, and that salaries and leaves are equally distributed.

In addition, it is critical to focus on the corruption that seriously undermines the emergence of the already fragile legal economic markets, particularly those that create jobs. Such severely-detrimental corruption includes the proliferation of unofficial checkpoints and the ever-escalating bribes to be paid at those checkpoints, major corruption in the banking sector, and corruption in line ministries that paralyzes service delivery rather than facilitating it.

Predictable corruption connected to the delivery of services can be seen as another form of taxation, and not entirely intolerable to local populations or destructive of economic and political functionality and legitimacy. Yes it is highly suboptimal, but it does not necessarily make the political system combustible. Highly politically explosive problems do arise when corruption leads to paralysis within government offices, when money or property are typically stolen without any service being provided, and when the unofficial taxation reaches such heights or is so unpredictable that the vast majority of revenues from an economic activity is lost. Combating these types of systemic corruption should be a priority.

Finally, attempts to undermine the selection and work of effective local officials should be countered as much as possible. The United States should encourage merit-based appointments in local and national governments. It should also seek to influence the process by interacting with, encouraging, and rewarding well-performing government officials.

The presence of U.S. law enforcement officials abroad is often a critical monitoring mechanism of the pervasiveness of corruption in government institutions and an important
source of leverage to motivate the host government to mount at least some anti-corruption measures.

**Strengthening Institutions, Promoting Human Rights, and Supporting Civil Society**

To achieve the transition from political actions against crime and corruption to rule-of-law systemic proclivity, it is crucial to also adopt institutional building efforts that the United States has long engaged in, such as security sector reform and policing and rule of law reform and encouraging financial integrity in political parties.

Anti-crime training needs to become an urgent focus and component of the external assistance for training local police forces. Neither military policing nor counterinsurgency-light approaches are adequate substitutes for traditional-community-oriented policing skills. Thus, making a determined and systematic effort to develop police forces capable of tackling street crime, and having a police-training program geared toward street-crime suppression, is critical.

If criminal violence and predatory criminality are reduced as a result of U.S.-assisted government efforts, local communities and officials can develop better capacities and will to resist criminal intimidation and corruption.

The crucial focus of anti-crime efforts to promote human security and rule of law, legitimate stability must obviously include an effort to reduce and in time eliminate criminal and predatory behavior perpetrated by existing police themselves. The United States should never tolerate partner law enforcement forces to engage in human rights abuses in the name of counternarcotics efforts and must take strong measures against forces engaging in severe human rights abuses, including severing support for them.

Supporting a strong, vibrant, and diverse civil society, including monitoring, oversight, and anti-corruption NGOs and investigative journalists, is also crucial.

Although the influence and effects of both institutional reforms and civil society enhancement will be limited as long as the basic political dispensation is built around the intermeshing of politics and crime and as long as political reformers have limited power, the institutional reform and civil society growth can nonetheless provide important nudges toward rule of law. They are thus an important mechanism to ensure that the anti-crime and anti-corruption measures are in fact transformed from tools of political convenience into systems of rule of law, and that the political reformers do not discard their reform effort when it stops serving their parochial interests or the entire reform does not wither when they lose power.

**Prioritizing Measures against Predatory Criminality and Non-labor-intensive Illicit Economies**

This sequential approach to fighting crime and corruption may often need to first prioritize the suppression of predatory criminality and non-labor-intensive illicit economies.

Premature efforts against labor-intensive illicit economies, such as illicit crop cultivation, that provide livelihoods to large segments of local populations without legal livelihoods being in place will hamper counterinsurgency and conflict-mitigation efforts and political stabilization. They can delegitimize entire anti-crime efforts.

No matter what anti-crime/counternarcotics efforts are ultimately undertaken – be it iron-fist suppression of the illicit economy or a prior fostering of legal alternative livelihoods – they will not be effective in reducing the illicit economy unless firm security throughout the entire territory has been established first. The state needs to be strengthened and violent conflict ended before efforts against illicit economies can be effective.
Indeed, efforts to suppress labor-intensive illicit economies in particular localities should only be undertaken when legal alternative livelihoods are in place, not simply promised to materialize in the future.

Alternative livelihoods efforts should focus on job creation, including off-farm, income generation, and human capital development and address the structural drivers of illicit economies. They should be fully integrated into overall rural and economic development efforts.

**Limiting Criminal Violence**

Reducing the violence that criminal groups perpetrate is critical for human security, the willingness of populations to persist in anti-drug efforts, efforts to limit corruption, and the sustainability of anti-crime efforts overall. In some cases, this may require switching away from high-value targeting of top drug traffickers to targeting the middle operational layer of criminal groups first to limit fragmentation of criminal groups and resulting violence within and among them. Moreover, if much of the middle layer can be arrested in one sweep, by mitigating the chances that new violence breakout can be prevented increases.

That does not mean that leaders of criminal groups should be given a free pass. Both for public safety and normative reasons, they need to be brought to justice. However, simply removing them from the chain of command without arresting the middle layer underneath them will allow groups to regenerate quickly and will exacerbate the debilitating violence.

Reducing the capacity of criminal groups to resort to violence and deterring them from doing so can include a host of other strategies depending on local settings, such as focusing resources to select areas and building concentric and expanding circles of rule of law and safety from criminal groups.

**Building Special Interdiction and Investigation Units (SIUs)**

In building SIUs, the United States should insist that all members of the SIUs units, including their commanders, be repeatedly and at any time subject to U.S. vetting for criminal collusion. To assuage political sensitivities about national sovereignty, the United States can also subject its agents interacting with those units to repeated vetting. A host government’s refusal to allow such comprehensive vetting at any point or insistence that SIU commanders or supervisors be exempted should immediately raises a red flag of persisting high-level corruption and the United States should very carefully consider whether building an SIU under such problematic circumstances delivers enough potential benefits to offset the clear risks of the SIU being sabotaged by corrupt superiors or going rogue and becoming implicated in crime and politically-motivated retaliation.

**Cultivating Robust Local Knowledge and Intelligence**

Any effort to promote rule of law and counter corruption and criminality, such as the illegal drug trade, requires having a very detailed understanding of the intricacies of the local political systems, cleavages, and economic (including criminal and illicit) arrangements and systems and their connections to an area’s violent conflict and to its political and socio-economic structures. Far more so than signal intelligence, continual and robust on-the-ground information and intelligence are crucial for developing such understandings. U.S. efforts abroad thus must have a strong analytical-support component. This is yet another reason for the United States to promote the presence of U.S. law enforcement agents on the ground in supply-side countries.
Emphasizing Sustained Engagement and Oversight

The more local actors expect that the United States presence, interest, and oversight will be limited, the more will local actors hedge by cultivating relations with malign political and criminal actors.

Not just a good strategic design but also effective on-the-ground implementation are keys to success. In addition to detailed knowledge of the situation on the ground, the effectiveness of policies is often dependent on the application of astute judgment, tough-minded selectivity, careful calibration, judicious pacing, and a willingness to absorb short-term costs and risks. Not all of the policies will be able to be implemented at the same time in equal scope.

Conditioning Economic Aid with Sustainability in Mind

In its counternarcotics, anti-crime, and anti-corruption policies, the United States must get out of the habit of trying to achieve stabilization by showering a locality with money and being preoccupied with “burn rates” of the dispensed aid. Sending less money through the system may well enhance stability and legitimacy and limit corruption. Whatever aid, such as for alternative livelihoods, is allocated must be accounted for and conditional. The United States must diligently monitor how money is spent, whether it is, in fact, going to intended recipients or stolen by corrupt elites and whether it is promoting the desired objectives or in fact is fueling instability and abuse by the powerful, thus delegitimating local governments and fueling violent conflict.

Economic development policies should focus on comprehensive, sustainable development plans based on local knowledge. They should prioritize food security; long-term, sustainable job creation; human capital growth; infrastructure expansion; and capacity building.

The international community needs to find the will to undertake detailed, if occasionally time-consuming, studies of local conditions before economic projects are rolled out. Such assessments need to include an analysis of the preexisting political structures, social cohesiveness, and (in)equality in access to resources – all of which the economic interventions will have to interact with. Rather than a one-shoe-fits-all approach, donor policy designs need to thoroughly take into account local contexts and be based on consultations with local stakeholders. Ideally, U.S. programming and financial commitments would be multiyear; but they need to retain enough flexibility in their structure so that implementers can modify ineffective policy designs and restructure programs to prevent narrow, exclusionary networks from capturing program resources to the exclusion of the wider community.

Tying funding levels to accurate assessments of the absorptive capacity of a locality and to a government’s capacity to disburse the money is equally important.

Proper monitoring and punitive measures to discourage serious corruption must be a part of the economic and political aid packages as well as law enforcement support efforts. If serious and pervasive fraud is detected, the United States must be ready to turn off the spigot.

Encouraging better governance requires resolve and consistency. But while such efforts require expenditures of political capital, they do not necessarily require greater financial expenditures. In fact, substantially reducing money flows and disbursing only funds that can be monitored and spent sustainably would on its own improve governance and reduce corruption.

Sticking to Redlines and Being Specific about Conditionality

The United States needs to be able to uphold whatever red lines it sets to control the pernicious powerbrokers and corrupt government counterparts involved in criminality. This implies having the plans and resolve to take punitive actions if the powerbrokers and host
governments violate the red lines. Such conditionality cannot be vague, and the red lines should only be those the United States has the will and capacity to enforce. A consistent failure to act against behavior designated as intolerable only undermines the reputation and effectiveness of the international community.

A bad approach is to set up vague conditionality—or, alternatively, specific and stringent conditions that the United States does not have the will to uphold.

Where monitoring of drug policy aid is not possible because of persisting violent conflict or criminality or because the host government wants to limit meaningful oversight, aid money should be withheld, except for projects essential for humanitarian relief.
The Illicit Narcotics Trade, Corruption, and Transparency
A Global Approach

By Clay R. Fuller. Ph.D. (www.clayrfuller.com)

Prepared testimony for the Senate Caucus on International Narcotics Control Hearing titled “The Nexus between the Illicit Narcotics Trade and Corruption” on November 17th, 2021

The Nexus: Two sides of the same coin
To manufacture, move and sell the massive amounts of illicit drugs that traverse the planet each year requires skill, hard work, and organization. It both demands and fuels corruption and crime, an unvirtuous circle that has delivered vast profits to the people involved.

My testimony rests on several assumptions which I share below with a view to both transparency and analysis.

Assumption 1: In general, free people in wealthy democracies tend to generate the majority of illicit drug demand.

Assumption 2: In general, people in less-wealthy, less-democratic countries tend to make up the majority of illicit drug producers, manufacturers, and traders.

Assumption 3: Authoritarian kleptocracies such as Iran or North Korea have elevated levels of corruption from the bottom to the top. Thus, by their very nature, these governments sometimes facilitate and even encourage the illicit drug trade.

Assumption 4: Established democracies like the United States are innovative and tend to enjoy higher levels of transparency and rule of law. Thus, by their very nature they are uniquely equipped to assist partner countries.

Assumption 5: New technologies (such as those in shipping and payment methods) combined with the development of synthetic illicit drugs (such as fentanyl) mean that the illicit drug trade landscape has changed dramatically, creating new dangers and new opportunities to stop the flow of illicit drugs coming into the United States.

The implications of these assumptions are fairly constant, notwithstanding efforts to attack supply, demand, criminal networks or corruption:

1. As long as demand for illicit drugs remains high, illicit trade will continue. Eradication efforts such as the ones in Afghanistan and Colombia cannot deliver lasting positive effects because other circumstances have driven farmers to cultivation. If one farm is eradicated, another pops up elsewhere.
2. Prioritizing capacity building resources to US neighbors that are geographically close and have high levels of the rule of law and democracy will likely generate greater disruption to illicit trade and corruption.

3. Greater research and development efforts in new technologies such as blockchain (double ledger systems) and digital currencies aimed specifically at enhanced trade transparency.

4. Foreign trade zone infrastructure upgrades. As geographically concentrated areas, improvements here will not only stem the drug trade and reduce corruption, but improve the entire global supply chain of licit goods.

The next section includes more specific ideas about how this issue can be approached.

1. Global Geographic Targeting Orders (GGTOs), focusing on trade zones.
2. Incorporating global treaties on anticorruption and illicit drugs into all trade negotiations.
3. Think about transparency in a radically different way, using technology rather than emotion.

1. **Geographic Targeting Orders** (GTOs) are used in the United States to target the use of real estate to launder the proceeds of illegal activity. U.S. cities with high real estate values often become havens for foreign corrupt officials, drug cartels, and many others to store illegally obtained value (money) in the form of homes, land, or other property (protected by enablers that work to make sure U.S. authorities do not find out who actually owns them). To counteract this the U.S. Treasury began the GTO program, whereby it publicly names the cities and areas where this happens the most often and then requires lawyers, real estate agents, accountants and others to do extra due diligence and reporting on their clients.

2. **Foreign Trade Zones** (FTZs, or also known as Special Economic Zones, Free Trade Zones, and other names) are geographically delineated areas that exist outside of the normal customs area – meaning that, in general, goods imported or exported from the geographic area are treated differently than if they were outside of the zone. Nearly every country in the world now has at least one FTZ. The U.S. has about 200 and there are somewhere around 5000 in total are spread around the world. To give an example of how common they are, the entire Panama Canal is one and North Korea has four. One of the largest zones in China is the Hubei Free Zone, which includes the city of Wuhan. Zones also exist in other problematic areas such as the Golden Triangle in Southeast Asia, the Northern Triangle in Central

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America, and the Tri-Border Area in South America – know trafficking and manufacturing hotspots where some terrorist organizations also operate.

The bipartisan Helsinki Commission has drafted legislation aimed at identifying the most problematic zones (involved heavily in drug trafficking, human and animal smuggling, tax evasion, etc.). Creating and issuing Global Geographic Targeting Orders (GGTOs) that require the insurance companies that ensure shipments to the targeted zones to report more information could be helpful in both tracking down global traffickers and encouraging the zones to clean up. SWIFT does something similar (but far more drastic) with its blacklist.

2. **International Anticorruption and Narcotics Treaties in Trade Agreements.** When NAFTA (the North American Free Trade Agreement) was renegotiated in 2020, the resulting USMCA (United States Mexico Canada Agreement) included an anticorruption chapter (Chapter 27) for the first time ever. Now, the United Nations Convention Against Corruption (UNCAC 2003 New York), the OECD Convention of Combating Bribery of Foreign Officials in International Business Transactions (1997 Paris), and the Inter-American Convention Against Corruption (IACAC 1996 Caracas) are legally binding in all trade between Canada, the United States and Mexico. International treaties and trade agreements do not always deliver immediate results, but the inclusion of international anticorruption agreements in the USMCA was a highly significant event that should be a model for all trade agreements.

3. **Rethinking Transparency and New Technologies.** The definition of transparency is *credible aggregate government-disseminated information*. For example, it is a believable census count or literacy rate. In another example, North Korea recently reported a 100% literacy rate, hardly credible given that reporting on literacy in the U.S. shows the rate here at around 80% (and even breaks the data down into three different levels of literacy in America). When information is credible, that is transparency.

Blockchain technology makes information more credible and transparent. For example, the fact that cryptocurrency (which operates on blockchains) is used in ransomware attacks, means that we can all see the transactions and recover ransoms. Furthermore, in relation to corruption and the illicit narcotics trade, this transformative technology has the power to make public budgets (such as for governments and police departments) completely open and permanently recorded. The same could be done for political donations, virtually eliminating the presence of “dark money” contributions to campaigns, where in many developing democracies many campaigns are believed to be funded by the proceeds of the illicit narcotics trade.

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8 [https://nces.ed.gov/fastfacts/display.asp?id=69](https://nces.ed.gov/fastfacts/display.asp?id=69)
However, like all tech, blockchain is just a tool, like a hammer. It can be used to build beautiful things, but can also be used to cause great harm. This moment in time is very similar to the 1990s when the internet began rolling out. There was so much optimism about it that we failed to seize the moment and lead with clear regulatory guidelines or strategic goals at home or abroad for the development and use of the internet. Authoritarian governments around the world seized the moment, and they are still hard at work developing ways to exploit these technologies for their own survival.

Finally, on any subject, accurate aggregate data allows individual people to make better and more productive decisions about the future for themselves, their communities, and ultimately the world. Too often people confuse transparency with the work of investigative journalists and others who seek to find data points that “expose” or “shine light” on something they think is bad. Of course, there will always be a place for a free press in democracy and by no means do I mean to denigrate the work of investigative journalists, but like clockwork this approach regularly degenerates into partisan fighting, and worse yet, generates few systemic reforms.

CONCLUSION
The entire approach to international anticorruption efforts and the illicit narcotics trade needs some work. Plans are needed to slowly shift away from a focus on exposing bad actors and seizing drugs to one that empowers people with economic opportunities and credible information using new technologies like blockchain and crypto. A clear regulatory framework and more research and development could spur this transformation along at amazing speed. The most impressive and cost-effective point here is that the only cost of entry to this new technology is a cell phone and an internet connection.

Another point to consider: Public opinion and laws surrounding marijuana are rapidly changing in many parts of the world, including the U.S. Many people, governments and businesses believe that the United States will eventually fully decriminalize the drug. In the eventuality that this might happen, it might be prudent to begin making plans across the entire federal government for rapidly shifting resources from anti-marijuana law enforcement efforts to disrupting cocaine, methamphetamine, heroin, and fentanyl supply chains.

Finally, one of the greatest causes of drug abuse, trafficking, and corruption is poverty. For example, the police in Mexico and many countries are paid very little, making it a difficult choice for some to decline or accept a bribe. Encouraging livable remuneration could help.