

Stenographic Transcript  
Before the

CAUCUS ON  
INTERNATIONAL NARCOTICS CONTROL

**UNITED STATES SENATE**

The Nexus between the Illicit Drug Trade and Corruption

Wednesday, November 17, 2021

Washington, D.C.

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## CONTENTS

1		
2	Statement of	Page
3	Opening Statement of Senator Whitehouse	3
4	Statement of Senator Grassley	8
5	Statement of Ambassador Todd D. Robinson, Assistant	
6	Secretary, Bureau of International Narcotics and Law	
7	Enforcement Affairs, U.S. Department of State	13
8	Statement of Bruce Swartz, Deputy Assistant Attorney	
9	General, Counselor for International Affairs, U.S.	
10	Department of Justice	19
11	Statement of Shannon N. Green, Senior Adviser to the	
12	Administrator and Executive Director of the	
13	Anti-Corruption Task Force, U.S. Agency for	
14	International Development	24
15	Statement of John Brandolino, Director, Division	
16	for Treaty Affairs, United Nations Office on Drugs	
17	and Crime	54
18	Statement of Vanda Felbab-Brown, Senior Fellow, Center	
19	for Security, Strategy, and Technology in the Foreign	
20	Policy Program, Brookings Institution	61
21	Statement of Clay R. Fuller, Research Affiliate,	
22	Walker Institute, University of South Carolina	67
23		
24		
25		

1 THE NEXUS BETWEEN THE ILLICIT DRUG TRADE AND CORRUPTION

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Wednesday, November 17, 2021

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U.S. Senate

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Caucus on International Narcotics Control

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Washington, D.C.

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9 The caucus met, pursuant to notice, at 1:06 p.m., in

10 Room SD-608, Dirksen Senate Office Building, Hon. Sheldon

11 Whitehouse, chairman of the caucus, presiding.

12 Present: Senators Whitehouse [presiding], Hassan,

13 Lujan, Grassley, and Cornyn.

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## 1 OPENING STATEMENT OF SENATOR WHITEHOUSE

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

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

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

16 It also relies on rule-of-law protections in the U.S.  
17 and other democracies to safeguard the ill-gotten gains of  
18 its leaders in our property and financial institutions.  
19 Drug traffickers' business empires, taken together, are  
20 conservatively estimated at \$150 billion annually,  
21 exceeding the GDP of 150 countries. Such a massive trade  
22 cannot exist without the coerced or willing complicity of  
23 government officials and law enforcement.

24 The links between the narcotics trade and corruption  
25 abound. Last month, the former Mexican Minister of Public

1 Security was convicted of bribery and narcotics charges in  
2 U.S. Federal court. He is among a number of high-ranking  
3 officials and vetted law enforcement officials who  
4 currently await trial or have already been convicted in  
5 U.S. courts on various bribery and narcotics charges.

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

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

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

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

24 So how do we counter this narcotics-fueled corruption?  
25 First, we intentionally weave anti-corruption and anti-

1 money laundering strategies into our broader national drug  
2 control strategy. We cannot ignore the connections between  
3 these problems.

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

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

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

25 And finally, we have work to do at home. The Pandora

1 Papers show how bad actors exploit lawyers, realtors, and  
2 other gatekeeping professionals who are not subject to Bank  
3 Secrecy Act reporting requirements to set up shell  
4 corporations for hiding ill-gotten gains. We can stop this  
5 by fully and swiftly implementing the bipartisan Corporate  
6 Transparency Act to allow law enforcement to track the true  
7 owner of a shell company, by making geographic targeting  
8 orders permanent and nationwide to prevent narcotics  
9 traffickers and others from using the real estate market to  
10 hide illicit wealth, and by strengthening anti-money  
11 laundering regulations to reduce risk and strengthen law  
12 enforcement's hand.

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

22 For America to stop these harms and to remain an  
23 example to the world, we must prevail against the  
24 transnational drug trade and the corruption that it  
25 fosters. Today's hearing will examine how U.S. agencies

1 address that nexus between the illicit drug trade and  
2 corruption, how we might improve our efforts against those  
3 forces, and how we can harness our partnerships with fellow  
4 rule-of-law countries to hold corrupt actors to account.

5 Chairman Grassley, all yours.

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## 1 STATEMENT OF SENATOR GRASSLEY

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

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

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

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

22 Some progress has been made in this space. Just a few  
23 weeks ago, Mexico recorded the largest seizure of fentanyl  
24 in the country's history. Also, our nations are having  
25 ongoing talks about how to stop the supply and demand of

1 drugs.

2           Rooting out corruption isn't confined to Mexico. So  
3 as we review our efforts, we must ensure strong oversight.  
4 In August of this year, the Justice Department Inspector  
5 General reported that DEA hasn't been keeping track of the  
6 partnerships with foreign law enforcement to combat the  
7 flow of illicit drugs. When the OIG checked, the Drug  
8 Enforcement Administration headquarters didn't even have a  
9 complete record of the foreign law enforcement units DEA  
10 personnel established.

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

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

19           Since the Haitian president was assassinated in July,  
20 we have learned that two Haitian nationals wanted in  
21 connection with that assassination have had past  
22 associations with the Drug Enforcement Administration.  
23 Haiti's DEA office was also the subject of recent  
24 whistleblower allegations and damaging reports issued in  
25 July by the U.S. Office of Special Counsel.

1           Yesterday, Senator Durbin and I sent a letter to the  
2 Drug Enforcement Administration raising our concerns  
3 related to both the Office of Inspector General and the  
4 Office of Special Counsel reports. I look forward to  
5 getting prompt answer to those questions.

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

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

17           The Chairman. Thank you, Chairman Grassley.

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

21           I think I will just go right across the line and start  
22 with Ambassador Todd Robinson, who is our Assistant  
23 Secretary for the Bureau of International Narcotics and Law  
24 Enforcement Affairs. Ambassador Robinson last served as  
25 the Director of the International Student Management Office

1 at the National Defense University. Prior to this, he  
2 served in a number of capacities at the State Department,  
3 including as senior adviser for Central America in the  
4 Bureau of Western Hemisphere Affairs; as the charge in  
5 Caracas, Venezuela; and as our U.S. Ambassador to the  
6 Republic of Guatemala, where, by the way, he was the  
7 multiple-time successor of my grandfather, who was also our  
8 minister in Guatemala many, many years ago.

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

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

21 He also manages the Department's overseas capacity-  
22 building programs, which work with partner nations on  
23 issues ranging from counterterrorism to transnational  
24 organized crime to anti-corruption. As the Department's  
25 counselor for international affairs, Mr. Swartz advises the

1 Attorney General on international issues, chairs the  
2 Department's International Affairs Committee, and  
3 represents DOJ in international negotiations and  
4 multilateral and bilateral consultations.

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

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

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

21 Ambassador Robinson, please proceed.

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1 STATEMENT OF AMBASSADOR TODD D. ROBINSON, ASSISTANT  
2 SECRETARY, BUREAU OF INTERNATIONAL NARCOTICS AND LAW  
3 ENFORCEMENT AFFAIRS, U.S. DEPARTMENT OF STATE

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

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

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

24 The first is building shared standards and political  
25 will against corruption at the global level. Over the past

1 two decades, INL has led U.S. efforts to develop shared  
2 global standards against corruption and the architecture  
3 for anti-corruption cooperation across borders. INL  
4 leadership was key to negotiating the world's only global  
5 legally binding commitments against corruption, the U.N.  
6 Convention against Corruption, UNCAC, completed in 2003.

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

19 The second pillar of our work is focused on  
20 strengthening capacity in partners to prevent, detect, and  
21 hold accountable those that participate in corruption.  
22 INL's foreign assistance programs support the capacity of  
23 governments and civil societies to build transparent,  
24 accountable -- and accountable institutions; strengthen  
25 criminal justice authorities' ability to detect,

1 investigate, and prosecute corruption, including corruption  
2 relating to drug trafficking; and assist officials to work  
3 across borders to build cases and track proceeds.

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

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

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

22 We also manages two anti-corruption visa restriction  
23 authorities and, in close cooperation with the Department  
24 of Treasury, support implementation of the corruption prong  
25 of the Global Magnitsky sanctions program.

1           The public designation of corrupt actors under our  
2 visa restriction authorities has significantly reinforced  
3 our broader anti-corruption agenda, including through  
4 increasing media attention and spurring governments to  
5 remove designees from office or to open law enforcement  
6 investigations and to build momentum to adopt anti-  
7 corruption reforms.

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

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

21           Confronting corruption often means things may get  
22 worse before they get better. We are prepared for that  
23 reality and are firmly committed to staying the course in  
24 combatting this threat aggressively. The stakes are too  
25 high.

1 Thank you, and I look forward to your questions.

2 [The prepared statement of Ambassador Robinson  
3 follows:]

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1           The Chairman. Thank you, Ambassador. Much  
2 appreciated.

3           Mr. Swartz, to you.

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1 STATEMENT OF BRUCE SWARTZ, DEPUTY ASSISTANT ATTORNEY  
2 GENERAL, COUNSELOR FOR INTERNATIONAL AFFAIRS, U.S.

3 DEPARTMENT OF JUSTICE

4 Mr. Swartz. Thank you, Chairman Whitehouse.

5 The Chairman. You may need to punch your mike.

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

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

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

20 As I think you may have seen, in October, we announced  
21 Operation Dark HunTor. This is an operation led by JCODE,  
22 the Department of Justice's Joint Criminal Opioid and  
23 Darknet Enforcement team that was a global enforcement  
24 action resulting in 150 arrests worldwide and the seizure  
25 of more than \$31 million in cash and virtual currency.

1           Similarly, last month, we announced a new tip line for  
2 Central America, to provide leads to the Department of  
3 Justice's Northern Triangle Anti-Corruption Task Force, a  
4 joint task force bringing together our Narcotic and  
5 Dangerous Drug Section, our Money Laundering and Asset  
6 Forfeiture Section, and our Fraud Section. In all of these  
7 respects, I would like to pay particular tribute to  
8 Chairman Whitehouse, Co-Chairman Grassley, and members of  
9 this caucus for your focus on the dark economy and in  
10 particular the provisions on corporate transparency that  
11 appeared in the NDAA this last year. Those are significant  
12 steps forward, and we are grateful for your leadership.

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

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

22           And in my written statement, I have set out a number  
23 of examples of how we have achieved that, particularly  
24 through the work of the two offices at the Department of  
25 Justice solely dedicated to this task -- our overseas

1 prosecutorial development office, known as OPDAT, and our  
2 International Criminal Investigative Program, known as  
3 ICITAP. Let me cite just two of those examples.

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

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

22 First, we deploy highly experienced Federal  
23 prosecutors and senior law enforcement experts. Second, we  
24 deploy them for long-term positions in host countries for  
25 multiple-year assignments. Third, we are not engaged

1 simply in training. That is not our objective. Our goal  
2 is to engage in case-based mentoring. That is to help our  
3 counterparts conduct investigations and prosecutions in  
4 their most complex cases. And finally, because OPDAT and  
5 ICITAP deploy Federal employees, not contractors, they can  
6 reach back to all of the Department of Justice's assets and  
7 coordinate with our operational teams on the ground and can  
8 ensure that we are working collectively.

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

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

24 Thank you. I look forward to your questions.

25 [The prepared statement of Mr. Swartz follows:]

1 The Chairman. Thanks very much, Mr. Swartz.

2 Ms. Green?

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

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

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

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

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

24 First, USAID provides vital support to civil society  
25 organizations and media outlets that expose corruption and

1 generate pressure for reform, often at great personal and  
2 professional risk to themselves. For example, since 2007,  
3 USAID has funded organized crime and corruption reporting  
4 projects. This network releases more than 80 major  
5 investigations per year that uncover corruption, drug  
6 trafficking, and other forms of crime.

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

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

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

1 subject to rent-seeking behavior and harassment.

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

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

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

21 USAID recognizes the deep linkages between corruption  
22 and transnational organized crime. As such, we are  
23 adapting our programming to transform the fight against  
24 corruption, including by tackling it from a variety of  
25 angles. This includes increasing our agility to respond to

1 what can be fleeting windows of opportunity as well as  
2 moments of backsliding; enhancing collaboration with other  
3 U.S. departments and agencies, local anti-corruption  
4 reformers, and the private sector; and experimenting with  
5 new programmatic approaches, tools, and technologies to  
6 tackle transnational corruption and crime.

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

15 I thank you and look forward to your questions.

16 [The prepared statement of Ms. Green follows:]

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25 The Chairman. Thanks very much.

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

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

12           Ambassador Robinson. Yes, absolutely.

13           Mr. Swartz. Without a doubt, Senator.

14           Ms. Green. One hundred percent.

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

23           So what you need is to get your pelf, your crooked  
24 goods, sheltered behind rule of law. And so, in very  
25 significant ways, it seems to me we rule of law nations are

1 aiding and abetting in legal terms, or giving aid and  
2 comfort to in military terms, our own enemies. We made a  
3 big step against that, thanks to Chairman Grassley, who  
4 worked very hard on the beneficial ownership rules, which  
5 are being written by Treasury right now, I hope, with a lot  
6 of input from all of your organizations.

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

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

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

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

22 Ambassador Robinson. Absolutely, absolutely. I think  
23 the idea that -- in fact, I know one of the -- one of the  
24 areas that the summit will focus on is corruption broadly,  
25 but anti-money laundering.

1           The Chairman. And specific to your line of work, is  
2 there more that we could or should be doing with sanctions?  
3 And do you need any further authorities from Congress to  
4 apply further sanctions to discourage both kleptocracy and  
5 aiding and abetting of it by those in rule of law  
6 countries?

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

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

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

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

1 the safe havens to which the money flows.

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

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

6 The Chairman. Microphone.

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

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

21 To be able to say that we are doing what we have asked  
22 other countries to do is critical, as well, of course, as  
23 making it possible for us to conduct these kinds of  
24 investigations. And in that regard, we have continued our  
25 focus, including through the Kleptocracy Initiative, which

1 is now celebrating its 10th anniversary, to track down  
2 funds that have transited to the United States or have been  
3 invested in the United States, to seize and forfeit those  
4 funds, and then to return them to the countries from which  
5 they were stolen.

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

14 The Chairman. Thank you. Chairman Grassley?

15 Senator Grassley. Thank you, Mr. Chairman.

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

23 Have you considered whether the Bureau should review  
24 its own processes as they relate to the DEA program in  
25 light of the IG's findings?

1           Ambassador Robinson. Mr. Co-Chairman, the fact is we  
2 are reviewing our relationship with our partners all the  
3 time. We took the GAO report very seriously, and we will  
4 continue to review to make sure that we are focusing on  
5 taking good care of the American people's resources.

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

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

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

25          Ambassador Robinson. DEA actively coordinates on a

1 regular basis with the State Department on issues such as  
2 this.

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

7 Ambassador Robinson. To my knowledge, yes.

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

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

18 The Department, of course, takes the Inspector  
19 General's report extremely seriously, and I am happy to  
20 note that on August 26th, the DEA announced that it was  
21 doing an independent top-to-bottom review of its foreign  
22 and international footprint, including all of the issues  
23 raised by the Inspector General. And we, of course, will  
24 follow that independent review and take any appropriate  
25 actions that are suggested thereby.

1           Senator Grassley. Also, Mr. Swartz, do you agree that  
2 when serious incidents occur involving DEA-supported  
3 foreign law enforcement units, it is incumbent upon the DEA  
4 headquarters to conduct oversight to identify problems and  
5 prevent similar incidents?

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

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

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

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

24          The broader framework, of course, for our cooperation  
25 with Mexico has now been set by the new Bicentennial

1 Framework and the high-level security dialogue, which  
2 Attorney General Garland attended, as did I, the  
3 Ambassador, last month. That is just a framework that is  
4 going to focus us on illicit finance, on precursor  
5 chemicals, and to provide a new direction forward.

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

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

10 Senator Hassan. Well, thank you, Mr. Chairman. And I  
11 want to thank you and Co-Chair Grassley for convening us.

12 I want to thank the witnesses not only for being here  
13 today, but for your work, and I just want to note that as  
14 we talked about the stunning statistic just being reported  
15 of 100,000 overdose deaths in the United States in a year  
16 of the pandemic, how critical your work is. I also know  
17 that while we are talking today about illicit international  
18 drug trafficking, it is really important that we also  
19 recognize that all of this illicit trafficking is  
20 influenced by demand here at home.

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

1 that ball either.

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

11 I just want to drill down a bit, Ambassador.  
12 Criminals profit at every stage of this process. How can  
13 we use existing money laundering rules to combat the  
14 financing of illicit fentanyl trade?

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

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

1 Senator Hassan. Thank you.

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

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

14 Mr. Swartz. Well, thank you, Senator.

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

24 And we are also doing this through other means.

25 Thanks to support from INL, we have created a worldwide

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

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

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

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

25 Mr. Swartz. Thank you.

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

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

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

17           I appreciate all of you very much.

18           The Chairman. Senator Cornyn?

19           Senator Cornyn. Thank you all for being here today.

20           Let me start, Ambassador Robinson, I could not agree  
21 more with your -- the final statement that you made talking  
22 about the importance of political will and cooperation in  
23 the countries that we are trying to assist. And frankly,  
24 without that political will, there is not a whole heck of a  
25 lot the U.S. can do, in my opinion. We have not shown

1 ourselves very good at nation building, and particularly  
2 when we are working against the powers that be in foreign  
3 countries, it makes things hard, if not downright  
4 impossible.

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

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

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

24 Do you agree, Mr. Robinson, Mr. Swartz, that these  
25 transnational criminal organizations are commodity

1 agnostic?

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

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

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

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

23 And Senator, I would also be glad to work with your  
24 staff on the extradition issues. The numbers we have from  
25 Mexico are significantly higher, including some key people

1 who were extradited in the cartel context. But we would be  
2 glad to discuss that for the record.

3 Senator Cornyn. Thank you. Ms. Green?

4 Ms. Green. Yes, Senator. We, too, at USAID see those  
5 linkages, and that is why the anti-corruption task force is  
6 viewing our work on anti-corruption as intimately connected  
7 to the work that USAID does on countering wildlife  
8 trafficking, on countering the trafficking of natural  
9 resources, on transnational organized crime.

10 We are building the capacity of our government  
11 partners and our nongovernmental partners to detect the  
12 flow of those commodities, whether it be gold or timber,  
13 because we do see very intimately those linkages, and we  
14 know that we need new partnerships, new kinds of  
15 technologies, and new approaches in order to address the  
16 transnational flow of those kinds of commodities.

17 Senator Cornyn. Well, I thank each of you for your  
18 answer. I think obviously, coming from a border State that  
19 has seen a huge influx of migrants coming across the  
20 border, 1.7 million so far this year with approximately  
21 300,000-plus get-aways -- although I don't know how you  
22 count the ones, the people you never saw. But that is one  
23 of the estimates that have been given to us.

24 But of course, what we have seen is that these  
25 transnational criminal organizations are pretty

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

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

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

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

1 Mexico for the bicentennial agreement.

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

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

6 Senator Cornyn. Good. Thank you.

7 The Chairman. Thanks, Senator Cornyn. Senator Lujan?

8 Senator Lujan. Thank you, Mr. Chairman.

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

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

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

20 Mr. Swartz. Well --

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

24 Mr. Swartz. Yes, Senator. It is a crime to engage in  
25 money laundering on behalf of a drug cartel.

1           Senator Lujan. And maybe there was an anticipation of  
2 what my follow-up is. Look, every time that I have had a  
3 briefing and looking at this issue, there is always a  
4 report when we look at other countries of bringing  
5 attention to the campesinos, the farmers, who are being  
6 pressured by the cartels to grow drugs. Nobody wants to  
7 talk about the illicit financial markets.

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

13           The reason that I wanted to ask these particular  
14 questions and open up there -- I am sorry it took so long  
15 to get where I am now -- is there was a decision made in  
16 2012 with HSBC in the United States to levy a \$1.9 billion  
17 fine, which is about 5 weeks of profits for the bank. But  
18 there was a decision by the United States Department of  
19 Justice not to criminally prosecute anyone that was caught  
20 laundering money in that case, 175 criminal charges that we  
21 know about. Is that going to change?

22           Mr. Swartz. Well, Senator, I would be glad to discuss  
23 with your staff and get more details of the background for  
24 the resolution in that particular case. But in terms of  
25 the more general question you asked, our commitment to go

1 after these illicit networks, to go after anyone who  
2 knowingly is laundering funds, is ironclad.

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

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

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

18 But no one went to jail from HSBC. So that was in  
19 2012. Let me back up a little bit. 2003, HSBC promised  
20 and agreed to a consent order to clean itself up from money  
21 laundering. They promised, and they agreed to this by the  
22 United States. Same thing happened in 2010. They followed  
23 up, and they promised and agreed to another consent order.

24 2012, the United States levies a \$1.9 billion fine,  
25 5 weeks of profits. No one goes to jail, and 175 criminal

1 charges do not get prosecuted.

2 2018, HSBC agrees to pay another \$100 million because  
3 they got caught laundering money again. 2019, a  
4 \$192.5 million fine, HSBC gets caught laundering money.  
5 2017, the United States Department of Justice -- I will  
6 back up a couple years -- lifted its deferred prosecution  
7 agreement.

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

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

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

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

23 Senator Lujan. Ambassador?

24 Ambassador Robinson. The short answer is yes. This  
25 is an issue that came up during the -- during our summit in

1 Mexico, and we have committed to working much more closely  
2 with our interagency partners. We have committed to  
3 working much more closely on this issue.

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

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

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

21 So this is an area that I am going to keep pressing  
22 and pushing now that I am a member of the United States  
23 Senate because, again, this is not going to stop as long as  
24 people just pay a small fine and a small penalty, and then  
25 they get to go home with their deferred bonuses while

1 people are dying on the streets of America and in other  
2 parts of the world.

3 Thank you, Mr. Chairman.

4 The Chairman. Thank you, Senator.

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

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

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

1 they do.

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

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

12 [Recess.]

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

20 John Brandolino is the Director of the Division for  
21 Treaty Affairs at the United Nations Office on Drugs and  
22 Crime, where he oversees U.N.-mandated policy processes  
23 related to drug and crime and technical assistance centers  
24 related to corruption, organized crime, money laundering,  
25 cyber crime, and terrorism.

1           Mr. Brandolino previously served in a variety of  
2 positions at the U.S. State Department's Bureau for  
3 International Narcotics and Law Enforcement, including as  
4 Acting Deputy Assistant Secretary and Director for the  
5 Office of Anti-Crime Programs. Before that, Mr. Brandolino  
6 worked for the American Bar Association, served as  
7 assistant general counsel for the multinational force and  
8 observers, did some time here in the United States Senate  
9 and also as an aide to the Speaker of the House of  
10 Representatives.

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

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

24           Finally, Clay Fuller is a research affiliate with the  
25 Walker Institute at the University of South Carolina.

1 Previously, he was a Jeane Kirkpatrick Fellow at the  
2 American Enterprise Institute, and he has worked closely  
3 with the Hudson Institute's Kleptocracy Initiative, which  
4 is a great initiative that we have done a lot of work with  
5 over the years. And he is a current member of the Global  
6 Initiative against Transnational Organized Crime.

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

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

16 And if we can, why don't we begin with Mr. Brandolino  
17 coming in from Vienna, I believe.

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1 STATEMENT OF JOHN BRANDOLINO, DIRECTOR, DIVISION FOR TREATY  
2 AFFAIRS, UNITED NATIONS OFFICE ON DRUGS AND CRIME

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

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

19 The Chairman. Please proceed. Have we lost signal?

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

22 The Chairman. Yes, go ahead.

23 Mr. Brandolino. Okay, sorry. I wanted to take this  
24 opportunity to thank the U.S. Department of State INL  
25 Bureau for their longstanding policy, substantive, and

1 financial support for many key areas of our work and the  
2 Department of Justice, which regularly contributes its  
3 expertise to our work around the world.

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

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

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

21 But in addition to this, the second path is we need to  
22 also understand the different contexts of corruption and  
23 develop measures that are tailored to combatting and  
24 preventing corruption in those specific contexts. My  
25 written statement discusses how UNODC is trying to better

1 understand drug flows and related illicit financial flows,  
2 which, in turn, allows us to target corruption points that  
3 facilitate those flows.

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

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

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

24 Money laundering is obviously, as been discussed  
25 today, used to move and hide corrupt proceeds. But

1 corruption can also help fuel the laundering of proceeds  
2 generally of illicit drug activity. So we need to  
3 understand how corruption can facilitate, for example, bulk  
4 cash flows and trade-based money laundering when those  
5 types of laundering are used.

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

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

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

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

24 Our Global Program on Money Laundering has developed a  
25 series of trainings related to investigating movement of

1 funds via cryptocurrencies, particularly corrupt proceeds.  
2 And we have a number of prevention-related programs that  
3 support anti-corruption authorities, supreme audit  
4 institutions, procurement bodies, and other oversight  
5 bodies, and it is also to strengthen effective reporting  
6 mechanisms that ensure high levels of confidentiality.

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

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

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

1 anti-corruption work generally.

2 Thank you, and I look forward to your questions.

3 [The prepared statement of Mr. Brandolino follows:]

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1 The Chairman. Thanks very much, Mr. Brandolino.

2 Next, Ms. Felbab-Brown, please proceed -- from Iraq,

3 no less.

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1 STATEMENT OF VANDA FELBAB-BROWN, SENIOR FELLOW, CENTER FOR  
2 SECURITY, STRATEGY, AND TECHNOLOGY IN THE FOREIGN POLICY  
3 PROGRAM, BROOKINGS INSTITUTION

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

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

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

24 And in some cases, such as in Venezuela, North Korea,  
25 or Myanmar, entire regime survival is deeply intertwined

1 and dependent on the persistence of exclusionary patronage,  
2 corruption, and illegal economies, such as the drug trade.  
3 Similarly, in Central America's Northern Triangle, such  
4 systems of political exclusion and patronage have for  
5 decades dominated the countries and become deeply  
6 intertwined with the drug trade, with criminal  
7 organizations penetrating the highest levels of the  
8 government, such as in Honduras.

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

17       If they are considered and developed as merely  
18 technical projects, they can generate perhaps some capacity  
19 abroad, but they will fail to generate adequate political  
20 will and, in fact, might be undermined. Indeed, we have  
21 seen in various parts of the world that when anti-  
22 corruption efforts become effective and become mutual, not  
23 merely targeting political enemies of current government  
24 officials, they become undermined by those very same  
25 current government officials.

1           The attacks and efforts to dismantle CICIG in  
2 Guatemala and MACCIH in Honduras are prime examples. And  
3 other times, both counternarcotics and anti-corruption  
4 efforts are corrupted to, in fact, perpetuate the very  
5 system of narrow parochial rapacious predatory corrupt rule  
6 and merely target political and business enemies.

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

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

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

25           One is that corruption efforts need to be prioritized

1 to focus on settings where entire communities are excluded  
2 from access to jobs or markets because this will aid  
3 political will both to proceed in anti-corruption efforts  
4 and to mount effective counternarcotics efforts. But  
5 because they are profoundly political undertakings, they  
6 require a systematic policy from the get-go to build  
7 political lines of support for the persistence and  
8 advancement of anti-corruption efforts.

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

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

25 Thank you.

[The prepared statement of Dr. Felbab-Brown follows:]

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1 The Chairman. Thank you very much, Ms. Felbab-Brown.  
2 And finally, Mr. Fuller, please proceed.

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1 STATEMENT OF CLAY R. FULLER, RESEARCH AFFILIATE, WALKER  
2 INSTITUTE, UNIVERSITY OF SOUTH CAROLINA

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

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

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

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

22 So I completely applaud U.S. efforts to stem drug  
23 flows and corruption around the world. However, the world,  
24 and especially the very, very dark world of illicit drugs  
25 and corruption, has changed dramatically in just the past

1 5 years and has sped up especially since the pandemic began  
2 and has become much, much worse.

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

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

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

20 The first idea, similar to how FinCEN, or the  
21 Financial Crimes Enforcement Network in the U.S. Treasury,  
22 they began issuing geographic targeting orders to address  
23 money laundering through real estate here in the U.S. We  
24 could, I think, develop global geographic targeting orders  
25 to address the key transshipment points where drugs are

1 moved through that often involve large-scale corruption in  
2 customs.

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

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

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

21 Third idea is that we need to radically rethink how we  
22 think about transparency. I see it as credible information  
23 instead of digging for dirt on things we don't like and  
24 exposing them. I see it as credible information that  
25 everybody can see and make their own decisions about.

1           We can do this, we can create this new kind of  
2 transparency by utilizing new and powerful technologies,  
3 such as blockchain technology and cryptocurrency. These  
4 technologies are developing and being adopted at a speed  
5 that is difficult to comprehend, and it is even harder for  
6 Government to keep up with. But the thing that is most  
7 misunderstood about them is that they are built on the  
8 premise of enforcing an unbreakable transparency, and they  
9 do this through decentralizing everything -- decentralizing  
10 finance and decentralizing the Internet -- so we don't have  
11 things like the HSBC incidents that were referred to  
12 earlier.

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

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

22           [The prepared statement of Dr. Fuller follows:]

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1           The Chairman. Thanks very much, Mr. Fuller, and  
2 thanks to the whole panel. You are a very expert group,  
3 and I appreciate that you have joined us from all around  
4 the globe.

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

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

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

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

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

24          The Chairman. Thank you.

25          And Ms. Felbab-Brown, in terms of disrupting narcotics

1 finance, what would you think the best outcomes could be  
2 with respect to disrupting safe havens for the proceeds of  
3 the international drug trade?

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

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

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

20 Dr. Fuller. Thank you for the question.

21 I would like to see a focus on improving trade and  
22 supply chains, specifically as related to foreign trade  
23 zones, these transshipment points. I have been studying  
24 these for more than a decade now, and they are very  
25 understudied, not understood, under regulated. There is

1 very little data on them, and they have very critical, in  
2 my view, point in all of this that have been overlooked for  
3 a very long time.

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

8 Dr. Fuller. Is that for me? Is that for me?

9 The Chairman. Sure.

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

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

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

23 Dr. Felbab-Brown. Perhaps I can start, Mr. Chairman.  
24 I think that the Magnitsky Act is a very powerful tool that  
25 can be applied across a great range of issues that have

1 been applied for that very much links to both corruption  
2 and counternarcotics. For example, the issue of darknet,  
3 deep net, cryptocurrency, and money laundering have been  
4 mentioned. Many of the organizations are also linked to  
5 powerful states, including China and Russia. And in my  
6 view, there are opportunities to use the Magnitsky Act to  
7 sanction some of the proxies that engage in using  
8 cryptocurrency for laundering all kinds of proceeds, as  
9 well as other attacks against the United States.

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

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

25 The Chairman. Thank you very much.

1           Let me turn it over to my co-chair, Senator Grassley.

2           Senator Grassley. Thank you, Mr. Chairman.

3           I am going to ask my first question of Felbab-Brown,  
4 but I am going to introduce it with what she already knows  
5 about fentanyl and the adulterating that product with other  
6 drugs, and then it gets into the United States. We spent  
7 \$3 billion through the Merida Initiative to promote  
8 counternarcotics efforts in Mexico. One of the goals of  
9 the initiative is to strengthen Mexico's criminal justice  
10 system. Rooting out corruption is an essential piece of  
11 that.

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

15           Dr. Felbab-Brown. Well, the functioning of the  
16 criminal justice system abroad is absolutely fundamental to  
17 minimizing drug trade corruption and protecting U.S.  
18 national security and the lives of U.S. citizens. And  
19 indeed, the effort that the United States put in helping  
20 Mexico improve the justice system through the Merida  
21 Initiative made some very important progress, the most  
22 significant one being improvements to the judicial system,  
23 such as switching to trials and moving from a pure  
24 inquisitorial system to a system that is a hybrid of  
25 inquisitorial and accusatorial system.

1           This is important progress. It is highly imperfect.  
2 It is also under threat with significant rollbacks to the  
3 system, and it is something that I hope will continue to be  
4 a significant part of the Bicentennial Framework efforts.  
5 We are yet to see the details of what the framework  
6 actually will mean in practice.

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

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

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

24           If something like that happens, we should immediately  
25 see that it should already raise red flags about genuine

1 commitment on the part of our bilateral counterparts to the  
2 use of special investigative units. We also see that when  
3 they are effective, they often come under threat and  
4 perhaps are dismantled.

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

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

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

18 Around the world, working with our partner nations,  
19 there are very cheap and inexpensive things that we can do  
20 that would have great effect, such as teaching our partner  
21 nations how to generate, collect, and disseminate more  
22 credible aggregate data about what is going on in their  
23 country. So, for example, the statistic mentioned earlier  
24 that 100,000 Americans died of overdoses during the  
25 pandemic. It is credible, and I believe it. And it

1 affects me, and it encourages me as an individual to want  
2 to do something to help fix that statistic.

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

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

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

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

18 Senator Grassley. No.

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

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

25 Thanks so much for being with us, and we look forward

1 to continuing to work with you as we prepare for the Summit  
2 for Democracy and to assert a really strong American role  
3 in international transparency in our clash with  
4 kleptocracy, autocracy, and criminality.

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

6 [Whereupon, at 2:48 p.m., the caucus was adjourned.]

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**WORD INDEX**

&lt; \$ &gt;

**\$1.9** 46:16 47:24**\$100** 48:2**\$150** 3:20**\$160** 26:19**\$192.5** 48:4**\$3** 75:7**\$31** 19:25**\$61** 21:18

&lt; 1 &gt;

**1.7** 43:20**1:06** 2:9**100,000** 6:15 36:15

44:3 68:11 77:24

**10th** 32:1**124** 54:14**13** 1:7**15** 8:16**150** 3:21 19:24**17** 2:3 41:7**175** 46:20 47:25**188** 14:8**19** 1:10 41:7

&lt; 2 &gt;

**2** 14:10**2:48** 79:6**20** 41:8 50:15, 16

74:14

**2003** 14:6 47:19**2007** 25:2**2010** 47:22**2012** 46:16 47:19, 24**2017** 48:5**2018** 48:2**2019** 41:7 48:3

67:11

**2020** 6:15**2021** 2:3 6:15 41:8**21st** 3:9 6:18**22** 41:8 57:18**24** 1:14**26** 57:20**26th** 34:20**27** 69:15 73:11

&lt; 3 &gt;

**3** 1:3**30** 22:13**300,000-plus** 43:21

&lt; 5 &gt;

**5** 10:19 46:17

47:25 68:1

**54** 1:17

&lt; 6 &gt;

**60th** 24:13**61** 1:20**67** 1:22

&lt; 7 &gt;

**75** 15:20

&lt; 8 &gt;

**8** 1:4 26:20**80** 24:23 25:4

50:14

&lt; 9 &gt;

**9** 41:9**90** 13:21**99** 57:20

&lt; A &gt;

**abetting** 29:1 30:5**abide** 35:9**ability** 14:25 22:22

26:14 30:8

**able** 31:21 38:12

70:15

**abound** 3:25**abroad** 5:13 22:21

39:2 62:19 75:16

**absence** 3:11**absolutely** 16:12

28:12 29:14, 22

42:2, 8, 10 44:18

71:8 75:16

**abstract** 45:15**academic** 53:7**access** 5:13, 17 64:2**accompany** 6:14**accomplishments** 22:12**account** 7:4**accountability** 13:23 15:13 26:3**accountable** 5:8

14:21, 24

**accurately** 42:12**accusatorial** 75:25**accusatory** 5:15**achieved** 20:23**achievements** 21:19, 20**Act** 6:3, 6 29:7

73:24 74:6

**Acting** 52:4**action** 19:24 25:14

55:17 64:17 72:5

**actions** 34:25

38:23 55:7, 9, 11

**active** 57:20**actively** 33:23, 25**activists** 27:13**activities** 11:18

58:17

**activity** 35:9 39:10

49:10 57:2

**actors** 6:1 7:4

16:1 26:10 52:14

55:20

**adapting** 26:23**add** 44:23 57:12

74:10

**addition** 55:21**address** 7:1 10:7

24:10 28:17 30:13

42:11 43:15 44:22

54:7, 18 55:4

57:23 61:7 68:22,

25

**addresses** 57:15

67:13

**addressing** 27:7

71:14

**adequate** 62:19

73:20 74:17

**adequately** 73:22**adjourned** 79:6**adjust** 31:2**administration** 5:9

9:8, 13, 22 10:2

31:5, 8 50:17

**Administrator** 1:12

12:6 24:2, 13 35:7

**Admiral** 4:14**adopt** 16:6**adopted** 70:4**adulterating** 75:5**advance** 38:23**advancement** 64:8**advantage** 51:19**adversaries** 67:19**Adviser** 1:11 11:3

12:5 24:1

**advises** 11:25**Affairs** 1:7, 9, 16

10:24 11:4, 13, 25

12:2 13:3 19:2

33:8 51:21 54:2

**affect** 40:5 61:9**Affiliate** 1:21

52:24 67:1

**Afghanistan** 4:6

61:18

**Africa** 52:15 78:10**agencies** 6:25 12:7

27:3 33:15 38:22

63:11 74:21

**Agency** 1:13 13:9

24:3 26:13

**agenda** 16:3**agents** 22:19 41:11

44:24

**aggregate** 77:22**aggressively** 16:24**agilely** 22:19**agility** 22:22 26:25**agnostic** 41:21

42:1, 8, 17

**ago** 8:23 11:8**agree** 22:16 28:9

31:16 32:7 34:14

35:1 40:20 41:24

42:3, 8 44:15

**agreed** 47:20, 21, 23**agreement** 34:4

45:1 48:7 69:16

**agreements** 32:21

33:11, 12, 22 47:5

49:16 69:13, 18, 19

**agrees** 48:2**ahead** 54:22**aid** 29:1 64:2**aide** 52:9**aiding** 29:1 30:5**aimed** 19:17 57:17**AIRCOP** 57:19**airports** 57:20**Albania** 15:4 21:13**Albanian** 15:5

21:13, 16

**allegations** 9:24**alleged** 9:12**allies** 4:11 8:17

32:13 50:14

**allow** 6:6 22:18

37:17

**allows** 14:16 56:2**Ambassador** 1:5

10:22, 24 11:5, 9

12:21 13:1, 4 17:2

18:1 21:12 22:11

28:12 29:11, 13, 22

30:7 32:16 33:1, 6,

11, 16, 19, 25 34:7

36:3 37:2, 11, 15

39:22 40:14, 20

42:2 44:15, 17

48:18, 23, 24

**amendment** 39:17**America** 6:22 11:3

20:2 26:16 28:8

29:7 42:13 50:1

52:16 56:14 58:9

78:11

**American** 19:14

20:19 22:23 28:11

32:11 33:5 40:9,

10 52:6 53:2

67:10 79:2

**Americans** 6:16

8:12 68:11 77:24

**America's** 62:3**amounts** 47:14**angles** 26:25**anniversary** 24:14

32:1

**announced** 19:20

20:1 34:20 50:9

**annually** 3:20**anonymity** 57:7**answer** 10:5 43:18

45:15 48:24 68:3

**anti** 4:25 14:8

16:6 21:13 62:10,

21 63:7 64:18

**anticipation** 46:1**anticorruption**

58:21

**Anti-Corruption**

1:13 4:25 11:24

12:6 14:3, 11 15:9,

22 16:3 20:3

21:13 22:17 24:2

27:3 35:19 43:5, 6

55:7, 12, 19 58:3,

22 59:1 62:12

63:3 64:3, 8, 21

69:18

**Anti-Crime** 52:5**anti-drug** 64:22**anti-money** 6:10

29:25 77:10

**anti-narcotics** 64:18**Anybody** 73:7, 19**appeared** 20:11**applaud** 67:22**applied** 5:23 73:25

74:1

**apply** 30:4 58:17**appreciate** 40:17

46:8 49:5 51:14

71:3

**appreciated** 18:2**approaches** 27:5

43:15

**appropriate** 33:22

34:24 49:9 61:22

**approximately**

43:20

**April** 6:15**architecture** 14:2**area** 47:10, 12

49:21 50:12 70:20

**areas** 29:24 42:15,

16 55:1

**armed** 6:20 52:14**arrangements** 62:15**arrest** 15:7**arrested** 21:4**arrests** 19:24

21:15 38:7

**Asia** 78:10**aside** 16:20

<p>asked 5:9 31:21 46:25</p> <p>asking 37:4</p> <p>aspects 21:21</p> <p>assassinated 9:19</p> <p>assassination 9:21</p> <p>assert 79:2</p> <p>Asset 20:5 55:15 58:12</p> <p>assets 5:21 22:6</p> <p>assignments 21:25</p> <p>assist 5:22 15:2 40:23 76:14</p> <p>Assistance 11:15, 16, 19 14:22 15:15 20:18 27:7 39:21 51:23 54:14</p> <p>Assistant 1:5, 8 10:22 11:11 13:1 19:1 38:2 45:9 52:4, 7</p> <p>associated 49:10</p> <p>Association 52:6</p> <p>associations 9:22</p> <p>astonishingly 4:22</p> <p>asymmetrical 67:18</p> <p>attack 42:22</p> <p>attacks 63:1 74:9</p> <p>attain 21:19</p> <p>attempts 26:10</p> <p>attended 36:2</p> <p>attention 13:7 16:4 30:24 46:5</p> <p>attitudes 77:13</p> <p>Attorney 1:8 11:12 12:1 19:1 36:2 38:2 44:25 45:9 50:7</p> <p>audit 58:3</p> <p>August 9:4 32:16 34:20</p> <p>author 52:21</p> <p>authored 53:10 67:10</p> <p>authoritarian 53:10 67:12</p> <p>authoritarianism 68:18</p> <p>authorities 14:25 15:5, 23 16:2 30:3 51:4 56:10, 23 57:18 58:3</p> <p>authority 30:12</p> <p>authorize 38:8</p> <p>autocracy 28:6 79:4</p> <p>avenues 57:10</p> <p>avoid 56:18</p> <p>await 4:4</p> <p>&lt; B &gt;</p>	<p>back 22:6 47:19 48:6 49:4 50:7 51:14</p> <p>background 28:9 46:23 54:9</p> <p>backsliding 27:2</p> <p>backtracking 41:6</p> <p>backup 63:21 74:17</p> <p>bad 6:1</p> <p>baggage 56:18</p> <p>balances 64:10</p> <p>Balkan 25:7</p> <p>ball 37:1</p> <p>Bank 6:2 46:17 58:12</p> <p>banks 45:11, 22 49:14, 16</p> <p>Bar 52:6</p> <p>barrier 8:7</p> <p>Based 14:7</p> <p>basically 24:14 28:5</p> <p>basis 34:1</p> <p>began 68:1, 12, 22</p> <p>begging 70:14</p> <p>behalf 45:25</p> <p>behavior 26:1 36:23</p> <p>believable 78:4</p> <p>believe 44:18 53:17 73:17 77:25</p> <p>beneficial 29:4 50:20</p> <p>benefit 16:20</p> <p>best 10:7 14:7 40:7 72:1</p> <p>best-case 71:11</p> <p>best-resourced 16:12</p> <p>better 5:19 16:22 28:4 40:8 55:25 76:14 77:12 78:14</p> <p>beyond 30:22 42:15</p> <p>Bicentennial 35:25 45:1 76:4</p> <p>Biden 5:5</p> <p>big 28:21 29:3</p> <p>biggest 28:20</p> <p>bilateral 12:4 26:13 69:13 77:1</p> <p>bill 39:17, 20</p> <p>billion 3:20 46:16 47:24 75:7</p> <p>billions 25:8 26:17</p> <p>binding 14:5</p> <p>bios 53:14</p> <p>bipartisan 6:5 13:6 51:6</p> <p>bit 30:17 37:11</p>	<p>40:16 47:19</p> <p>blind 24:20</p> <p>blockchain 70:3</p> <p>bloody 6:21</p> <p>bodies 25:19 58:4, 5</p> <p>bolster 38:9</p> <p>bonuses 49:25</p> <p>border 8:15 20:21 35:15 37:10 43:18, 20 44:2, 4, 6, 8, 12, 20 56:9 73:6, 16</p> <p>borders 14:3 15:3 40:13 56:20 76:10</p> <p>bosses 15:21</p> <p>brace 16:18</p> <p>Brandolino 1:15 51:20 52:1, 5 53:16 54:1, 3, 20, 23 59:3 60:1 71:5, 8, 13</p> <p>Brandolino's 72:14</p> <p>breakthrough 45:2</p> <p>bribery 4:1, 5 14:11, 14</p> <p>bribes 4:16 5:16 56:17</p> <p>briefing 46:3</p> <p>bring 15:20 51:8, 10 71:17, 22</p> <p>bringing 20:4 24:6 38:18 46:4 73:12 78:21</p> <p>broad 10:6</p> <p>broader 5:1 16:3 35:24</p> <p>broadly 29:24</p> <p>Brookings 1:20 52:13, 16 61:3</p> <p>brought 21:7 68:15</p> <p>Bruce 1:8 11:11 19:1</p> <p>build 14:23 15:3 16:6 39:2 40:11 54:16 61:18 64:6</p> <p>Building 2:10 11:22 13:24 14:15 19:12 25:22 40:4 41:1 42:12 43:10 63:11 72:4, 5, 7 76:20 77:5</p> <p>built 39:4 70:7</p> <p>bulk 57:3</p> <p>Bureau 1:6 10:23 11:4 13:2 16:9 32:23 33:7 52:2 54:25</p> <p>business 3:19 63:6</p> <p>&lt; C &gt;</p> <p>calculate 78:5</p>	<p>call 3:2 28:2 29:12 51:13</p> <p>called 5:5 29:21</p> <p>calling 13:6</p> <p>campesinos 46:5</p> <p>candidates 74:24</p> <p>capable 13:17</p> <p>capacities 11:2</p> <p>capacity 5:14 11:21 13:15 14:20, 22 15:5, 11 19:12 20:15 25:23 39:2 40:11 43:10 62:18</p> <p>capacity-building 21:20</p> <p>Caracas 11:5</p> <p>care 33:5 41:22</p> <p>career 11:9, 10</p> <p>carefully 35:8</p> <p>Carolina 1:22 51:17 52:25 67:2, 7 78:22</p> <p>cartel 43:1 45:17, 23, 25 48:12</p> <p>cartels 8:14 26:16 37:8 39:19 41:13, 17 44:5, 9 45:11 46:6 52:22 73:6</p> <p>case 45:14 46:20, 24 47:11 61:21</p> <p>case-based 22:2 39:9</p> <p>cases 11:20 15:3 22:4 39:6 40:4 49:10 61:24 73:12</p> <p>cash 19:25 57:4</p> <p>Caucus 2:6, 9, 11 13:5 19:7 20:9 24:5 35:12 54:4 61:7, 11 67:5 68:19 70:17 79:6</p> <p>caught 12:12 46:19 48:3, 4</p> <p>cause 4:9 24:19 29:9</p> <p>causes 9:14</p> <p>Cedar 35:12</p> <p>celebrating 32:1</p> <p>Center 1:18 12:9, 14 52:11 61:1</p> <p>centers 51:23</p> <p>central 3:9, 13 11:3 20:2 26:7 42:13 62:3</p> <p>century 3:9 6:18</p> <p>certain 56:5</p> <p>certainly 36:21</p> <p>cetera 8:5</p> <p>chains 72:22</p> <p>chaired 35:12</p>	<p>chairman 2:11 3:2, 4 7:5 8:2 10:17 13:4 16:8 18:1 19:4, 5, 6, 7 20:8 23:1 24:4 27:25 28:15 29:3, 19 30:1, 11 31:4, 6, 7 32:14, 15 36:7, 8, 10 39:16 40:18 45:7, 8 47:10 48:8 49:4, 7 50:3, 4 51:13 54:3, 19, 22 60:1 61:5 66:1 71:1, 10, 24 72:9 73:4, 9, 18, 23 74:25 75:2 76:18 77:9 78:15, 16, 19</p> <p>Chairmen 67:3</p> <p>chairs 12:1</p> <p>challenge 13:18 16:15</p> <p>challenges 13:11 24:11 44:20</p> <p>change 46:21 48:15 77:14</p> <p>changed 67:25</p> <p>Chapter 69:15 73:11</p> <p>chapters 55:13</p> <p>charge 11:4</p> <p>charges 4:1, 5, 11 21:7 46:20 48:1</p> <p>cheap 77:19</p> <p>checked 9:7</p> <p>checks 56:18 64:10</p> <p>chemicals 36:5 37:7, 9</p> <p>children 44:7</p> <p>China 8:13 37:5 74:5</p> <p>Chinese 37:6</p> <p>CICIG 63:1</p> <p>circumstances 45:14 63:15</p> <p>cite 14:9 19:19 21:3</p> <p>citizens 6:14 25:21, 25 32:9 75:18</p> <p>City 74:18</p> <p>CIVIC 12:9</p> <p>civil 14:23 24:24 25:23 55:10</p> <p>civilian 12:12</p> <p>Civilians 12:9, 11, 12</p> <p>civilizations 28:3 32:8</p> <p>Clan 21:5, 9</p> <p>clash 3:14 28:3, 16 32:8 79:3</p>
---	--	---	--	--

<p><b>Clay</b> 1:21 52:24 67:1</p> <p><b>clean</b> 29:7 47:20</p> <p><b>clear</b> 46:11 49:13 68:5 70:15, 16</p> <p><b>clientelism</b> 64:11</p> <p><b>close</b> 15:23</p> <p><b>closely</b> 14:12 37:15, 17 49:1, 3 53:2</p> <p><b>coalitions</b> 72:6, 7</p> <p><b>cocaine</b> 4:12, 16 30:18 56:13 77:17</p> <p><b>Co-Chair</b> 5:8 36:11 37:3 75:1</p> <p><b>Co-Chairman</b> 13:4 20:8 24:4 33:1 34:17 35:23 54:3</p> <p><b>coerced</b> 3:22</p> <p><b>coincidentally</b> 44:21</p> <p><b>collaboration</b> 27:2</p> <p><b>colleagues</b> 13:8 22:10 24:12 46:10 48:22</p> <p><b>collect</b> 77:21 78:4</p> <p><b>collecting</b> 78:6, 8</p> <p><b>collection</b> 78:14</p> <p><b>collectively</b> 22:8</p> <p><b>Colombia</b> 21:10 26:18 61:21</p> <p><b>Colombian</b> 21:4, 7</p> <p><b>Colombia's</b> 21:6</p> <p><b>combat</b> 9:6 37:13</p> <p><b>combatting</b> 5:7 13:20 16:24 55:23</p> <p><b>combined</b> 6:20</p> <p><b>come</b> 28:4, 21 51:4 71:15 72:14, 17 77:3</p> <p><b>comfort</b> 29:2</p> <p><b>coming</b> 37:24 43:18, 19 51:16 53:17</p> <p><b>commend</b> 58:20</p> <p><b>comment</b> 74:10</p> <p><b>commentator</b> 52:23</p> <p><b>comments</b> 68:15</p> <p><b>commission</b> 26:8 69:7</p> <p><b>commitment</b> 14:13 46:25 77:1</p> <p><b>commitments</b> 14:5 55:11</p> <p><b>committed</b> 16:14, 23 19:10, 12 20:14 49:1, 2</p> <p><b>Committee</b> 12:2 49:9 61:6</p> <p><b>commodities</b> 42:5 43:12, 16 44:19</p> <p><b>commodity</b> 41:20,</p>	<p>25 42:16</p> <p><b>common</b> 29:9</p> <p><b>communities</b> 64:1</p> <p><b>companies</b> 70:13</p> <p><b>company</b> 6:7</p> <p><b>comparison</b> 51:19</p> <p><b>competition</b> 67:13</p> <p><b>complement</b> 15:14 24:11</p> <p><b>complete</b> 9:9 34:11, 12</p> <p><b>completed</b> 14:6</p> <p><b>completely</b> 67:22</p> <p><b>complex</b> 8:9 10:6 13:11 22:4 62:10</p> <p><b>complicity</b> 3:22</p> <p><b>compliments</b> 50:8</p> <p><b>component</b> 57:17</p> <p><b>comprehend</b> 70:5</p> <p><b>comprehensive</b> 33:20</p> <p><b>computers</b> 78:13</p> <p><b>concern</b> 47:11</p> <p><b>concerned</b> 74:13 76:7</p> <p><b>concerns</b> 10:2</p> <p><b>concert</b> 5:24</p> <p><b>conclude</b> 78:19</p> <p><b>concluded</b> 79:5</p> <p><b>conclusion</b> 58:16</p> <p><b>concrete</b> 71:15</p> <p><b>conditions</b> 27:8</p> <p><b>conduct</b> 22:3 31:23 33:20 34:15 35:4 44:13</p> <p><b>conducted</b> 47:7</p> <p><b>confidence</b> 57:6</p> <p><b>confident</b> 35:6</p> <p><b>confidential</b> 56:19</p> <p><b>confidentiality</b> 58:6</p> <p><b>confined</b> 9:2</p> <p><b>conflict</b> 3:9 12:9, 12</p> <p><b>conflicts</b> 6:20 36:24 52:19</p> <p><b>confront</b> 16:11</p> <p><b>Confronting</b> 16:21</p> <p><b>Congress</b> 27:11 30:3 51:3 68:17, 19 70:14, 17</p> <p><b>conjunction</b> 38:10</p> <p><b>connected</b> 8:3 31:10 43:6</p> <p><b>connection</b> 9:21</p> <p><b>connections</b> 5:2 10:8</p> <p><b>consensus</b> 50:19</p> <p><b>consent</b> 47:20, 23</p> <p><b>consequences</b> 6:13</p> <p><b>Consequently</b> 62:10</p> <p><b>conservatively</b> 3:20</p>	<p><b>considered</b> 32:23 45:15 62:17</p> <p><b>consist</b> 55:11</p> <p><b>consistent</b> 22:13</p> <p><b>consists</b> 55:7</p> <p><b>consolidate</b> 53:9</p> <p><b>conspiracy</b> 4:12, 15</p> <p><b>constantly</b> 68:11</p> <p><b>consultations</b> 12:4</p> <p><b>Container</b> 57:19</p> <p><b>contemplated</b> 58:18</p> <p><b>CONTENTS</b> 1:1</p> <p><b>contest</b> 28:2, 15</p> <p><b>context</b> 43:1 58:11</p> <p><b>contexts</b> 55:22, 24</p> <p><b>continually</b> 57:11</p> <p><b>continue</b> 33:4 37:4 39:13 50:20 64:21 76:3</p> <p><b>continued</b> 31:24 48:8 58:16</p> <p><b>continuing</b> 54:15 79:1</p> <p><b>contractors</b> 22:5</p> <p><b>contributed</b> 15:6</p> <p><b>contributes</b> 24:16 55:2</p> <p><b>contributions</b> 58:23</p> <p><b>Control</b> 2:6 5:2, 10 8:20 57:19</p> <p><b>convening</b> 36:11</p> <p><b>Convention</b> 14:6 55:13 58:8, 18</p> <p><b>Conversely</b> 61:16</p> <p><b>convicted</b> 4:1, 4</p> <p><b>cooperation</b> 5:11 14:3 15:23 31:19 35:24 40:22 55:14 71:18</p> <p><b>co-opt</b> 26:10</p> <p><b>coordinate</b> 22:7 38:22</p> <p><b>coordinates</b> 11:17 33:25</p> <p><b>coordinating</b> 33:23</p> <p><b>coordination</b> 27:11</p> <p><b>Cops</b> 52:22</p> <p><b>core</b> 13:20</p> <p><b>Cornyn</b> 2:13 3:4 36:9 40:18, 19 42:9 43:3, 17 45:2, 6, 7</p> <p><b>Corporate</b> 6:5 20:10 50:6, 8 57:8</p> <p><b>corporations</b> 6:4</p> <p><b>correct</b> 31:2 71:7</p> <p><b>corrupt</b> 4:21 7:4 13:15 15:7 16:1 56:21, 25 58:1 63:5 67:21</p>	<p><b>corrupted</b> 63:4</p> <p><b>corrupting</b> 74:20</p> <p><b>CORRUPTION</b> 2:1 3:12, 15, 24 4:24 5:5, 7 6:24 7:2 8:6, 8, 21 9:2, 13 10:8 13:7, 13, 16, 25 14:2, 5, 6, 9, 21 15:1, 6, 12, 17, 24 16:7, 11, 17, 18, 21 20:20 22:20 24:7, 14, 18, 22, 25 25:3, 5, 13, 20, 24 26:4, 14, 21, 24 27:6 28:10, 18, 19 29:24 51:24 52:22 53:11 54:8, 17 55:6, 13, 16, 22, 24 56:2, 7, 8, 11, 16 57:1, 3, 7, 9, 14, 16, 22 58:9, 15, 17, 19 61:13, 15, 16 62:2, 9, 11, 22 63:8, 10, 20, 25 64:11, 15, 19, 23 67:9, 12, 23, 25 68:8, 18 69:1, 12 71:6, 14 73:16, 21 74:1, 11 75:10, 17 76:15</p> <p><b>Council</b> 12:17</p> <p><b>Counsel</b> 9:25 10:4 52:7</p> <p><b>Counselor</b> 1:9 11:25 19:2</p> <p><b>count</b> 43:22</p> <p><b>counter</b> 4:24</p> <p><b>countering</b> 43:7, 8</p> <p><b>counternarcotic</b> 77:11</p> <p><b>counternarcotics</b> 25:12 61:16 63:3, 8 64:4 74:2 75:8, 14</p> <p><b>counterparts</b> 19:13 20:15 22:3 39:3 40:12 77:1</p> <p><b>counterterrorism</b> 11:23 22:11</p> <p><b>countries</b> 3:21 4:18, 19, 20, 22 7:4 8:10 13:21 14:13 21:24 24:23 27:14 30:6 31:22 32:4, 12, 22 34:4 39:21 40:23 41:3 46:4 54:7, 14 57:18 62:5, 15 71:19, 23 72:6, 7 75:13 78:3, 13</p> <p><b>country</b> 8:18 9:16, 17 20:14, 16 28:20 33:15 34:15 35:17</p>	<p>40:5 55:19 63:16 74:12 77:23 78:6, 7, 9</p> <p><b>country's</b> 8:24 71:7, 8</p> <p><b>couple</b> 48:6</p> <p><b>course</b> 8:13 16:23 31:22 34:18, 23 35:24 43:24 45:13</p> <p><b>court</b> 4:2, 15</p> <p><b>courts</b> 4:5</p> <p><b>craft</b> 5:6</p> <p><b>create</b> 50:18 70:1, 17</p> <p><b>created</b> 38:25 58:11</p> <p><b>creation</b> 22:17</p> <p><b>credible</b> 69:22, 24 77:22, 25</p> <p><b>Crime</b> 1:17 6:17, 19 11:24 14:17 15:6, 21 20:21 25:3, 6, 14 26:18, 22 27:6 42:14, 19, 22 43:9 45:10, 14, 22, 24 51:22, 23, 24, 25 52:20 53:6 54:2, 6, 13 56:21 57:7</p> <p><b>crimes</b> 4:23 46:12 68:21</p> <p><b>criminal</b> 5:7 11:16, 20 13:14, 18 14:25 15:19 19:22 21:2 25:8 31:13 38:4 40:13 41:16, 17, 20, 25 43:25 46:11, 20 47:25 62:6 63:18 64:16, 19, 23 72:18 74:19, 23 75:9, 12, 16</p> <p><b>criminality</b> 28:6 79:4</p> <p><b>criminalization</b> 55:14</p> <p><b>criminalize</b> 14:14</p> <p><b>criminally</b> 46:19</p> <p><b>criminals</b> 26:4 37:12 53:8 63:16</p> <p><b>CRIMJUST</b> 56:12 57:15</p> <p><b>crippled</b> 24:18</p> <p><b>crisis</b> 8:13 52:16</p> <p><b>critical</b> 16:12 19:14 31:22 36:16 58:25 64:20 73:1</p> <p><b>crooked</b> 28:23</p> <p><b>cross-cutting</b> 56:13 57:16</p> <p><b>crushed</b> 24:19</p>
--	---	---	---	--

<p><b>cryptocurrencies</b> 38:18 57:8 58:1</p> <p><b>cryptocurrency</b> 39:3 70:3 74:3, 8</p> <p><b>culture</b> 15:13</p> <p><b>currency</b> 5:20 19:25</p> <p><b>Current</b> 37:16 53:5 62:23, 25</p> <p><b>currently</b> 4:4</p> <p><b>custody</b> 56:23</p> <p><b>customs</b> 69:2</p> <p><b>cutting-edge</b> 58:14</p> <p><b>cyber</b> 38:19 39:1 51:25</p> <p>&lt; D &gt;</p> <p><b>D.C</b> 2:7</p> <p><b>damaging</b> 9:24</p> <p><b>Dangerous</b> 20:5</p> <p><b>Dark</b> 19:21 20:9 38:5, 7, 12 67:24</p> <p><b>Darknet</b> 19:23 31:13 38:4, 17 74:2</p> <p><b>data</b> 54:15 68:5, 8 73:1 77:22 78:4, 8, 12, 14</p> <p><b>date</b> 33:22</p> <p><b>days</b> 58:22</p> <p><b>DCM</b> 33:16</p> <p><b>DEA</b> 9:5, 9, 23 30:14 32:18, 24 33:20, 23, 25 34:5, 10, 14, 20 35:3, 7, 8 37:18 41:11 44:24 50:23 64:14</p> <p><b>deadly</b> 35:21</p> <p><b>deal</b> 20:20 22:19 35:16 39:3</p> <p><b>dealing</b> 38:16 73:5</p> <p><b>DEA-supported</b> 33:9 35:2</p> <p><b>deaths</b> 8:4 36:15 68:12</p> <p><b>decade</b> 12:17 72:24</p> <p><b>decades</b> 14:1 55:6 62:5</p> <p><b>decentralizing</b> 70:9, 10</p> <p><b>decision</b> 46:15, 18</p> <p><b>decisions</b> 69:25</p> <p><b>dedicated</b> 20:25</p> <p><b>deep</b> 16:19 24:9 26:21 74:3</p> <p><b>deepening</b> 27:10</p> <p><b>deeper</b> 56:6</p> <p><b>deeply</b> 19:9 61:25 62:5 74:13</p> <p><b>defeat</b> 40:12</p> <p><b>defending</b> 76:14</p>	<p><b>Defense</b> 11:1 34:13 39:17</p> <p><b>defer</b> 48:21</p> <p><b>deferred</b> 47:4 48:6 49:15, 25</p> <p><b>defined</b> 76:7</p> <p><b>del</b> 21:5, 9</p> <p><b>demand</b> 8:25 36:20, 22</p> <p><b>demands</b> 76:9</p> <p><b>democracies</b> 3:17</p> <p><b>democracy</b> 3:11, 15 13:19 24:17 29:20 50:12 68:9 71:12, 13 72:15, 17 79:2</p> <p><b>democratic</b> 25:16</p> <p><b>demonstrating</b> 4:12</p> <p><b>Department</b> 1:7, 10 9:4 11:2, 18 13:3, 9 15:23 19:3, 9, 22 20:2, 17, 24 21:8 22:6, 18 30:15 31:18 32:10, 17, 19 33:23 34:1, 9, 18 35:18 37:18 40:1 42:20 46:18 47:13 48:5 49:8, 15 50:10, 24 54:24 55:2</p> <p><b>departments</b> 27:3 34:13</p> <p><b>Department's</b> 11:13, 14, 21, 24 12:2 33:7 52:2</p> <p><b>dependent</b> 62:1</p> <p><b>deploy</b> 21:22, 24 22:5, 18</p> <p><b>deployed</b> 73:22</p> <p><b>depressing</b> 68:13</p> <p><b>Deputy</b> 1:8 11:11 19:1 38:2 45:9 50:7 52:4</p> <p><b>design</b> 12:18</p> <p><b>designated</b> 4:19</p> <p><b>designation</b> 16:1</p> <p><b>designees</b> 16:5</p> <p><b>destinations</b> 56:6</p> <p><b>destined</b> 76:16</p> <p><b>detail</b> 54:10</p> <p><b>detailed</b> 63:22</p> <p><b>details</b> 46:23 76:5</p> <p><b>detect</b> 14:20, 25 43:11</p> <p><b>detecting</b> 26:10</p> <p><b>deter</b> 15:6</p> <p><b>determinations</b> 33:24</p> <p><b>determine</b> 49:17</p> <p><b>determined</b> 32:10</p> <p><b>deterrence</b> 15:16</p> <p><b>devastates</b> 3:14</p>	<p><b>devastating</b> 27:9 42:18</p> <p><b>devastatingly</b> 13:14</p> <p><b>develop</b> 14:1 55:23 68:24</p> <p><b>developed</b> 55:6 57:24 62:17</p> <p><b>developing</b> 70:4, 13</p> <p><b>Development</b> 1:14 8:7 11:15 13:10 21:1 24:3, 9, 14 26:13 61:23 77:6</p> <p><b>dialogue</b> 36:1</p> <p><b>dictators</b> 53:8</p> <p><b>died</b> 6:16 68:12 77:24</p> <p><b>different</b> 32:9 33:12 44:16 55:8, 22</p> <p><b>difficult</b> 70:5</p> <p><b>dig</b> 56:6</p> <p><b>digging</b> 69:23</p> <p><b>dignity</b> 12:11</p> <p><b>Dimensions</b> 52:17</p> <p><b>diplomacy</b> 15:14</p> <p><b>diplomat</b> 11:9</p> <p><b>directed</b> 39:9</p> <p><b>direction</b> 36:5 50:10</p> <p><b>directly</b> 6:14 67:12</p> <p><b>Director</b> 1:12, 15 10:25 12:6, 8, 13, 16 24:2 35:14 51:20 52:4, 14, 15 54:1</p> <p><b>Dirksen</b> 2:10</p> <p><b>dirt</b> 69:23</p> <p><b>dirty</b> 50:16</p> <p><b>disagree</b> 73:19</p> <p><b>disappointing</b> 63:9</p> <p><b>disavowed</b> 4:7</p> <p><b>disclosures</b> 26:9</p> <p><b>discourage</b> 15:16 30:4</p> <p><b>discretion</b> 77:8</p> <p><b>discuss</b> 8:8 24:6 40:6 43:2 46:22</p> <p><b>discussed</b> 56:24</p> <p><b>discusses</b> 55:25</p> <p><b>discussion</b> 10:14</p> <p><b>dismantle</b> 63:1, 14</p> <p><b>dismantled</b> 77:4, 8</p> <p><b>dismantling</b> 53:10 67:11</p> <p><b>disrupt</b> 16:17</p> <p><b>disrupting</b> 30:22, 25 31:8 71:25 72:2, 18</p> <p><b>DisrupTor</b> 38:6</p> <p><b>disseminate</b> 77:21</p> <p><b>dissemination</b> 78:14</p>	<p><b>distinguished</b> 13:5 19:7 24:5 54:4 61:6</p> <p><b>Division</b> 1:15 51:20 54:1</p> <p><b>documented</b> 25:7</p> <p><b>documents</b> 56:18</p> <p><b>doing</b> 20:13 30:2 31:2, 21 34:21 38:24 48:18, 19 49:19 54:18 57:13 68:4, 7 69:20 77:12</p> <p><b>DOJ</b> 11:12 12:3 50:23</p> <p><b>dollar</b> 5:20</p> <p><b>dollars</b> 76:13</p> <p><b>domestic</b> 14:7 52:17 53:12</p> <p><b>dominated</b> 62:5</p> <p><b>doubt</b> 28:13 71:5</p> <p><b>downright</b> 41:3</p> <p><b>dozen</b> 15:7</p> <p><b>Dr</b> 52:18 53:9 61:4 65:1 67:3 70:22 72:4, 20 73:8, 10, 23 75:15 76:17 77:9, 13</p> <p><b>drafting</b> 69:7</p> <p><b>dramatically</b> 67:25 78:11</p> <p><b>drill</b> 37:11</p> <p><b>driven</b> 8:13</p> <p><b>drops</b> 78:11</p> <p><b>DRUG</b> 2:1 3:19 4:12, 17 5:1, 10 6:13, 16, 24 7:1 8:7, 12, 14, 19, 20 9:7, 13, 22 10:2, 8 13:12, 16, 17 14:16 15:2, 8, 18, 21 16:12, 17 20:5 24:17, 22 25:5, 10 26:4, 14 31:4, 7 35:12 36:18 37:7, 24 38:6, 13, 19 39:19, 23 41:13 45:11, 23, 25 51:23 54:7, 17 56:1, 15 57:2, 17 61:10, 14, 17 62:2, 6 67:5, 8, 20, 22 68:10 69:18 70:17 72:3, 18 74:11, 16 75:17</p> <p><b>drug-producing</b> 4:20</p> <p><b>Drugs</b> 1:16 6:17 8:4, 11, 17 9:1, 7, 17 35:16, 21 41:22 42:6 44:2, 3, 9, 14, 19 46:6 48:8 51:21 54:2, 6, 13 56:4, 8, 17, 20, 22 61:20 67:24 68:25 69:12 75:6 76:15 77:17</p> <p><b>dual</b> 24:6</p> <p><b>Durbin</b> 10:1</p> <p><b>dying</b> 50:1</p> <p>&lt; E &gt;</p> <p><b>earlier</b> 21:11 70:12 77:23</p> <p><b>early</b> 58:22</p> <p><b>earn</b> 25:25</p> <p><b>earned</b> 25:8</p> <p><b>East</b> 78:10</p> <p><b>echelons</b> 4:13</p> <p><b>economic</b> 8:6 24:18 53:12 67:16 69:4</p> <p><b>economies</b> 52:21 61:14 62:2 74:12</p> <p><b>economy</b> 20:9 26:20</p> <p><b>effect</b> 27:9 77:20</p> <p><b>effective</b> 10:11 32:6 35:20 55:7, 17 58:5 62:22 63:12, 13 64:4, 23 76:11 77:3</p> <p><b>effectively</b> 5:21</p> <p><b>effects</b> 24:22</p> <p><b>effort</b> 9:16 13:22 15:15 37:25 75:19</p> <p><b>efforts</b> 7:2 9:3 12:10 14:1, 10 15:9 16:16 24:11 25:12 26:3 27:10 58:21 61:16, 18 62:22 63:1, 4, 8, 25 64:3, 4, 8 67:22 75:8 76:4</p> <p><b>either</b> 37:1 78:4</p> <p><b>electoral</b> 26:7</p> <p><b>electricity</b> 61:9, 11</p> <p><b>electronics</b> 51:10</p> <p><b>element</b> 3:14 48:12 76:20</p> <p><b>elevating</b> 13:17</p> <p><b>elites</b> 61:22</p> <p><b>embassies</b> 32:22</p> <p><b>emerged</b> 28:8</p> <p><b>emphasize</b> 19:8</p> <p><b>empires</b> 3:19</p> <p><b>employees</b> 22:5</p> <p><b>employes</b> 15:15</p> <p><b>enable</b> 64:11, 23</p> <p><b>enabled</b> 36:23</p> <p><b>enabling</b> 14:16</p> <p><b>enact</b> 16:16</p> <p><b>encourage</b> 77:6</p>
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**encouragement** 38:3  
**encourages** 78:1  
**Encouraging** 73:15  
**ends** 76:7  
**enemies** 29:2 62:23  
 63:6  
**enforce** 14:14 72:8  
**Enforcement** 1:7  
 3:23 4:3 5:16 6:6  
 9:6, 8, 9, 13, 22  
 10:2, 24 13:3, 22  
 15:17, 20 16:5  
 19:23 21:23 24:19  
 31:4, 7, 13 32:19,  
 20 33:8, 9, 21 34:6,  
 11, 16 35:3 38:5,  
 11, 22 41:6 50:6  
 52:3 56:10, 19, 23  
 57:17 64:14, 16  
 68:21 74:21  
**enforcement's** 6:12  
**enforcing** 70:8  
 73:11  
**engage** 22:2 45:24  
 74:7  
**engaged** 21:25  
**Engagement** 12:16,  
 18 55:9 61:10  
**engender** 16:17  
**enhancing** 27:2  
**enrich** 4:8  
**ensure** 5:16 9:3  
 22:8 33:8, 21  
 55:17 58:6  
**ensuring** 20:15  
**entering** 29:18  
 35:21  
**Enterprise** 53:2  
 67:11  
**entire** 61:25 64:1  
**environment** 14:16  
**equally** 16:14  
 19:12 20:14  
**erodes** 3:15  
**escape** 48:14  
**especially** 67:24  
 68:1 73:16 77:14  
**essential** 26:9 27:7  
 31:16, 20 75:10  
**essentially** 41:14  
**established** 9:10  
 34:5 58:7  
**estate** 6:9 68:23  
**estimated** 3:20  
**estimates** 43:23  
**et** 8:4  
**Europe** 56:14  
**evening** 54:4  
**events** 9:15  
**everybody** 69:25

**evidenced** 8:12  
**evil** 28:7  
**evolution** 25:7  
**exacerbate** 61:15  
**exactly** 42:11 47:8  
**exalted** 11:10  
**examine** 6:25  
**examines** 53:11  
**example** 6:23  
 14:10 15:4 25:2,  
 18 26:16 41:5, 7  
 56:7, 17 57:3 74:2  
 77:23  
**examples** 19:19  
 20:13, 23 21:3  
 63:2, 24  
**exceeding** 3:21  
**exchange** 4:16  
**excluded** 64:1  
**exclusion** 62:4  
**exclusionary** 61:22  
 62:1  
**excuse** 51:8  
**Executive** 1:12  
 12:6 24:2  
**exist** 3:22 47:7  
**existence** 22:14  
 39:8  
**existing** 37:13  
 69:11  
**exists** 78:5  
**expand** 5:12  
**expanded** 56:14  
**expect** 39:8 50:22,  
 23, 24  
**expenditure** 40:9  
**experienced** 21:22  
**experimenting** 27:4  
**expert** 52:18 71:2  
**expertise** 55:3  
 58:24 78:23  
**experts** 21:23  
 38:18, 20 57:21  
**exploit** 4:17 6:1  
 57:7  
**explore** 10:16  
**exploring** 74:11  
**expose** 24:25 25:13  
**exposed** 56:11  
**exposing** 69:24  
**expressed** 38:3  
**extensive** 74:15  
**external** 26:10  
**extradited** 43:1  
**extradition** 42:24  
**extraditions** 11:19  
 41:7, 8  
**extremely** 34:19  
**eye** 24:20 36:25

**< F >**  
**facet** 15:9  
**facilitate** 4:15 56:3,  
 7 57:3, 9  
**facilitates** 32:21  
**fact** 29:23 31:17  
 33:1 62:20 63:4,  
 15 72:8 74:23  
**facts** 47:6  
**fail** 62:19  
**failed** 9:14  
**failing** 32:18  
**fair** 5:17  
**fairly** 36:24  
**faith** 24:19  
**fall** 39:8  
**false** 56:18  
**far** 41:8 43:20  
 51:16, 18 69:15  
 74:22 78:8  
**farmers** 46:5  
**fast-track** 58:8  
**favorite** 12:7  
**FBI** 50:23  
**FDA** 36:24  
**Federal** 4:2 10:9  
 21:22 22:5 25:19  
 38:11, 23 41:11  
 49:19 74:18  
**feel** 40:1 74:17  
**feeling** 74:17  
**Felbab-Brown** 1:18  
 52:11, 18 60:2  
 61:1, 4 65:1 66:1  
 71:25 72:4, 16  
 73:23 75:3, 15  
 76:17  
**Fellow** 1:18 7:3  
 12:14 52:11 53:1  
 61:1  
**fentanyl** 8:13, 14,  
 23 35:16, 21 37:4,  
 6, 9, 14 75:5 77:17  
**field** 35:12  
**fielding** 74:23  
**fight** 5:4 13:7  
 25:24 26:23 55:16  
 68:17  
**fighting** 55:6  
**final** 40:21 73:18  
**finally** 5:25 12:5  
 22:4 51:2 52:24  
 58:11 63:17 64:18  
 66:2  
**finance** 36:4 38:17  
 40:5 70:10 72:1  
**financial** 3:18  
 19:11, 18 26:8  
 30:19 31:10, 15  
 45:10 46:7, 9, 12  
 55:1 56:1, 4 68:21

**financing** 37:14  
 72:19  
**FinCEN** 68:20  
**find** 47:13  
**finding** 28:19  
**findings** 32:25  
**fine** 46:17 47:24  
 48:4 49:24  
**firmly** 16:23  
**First** 4:25 13:24  
 19:9, 16 21:22  
 24:24 29:11 55:4,  
 5 68:20 69:17 75:3  
**first-ever** 14:13  
**fit** 62:11  
**fix** 78:2  
**flag** 41:14  
**flags** 76:25  
**fleeting** 27:1  
**flood** 35:16 44:5  
**flow** 8:11, 17 9:7,  
 17 43:12, 16 48:19,  
 20 76:15  
**flows** 31:1, 15  
 54:17 56:1, 3, 5, 7,  
 15, 17 57:4 67:23  
 76:9  
**focus** 20:9 29:24  
 30:16, 17 31:14, 25  
 36:4 37:25 42:21  
 64:1 72:21  
**focused** 14:19 16:8  
 29:15 31:10 33:17  
 37:15 40:4 42:13  
**focuses** 30:15  
**focusing** 21:9 33:4,  
 14 77:16  
**follow** 30:17, 21, 25  
 34:24 40:15  
**followed** 36:9 47:22  
**following** 37:3, 16  
**follows** 17:3 22:25  
 27:16 59:3 65:1  
 70:22  
**follow-up** 46:2  
**footprint** 34:22  
 35:10  
**Force** 1:13 12:7  
 13:16 20:3, 4 24:3  
 41:13 43:5 52:7  
**forced** 76:21  
**forces** 7:3 21:4  
 42:13  
**Foreign** 1:19 9:6, 9  
 14:11, 14, 22 15:14  
 16:13 19:13 20:15,  
 18 32:18, 20 33:9,  
 21 34:5, 11, 16, 21  
 35:3 39:3 41:2  
 52:12 61:2 67:21

69:3 72:22  
**forfeit** 32:3  
**Forfeiture** 20:6  
**form** 34:16  
**former** 3:25 4:6, 14  
**forms** 14:17 25:6  
**forthcoming** 52:21  
**fortunate** 12:19  
**forward** 10:4, 13  
 17:1 20:12 22:24  
 27:10, 15 36:5  
 39:11 40:6 53:15  
 58:25 59:2 71:16  
 78:25  
**foster** 27:8  
**fosters** 6:25  
**found** 34:10 38:21  
 55:12 74:15  
**four** 21:21  
**four-lane** 44:8  
**framework** 35:24  
 36:1, 3 70:15, 18  
 76:4, 5, 7, 11 77:6  
**frameworks** 72:4  
**frankly** 40:23  
 50:14  
**Fraud** 20:6  
**free** 3:11 53:8  
 68:17 69:4 78:17  
**freeze** 5:21  
**frequent** 52:23  
**frequently** 56:21  
 62:12 64:14  
**friend** 22:10  
**front** 9:16 44:6  
**front-line** 27:13  
**fronts** 42:22 55:8,  
 18  
**fuel** 57:1  
**fuels** 3:15  
**Fuller** 1:21 52:24  
 53:9 66:2 67:1, 3  
 70:22 71:1 72:9,  
 20 73:8, 10 77:9, 13  
**fully** 6:5  
**functioning** 75:15  
**fund** 22:18  
**fundamental** 63:7  
 75:16  
**funded** 22:9 25:3  
**funding** 32:19  
 34:12 40:3 58:23  
**funds** 32:2, 4 33:8,  
 14, 17 45:16 47:2  
 58:1  
**funnel** 8:15  
**further** 30:3, 4 57:8  
**future** 38:15, 20  
**< G >**  
**G20** 14:11, 13

**gains** 3:17 6:4  
 29:10, 17 37:23  
**GAO** 33:3  
**Garland** 36:2  
**gatekeeping** 6:2  
**gathering** 54:15  
**GDP** 3:21  
**General** 1:9 9:5,  
 11 10:3 11:12  
 12:1 19:2 32:17  
 34:9, 23 36:2 38:2  
 44:25 45:9 46:25  
 50:7 52:7 55:5  
**generally** 55:17  
 57:2 59:1  
**General's** 34:19  
**generate** 25:1  
 26:17 62:18, 19  
 77:21  
**genuine** 76:25  
**geographic** 6:7  
 68:22, 24  
**get-aways** 43:21  
**get-go** 64:6  
**getting** 10:5 44:1  
 69:5 78:10  
**give** 47:4  
**Given** 28:9 43:23  
**gives** 13:13  
**giving** 29:1  
**glad** 42:23 43:2  
 46:22  
**global** 12:10, 16  
 13:25 14:2, 4, 15  
 15:25 19:23 22:17  
 28:2 53:5 54:12  
 57:24 67:13 68:24  
**Globally** 6:16  
 13:13  
**globe** 5:24 21:12  
 27:10 57:21 71:4  
**go** 4:16, 23 10:21  
 29:11, 17 33:14  
 46:25 47:1, 3  
 48:15 49:4, 25  
 50:16 51:9 54:22  
 63:15 69:7 71:22  
**goal** 22:1 47:5  
 64:9  
**goals** 75:8, 14  
**goes** 30:23 40:8  
 47:25  
**going** 28:15 29:19  
 36:4 38:16, 20  
 39:18 46:21 47:3,  
 4 48:8, 15 49:12,  
 17, 21, 23 61:9  
 71:20 75:3, 4 77:22  
**gold** 26:16, 18  
 43:12  
**Golfo** 21:5, 9

**good** 10:11 30:7  
 33:5 41:1 45:6  
 54:4  
**goods** 28:24  
**governance** 32:9  
 67:14  
**government** 3:23  
 4:7, 13 10:9 12:7  
 13:15 21:17 24:19  
 26:2 27:12 41:10  
 43:10 49:19 56:9  
 61:21 62:8, 23, 25  
 63:11, 14, 19, 21  
 70:6 74:16, 18, 20,  
 21 76:8  
**governments** 14:8,  
 23 16:4, 16 25:14,  
 21 55:10 64:21  
 72:5  
**Graham** 51:18  
**grandfather** 11:7  
**Grassley** 1:4 2:13  
 3:4, 7 5:8 7:5 8:1,  
 2 10:17 13:5 19:7  
 20:8 24:4 29:3  
 32:14, 15 33:6, 19  
 34:3, 8 35:1, 11  
 36:6, 11 37:4, 6  
 54:4 61:5 67:4  
 75:1, 2 76:12  
 78:15, 18  
**Grassley's** 40:8  
 68:3  
**grateful** 12:20  
 20:12 51:6 53:13  
 78:23  
**great** 13:16 25:1  
 53:4 67:9 73:25  
 77:20  
**greater** 56:11  
 67:16 74:22  
**greatest** 13:12  
**Green** 1:11 12:5, 8,  
 13 23:2 24:1, 4  
 27:16 28:14 42:9  
 43:3, 4 48:17, 20, 21  
**ground** 22:7 39:5  
 40:11 57:22  
**Group** 14:12 21:10  
 39:6 71:2  
**groups** 25:8 42:14,  
 20 56:21 64:16, 23  
 74:17, 19, 23  
**grow** 46:6  
**Guatemala** 11:6, 8  
 63:2  
**guess** 50:15 73:18  
**guilty** 48:11  
**Guinea-Bissau** 4:14  
**guns** 42:7 48:19, 20

## < H >

**Haiti** 9:17  
**Haitian** 9:19, 20  
**Haiti's** 9:23  
**hallucinogenics**  
 47:16  
**hand** 6:12  
**hands** 49:12  
**happen** 44:20  
**happened** 47:22  
**happening** 44:11  
**happens** 76:24  
**happy** 22:15 34:19  
**harassment** 26:1  
**hard** 29:4 41:3  
**harder** 26:4 63:19  
 70:5  
**harm** 12:12  
**harms** 6:22  
**harness** 7:3  
**Hassan** 2:12 3:4  
 36:8, 10 38:1  
 39:11 40:14  
**havens** 30:23 31:1  
 72:2, 18  
**headquarters** 9:8  
 34:14 35:4, 8  
**health** 3:14 13:18  
**hear** 54:20, 21  
 68:11  
**heard** 41:18  
**hearing** 3:2 6:25  
 8:3 10:6 13:6  
 35:12, 13 51:13  
 53:15 78:19, 23  
 79:5  
**heck** 40:24  
**hello** 67:6  
**help** 5:6, 14 10:16  
 22:2 24:10 38:23  
 39:22 45:18 50:15  
 56:16 57:1, 22  
 68:17 70:17 73:16  
 78:2  
**helped** 15:10, 20  
**helpful** 78:22  
**helping** 54:7 75:19  
**helps** 14:16 38:21  
**Helsinki** 69:7  
**Hemisphere** 11:4  
**heroin** 30:18 77:17  
**hesitate** 51:4  
**hide** 6:10 56:25  
**hiding** 6:4  
**HIDTA** 35:14  
**high** 4:22 16:25  
 58:6 64:20, 22  
**higher** 42:25  
**highest** 4:13 62:7

**high-level** 15:6, 16,  
 18 36:1  
**highlight** 64:12  
**highlights** 53:7  
**highly** 21:22 63:8  
 76:1  
**high-ranking** 4:2  
 21:16  
**highway** 44:8  
**hire** 49:17  
**hired** 49:14  
**history** 8:24  
**hit** 15:9  
**hold** 7:4 14:9, 21  
**holding** 5:7 8:3  
**holistic** 55:12, 19  
**home** 5:25 36:20  
 49:25  
**Hon** 2:10  
**Honduras** 61:18  
 62:8 63:2  
**honor** 54:5  
**honored** 61:6  
**hope** 29:5 45:2  
 61:9 76:3  
**hopeful** 49:7 71:15  
**host** 21:24 32:22  
**house** 29:14 31:18  
 52:9  
**HSBC** 46:16 47:18,  
 19 48:2, 4 70:11  
**Hudson** 53:3 72:11  
**huge** 43:19  
**Human** 12:14  
 42:13  
**hundred** 28:14  
**hundreds** 38:7  
**HunTor** 19:21 38:5  
**hurting** 70:19  
**hybrid** 75:24

## < I >

**ICITAP** 21:3, 15,  
 19 22:5, 9  
**idea** 29:23 68:20  
 69:10, 21  
**ideas** 68:15 69:7  
 71:16 73:14  
**identify** 35:4 56:6  
 57:22 69:9 71:21  
**identifying** 69:8  
**IG** 33:19  
**ignore** 5:2  
**IG's** 32:25  
**illegal** 8:11 9:17  
 26:19 38:6, 12  
 44:13 45:10 48:19  
 61:14, 20 62:2  
 74:12  
**illegally** 45:23

**ill-gotten** 3:17 6:4  
 29:10, 17  
**ILLICIT** 2:1 3:13  
 6:10, 13 7:1 8:7,  
 11 9:7 10:8 13:12,  
 16 19:11 24:7  
 26:16 27:8 28:17,  
 18 31:10 36:4, 17,  
 19 37:4, 14, 23  
 38:16 40:5 46:7, 9,  
 12 47:1 52:21  
 54:17 56:1, 4 57:2  
 67:8, 24 76:15  
**illustrating** 25:10  
**immediately** 76:24  
**immigration** 44:12  
**impact** 6:14 75:13  
**impacting** 35:17  
**impacts** 8:11  
**imperfect** 76:1  
**implement** 5:14  
 14:8  
**implementation**  
 15:24 58:8  
**implementing** 6:5  
**implications** 53:12  
**importance** 40:22  
 46:9  
**important** 8:3  
 10:13 16:9 29:7,  
 14 36:18 42:4  
 50:9 54:12 67:5  
 68:19 71:17, 19  
 75:21 76:1  
**importantly** 27:13  
**impossible** 41:4  
**improve** 7:2 10:12  
 22:21 26:8 75:20  
**improved** 51:3  
**improvements** 75:22  
**improves** 22:22  
**improving** 26:2  
 72:21  
**Impunity** 4:21  
**incidents** 9:12, 15  
 35:2, 5 70:11  
**include** 5:9 67:20  
**includes** 26:25  
 42:12  
**including** 11:3, 18  
 15:1 16:3 21:15  
 25:24 26:24 31:12,  
 25 34:22 35:15  
 42:17, 25 52:3, 20  
 56:9 58:9 74:5  
**incorporate** 69:18  
**incorporating** 69:11  
**increase** 5:13, 14  
**increasing** 16:4  
 26:25

<p><b>increasingly</b> 31:9 74:19</p> <p><b>incumbent</b> 35:3</p> <p><b>independent</b> 34:21, 24 35:10</p> <p><b>indicted</b> 4:10</p> <p><b>individual</b> 67:17 78:1, 7</p> <p><b>industry</b> 36:21</p> <p><b>inexpensive</b> 77:19</p> <p><b>inextricably</b> 44:13</p> <p><b>infiltration</b> 4:13</p> <p><b>influenced</b> 25:9 36:20, 22</p> <p><b>influencing</b> 58:24</p> <p><b>influx</b> 43:19</p> <p><b>information</b> 56:19 58:19 69:6, 22, 24</p> <p><b>Initiative</b> 8:18 12:14 31:25 52:14, 15 53:3, 4, 6 58:13 72:11 75:7, 9, 21</p> <p><b>INL</b> 14:1, 3, 10 15:17 22:10 29:15 37:25 38:25 54:24</p> <p><b>INL's</b> 13:20 14:22 15:9 22:16</p> <p><b>innovation</b> 70:19</p> <p><b>input</b> 29:6</p> <p><b>inquisitorial</b> 75:24, 25</p> <p><b>insecurity</b> 24:16</p> <p><b>inside</b> 76:10</p> <p><b>Inspector</b> 9:4, 11 10:3 32:17 34:9, 18, 23</p> <p><b>instance</b> 25:7</p> <p><b>Institute</b> 1:22 52:25 53:2 67:2, 11</p> <p><b>Institute's</b> 53:3 72:11</p> <p><b>Institution</b> 1:20 52:13 61:3</p> <p><b>institutions</b> 3:18 13:15 14:24 15:11 16:19 25:17, 23 45:11 58:4</p> <p><b>insurgency</b> 52:20</p> <p><b>integrating</b> 64:18</p> <p><b>integrity</b> 26:9 57:16</p> <p><b>intelligence</b> 9:12</p> <p><b>intended</b> 33:10</p> <p><b>intentionally</b> 4:25</p> <p><b>interact</b> 25:21 38:20</p> <p><b>interagencies</b> 33:12</p> <p><b>interagency</b> 5:5 24:11 33:11, 18 49:2</p>	<p><b>interdiction</b> 30:15, 16, 24 61:17 63:12 76:21</p> <p><b>interest</b> 36:25 51:6 67:9</p> <p><b>interesting</b> 10:13</p> <p><b>interests</b> 26:11 61:22</p> <p><b>internal</b> 52:19</p> <p><b>International</b> 1:6, 9, 14 2:6 4:19 5:11 10:23, 25 11:13, 16, 25 12:1, 2, 3, 15 13:2, 9 15:21 19:2 21:2 24:3 28:10 31:19 33:7 34:22 35:10 36:17 38:11 50:18, 19 52:3, 17, 18, 23 53:12 55:14 58:21, 24, 25 69:11 71:6, 18 72:3, 18 79:3</p> <p><b>internationally</b> 71:16</p> <p><b>Internet</b> 51:11 70:10</p> <p><b>intertwined</b> 44:13 61:25 62:6</p> <p><b>intervention</b> 16:13</p> <p><b>intimately</b> 43:6, 13</p> <p><b>intimidated</b> 74:16</p> <p><b>intimidation</b> 8:21</p> <p><b>introduce</b> 3:7 10:18 75:4</p> <p><b>introduced</b> 39:19</p> <p><b>invested</b> 32:3</p> <p><b>investigate</b> 15:1, 5 37:22, 23</p> <p><b>investigated</b> 37:19</p> <p><b>investigating</b> 19:10 57:25</p> <p><b>investigations</b> 16:6 19:16 22:3 25:5 31:14, 24</p> <p><b>Investigative</b> 11:16 21:2 77:2</p> <p><b>investigators</b> 40:11 49:18</p> <p><b>investing</b> 72:6</p> <p><b>investment</b> 24:16, 18 25:16</p> <p><b>investments</b> 24:9</p> <p><b>inviting</b> 67:4</p> <p><b>involve</b> 69:1</p> <p><b>involved</b> 15:8 28:2 35:8 56:12, 16 73:21</p> <p><b>involvement</b> 31:12</p> <p><b>involving</b> 9:12 35:2 40:4 55:20</p>	<p>56:15</p> <p><b>Iowa</b> 35:13, 15</p> <p><b>Iraq</b> 51:17 60:2 61:8, 12 78:21</p> <p><b>ironclad</b> 47:2</p> <p><b>issue</b> 10:6, 16 42:11, 21 44:12, 23, 24 45:5 46:3 48:25 49:3 55:5 57:16 73:17 74:2</p> <p><b>issued</b> 9:24</p> <p><b>issues</b> 11:23 12:1 34:1, 22 42:24 44:22 58:14 73:25</p> <p><b>issuing</b> 68:22</p> <p><b>its</b> 3:18 24:22, 23 29:7 32:1, 24 33:20 34:15, 21 48:6 55:2, 13 76:10</p> <p>&lt; J &gt;</p> <p><b>jail</b> 47:3, 13, 14, 17, 18, 25 48:15</p> <p><b>JCODE</b> 19:21 31:12 38:5, 8, 10, 15, 21 39:12</p> <p><b>Jeane</b> 53:1</p> <p><b>Jeffrey</b> 35:13</p> <p><b>jigsaw</b> 57:11</p> <p><b>job</b> 10:10 41:12</p> <p><b>jobs</b> 64:2</p> <p><b>John</b> 1:15 51:20 54:1</p> <p><b>join</b> 54:5</p> <p><b>joined</b> 71:3</p> <p><b>Joint</b> 19:22 20:4 38:4</p> <p><b>judicial</b> 5:12, 15 57:18 75:22</p> <p><b>July</b> 9:19, 25</p> <p><b>Justice</b> 1:10 5:13, 15, 18 9:4 13:9 14:25 15:11, 21 19:3, 9 20:25 25:23 30:15 32:10, 17 34:9 35:19 37:18 40:1 46:19 47:13 48:5 49:8, 15 55:2 75:9, 12, 16, 20</p> <p><b>Justice's</b> 19:22 20:3, 17 21:8 22:6</p> <p>&lt; K &gt;</p> <p><b>keep</b> 49:21 70:6</p> <p><b>keeping</b> 9:5</p> <p><b>key</b> 14:4 25:20, 24 31:8 39:20 42:25 55:1 64:15 68:25 76:19</p>	<p><b>killed</b> 44:3</p> <p><b>killings</b> 6:19</p> <p><b>kind</b> 29:9 70:1</p> <p><b>kinds</b> 31:23 43:14, 16 74:8</p> <p><b>kingpins</b> 15:21</p> <p><b>Kirkpatrick</b> 53:1</p> <p><b>kleptocracy</b> 3:12 28:6 30:4 31:25 53:3 72:11 79:4</p> <p><b>know</b> 28:1 29:17, 23 30:11 36:16, 21 42:5 43:14, 21 44:11 46:21 49:16, 19 50:21, 25 56:4 69:15 78:13</p> <p><b>knowing</b> 45:16</p> <p><b>knowingly</b> 47:2 48:11, 16</p> <p><b>knowledge</b> 34:3, 7 54:16 57:21 58:14</p> <p><b>known</b> 21:1, 2, 14 69:3</p> <p><b>knows</b> 75:4</p> <p><b>Korea</b> 61:24</p> <p>&lt; L &gt;</p> <p><b>lack</b> 61:11</p> <p><b>land</b> 50:15 56:8</p> <p><b>large</b> 41:20</p> <p><b>large-scale</b> 69:1</p> <p><b>largest</b> 8:23 21:6 26:13</p> <p><b>late</b> 21:4</p> <p><b>Latin</b> 26:16 78:11</p> <p><b>launder</b> 26:17 45:11, 23</p> <p><b>laundering</b> 5:1 6:11 20:5 29:25 37:13 38:19 39:4, 6, 19 45:13, 16, 25 46:20 47:2, 21 48:3, 4, 10, 11, 16 51:24 56:24 57:1, 4, 5, 24 58:15 68:23 74:3, 8 77:10</p> <p><b>Law</b> 1:6 3:10, 11, 23 4:3, 18 5:12, 16 6:6, 11 9:6, 9 10:23 13:2, 20 15:17, 20 16:5 21:23 24:15 25:17 28:3, 4, 5, 8, 19, 24, 25 29:8 30:5 32:18, 20 33:8, 9, 21 34:5, 11, 16 35:3 38:11, 22 41:6 50:15 52:3 56:10, 19, 23 57:17 61:15 64:13, 16</p>	<p>74:21</p> <p><b>lawyers</b> 6:1</p> <p><b>lax</b> 36:24</p> <p><b>layers</b> 63:11</p> <p><b>lead</b> 29:8</p> <p><b>leader</b> 21:5 58:21</p> <p><b>leaders</b> 3:18 15:19</p> <p><b>leadership</b> 14:4 20:12</p> <p><b>leads</b> 20:2</p> <p><b>leaks</b> 9:13</p> <p><b>learn</b> 10:7</p> <p><b>learned</b> 9:20</p> <p><b>led</b> 12:17 14:1, 10 19:21 33:16 38:7</p> <p><b>legal</b> 11:19 29:1 51:4 61:19, 23 72:4, 8 77:6</p> <p><b>legalizing</b> 47:15</p> <p><b>legally</b> 14:5</p> <p><b>legislation</b> 14:15 38:8</p> <p><b>lessons</b> 77:9</p> <p><b>letter</b> 10:1</p> <p><b>letters</b> 34:4</p> <p><b>level</b> 13:25 33:13, 15 38:23</p> <p><b>levels</b> 25:20 55:4 58:6 62:7 64:20, 22 74:20</p> <p><b>leverage</b> 5:19</p> <p><b>levies</b> 47:24</p> <p><b>levy</b> 46:16</p> <p><b>licenses</b> 25:22</p> <p><b>lifetime</b> 28:7</p> <p><b>lifted</b> 48:6</p> <p><b>light</b> 32:25</p> <p><b>like-minded</b> 14:12</p> <p><b>line</b> 10:21 15:15 20:1 29:12 30:1 37:3</p> <p><b>lines</b> 9:16 13:22 44:6 64:7</p> <p><b>linkages</b> 26:21 43:5, 13</p> <p><b>linked</b> 74:4</p> <p><b>links</b> 3:24 74:1</p> <p><b>list</b> 4:16 34:11</p> <p><b>listening</b> 50:22, 23, 24</p> <p><b>little</b> 30:17 47:19 63:21 73:1 78:12</p> <p><b>livelihoods</b> 61:19, 23</p> <p><b>lives</b> 75:18</p> <p><b>living</b> 25:25</p> <p><b>local</b> 24:10 27:3 33:21 34:5 38:11 62:14</p> <p><b>localized</b> 13:18</p> <p><b>local-level</b> 63:20</p> <p><b>located</b> 51:16</p>
--	---	--	--	---

**long** 26:2 46:14  
48:9 49:23 73:3  
**longstanding** 54:25  
**long-term** 21:24  
24:9 64:9 71:14  
**look** 10:4, 13 17:1  
22:10, 24 27:10, 15  
39:11 40:6 46:2, 4  
53:15 59:2 68:6  
73:13 78:25  
**looking** 46:3 68:8  
**Lopez** 41:5, 12  
**lose** 64:21  
**losses** 42:19  
**lost** 54:19  
**lot** 29:5 30:15, 16  
40:25 47:11 53:4  
69:5, 9 78:3  
**lots** 8:3  
**Lujan** 2:13 36:9  
45:7, 8, 18, 21 46:1  
47:3, 9 48:23 49:4  
**Lujan's** 50:6

## &lt; M &gt;

**MACCIH** 63:2  
**Maduro** 4:11  
**Magnitsky** 15:25  
73:24 74:6  
**maintain** 8:19  
**major** 4:20 25:4  
**majority** 4:19 44:2  
**making** 6:7 29:15  
30:20 31:23 33:16  
37:16  
**Mali** 25:22  
**Management** 10:25  
**manages** 11:21  
15:18, 22  
**manifestations**  
61:12  
**manufacturers** 37:6  
**marginalized** 61:19  
**marijuana** 47:15  
77:14  
**market** 6:9 53:8  
**marketplaces** 38:6,  
13  
**markets** 3:12 46:7,  
9 64:2  
**massive** 3:21 8:7  
**matter** 20:18 51:5  
**matters** 63:17  
**mean** 76:6  
**meaning** 4:22  
**means** 16:21 38:24  
55:9  
**meant** 61:23  
**measures** 5:23  
55:23 56:20 58:18

68:9, 10 71:21  
74:22 76:18  
**mechanisms** 58:6  
**media** 16:4 24:25  
52:23  
**member** 49:22 53:5  
**members** 4:6 5:17  
13:5 19:7 20:8  
24:5 27:11 54:4  
61:6, 10 76:22  
**memorandum** 5:4  
50:8  
**mentioned** 35:18  
37:6 57:15 61:8  
67:10 73:10 74:4  
77:23  
**mentored** 21:14  
**mentoring** 22:2  
**mentors** 40:3  
**merely** 62:16, 17,  
23 63:6 77:7  
**Merida** 8:18 75:7,  
20  
**met** 2:9 39:7  
**methods** 78:14  
**Mexican** 3:25 73:5  
76:8  
**Mexican-based** 8:19  
**Mexico** 8:14, 17, 23  
9:2 15:10 25:18  
35:19, 25 37:8, 21  
39:6 41:8, 10  
42:13, 25 44:22  
45:1 48:13, 19  
49:1 58:10 61:18  
63:18 73:15 74:10,  
11, 18 75:8, 20  
76:10  
**Mexico's** 52:22  
75:9  
**Microphone** 31:6  
**Midwest** 35:14  
**migrants** 43:19  
44:5  
**migration** 44:20  
**mike** 19:5  
**military** 29:2  
**million** 19:25  
21:18 26:19 43:20  
48:2, 4  
**mind** 71:5  
**minimizing** 75:17  
**minimum** 50:18  
**mining** 26:16, 18  
**Minister** 3:25 11:8,  
10  
**minutes** 10:19  
**mission** 13:20  
24:23  
**missions** 19:14

**misunderstood** 70:7  
**mobilizing** 24:23  
**model** 21:20  
**modern** 53:7  
**Moldova** 26:7  
**moments** 27:2  
51:10  
**momentum** 16:6  
**Monaco** 50:7  
**money** 5:1 10:12  
20:5 30:10, 17, 20,  
21, 23, 25 31:1  
37:13, 16, 18 38:19  
39:4, 6, 19 41:21  
42:7 45:11, 13, 23,  
25 46:20 47:20  
48:3, 4, 10, 11, 16  
50:16 51:24 56:24  
57:4, 24 61:23  
68:23 74:3 76:9  
**monies** 40:9  
**monitor** 35:8  
**monitoring** 64:15  
**monitors** 49:13  
**month** 3:25 15:7  
19:19 20:1 36:3  
**months** 21:11  
**monumental** 62:13  
**morning** 19:9  
**mount** 64:4  
**move** 38:17 42:7  
44:9 56:8, 17, 25  
71:16  
**moved** 69:1  
**movement** 57:25  
**moves** 56:8  
**moving** 30:10 42:5,  
6 58:25 75:23  
**multilateral** 12:4  
71:18  
**multinational** 52:7  
**multiple** 26:15  
**multiple-time** 11:7  
**multiple-year** 21:25  
**multiplier** 13:17  
**murders** 48:13  
**mushrooms** 47:16  
**mutual** 11:19 62:22  
**Myanmar** 61:25

## &lt; N &gt;

**NAFTA** 69:16  
**name** 30:10  
**named** 35:13  
**Narco** 52:22  
**narco-terrorism**  
4:11  
**narco-terrorist**  
45:12  
**Narcotic** 20:4

**Narcotics** 1:6 2:6  
3:13, 24 4:1, 5, 7  
5:22 6:8 10:23  
13:2 19:10 20:20  
21:6, 18 22:20  
24:7 27:8 31:9  
33:7 45:16 47:14  
52:3 71:25  
**narcotics-fueled**  
4:24  
**narrow** 63:5  
**nation** 41:1  
**national** 5:1, 9  
11:1 12:16 13:19  
28:11 39:17 53:11  
62:14 63:21 71:7  
75:18  
**nationals** 9:20  
**Nations** 1:16 8:24  
11:22 28:25 29:9  
50:13 51:21 54:2,  
6 76:14 77:18, 21  
**nation-states** 67:20  
**nationwide** 6:8  
**native** 67:6  
**natural** 42:17 43:8  
**nature** 61:11  
**NDAA** 20:11  
**nearly** 8:16 12:17  
68:8, 9  
**necessary** 29:16  
32:21 33:22 58:16  
**need** 9:18 19:5  
20:19 25:14 28:23  
30:3 35:16 43:14  
50:21 51:2 55:21  
57:2, 9 63:25  
69:21 71:19, 21  
**needs** 39:12 64:9  
**negotiating** 14:4  
**negotiations** 12:3  
**neighboring** 75:13  
**net** 74:3  
**network** 21:6  
24:10 25:4 39:1  
68:21  
**networks** 16:17  
19:11, 18 31:9, 10,  
11 47:1 61:17  
**never** 43:22 74:15  
**new** 20:1 27:5  
35:25 36:5 43:14,  
15 50:8 57:10  
70:1, 2  
**NEXUS** 2:1 7:1  
8:9 28:10 53:11  
67:8, 12 71:6  
**Nicolas** 4:10  
**Noir** 52:22  
**non** 28:3

**nondemocracy**  
68:18  
**nongovernmental**  
25:15 43:11  
**non-rule** 28:5, 8  
**Nonstate** 52:14  
**nontraditional** 52:19  
**nonviolent** 67:18  
**north** 42:7 61:24  
**Northern** 20:3 62:3  
**note** 34:20 36:13  
**noted** 19:17 21:16  
**notice** 2:9  
**notwithstanding**  
22:12  
**November** 2:3  
**number** 4:2 6:19  
11:2 20:22 24:21  
44:19 48:16, 17  
55:8 58:2 71:19, 23  
**numbers** 42:24  
71:20  
**numerous** 21:15

< O >

**objective** 22:1  
**obligations** 24:20  
**Obrador** 41:12  
**Obrador's** 41:6  
**observers** 52:8  
**obtain** 40:12 56:18,  
19  
**obtaining** 25:21  
**obvious** 42:16 62:9  
**obviously** 29:13  
43:18 56:24  
**occur** 35:2  
**occurring** 44:14  
**October** 19:20 21:4  
**offenders** 15:12  
69:8  
**Office** 1:16 2:10  
5:9 6:17 9:11, 23,  
25 10:3, 4, 25  
11:13, 14 16:5  
21:1 51:21 52:5  
54:2, 6 74:24  
**officers** 15:7 34:16  
**offices** 20:24  
**official** 31:18 73:19  
**officials** 3:23 4:3, 7  
15:2 21:16, 17  
24:20 25:11 26:6  
56:9, 10 61:21  
62:24, 25 63:19, 20  
64:14 67:21 74:16,  
20 76:23  
**oftentimes** 76:21  
**OIG** 9:7  
**Okay** 34:8 54:23

**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, 17, 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  
**Otoniel** 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  
**oversees** 51:22  
**oversight** 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  
**< P >**  
**p.m** 2:9 79:6  
**package** 30:18  
**Page** 1:2  
**paid** 56:18  
**pairs** 25:15  
**pandemic** 36:16 68:1, 12 77:25  
**Pandora** 5:25  
**panel** 12:19 41:15 50:5 51:8, 9, 11, 14 64:13 71:2 73:19 78:20  
**Papers** 6:1  
**parochial** 63:5  
**part** 16:11 21:8 76:4, 8 77:1  
**participate** 14:21 61:20  
**participation** 51:15 78:24  
**particular** 20:7, 10 28:18 39:5 45:14 46:13, 24 47:12  
**particularly** 20:23 37:21 38:17 41:1 44:14 51:15 58:1 63:20 73:5 78:20  
**parties** 26:8  
**partner** 11:22 76:14 77:18, 20 78:3  
**partners** 5:12, 14, 24 14:12, 20 15:20 16:11, 14 20:19 24:10 27:11 29:16 32:13 33:2, 18 34:16 37:20 38:12 43:11 44:21 49:2 71:17  
**partnership** 58:12  
**partnerships** 7:3 9:6 43:14  
**parts** 50:2 56:15 62:21  
**pass** 49:20 50:7  
**passage** 56:20  
**passionate** 47:9  
**path** 55:16, 21 71:20

**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  
**pelf** 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  
**persistence** 62:1 64:7  
**persists** 64:20  
**person** 35:13 78:8  
**personal** 25:1  
**personnel** 5:15 9:10  
**perspective** 20:17 40:7  
**pervasive** 63:10  
**pharma** 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** 41:2  
**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  
**prevail** 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

57:15, 19, 20, 24 61:3 <b>programmatic</b> 9:14 27:5 <b>programming</b> 26:23 <b>programs</b> 10:9, 11 11:22 12:9 14:22 15:18 35:19, 20 52:5 58:2, 20 <b>progress</b> 8:22 14:15 75:21 76:1 <b>project</b> 53:9 71:14 <b>projects</b> 25:4 62:18 <b>promised</b> 47:19, 21, 23 <b>promote</b> 15:13 75:7 <b>prompt</b> 10:5 <b>prong</b> 15:24 <b>property</b> 3:18 5:21 <b>proposal</b> 22:17 <b>prosecute</b> 15:1, 12 46:19 47:4 <b>prosecuted</b> 48:1 <b>prosecuting</b> 19:10 <b>prosecution</b> 47:5, 7 48:6 49:15 50:8 <b>prosecutions</b> 19:17 22:3 30:16 <b>prosecutor</b> 21:17 <b>Prosecutorial</b> 11:14 21:1 <b>prosecutors</b> 21:7, 23 22:19 25:9 37:23 39:1, 5 40:2, 10 42:21 <b>protect</b> 12:12 22:22 32:11 40:10 <b>protecting</b> 20:19 75:17 <b>protection</b> 63:21 <b>protections</b> 3:16 <b>protects</b> 67:17 <b>provide</b> 20:2 36:5 58:13 63:22 <b>provided</b> 34:13 <b>provides</b> 24:24 32:19 33:9 54:9 58:19 <b>providing</b> 39:20 <b>provisions</b> 20:10 <b>proxies</b> 74:7 <b>prudent</b> 77:15 <b>public</b> 3:14, 25 13:18 16:1 19:15 20:19 22:23 25:11 26:5 <b>publicly</b> 30:9 <b>pull</b> 63:24 76:19 <b>punch</b> 19:5 <b>pure</b> 75:23	<b>purpose</b> 33:10 <b>pursuant</b> 2:9 <b>pursue</b> 30:20 38:12 <b>pursuit</b> 46:11 <b>pushback</b> 16:18 <b>pushing</b> 49:22 <b>put</b> 29:14 31:17 75:19 <b>puts</b> 47:13 <b>puzzle</b> 57:11, 12  < Q > <b>question</b> 30:14, 22 45:21 46:10, 25 68:3 72:13, 20 73:4, 7, 18 75:3 78:16 <b>questioning</b> 10:20 37:3 <b>questions</b> 10:5 17:1 22:24 27:15 46:14 59:2 70:21 <b>quickly</b> 22:19 <b>quietly</b> 16:20 <b>quoting</b> 6:17  < R > <b>radically</b> 69:21 <b>raise</b> 76:25 <b>raised</b> 34:23 41:14 44:23, 24 <b>raising</b> 10:2 74:23 <b>rallying</b> 50:13 <b>range</b> 73:25 <b>ranging</b> 11:23 55:11 <b>rank</b> 11:10 <b>rapacious</b> 63:5 <b>rapid</b> 22:17 <b>Rapids</b> 35:12 <b>rates</b> 4:21 <b>reach</b> 22:6 37:19 40:13 <b>reaches</b> 20:21 <b>real</b> 6:9 68:23 <b>reality</b> 16:23 <b>really</b> 30:12 32:6 36:18 45:19 50:17 72:10 79:2 <b>realtors</b> 6:1 <b>Rear</b> 4:14 <b>reason</b> 30:21 46:13 <b>receives</b> 38:9 <b>recess</b> 51:9, 12 <b>reckless</b> 36:22 <b>recognize</b> 12:11 36:19 42:4 <b>recognizes</b> 26:21 <b>recommendations</b> 63:23 <b>recommended</b> 33:20	<b>record</b> 6:21 9:9 34:12 39:15 40:15 43:2 48:13 49:5 63:7 <b>recorded</b> 8:23 <b>recover</b> 56:22 <b>recovery</b> 55:15 58:13 <b>red</b> 76:25 <b>redouble</b> 5:11 <b>reduce</b> 6:11 15:11 25:20 64:19 <b>reducing</b> 64:10 <b>referred</b> 34:10 67:14 69:13 70:11 <b>reflected</b> 31:12 <b>reform</b> 25:1 63:7 <b>reformers</b> 27:4, 13 <b>reforms</b> 16:7, 16 <b>refuse</b> 76:23 <b>regard</b> 22:22 29:8 31:24 40:2 58:23 <b>regime</b> 55:7, 12, 19 61:25 <b>region</b> 25:10 <b>regional</b> 58:7 69:12 <b>regular</b> 34:1 <b>regularly</b> 25:25 55:2 <b>regulated</b> 70:16 72:25 <b>regulating</b> 8:10 <b>regulations</b> 6:11 50:21 <b>regulatory</b> 25:19 <b>reinforce</b> 15:14 <b>reinforced</b> 16:2 <b>relate</b> 32:24 72:17 <b>related</b> 10:3 51:23, 24 54:8, 13, 17 56:1, 4, 13 57:25 58:14 72:22 <b>relating</b> 15:2 55:13 <b>relationship</b> 33:2 <b>relationships</b> 34:5, 15 <b>relatively</b> 57:10 <b>released</b> 32:17 <b>releases</b> 25:4 <b>relies</b> 3:16 <b>remain</b> 6:22 <b>remarks</b> 3:6 67:15 68:4 <b>remove</b> 16:5 <b>removed</b> 26:19 <b>rent-seeking</b> 26:1 <b>replaced</b> 69:16 <b>report</b> 32:17 33:3 34:9, 19 46:4 53:10 67:10, 16 <b>reported</b> 9:5 36:14	<b>reporting</b> 6:3 25:3 58:5 <b>reports</b> 6:17 9:24 10:4 49:10 <b>Representatives</b> 52:10 <b>represents</b> 12:3 38:15 <b>Republic</b> 11:6 <b>require</b> 64:6 72:5 <b>required</b> 77:5 <b>requirements</b> 6:3 <b>requires</b> 14:8 74:22 <b>Research</b> 1:21 52:24 54:15 67:1 74:14 <b>reshape</b> 62:14 <b>resist</b> 63:19 <b>resolution</b> 46:24 <b>resolve</b> 41:14 <b>resolved</b> 45:5 <b>resources</b> 33:5 37:21 38:9 39:12, 20 42:18 43:9 51:3 73:20 77:16 <b>respect</b> 50:5 72:2 <b>respects</b> 20:7 <b>respond</b> 26:25 <b>response</b> 22:18 46:10 73:19 <b>responsible</b> 31:19 <b>rest</b> 29:8 <b>restriction</b> 15:22 16:2 <b>result</b> 8:4 <b>resulted</b> 6:19 <b>resulting</b> 19:24 <b>results</b> 35:9 40:12 <b>rethink</b> 69:21 <b>return</b> 32:4 <b>revenue</b> 13:13 26:17 <b>reverse</b> 24:15 <b>review</b> 5:6, 10 9:3 32:23 33:4, 20 34:21, 24 35:10 <b>reviewing</b> 33:2 <b>reviews</b> 9:14 <b>rewards</b> 15:18 <b>right</b> 3:2 10:21 29:5, 12 50:10 51:13 <b>rights</b> 12:11, 14 67:18 <b>rising</b> 68:11 <b>risk</b> 6:11 25:2 56:11 57:22 58:17 <b>Robinson</b> 1:5 10:22, 24 11:9 12:21 13:1, 4 17:2 21:12 28:12 29:11, 13, 22 30:7 32:16 33:1, 11, 25 34:7 37:2, 15 39:22 40:20 41:24 42:2 44:15, 17 48:24 <b>robust</b> 25:16 <b>rogue</b> 63:15 <b>role</b> 11:17 31:8 79:2 <b>rollbacks</b> 76:2 <b>Room</b> 2:10 <b>root</b> 26:14 <b>Rooting</b> 9:2 75:10 <b>roughly</b> 6:19 <b>route</b> 56:13 <b>routes</b> 25:24 42:4, 6 44:18 <b>rule</b> 3:10, 11 4:18 5:12 13:19 24:15 25:17 28:3, 4, 19, 24, 25 29:8 30:5 50:15 61:15 63:5 <b>rule-of-law</b> 3:16 7:4 <b>rules</b> 29:4 37:13, 16 <b>run</b> 16:19 74:24 <b>running</b> 39:15 <b>Russia</b> 74:5  < S > <b>safe</b> 28:21 30:23 31:1 56:20 72:2, 18 <b>safeguard</b> 3:17 5:15 <b>safety</b> 3:15 <b>salaries</b> 74:23 <b>sanction</b> 30:8 74:7 <b>sanctions</b> 5:19, 21 15:16, 25 30:2, 4 73:20 <b>saw</b> 43:22 <b>scares</b> 24:15 <b>science</b> 55:5 <b>scientist</b> 68:6 <b>scientists</b> 78:12 <b>SD-608</b> 2:10 <b>seaports</b> 57:20 <b>Second</b> 5:11 14:19 19:11 21:23 51:14 55:21 69:10 78:9 <b>Secrecy</b> 6:3 <b>secretariat</b> 54:11 <b>Secretary</b> 1:6 10:23 13:2 44:25 52:4 <b>Section</b> 20:5, 6 <b>sector</b> 25:23 27:4, 12 55:10 <b>sectors</b> 26:15 <b>secure</b> 14:12 56:20
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<p><b>Security</b> 1:19 4:1 12:17 13:19 15:11 19:14 21:4 28:11 36:1 52:12, 15, 19 53:11 61:2 71:7, 9 75:18 <b>see</b> 37:4 38:16 43:4, 13 69:22, 24, 25 71:11 72:13, 14, 17, 21 73:5 76:5, 25 77:2 <b>seek</b> 57:7 <b>seeking</b> 25:25 <b>seen</b> 19:20 42:18 43:19, 24 51:5 56:17 62:21 63:15 <b>seize</b> 32:3 <b>seized</b> 21:17 56:22 <b>seizure</b> 8:23 19:24 <b>sell</b> 37:7 <b>selling</b> 47:14 <b>Senate</b> 2:5, 10 49:23 51:6 52:8 <b>Senator</b> 1:3, 4 3:1, 4, 7 8:1, 2 10:1 28:13 32:15 33:6, 19 34:3, 8 35:1, 6, 11 36:6, 8, 9, 10 37:5 38:1, 14 39:11 40:8, 14, 18, 19 42:2, 9, 10, 23 43:3, 4, 17 45:2, 4, 6, 7, 8, 13, 18, 21, 24 46:1, 22 47:3, 6, 9 48:23 49:4 50:4, 5 51:18 67:14 68:3 75:1, 2 76:12 78:15, 18 <b>Senators</b> 2:12 <b>send</b> 78:12 <b>Senior</b> 1:11, 18 11:3 12:5, 8, 13, 16 21:23 24:1 52:11 61:1 <b>sent</b> 10:1 63:14 <b>sentenced</b> 4:14 <b>series</b> 52:16 57:25 58:7 <b>serious</b> 9:12 35:2 <b>seriously</b> 33:3 34:19 <b>serve</b> 26:11 40:3 <b>served</b> 10:24 11:2 12:15 52:1, 6 <b>service</b> 51:7 <b>set</b> 6:3 13:11 20:22 35:25 55:11 63:22 74:22 76:17 <b>setting</b> 63:18 <b>settings</b> 62:11 64:1</p>	<p><b>sex</b> 41:23 <b>shame</b> 30:10 <b>Shannon</b> 1:11 12:5 24:1 <b>share</b> 24:8 38:2 54:16 67:4 <b>shared</b> 13:24 14:1 <b>Sheldon</b> 2:10 <b>shell</b> 6:3, 7 <b>shelter</b> 28:19 29:9 <b>sheltered</b> 28:24 <b>shifting</b> 77:16 <b>ship</b> 37:7 <b>ships</b> 8:14 <b>shores</b> 37:19 <b>short</b> 39:7 48:24 <b>show</b> 6:1 32:10 <b>showed</b> 32:18 <b>shown</b> 40:25 <b>shrink</b> 14:16 <b>shut</b> 38:12 <b>side</b> 3:12 13:10 30:19 38:19 <b>sign</b> 33:11 <b>signal</b> 54:19 <b>significant</b> 20:11 22:16 28:10, 25 50:19 51:5 75:22 76:2, 4 <b>significantly</b> 16:2 42:25 <b>similar</b> 9:15 35:5 68:20 72:13 <b>Similarly</b> 20:1 21:11 62:3 <b>simply</b> 20:18 22:1 39:9 44:12 62:13 74:19, 22 <b>simultaneous</b> 55:9 <b>simultaneously</b> 4:8 <b>single</b> 13:12 57:23 <b>situation</b> 74:13 <b>slap</b> 48:9 <b>slightly</b> 51:18 <b>small</b> 47:14 49:24 <b>smuggle</b> 4:12 37:9 41:22 <b>smuggling</b> 42:14 44:14 <b>social</b> 8:6 <b>societies</b> 14:23 16:19 <b>society</b> 5:17 24:24 25:23 55:10 <b>sold</b> 48:9 <b>solely</b> 20:25 <b>solutions</b> 63:10 <b>sophisticated</b> 44:1 <b>sorry</b> 46:14 47:9 54:23</p>	<p><b>sought</b> 8:16 <b>source</b> 56:5 <b>South</b> 1:22 42:7 51:17 52:25 56:14 58:9 67:2, 6 78:22 <b>Southern</b> 37:10 <b>Southwest</b> 8:15 <b>Southwestern</b> 44:4 <b>space</b> 8:22 72:10 <b>SPAK</b> 21:14 <b>speak</b> 38:10 39:22 <b>Speaker</b> 52:9 <b>speaking</b> 61:8 <b>spearheaded</b> 38:4 <b>Special</b> 9:25 10:4 21:13 58:11 63:11 69:4 76:20 77:2 <b>specific</b> 30:1 55:19, 24 <b>specifically</b> 57:13 72:16, 22 73:14 <b>sped</b> 68:1 <b>speed</b> 70:4 <b>spend</b> 69:5 76:13 <b>spends</b> 78:6, 8 <b>spent</b> 33:17 74:11 75:6 <b>spoken</b> 68:16 <b>sporadic</b> 61:11 <b>spurring</b> 16:4 <b>staff</b> 24:10 42:24 46:23 <b>stage</b> 37:12 <b>stakeholders</b> 55:8 <b>stakes</b> 16:24 <b>Stamm</b> 35:14 <b>stand</b> 16:20 <b>standard</b> 50:14 <b>standards</b> 13:24 14:2, 9, 15 <b>StAR</b> 58:13 <b>start</b> 6:18 10:21 32:16 37:2 40:20 56:6 69:10 73:11, 23 77:15 78:10 <b>State</b> 1:7 11:2 13:3 22:11 25:19 32:19 33:7, 23 34:1, 13 35:15 38:11, 23 42:20 43:18 47:15, 16 50:24 52:2 54:24 <b>stated</b> 35:15 <b>Statement</b> 1:2, 3, 4, 5, 8, 11, 15, 18, 21 3:1 8:1 13:1 17:2 19:1 20:22 22:25 24:1 27:16 40:21 54:1, 9 55:25 58:19 59:3 61:1</p>	<p>63:22 65:1 67:1 70:22 <b>statements</b> 10:19 <b>States</b> 6:15 8:4, 16 27:9 28:1 32:2, 3, 21 35:22 36:15 44:10 45:10, 22 46:16, 18 47:12, 22, 24 48:5, 18 49:22 52:8 58:23 73:6 74:5, 9 75:6, 13, 19 76:8, 16 77:11, 15 78:8 <b>stationed</b> 39:2 <b>statistic</b> 36:14 68:13 77:23 78:2 <b>statistics</b> 78:6 <b>staying</b> 16:23 <b>steal</b> 28:22 <b>stem</b> 67:22 <b>step</b> 22:16 29:3 50:9 <b>steps</b> 20:12 24:21 31:14 42:11 47:8 <b>stimulates</b> 64:17 <b>stole</b> 28:22 <b>stolen</b> 28:21 32:5 58:12 <b>stop</b> 6:4, 22 8:17, 25 9:17 49:23 <b>stopping</b> 8:10 35:20 <b>stops</b> 76:9 <b>Strategic</b> 12:15, 17 <b>strategies</b> 5:1 64:19, 24 76:20 77:11 <b>Strategy</b> 1:19 5:2, 6 52:12 61:2 62:11 <b>stream</b> 13:13 <b>streets</b> 50:1 <b>strength</b> 71:20 <b>strengthen</b> 5:12 6:11 14:24 15:4, 10 58:5 75:9 <b>strengthening</b> 6:10 14:20 25:18 64:9 <b>stressed</b> 16:10 <b>strikes</b> 28:1, 6 <b>strong</b> 9:3, 18 12:19 13:6 22:13 34:15 79:2 <b>strongest</b> 50:20 <b>strongly</b> 61:15 <b>structures</b> 72:8 <b>struggle</b> 8:10 <b>Student</b> 10:25 <b>Studies</b> 12:15 <b>study</b> 47:12 <b>studying</b> 72:23 <b>stunning</b> 36:14</p>	<p><b>subject</b> 6:2 9:23 26:1 77:7 <b>subjects</b> 10:14 <b>submit</b> 49:8 <b>substantive</b> 54:25 <b>succeed</b> 16:13 44:1 <b>success</b> 50:13 <b>successor</b> 11:7 <b>suggested</b> 34:25 <b>suited</b> 53:14 <b>Summit</b> 29:20, 24 48:25 50:12 71:12, 13, 15 72:15, 17 79:1 <b>supervises</b> 11:12 <b>supplemented</b> 54:15 <b>supply</b> 8:25 72:22 <b>support</b> 13:7 14:22 15:17, 24 24:17, 24 25:15 34:13 38:25 39:22 51:3 55:1 58:3, 16 64:7 78:21 <b>supporting</b> 13:21 <b>supports</b> 34:12 <b>supreme</b> 58:3 <b>sure</b> 29:15 30:20 33:4, 14, 16 37:16, 18, 20, 21 39:12, 16 50:12, 25 57:11 73:9 <b>surprise</b> 4:17 <b>survival</b> 61:25 <b>suspicious</b> 49:10 <b>Swartz</b> 1:8 11:11, 25 18:3 19:1, 4, 6 22:25 23:1 28:13 30:14 31:4, 7 34:8, 17 35:1, 6, 11, 23 38:2, 14 39:25 41:24 42:9, 10 45:4, 9, 13, 18, 20, 24 46:22 47:6 49:6 50:6 <b>swift</b> 5:17 <b>swiftly</b> 6:5 <b>switching</b> 75:23 <b>syndicate</b> 25:8 <b>system</b> 29:18 63:5 64:10, 17 75:10, 16, 20, 22, 24, 25 76:3 <b>systematic</b> 64:6 <b>systems</b> 5:15 62:4 64:15 67:13 75:12  &lt; T &gt; <b>tackle</b> 13:11 24:21 27:6 <b>tackling</b> 26:24 <b>tag</b> 72:15 <b>tailored</b> 55:23</p>
---	--	--	--	---

<p><b>take</b> 25:14 28:22 34:24 36:25 51:19 54:23 56:5 71:22 72:5 73:7</p> <p><b>taken</b> 3:19 31:14 35:7 38:6 42:10 55:7, 17</p> <p><b>takes</b> 34:18</p> <p><b>Taliban</b> 4:6</p> <p><b>talk</b> 39:16 41:16 46:7</p> <p><b>talked</b> 36:14 42:15 49:11</p> <p><b>talking</b> 36:17 40:21</p> <p><b>talks</b> 8:25</p> <p><b>target</b> 39:19, 23 56:2 57:13 58:17 63:6</p> <p><b>targeted</b> 15:15</p> <p><b>targeting</b> 6:7 13:22 15:18 56:16 62:23 68:22, 24</p> <p><b>Task</b> 1:13 12:7 20:3, 4, 25 24:3 42:12 43:5</p> <p><b>tasks</b> 62:13, 14</p> <p><b>tax</b> 50:18</p> <p><b>taxed</b> 4:8</p> <p><b>taxpayer</b> 40:9, 10 76:13</p> <p><b>taxpayers</b> 10:12</p> <p><b>teach</b> 78:13</p> <p><b>teaching</b> 77:20</p> <p><b>team</b> 19:23 31:13 78:21</p> <p><b>teams</b> 22:7 33:16</p> <p><b>tech</b> 78:21</p> <p><b>technical</b> 21:9 51:23 54:13 62:16, 18</p> <p><b>techniques</b> 39:4</p> <p><b>technologies</b> 27:5 43:15 70:2, 4, 14, 19</p> <p><b>Technology</b> 1:19 52:12 61:2 70:3</p> <p><b>tell</b> 53:14 76:13</p> <p><b>term</b> 28:5</p> <p><b>terms</b> 29:1, 2 38:16 46:24 71:25 73:20</p> <p><b>terrific</b> 72:10</p> <p><b>territories</b> 74:15</p> <p><b>terrorism</b> 11:20 51:25</p> <p><b>terrorists</b> 53:8</p> <p><b>testified</b> 35:14</p> <p><b>testimony</b> 3:8 16:8 35:18 46:8 51:7 61:10 68:15 69:9 76:19</p> <p><b>Texan</b> 67:6</p>	<p><b>thank</b> 3:3 8:2 10:15, 17 13:5 17:1 18:1 19:4, 6 22:24 24:5 27:15 32:14, 15 34:17 35:23 36:6, 10, 11, 12 38:1, 14 39:11, 25 40:14, 19 43:3, 17 45:6, 8 50:3, 4, 5 54:24 59:2 61:4 64:25 66:1 67:3 70:21 71:24 72:9, 20 74:25 75:2 78:20 79:5</p> <p><b>thanks</b> 10:14 23:1 27:25 29:3 38:25 45:7 60:1 71:1, 2 78:25</p> <p><b>thief</b> 28:20, 21</p> <p><b>thing</b> 39:14 47:22 49:7 70:6</p> <p><b>things</b> 16:21 28:16 32:7 41:3 69:23 70:11 77:13, 19 78:7</p> <p><b>think</b> 10:21 19:20 22:15 29:13, 14, 20, 22 30:7, 12 32:6 38:15 39:18 41:18 42:3 43:18 44:12, 20 49:13 50:9, 11 51:4 68:16, 24 69:19, 20, 22 70:16 71:13, 17, 21 72:1 73:24 78:22</p> <p><b>thinking</b> 41:5 77:16</p> <p><b>Third</b> 5:19 15:15 19:13 21:25 69:21</p> <p><b>thoughts</b> 67:4</p> <p><b>threat</b> 13:19 16:24 76:2 77:3</p> <p><b>threatens</b> 8:6</p> <p><b>threats</b> 24:6 48:13 52:19</p> <p><b>three</b> 13:22 19:8 68:15</p> <p><b>thrive</b> 14:18</p> <p><b>thrives</b> 24:17</p> <p><b>tie</b> 42:14</p> <p><b>timber</b> 43:12</p> <p><b>time</b> 10:15 33:3 39:7, 15 40:16 46:2 49:6 52:8 69:5, 17, 20 73:3 78:15</p> <p><b>time-bound</b> 14:13</p> <p><b>times</b> 26:20 36:23 63:3</p> <p><b>tip</b> 20:1</p> <p><b>today</b> 8:8 13:8 16:8 24:6 36:13, 17 40:19 47:15 51:7 54:5 56:25 67:5 68:14</p> <p><b>Today's</b> 6:25 10:6</p> <p><b>Todd</b> 1:5 10:22 13:1</p> <p><b>tool</b> 73:24</p> <p><b>tools</b> 10:9, 10, 12 15:16 27:5 29:16 37:22 58:14 63:13</p> <p><b>topic</b> 67:5, 9</p> <p><b>top-level</b> 76:23</p> <p><b>top-to-bottom</b> 34:21</p> <p><b>touch</b> 39:14</p> <p><b>touched</b> 46:9</p> <p><b>track</b> 6:6 9:5 15:3 32:1</p> <p><b>TRADE</b> 2:1 3:13, 21, 24 4:8, 15 6:13, 24 7:1 8:7, 20 10:8 13:12 16:12 24:7 25:24 27:9 37:5, 14, 24 61:14 62:2, 6 67:8 69:3, 4, 13, 16, 17, 19 72:3, 21, 22 73:6, 10 74:12 75:17</p> <p><b>trade-based</b> 57:4</p> <p><b>trade's</b> 4:13 13:16</p> <p><b>traffic</b> 41:23</p> <p><b>traffickers</b> 3:19 4:17 5:22 6:9 15:19 19:11, 18 67:20</p> <p><b>trafficking</b> 8:19 13:17 14:17 15:2, 8 20:20 21:6, 14 22:21 24:17, 22 25:6, 11 26:5, 15 31:9, 11 36:18, 19 37:8 39:23 42:17, 18 43:8 54:8 56:13 61:17 74:17</p> <p><b>Training</b> 11:15, 16 22:1 39:9, 21</p> <p><b>trainings</b> 35:20 57:25</p> <p><b>transaction</b> 30:19</p> <p><b>transborder</b> 11:19</p> <p><b>transform</b> 26:23</p> <p><b>transit</b> 4:20 56:5</p> <p><b>transited</b> 32:2</p> <p><b>transnational</b> 5:7 6:24 11:23 13:14 14:17 15:19 20:21 26:22 27:6 41:15, 16, 25 43:9, 16, 25 53:6</p> <p><b>Transparency</b> 4:18 5:13 6:6 20:10 26:3 67:17 69:22 70:2, 8, 18 79:3</p> <p><b>transparent</b> 3:11 14:23</p> <p><b>transshipment</b> 68:25 72:23</p> <p><b>traveled</b> 74:14</p> <p><b>Treasury</b> 15:24 29:5 50:21 68:21</p> <p><b>treated</b> 32:9</p> <p><b>treaties</b> 69:12, 19</p> <p><b>Treaty</b> 1:16 14:7 51:21 54:1</p> <p><b>tremendous</b> 42:19</p> <p><b>trial</b> 4:4</p> <p><b>trials</b> 75:23</p> <p><b>Triangle</b> 20:3 62:3</p> <p><b>tribute</b> 20:7</p> <p><b>tried</b> 47:11 78:5</p> <p><b>trip</b> 44:25</p> <p><b>troubling</b> 45:19</p> <p><b>true</b> 6:6 41:19</p> <p><b>try</b> 30:12 31:2 49:11 54:16</p> <p><b>trying</b> 37:19 40:23 42:7 48:14 55:25 57:12 77:5</p> <p><b>turn</b> 3:6 19:16 24:20 25:12 56:2 75:1</p> <p><b>twice</b> 39:7</p> <p><b>two</b> 9:20 14:1 15:18, 22 19:19 20:24 21:3, 6 32:8 35:18 48:17 55:4</p> <p><b>types</b> 32:9 56:15 57:5</p> <p>&lt; U &gt;</p> <p><b>U.N</b> 6:16 14:5 55:13 58:8, 18</p> <p><b>U.N.-mandated</b> 51:22</p> <p><b>U.S</b> 1:7, 9, 13 2:5 3:16 4:2, 5, 10, 15 5:20, 21 6:25 9:25 11:5 13:3, 9 14:1, 7 16:13 19:2 24:3 27:3, 12 37:5 38:13 40:25 52:2, 23 54:24 64:9, 13 67:22 68:21, 23 75:17, 18 76:9</p> <p><b>UK</b> 78:9</p> <p><b>unaccompanied</b> 44:7</p> <p><b>unbreakable</b> 70:8</p> <p><b>UNCAC</b> 14:6 69:14</p> <p><b>uncover</b> 25:5 29:16</p> <p><b>underlying</b> 27:8</p>	<p><b>undermine</b> 25:12 61:15</p> <p><b>undermined</b> 62:20, 24</p> <p><b>undermines</b> 24:15 61:16</p> <p><b>understand</b> 45:4 49:12 55:22 56:1 57:3, 9</p> <p><b>understood</b> 72:25</p> <p><b>understudied</b> 72:25</p> <p><b>undertakings</b> 62:16 64:5</p> <p><b>unfortunately</b> 41:12 44:4</p> <p><b>uniform</b> 62:10</p> <p><b>unique</b> 21:21 26:14 54:11 57:22</p> <p><b>unit</b> 21:14</p> <p><b>United</b> 1:16 6:15 8:4, 16 27:9 28:1 32:2, 3, 21 35:21 36:15 44:9 45:10, 22 46:16, 18 47:12, 22, 24 48:5, 18 49:22 51:21 52:8 54:2, 6 58:23 73:6 74:9 75:6, 13, 19 76:8, 16 77:11, 15 78:8</p> <p><b>units</b> 9:9 32:19, 20 33:9, 21 34:6, 11, 14 35:3 57:17 63:12 76:21, 22 77:2, 7</p> <p><b>University</b> 1:22 11:1 52:25 67:2</p> <p><b>UNODC</b> 54:6 55:25 57:12, 19</p> <p><b>unpunished</b> 4:23</p> <p><b>updating</b> 69:5</p> <p><b>up-to-date</b> 34:3</p> <p><b>urban</b> 52:20</p> <p><b>urgent</b> 22:20</p> <p><b>USAID</b> 12:8, 18 24:21, 24 25:3, 15, 18, 22 26:2, 7, 13, 21 43:4, 7 48:22 50:22</p> <p><b>USAID's</b> 24:9, 13 26:18 27:7</p> <p><b>use</b> 10:11 26:5, 16 37:13 41:17 42:4 55:16 56:21 57:21 68:10 74:6 77:2</p> <p><b>USMCA</b> 69:15 73:11</p> <p><b>usually</b> 69:3</p> <p><b>utilize</b> 53:8</p> <p><b>utilizing</b> 70:2</p>
--	--	--

## &lt; V &gt;

**Vanda** 1:18 52:11  
61:1  
**vantage** 54:11  
**variety** 26:24 52:1  
**various** 4:5 38:22  
62:21  
**vast** 44:2 61:14  
**vehicles** 57:8  
**Venezuela** 11:5  
61:24  
**Venezuelan** 4:10  
**vested** 61:21, 22  
**vetted** 4:3 76:22, 23  
**Vienna** 51:16  
53:17 54:5 78:21  
**view** 3:9 44:11, 16  
73:2 74:6  
**viewing** 43:6  
**violence** 5:16 8:20  
52:20 63:17 64:19,  
20, 22  
**violent** 63:18  
**virtual** 19:25  
**visa** 15:22 16:2  
**visas** 41:10 44:23  
**visible** 55:18  
**vital** 24:24 39:13  
**vocally** 4:7  
**vulnerable** 39:24

## &lt; W &gt;

**waiting** 41:10  
**Walker** 1:22 52:25  
67:1  
**want** 10:7 30:12  
32:16 36:11, 12, 13,  
25 37:11 41:15  
63:17 64:12 71:21,  
22 76:12 78:1  
**wanted** 9:20 37:2  
39:14 46:13 54:23  
**wants** 46:6 76:10  
**Washington** 2:7  
33:13  
**Watergate** 30:21  
**way** 10:11 11:6  
44:3 51:3 55:16  
56:10 67:17 70:18  
71:11  
**ways** 10:7 28:25  
44:1  
**weak** 4:18 75:12  
**weakens** 24:16  
**wealth** 6:10  
**weapon** 67:18  
**weapons** 76:9  
**weave** 4:25  
**web** 38:7, 12  
**Wednesday** 2:3

**weeks** 8:23 46:17  
47:25 74:11  
**welcome** 70:21  
**well** 3:5 11:13  
27:1 29:13 30:11,  
20 31:13, 22 34:17  
35:23 36:10 38:14,  
21, 23 39:11 40:14  
43:17 45:20 46:22  
48:21 68:7 73:10  
74:9 75:15 76:12,  
17  
**went** 47:18 78:5  
**Western** 11:4  
**whistleblower** 9:24  
**white** 41:14  
**Whitehouse** 1:3  
2:11, 12 3:1 13:4  
19:4, 6 20:8 24:4  
39:16 54:3 61:5  
67:3, 14  
**whole-of-**  
**government** 5:6  
**wide** 55:10 76:17  
**widely** 5:20  
**wildlife** 42:17 43:7  
**willing** 3:22  
**willingness** 22:16  
**win** 28:15  
**windows** 27:1  
**wise** 30:8  
**wisely** 76:13  
**witnesses** 3:3, 8  
10:14, 15, 18 36:12  
51:15 53:13  
**word** 41:17  
**words** 41:21  
**work** 5:25 8:17  
11:22 13:21 14:19  
15:2, 4, 17 16:9  
20:24 22:10 26:9,  
15 27:14 30:1  
33:13 35:19 36:13,  
16 37:17 39:13  
42:23 43:6, 7  
48:17 49:18, 19  
50:11 53:4, 7 55:1,  
3 56:13 58:20, 25  
59:1 68:19 71:18  
72:10, 11 76:21  
79:1  
**worked** 26:2, 7  
29:4 52:6 53:2  
69:6  
**working** 13:10  
14:11, 12 21:9  
22:8 32:11 37:20,  
22 38:8 39:2, 5, 12,  
18 41:2 42:20  
44:21 49:1, 3 68:5,

7 77:18  
**works** 38:21 48:22  
**world** 4:21 5:20  
6:20, 23 28:3, 4, 5,  
8 38:13 50:2, 13  
54:7 55:3 56:15  
58:12 62:21 63:9  
67:23, 24 68:9, 10  
77:14, 18 78:3, 6, 9  
**world's** 14:4 68:17  
**worldwide** 6:14  
19:24 38:7, 25  
**worse** 16:22 68:2  
**worst** 69:8  
**worth** 21:18  
**woven** 13:20  
**wrist** 48:10  
**written** 20:22 29:5  
35:18 54:9 55:25  
58:19 63:22 68:14  
69:9 76:19

## &lt; Y &gt;

**year** 9:4 20:11  
21:11 25:5 36:15  
43:20 44:3  
**years** 8:16 11:8  
14:10 22:13 48:6  
53:5 68:1 72:12  
74:14  
**Yesterday** 10:1

## &lt; Z &gt;

**zone** 44:5  
**zones** 69:3, 4 72:23  
73:10

**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 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 "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.

**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 reaches 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.



# Department of Justice

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**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**

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**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 30<sup>th</sup> anniversary of the Department’s Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), and the 35<sup>th</sup> 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, ODPAT 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 22<sup>nd</sup>, 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 narco-trafficking 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 organized 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.

**Written Submission by  
John Brandolino  
Director  
United Nations Office on Drugs and Crime (UNODC)**

**United States Senate Caucus on International Narcotics Control  
Hearing on “The Nexus Between the Illicit Narcotics Trade and Corruption”  
17 November 2021, Washington D.C., United States of America**

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 COVENTION 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<sup>1</sup> 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.<sup>2</sup> 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

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<sup>1</sup> <https://www.unodc.org/unodc/en/data-and-analysis/wdr2021.html>

<sup>2</sup> [https://www.unodc.org/documents/data-and-analysis/statistics/IFF/IFF\\_Conceptual\\_Framework\\_FINAL.pdf](https://www.unodc.org/documents/data-and-analysis/statistics/IFF/IFF_Conceptual_Framework_FINAL.pdf)

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 Money 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.<sup>1</sup> 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*

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<sup>1</sup> Executive Office of the President, Office of National Drug Control Policy, "The Biden-Harris Administration's Statement of Drug Policy Priorities for Year One," [https://www.whitehouse.gov/wp-content/uploads/2021/03/BidenHarris-Statement-of-Drug-Policy-Priorities-April-1.pdf?fbclid=IwAR2TBk34U\\_XRqlqK\\_pAYnUd\\_9f7zY3IbCQI9KxI6S5eYeRJdFzI9B09hZ84](https://www.whitehouse.gov/wp-content/uploads/2021/03/BidenHarris-Statement-of-Drug-Policy-Priorities-April-1.pdf?fbclid=IwAR2TBk34U_XRqlqK_pAYnUd_9f7zY3IbCQI9KxI6S5eYeRJdFzI9B09hZ84).

*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.<sup>2</sup>

**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.<sup>3</sup> 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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<sup>2</sup> Vanda Felbab-Brown, "Detoxifying Colombia's Drug Policy," The Brookings Institution, January 2020, <https://www.brookings.edu/research/detoxifying-colombias-drug-policy/>.

<sup>3</sup> Vanda Felbab-Brown, "A Hotspot Anti-Crime Strategy in Mexico," *Mexico Today*, August 27, 2021, <https://mexicotoday.com/2021/08/27/opinion-a-hotspot-anti-crime-strategy-in-mexico/>.

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.<sup>4</sup>

f 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.<sup>5</sup>

**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.

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<sup>4</sup> Vanda Felbab-Brown, Harold Trinkunas, and Shadi Hamid, *Militants, Criminals, and Warlords: The Challenge of Local Governance in an Age of Disorder* (Washington, DC: The Brookings Institution, 2017).

<sup>5</sup> Vanda Felbab-Brown, "Why the Taliban Won," *Foreign Affairs*, August 17, 2021, <https://www.foreignaffairs.com/articles/united-states/2021-08-17/why-taliban-won>.

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.<sup>6</sup>**

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.<sup>7</sup>

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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<sup>6</sup> Vanda Felbab-Brown, "The Hellish Road to Good Intentions: How to Break Political-Criminal Alliances in Contexts of Transitions," Tokyo: United Nations University, April 2017, <https://www.brookings.edu/wp-content/uploads/2017/05/the-hellish-road-to-good-intentions-how-to-break-political-criminal-alliances-in-contexts-of-transition.pdf>.

<sup>7</sup> Vanda Felbab-Brown, *Shooting Up: Counterinsurgency and the War on Drugs* (Washington, DC: The Brookings Institution, 2013); and Vanda Felbab-Brown, "Drugs, Security, and Counternarcotics Policies in Afghanistan," The United Kingdom Parliament, House of Lords, International Relations and Defence Committee's Inquiry into Afghanistan, October 29, 2020, <https://www.brookings.edu/testimonies/drugs-security-and-counternarcotics-policies-in-afghanistan/>.

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.<sup>8</sup>

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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<sup>8</sup> Vanda Felbab-Brown, "Mexico's Out-of-Control Criminal Market," The Brookings Institution, March 2019 [https://www.brookings.edu/wp-content/uploads/2019/03/FP\\_20190322\\_mexico\\_crime-2.pdf](https://www.brookings.edu/wp-content/uploads/2019/03/FP_20190322_mexico_crime-2.pdf); Vanda Felbab-Brown, "AMLO's Security Policy: Creative Ideas, Tough Reality," The Brookings Institution, March 2019, [https://www.brookings.edu/wpcontent/uploads/2019/03/FP\\_20190325\\_mexico\\_anti-crime.pdf](https://www.brookings.edu/wpcontent/uploads/2019/03/FP_20190325_mexico_anti-crime.pdf); and Vanda Felbab-Brown, "The US-Mexico Security Relationship in 2021," *Mexico Today*, January 19, 2021, <https://www.brookings.edu/blog/order-from-chaos/2021/01/19/the-us-mexico-security-relationship-in-2021/>.

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<sup>9</sup> 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.

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<sup>9</sup> The White House, “FACT SHEET: U.S.-Mexico High-Level Security Dialogue,” October 8, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/08/fact-sheet-u-s-mexico-high-level-security-dialogue/>.

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 raise 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 delegitimizing 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](http://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 17<sup>th</sup>, 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.<sup>1</sup> 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.

**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 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.<sup>2</sup> Zones also exist in other problematic areas such as the Golden Triangle in Southeast Asia,<sup>3</sup> the Northern Triangle in Central

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<sup>1</sup> <https://www.fincen.gov/news/news-releases/fincen-reissues-real-estate-geographic-targeting-orders-12-metropolitan-areas-3#:~:text=WASHINGTON%E2%80%94The%20Financial%20Crimes%20Enforcement,purchases%20of%20residential%20real%20estate.>

<sup>2</sup> <https://www.fdicchina.com/blog/fdi-china-exclusive-the-21-free-trade-zones-guide-2021/>

<sup>3</sup> [https://www.voanews.com/a/east-asia-pacific\\_chemicals-meth-out-asias-booming-golden-triangle-drug-trade/6206451.html](https://www.voanews.com/a/east-asia-pacific_chemicals-meth-out-asias-booming-golden-triangle-drug-trade/6206451.html)

America,<sup>4</sup> and the Tri-Border Area in South America<sup>5</sup> – 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.<sup>6</sup> 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,<sup>7</sup> 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).<sup>8</sup> 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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<sup>4</sup> <https://sites.duke.edu/northerntrianglepolicy/2019/05/15/drug-trafficking-and-violence-in-the-northern-triangle/>

<sup>5</sup> [https://www.loc.gov/rr/frd/pdf-files/TerrOrgCrime\\_TBA.pdf](https://www.loc.gov/rr/frd/pdf-files/TerrOrgCrime_TBA.pdf)

<sup>6</sup> [https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/27\\_Anticorruption.pdf](https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/27_Anticorruption.pdf)

<sup>7</sup> <https://www.rfa.org/english/news/korea/illiteracy-11252020000636.html>

<sup>8</sup> <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.