

**TRANSNATIONAL CRIMINAL ORGANIZATIONS: THE  
MENACING THREAT TO THE U.S. HOMELAND**

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**HEARING**

BEFORE THE

**SUBCOMMITTEE ON  
COUNTERTERRORISM,  
LAW ENFORCEMENT, AND  
INTELLIGENCE**

OF THE

**COMMITTEE ON HOMELAND SECURITY  
HOUSE OF REPRESENTATIVES**

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## **TRANSNATIONAL CRIMINAL ORGANIZATIONS: THE MENACING THREAT TO THE U.S. HOMELAND**

**Wednesday, June 7, 2023**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON HOMELAND SECURITY,  
SUBCOMMITTEE ON COUNTERTERRORISM,  
LAW ENFORCEMENT, AND INTELLIGENCE,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:04 p.m., in room 310, Cannon House Office Building, Hon. August Pfluger (Chairman of the subcommittee) presiding.

Present: Representatives Pfluger, Bishop of North Carolina, D'Esposito, Crane, Jackson Lee, Thanedar, Garcia, and Ramirez.

Mr. PFLUGER. The Committee on Homeland Security, Subcommittee on Counterterrorism, Law Enforcement, and Intelligence will come to order. Without objection, the subcommittee may recess at any time.

The purpose of this hearing is to receive testimony from a non-governmental panel of expert witnesses to examine the wide-ranging operations of Transnational Criminal Organizations, TCOs, which have expanded both in size and sophistication as well as to explore Federal and other efforts to mitigate and disrupt TCO activities. I now recognize myself for an opening statement.

Good afternoon, and welcome to Subcommittee on Counterterrorism, Law Enforcement, and Intelligence. Today, we are holding an important hearing on the menacing threat posed by Transnational Criminal Organizations, TCOs, to our Homeland Security and public safety. I'd like to thank all of our witnesses for your time and for testifying today.

TCOs are groups or networks of individuals who engage in illegal activities across national borders. They engage in multifaceted criminal enterprise from drug trafficking, to human trafficking, to human smuggling, and other criminal acts. Organized crime is a massive business. In fact, it's a multibillion-dollar business.

TCOs are responsible for trafficking deadly drugs, like illicit Fentanyl and other opioids into American communities fueling violence and corruption and undermining the rule of law. These enterprises exploit our poor Southern Border to advance their criminal agendas as they facilitate and profit off of smuggling and trafficking of people, often victimizing susceptible migrants who are traveling along the treacherous journey from Central and South America to the United States.

According to the DEA, Mexican TCOs, in particular, control smuggling corridors, mainly across the Southwest Border and maintain the greatest drug trafficking influence in the United States. The trafficking of drugs, like illicit Fentanyl into American neighborhoods and communities from Texas to New York by TCOs have contributed to the deaths of hundreds of thousands of Americans. In fact, Fentanyl is the leading cause of death for Americans between the ages of 18 to 45, and these deaths are occurring in every single State in our Nation unfortunately.

The scourge of Fentanyl has hit every single one of our communities. In February, two of my constituents lost their son Jackson Lee Warnick, 17 years old, to Fentanyl poisoning. Jackson's parents had to live through a nightmare that no parent should ever have to endure. Jackson's family has been working tirelessly across the Permian Basin to share their son's story, to help educate other people in the dangers posed by synthetic opioids.

According to the Centers for Disease Control and Prevention, 107,735 Americans died between August 2021 and August 2022 from drug overdoses or from the poisoning of Fentanyl, with the vast majority of those deaths involving synthetic opioids like Fentanyl.

Just this past April, the head of the DEA, Anne Milgram, called the Sinaloa Jalisco New Generation Cartel the greatest criminal drug threat that the United States has ever faced, and that these ruthless, violent criminal organizations have associates, facilitators, and brokers in all 50 States in the United States as well as in more than 40 countries around the world.

These cartels purchase precursor chemicals from China which are shipped to South America and Mexico and using those precursors to produce Fentanyl and even process that Fentanyl into counterfeit prescription pills. The cartels then traffic the drugs from Mexico into the United States for distribution.

To put this in perspective, and as noted recently by the DEA administrator, it cost the cartels as little as 10 cents to produce a Fentanyl-based fake prescription pill that is then sold in the United States for as much as \$10 to \$30. As a result, the cartels make billions of dollars from trafficking Fentanyl in the United States each year.

Cartels are also beginning to mix Fentanyl with Xylazine, a powerful sedative that the U.S. Food and Drug Administration has permitted for veterinary use. It has licit uses, but it causes fatal overdoses in this country.

It is also important to examine the collaboration between Asian and Mexican TCOs. In particular, the Asian TCOs play a major role in the laundering of the illicit drug proceeds on the behalf of Mexican TCOs. Meanwhile, China has ceased all counterdrug cooperation with the United States, which raises serious concerns about the global effort to curb precursor chemicals from going to Mexico for the manufacturing of illicit Fentanyl.

Additionally, these criminal activities by TCOs extend well beyond drug-smuggling and money-laundering activities. TCOs are also involved in human trafficking, human smuggling, and a wide variety of other crimes.

In fiscal year 2022, Homeland Security Investigation or HSI initiated over 1,300 criminal investigations related to sex trafficking and forced labor resulting in more than 3,650 arrests and 630 convictions. We cannot allow these criminal networks to operate with impunity and endanger our Homeland Security and public safety. We must explore all tools at our disposal to detect, disrupt, and dismantle their operations and hold them accountable for their actions.

As we face a growing crisis at the border, and as TCOs evolve, both in size and sophistication, it is more important than ever that we unequivocally support our dedicated Border Patrol Homeland Security Investigation agents as well as our State and local law enforcement as they work on the front lines to disrupt and dismantle the egregious operations of the TCOs.

This afternoon, I'm pleased to say that we have a distinguished panel of expert witnesses to discuss the TCOs, the grave threat that they pose to our homeland, and to have a debate in front of the American public on the direction that we should go as a whole-of-Government in order to put a stop to this scourge that is causing hundreds of thousands of deaths.

I'd like to thank our witnesses for being with us this afternoon, and I look forward to this discussion on a critical topic.

[The statement of Chairman Pfluger follows:]

STATEMENT OF CHAIRMAN AUGUST PFLUGER

JUNE 7, 2023

Good afternoon, and welcome to the Subcommittee on Counterterrorism, Law Enforcement, and Intelligence. Today we are holding an important hearing on the menacing threat posed by transnational criminal organizations to our homeland security and public safety.

I would like to thank all of our witnesses for testifying today.

Transnational criminal organizations or TCOs are groups or networks of individuals who engage in illegal activities across national borders. They engage in a multifaceted criminal enterprise from drug trafficking, human trafficking, human smuggling, and other criminal acts.

Organized crime is a massive business. In fact, it is a multi-billion dollar business.

TCOs are responsible for trafficking deadly drugs like illicit Fentanyl and other opioids into American communities, fueling violence and corruption, and undermining the rule of law.

These enterprises exploit our porous Southern Border to advance their criminal agendas, as they facilitate and profit off of the smuggling and trafficking of people, often victimizing susceptible migrants who are traveling along the treacherous journey from Central and South America to the United States.

According to the Drug Enforcement Administration (DEA), Mexican TCOs, in particular, control smuggling corridors, mainly across the Southwest Border and maintain "the greatest drug trafficking influence" in the United States.

The trafficking of drugs like illicit Fentanyl into American neighborhoods and communities from Texas to New York by TCOs have contributed to the death of hundreds of thousands of Americans.

In fact, Fentanyl is the leading cause of death for Americans between the ages of 18 to 45, and these deaths are occurring in every State in our Nation.

The scourge of Fentanyl has hit every single one of our communities. In February, two of my constituents lost their son, Jackson Lee Warnick, age 17, to a Fentanyl overdose. Jackson's parents had to live through a nightmare that no parent should ever have to endure. Jackson's family has been working tirelessly across the Permian Basin to share their son's story to help educate folks on the dangers posed by synthetic opioids.

According to the Centers for Disease Control and Prevention, 107,735 Americans died between August 2021 and August 2022 from drug overdoses, with the vast majority of those deaths involving synthetic opioids like Fentanyl.

Just this past April, the head of the DEA, Anne Milgram, called the Sinaloa and the Jalisco New Generation Cartel the “greatest criminal drug threat the United States has ever faced” and that “these ruthless, violent, criminal organizations have associates, facilitators, and brokers in all 50 States in the United States, as well as in more than 40 countries around the world.”<sup>1</sup>

These cartels purchase precursor chemicals from China, which are shipped to South America and Mexico, and using those precursors to produce Fentanyl and even process that Fentanyl into counterfeit prescription pills.<sup>2</sup>

The cartels then traffic these drugs from Mexico into the United States for distribution.<sup>3</sup>

To put this into perspective, and as noted recently by the DEA administrator, “[i]t costs the cartels as little as 10 cents to produce a Fentanyl-laced fake prescription pill that is then sold in the United States for as much as \$10 to \$30. As a result, the cartels make billions of dollars from trafficking Fentanyl into the United States.”<sup>4</sup>

Cartels are also beginning to mix Fentanyl with Xylazine—a powerful sedative that the U.S. Food and Drug Administration has permitted for veterinary use—causing fatal overdoses across the country.

It is also important to examine the collaboration between Asian and Mexican TCOs. In particular, Asian TCOs play a major role in the laundering of illicit drug proceeds on behalf of Mexican TCOs.<sup>5</sup>

The money-laundering tactics used by Asian TCOs involve the transfer of funds between China and Hong Kong, using front companies to facilitate international money movement.<sup>6</sup>

Meanwhile, China has ceased all counter-drugs cooperation with the United States, which raises serious concerns about the global effort to curb precursor chemicals from going to Mexico for the manufacturing of illicit Fentanyl.

Additionally, these criminal activities by TCOs extend well beyond drug smuggling and money-laundering activities. TCOs are also involved in human trafficking, human smuggling, and other crimes.

In fiscal year 2022, Homeland Security Investigations initiated over 1,300 criminal investigations related to sex trafficking and forced labor, resulting in more than 3,650 arrests and over 630 convictions.<sup>7</sup>

We cannot allow these criminal networks to operate with impunity and endanger our homeland security and public safety. We must explore all the tools at our disposal to detect, disrupt, and dismantle their operations, and hold them accountable for their actions.

As we face a growing crisis at the border, and as TCOs evolve in both size and sophistication, it is more important than ever that we unequivocally support our dedicated Border Patrol, Homeland Security Investigations agents, as well as our State and local law enforcement as they work on the front lines to disrupt and dismantle the egregious operations of TCOs.

This afternoon, we have a distinguished panel of expert witnesses to discuss TCOs and the grave threat they pose to the homeland.

Thank you to all our witnesses for being with us this afternoon, and I look forward to our discussion on this critical topic.

**Mr. PFLUGER.** I would now like to recognize the Ranking Member of the subcommittee, Mr. Magaziner for his opening statement.

**Mr. MAGAZINER.** Thank you, Chairman. Thank you for calling this hearing on such an important topic and to our witnesses for

<sup>1</sup> *Fiscal Year 2024 Request for the Drug Enforcement Administration: Hearing before the Committee on the Appropriations, Subcomm. on Justice, Science, and Related Agencies*, 118th Cong. (Apr. 27, 2023) (testimony of Anne Milgram at 4, Administrator, U.S. Drug Enforcement Administration).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> 2020 *Drug Enforcement Administration NDTA National Drug Threat Assessment* at 69, (March 2021) available at [https://www.dea.gov/sites/default/files/2021-02/DIR-008-21%202020%20Drug%20Threat%20Assessment\\_\\_WEB.pdf](https://www.dea.gov/sites/default/files/2021-02/DIR-008-21%202020%20Drug%20Threat%20Assessment__WEB.pdf).

<sup>6</sup> *Id.* at 76.

<sup>7</sup> U.S. Dep’t of Homeland Sec., *DHS Center for Countering Human Trafficking Releases Fiscal Year Annual Report (Jan. 31, 2023)*, <https://www.dhs.gov/news/2023/01/31/dhs-center-countering-human-trafficking-releases-fy-2022-annual-report>.



being here today and for your work and your expertise. I am glad that we are having this hearing to examine threats posed by Transnational Criminal Organizations to the U.S. homeland.

TCOs are broad-ranging, originate all over the globe, and engage in many forms of criminal activity, from drug and arms trafficking, to human smuggling, to cyber crime, and illegal fishing and mining. In carrying out criminal activity, TCOs are often violent, degrading the security and stability of the countries they have a presence in, harming and killing civilians of those countries, and threatening the national security of the United States.

In our neighboring country of Mexico and in Central and South America, violent crime has steadily been on the rise at the hands of drug trafficking organizations. It has been estimated that between 40 and 65 percent of all homicides in Mexico are organized-crime-related. It is possible that the percentage is higher. As it is well-known that the cartels have threatened journalists and government officials in attempts to cover up the identities of homicide victims.

Mexican citizens are unfortunately not alone in living in fear of extreme violence under TCOs. Guatemala, Honduras, and El Salvador have some of the highest homicide rates in the world. Women and girls are disproportionately affected by TCO violence.

In response, Central Americans and Mexicans flee their homes to avoid the threat of violence, and often travel to the U.S. Border for safety. More than 2 million people are estimated to have left El Salvador, Guatemala, and Honduras from 2014 through 2022. Many hoping to escape the violence in their home countries end up facing danger and extortion from TCOs on their journey.

TCOs are connected to migrant smugglers who will charge a fee before allowing the smugglers and migrants to pass through territories under their control. Streamlining asylum processing and allowing migrants to apply for legal protection before they get to our border is a smart policy that is good for our national security, because it undermines the financial model of human traffickers and creates more order at our border and points of entry. I am encouraged that the administration is exploring these policies, so that those who are eligible for legal asylum don't have to make the dangerous journey under the extortion of smugglers. Those who are not eligible can find out—because as we all know the cartels and the smugglers, the traffickers will tell people anything in order to convince them that if they do come to the United States, they'll have no problem getting in, even what that's not true.

So by creating these opportunities, we can undercut the cartels' ability to exploit traffic and profit from vulnerable people.

It is also critical that the United States collaborate with our partners in Mexico and Central America to stop the primary harm from TCOs to the U.S. homeland illicit drug trafficking. Mexican drug traffickers are the primary wholesalers of U.S.-bound cocaine from the major supply countries of Colombia, Peru, and Bolivia, and are also largely responsible for the procurement of Fentanyl precursors from China, and control the cross-border trafficking of Fentanyl, a drug DEA Administrator Anne Milgram has declared the single, deadliest drug threat our Nation has ever encountered.

As we hold today's hearing, we also need to focus on another source of the cartels' strength, the illegal export of guns from the United States across our Southern Border. ATF estimates that as many as 597,000 firearms are trafficked from the United States into Mexico each year, 597,000 each year. It is shameful, and it is fueling the cartels' violence which only exacerbates the problems we face here at home. We cannot call ourselves fully committed to the fight against threats posed by transnational crime groups, particularly, those operating in Mexico and Central America until we act on illegal gun trafficking.

So my hope for today's hearing, in addition to objectively examining the TCO threat landscape, is that we begin a discussion in how we in Congress can support the U.S. Government's efforts to stifle the cartel and all TCO activity. It is critical that we examine the efforts of the Department of Homeland Security, which through several components, including Homeland Security Investigations, and the Office of Intelligence and Analysis, develop intelligence, interdict illicit money and goods, and investigate the TCOs. We must ensure that DHS has the resources and the authorities it needs to protect Americans from TCO violence. With that, once again, I thank the witnesses for being here, and I yield back.

[The statement of Ranking Member Magaziner follows:]

STATEMENT OF RANKING MEMBER SETH MAGAZINER

JUNE 7, 2023

I am glad to be holding this hearing to examine threats posed by transnational criminal organizations to the U.S. homeland. TCOs are broad-ranging, originate all over the globe, and engage in many forms of criminal activity, from drug and arms trafficking to human smuggling to cyber crime and illegal fishing and mining. And in carrying out criminal activity, TCOs are often violent—degrading the security and stability of the countries they have a presence in, harming and even killing citizens of those countries, and threatening the national security of the United States.

In our neighboring country of Mexico, and in Central America, violent crime has steadily been on the rise at the hands of drug trafficking organizations. It has been estimated that between 40 and 65 percent of all homicides in Mexico are organized-crime-related, and it is possible that the percentage is much higher—as it is well-known that the cartels have threatened journalists and Mexican government officials in attempts to cover up the numbers and identities of homicide victims.

Mexican citizens are unfortunately not alone in living in fear of extreme violence under TCOs. Guatemala, Honduras, and El Salvador have some of the highest homicide rates in the world, and women and girls are disproportionately affected by TCO violence. In response, Central Americans and Mexicans flee their homes, to avoid the threat of violence, and travel to the U.S. border. More than 2 million people are estimated to have left El Salvador, Guatemala, and Honduras from 2014–2022. Many—hoping to escape violence in their home countries—end up facing danger and extortion from TCOs on their journey. TCOs are connected to migrant smugglers and will charge a fee before allowing the smugglers and migrants to pass through territories under their control.

Streamlining asylum processing and allowing migrants to apply for legal protection before they get to our border is smart policy that is good for our national security because it undermines the financial model of human traffickers and creates more order at our border and points of entry. I am encouraged that the Biden administration is exploring these policies in the interest of American security.

So far, I have also been pleased with the Biden administration's handling of Title 42's expiration, as recent numbers indicate encounters are down significantly since the week of its expiration, and even lower than the average daily encounters in March. This is further evidence that expanding legal pathways for migrants and a more humane approach to our immigration system is better for our country and better for migrants. By creating further opportunities, we can undercut the cartels' ability to exploit, traffic, and profit from vulnerable people.

It is also critical that the United States collaborate with our partners in Mexico and Central America to stop the primary harm from TCOs to the U.S. homeland—illicit drug trafficking. Mexican drug traffickers are the primary wholesalers of U.S.-bound cocaine from the major supply countries of Colombia, Peru, and Bolivia. We also know that the Mexican cartels are largely responsible for the procurement of Fentanyl precursors from China and control the cross-border trafficking of Fentanyl—a drug DEA Administrator Anne Milgram has declared “the single deadliest drug threat our Nation has ever encountered.”

As we hold today’s hearing we also need to focus on another source of the cartel’s strength: the illegal export of guns from the United States across our Southern Border. ATF estimates that as many as 597,000 firearms are trafficked from the United States into Mexico each year.

Five hundred ninety-seven thousand. Each year.

It is shameful and it is fueling the cartels’ violence, which only exacerbates the problems we face here at home. We cannot call ourselves fully committed to the fight against threats posed by transnational crime groups—particularly those operating in Mexico and Central America—until we act on illegal gun trafficking.

My hope for today’s hearing—in addition to objectively examining the TCO threat landscape—is that we begin a discussion on how we in Congress can support the U.S. Government’s efforts to stifle cartel activity. It is also critical that we examine the efforts of the Department of Homeland Security, which through several components, including Homeland Security Investigations and the Office of Intelligence & Analysis, develop intelligence, interdict illicit money and goods, and investigate various TCOs. We must ensure that DHS has the resources and the authorities it needs to protect Americans from TCO violence.

Mr. PFLUGER. Thank you, Ranking Member Magaziner. Other Members of the committee are reminded that opening statements may be submitted for the record.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

JUNE 7, 2023

I am pleased the subcommittee is exploring threats to the homeland from transnational criminal organizations (TCOs) and the fact that violence perpetrated by TCOs is one of many reasons that people migrate to the U.S. Southern Border. Violent crime has caused thousands across the globe to flee in fear for their lives, particularly in Central America, a region that experiences some of the highest crime rates in the world.

As migrants seek a better, safer life, and embark on a journey to the United States, they face extortion and violence on migration routes through Mexico which the cartels control and charge large sums to allow the migrants to pass.

Increasingly, we hear awful stories of migrants being assaulted, robbed, abandoned, and even murdered along the way. Some experts assess that the increased violence toward and extortion of migrants may be a result of heightened profit competition among the various cartels. That is important for us to factor into today’s conversation—the cartels are profit-driven. They are violent, and criminal, but they are not political. They act with callousness toward migrants, perpetrate horrendous acts of gun violence, profit from illicit drug trafficking at the expense of American lives, and disrupt the much-needed border trade helping to lift millions of our Latin American neighbors out of poverty.

However, designating Mexican cartels as Foreign Terrorist Organizations will do nothing to stop them. They are not deterred by anything unless it affects their bottom line—which terrorist designations will not accomplish. What designating these transnational criminal organizations as terrorists will succeed in is damaging our relationship with the government of Mexico. Comments from Republicans suggesting we invade Mexico only make matters worse.

As I have said before, and will say again, it is high time the Majority stop focusing on trying to score political points—especially when those “points” work to our Nation’s detriment. I urge my colleagues across the aisle to join Democrats in seeking real solutions to address the threats posed by heinous TCOs. For example, we ought to reinstate the interagency Joint Task Force-Investigations—which coordinated efforts across the Federal Government to dismantle TCOs, prevent their reconstitution, and reduce illicit flows. Unfortunately for us and fortunately for the cartels, the Trump administration shut this task force down.

We must improve the Department of Justice's Transnational Organized Crime Actor Detection Program.

At my request, the Government Accountability Office recently conducted a review of this program and recommended that DOJ build on its success by increasing participation and information sharing among partner agencies and developing analysis from the shared data.

We must support DHS's surge operation against Fentanyl, known as "Operation Blue Lotus," which in its first month of operation stopped over 4,000 pounds of Fentanyl at ports of entry, where more than 90 percent of Fentanyl is trafficked.

We must also support our Customs and Border Protection officers at points of entry since they are on the front lines of the battle against Fentanyl.

Democrats were disappointed to see Republicans vote down our amendments to their border bill that would have authorized Operation Blue Lotus and ensured CBP is well-staffed and resourced to seize Fentanyl.

I am hopeful we can begin to work together to further address the dangers posed by the cartels.

Mr. PFLUGER. I am pleased to have the distinguished panel of witnesses before us today on this very important topic, and I ask our witnesses to please rise and raise their right hands.

[Witnesses sworn.]

Mr. PFLUGER. Thank you. You may be seated. Let the record show that the witnesses have answered in the affirmative.

I would now like to formally introduce our witnesses. Mr. Douglas Farah is the founder and president of IBI Consultants, a security consulting firm that specializes in field research study and security challenges in transnational organized crime in Latin America. From September 2013 to September 2022, Mr. Farah was a visiting senior fellow at the Center for Strategic Research, the National Defense University, where he led the Western Hemisphere Illicit Network Review Project under the auspices of Deputy Secretary of Defense for counter narcotics and global threats. In that position, Mr. Farah briefed his research findings across the inter-agency and intelligence communities, including U.S. Southern Command.

Farah also testified before Congress more than a dozen times on important matters related to Western Hemisphere and U.S. homeland. Thank you.

Mr. Christopher Urben is a former assistant special agent in charge of U.S. Drug Enforcement Agency, DEA. Currently, he is the managing director of Nardello & Company in which Mr. Urben supports the firm's efforts to target organized crime groups operating in the ports and borders of the United States, Mexico, Panama, and Colombia. Mr. Urben started his career with DEA in 1996 as a special agent in the New York division. He was later assigned to the New Jersey division where he worked on several high-profile investigations involving Colombian and Mexican drug cartels. Mr. Urben also served on two overseas tours in Europe, working with international law enforcement agencies.

Mr. Urben's most recent position was assistant special agent in charge of the Special Operations Division for Europe, Africa, the Middle East, and the Far East. In particular, Mr. Urben has led sensitive global undercover DEA operations that targeted Chinese organized crime groups that facilitated money laundering for Mexican drug cartels. Thank you for being with us.

Ms. Melissa Ford is the policy director for the Texas Public Policy Foundation's secure and sovereign Texas campaign which helps

to keep our country safe and free. Ms. Ford's work is focused on policies that secure the border and restore the rule of law.

Prior to joining the foundation, Ms. Ford served at the White House first in the Office of American Innovation, and later in the Domestic Policy Council. Ms. Ford has written extensively about foreign policy, public safety, drug cartels, and organized crime. Thank you for being with us.

Last, Mr. Jason Blazakis is a professor at Middlebury Institute of International Studies where he focuses on threat financing, sanctions, and violent extremism, and special operations-related research. He is the director of the Center on Terrorism Extremism and Counterterrorism where he directs research on domestic terrorism, terrorism finance, recruitment propaganda, and the use of special operations to counter transnational threats.

In 2008 to 2018, he served as the director of Counterterrorism Finance and Designations Office, Bureau of Counterterrorism, U.S. Department of State.

I would like to welcome all of our witnesses and thank you for your professional experience.

I know that you have submitted statements for the record. Some of those will exceed 5 minutes. In the interest of time, please summarize your statements to 5 minutes so that we go along the committee lines here and ask questions.

I now recognize Mr. Douglas Farah for your 5 minutes in an opening statement.

**STATEMENT OF DOUGLAS FARAH, FOUNDER AND PRESIDENT,  
IBI CONSULTANTS**

Mr. FARAH. Thank you, Chairman Pfluger and Ranking Member Magaziner, and Members of the subcommittee for the opportunity to be here today talk about the issue of Transnational Criminal Organizations and the threats they pose to their homeland. The multi-billion-dollar illicit economies in Latin America centered on the cocaine trade but diversifying to new commodities and activities are undergoing profound restructuring with long-term strategic repercussions for United States and its allies in the hemisphere.

New actors, new markets, and new products are driving fragmentation among traditional groups, consolidation of criminalized economies, and convergents among different actors are driving instability and corruption. The growing ideologically-agnostic criminalized authoritarian model that's spreading across Latin America with leaders staying in power through alliances with transnational criminal structures that render ideology almost meaningless.

While the world of illicit economies and TCO structures are undergoing the seismic realignment across the hemisphere, many of our strategies to combat these threats remain rooted in the past.

Much of the law enforcement and intelligence community analysis do not grasp the significant implications of states and governments that actively seek the participation of TCOs as part of their national strategic endeavors. Often relying on old paradigms of ideologically-driven actors, model product cartel structures, and shared values of once-friendly government. Yet, as General Richardson, the commander of USSOUTHCOM recently stated, the

Western Hemisphere is under assault from “A host of cross-cutting trans boundary challenges that directly threaten the homeland.”

Already the staunchly anti-U.S. bloc of countries led by Venezuela is ensconced in power, while deeply corrupt authoritarian governments in El Salvador, Guatemala, and Honduras are no longer viable partners for the United States.

In Colombia, which has been the strongest partner of the United States for the past three decades, President Gustavo Petro campaigned on moving away from that alliance, and since taking office has consistently bolstered the Maduro regime in Venezuela.

Most of Colombia’s counter-narcotics efforts have been brought to a standstill by budget cuts, loss of experience, personnel, and a lack of political will. This leaves us with the very real possibility of a traditionally robust alliance that U.S. strategic partners in Latin America will be reduced to a handful of the smallest countries rather than regional economic and political leaders.

Amid these changes, new actors such as Albanian organized crime, Turkish criminal groups, Libyan fixer groups, and Italian mafia groups are emerging as significant new players across the region changing the dynamics of the traditional criminal economics and offering new paths to expand profits to product and market diversification.

I and my colleagues at the international coalition against illicit economies in the spring 2023 policy brief identified several emerging threats that we believe need to be dealt with quickly. The first is the trafficking of natural resources, especially gold. That is a primary contributor to massive environmental degradation, health hazards, child labor, human trafficking, and sexual slavery, and loss of state legitimacy. It also brings broad new avenues of almost untraceable money laundering that’s being taken advantage of by criminalized states and criminal groups.

The second is the diversification and the expansion of the cartels, Jalisco Nueva Generacion. Jalisco in the past 3 years has emerged as the most prominent cocaine trafficking organization in Latin America and is expanding its operation and corruptive influence in different parts of the world. A primary area of expansion is into the diversified economic portfolio of growing fake and counterfeit pharmaceuticals, a new multibillion-dollar industry, as well as the Fentanyl industry mentioned by the Chairman and the Ranking Member.

The second is the evolution of the MS-13 and the PCC gangs and the Transnational Criminal Organizations. Since the 1990’s, the MS-13 are Mara Salvatrucha in Central America and the PCC. In Brazil, it has been identified primarily as street thugs known for their ruthless violence, flashy tattoos, neighborhood extortion rings, and cultural insularity. These groups have now moved far beyond being that type thing and are what we have termed in the academic community, Community Embedded Transnational Armed Groups. Working in informal and imperfect alliances to become part of the multinational trafficking structures that are effectively challenging U.S. strategic interest in the region and make the U.S. ability to respond to the broadening instability much more difficult.

The third one that we identified is the emergence of new extra regional criminal structures as noted with the diversification of

markets and products. The face of transnational organized crime in Latin America is going much more diverse.

Now, there is a growing presence of Eastern European, Chinese, Turkish, Italian, Balkan, syndicates all vying for space across the transnational criminal world in the hemisphere, and this is most visible in the crisis in Ecuador.

In conclusion, as illicit networks expand their territorial control, ecosystems of corruption, and political power, they are aided and abetted by extra regional actors, such as China, Russia, and Iran. They will undercut the rule of law and directly challenge U.S. goals and initiatives across the hemisphere.

As traditional Transnational Organized Criminal Groups form new alliances with non-state extraregional networks and emerge with regional criminal state actors, the United States is very likely facing an unprecedented loss of key allies and influence in the hemisphere. The United States has an underutilized toolbox that can be deployed to reverse these worrisome trends, but new policy initiatives back by resources to carry them out must be deployed quickly or the cost of these trends will be even higher. I thank you for your time.

[The prepared statement of Mr. Farah follows:]

PREPARED STATEMENT OF DOUGLAS FARAH

JUNE 7, 2023

Chairman Pfluger, Ranking Member Magaziner, and Members of the subcommittee: Thank you for the opportunity to discuss with you today the issue of Transnational Criminal Organizations and the threat they pose to the homeland.

The multi-billion dollar illicit economies in Latin America, centered on the cocaine trade but diversifying to new commodities and activities, are undergoing profound restructuring with long-term strategic repercussions for the United States and its allies in the hemisphere.

New actors, new markets, and new products are driving fragmentation among traditional groups, consolidation of criminalized economies within the Bolivarian Joint Criminal Enterprise (BJCE)<sup>1</sup> and convergence among different actors that are driving instability and corruption.

The growing, ideologically agnostic criminalized authoritarian model is spreading across Latin America. Authoritarian cliques are staying in power through alliances with transnational criminal structures that renders ideology almost meaningless. This new approach has opened new possibilities for formerly antagonistic groups. One-time ideological opponents are no longer considered enemies, but potential partners who can provide or purchase specific criminal services and financial rewards.

The sustained ability of the Bolivarian authoritarian criminal structures to consolidate and endure in Venezuela, Nicaragua, Bolivia and elsewhere has emboldened new leaders across the political spectrum. These new leaders follow the same playbook to gain a chokehold on state power and the wealth generated by the alliance of states and transnational criminal organizations (TCOs).

This necessitates using the same type of state partnership with an array of illicit actors in order to generate revenues, withstand U.S. economic sanctions, evade accountability and maintain a grip on power. Because they are politically agnostic, leaders of criminalized states often merge across ideological boundaries to move their illicit products or hide their illicit fundings through a shared network of fixers and facilitators.

This dynamic cripples democratic governance and the rule of law by embedding the criminal alliances at the most senior levels of multiple governments. Weakened democratic governance and growing criminal authoritarianism, in turn, greatly un-

<sup>1</sup> We define the Bolivarian Joint Criminal Enterprise as an alliance of criminalized states and non-state actors, led by the Maduro regime in Venezuela, the Revolutionary Armed Forces of Colombia (FARC) in Colombia and the Daniel Ortega regime in Nicaragua. For a full discussion of the BJCE see IBI Consultants deliverable for DAS-D CNGT March 28, 2019, "Maduro's Last Stand: Venezuela's Survival Through the Bolivarian Joint Criminal Enterprise."

dermine U.S. strategic interests and influence by undermining its key allies in the region.

While the world of illicit economies and TCO structures are undergoing a seismic realignment across the hemisphere, many of our strategies to combat these threats remains rooted in the past, often attacking problem sets and issues that were relevant years ago but are no longer part of the landscape.

Much of the law enforcement and intelligence community analysis do not fully grasp the significant implications of the ideologically agnostic criminalized states—that is, states and governments that actively seek the participation of TCOs as part of their national strategic endeavors. This leads to gaps in understanding how illicit activities are undertaken and who profits from them. The law enforcement and intelligence communities often rely on old paradigms of ideologically-driven actors, mono-product cartel structures, and shared values with once-friendly countries. Unfortunately, these paradigms no longer describe the context that allows these illicit economies to flourish, and they do not help law enforcement develop viable strategies to address them.

Few states are wholly criminalized and most operate along a continuum. At one end are strong criminalized states, where the state acts as a partner of TCOs and/or use TCOs as an instrument of state policy. In addition to Venezuela, Nicaragua, Bolivia, and Cuba of the Bolivarian bloc these include the countries of the Northern Triangle of Central America (El Salvador, Honduras, Guatemala); while Paraguay and Argentina are moving closer to that end of the spectrum.

At the other end are weak and captured states, where certain nodes of governmental authority have been seized by TCOs, where officials are the primary beneficiaries of the proceeds from the illicit activity but where the state as an entity is not integrated into the enterprise.<sup>2</sup>

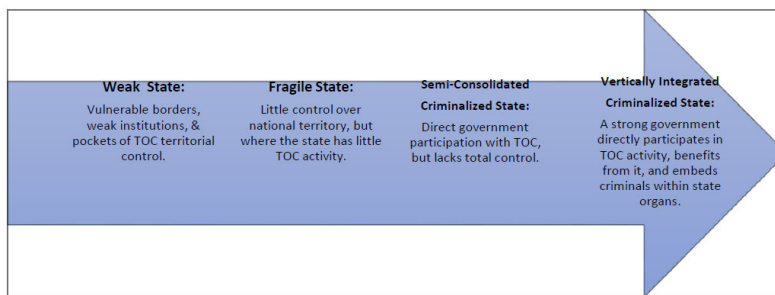


Figure 1: Continuum of state capture from weak state to criminalized state (IBI Consultants)

The framework of the convergence paradigm posits that multiple transnational criminal and terrorist groups—and their enablers, regardless of ideology—work collaboratively when economic or political interests align, and under state protection when such cooperation is mutually beneficial.<sup>3</sup> In too many places in the hemisphere, these threat networks co-opted governance structures and penetrated key public institutions and markets. Yet this framework, although repeatedly validated in recent years, is seldom used to analyze threat structures and illicit product pipelines.

The result is that now Latin America is facing a “perfect storm of reinforcing economic, criminal, and political stresses that is eroding its institutions and economic prospects, radicalizing its people, and undermining its commitment to democracy and the rule of law.”<sup>4</sup>

The massive levels of corruption and multiple, persistent armed conflicts among and between state and non-state actors are key drivers of the regional decline in

<sup>2</sup>Douglas Farah, “Transnational Organized Crime, Terrorism and Criminalized States in Latin America: An Emerging Tier-One National Security Priority,” U.S. Army War College, Strategic Studies Institute, August 2012, accessed at: <https://press.armywarcollege.edu/cgi/viewcontent.cgi?article=1551&context=monographs>.

<sup>3</sup>For an examination of convergence theory see: Michael Miklaucic and Jaqueline Brewer, eds. *Convergence: Illicit Networks and National Security in the Age of Globalization* (Washington, DC, NDU Press, 2013); Douglas Farah, “Convergence and Criminalized States: The New Paradigm,” in *Beyond Convergence: World Without Order*, Ed. Hilary Matfess and Michael Miklaucic, Center for Complex Operations, NDU Press, October 2016.

<sup>4</sup>Evan Ellis, “Latin America’s Perfect Storm,” *Global Americans*, August 31, 2022, accessed at: <https://theglobalamericans.org/2022/08/latin-americas-perfect-storm/>.



democratic governance and the wave of authoritarian populism in the hemisphere. The Biden administration designated corruption as a “core United States national security interest” in December 2021,<sup>5</sup> noting that

“In today’s globalized world, corrupt actors bribe across borders, harness the international financial system to stash illicit wealth abroad, and abuse democratic institutions to advance anti-democratic means . . . Corruption threatens United States national security, economic equity, global anti-poverty and development efforts, and democracy itself.”<sup>6</sup>

While the United States has revoked the U.S. visas of several dozen Latin American leaders for corruption, these are executed in a haphazard, episodic manner that do not dismantle criminal structures or lead to asset forfeiture, the true life blood of the corrupt. Significantly more political will and a broader, more coordinated and coherent set of enforcement efforts will have to be employed to dismantle kleptocracies and criminal ruling elites.

This significant reordering of illicit networks structure in the Western Hemisphere is not taking place in a vacuum. The malign influence of China, Russia, and Iran adds new layers of complexity to regional anti-crime strategies.

This is in part because, at the same time illicit economies are expanding, traditional U.S. allies are shifting away from strategic partnerships with the United States to either openly antagonistic relationships or ones of dramatically less strategic engagement.

As Gen. Richardson, commander of U.S. Southern Command, recently stated, the Western Hemisphere is under assault from “a host of cross-cutting, transboundary challenges that directly threaten” the homeland. She added that:

“Transnational criminal organizations (TCOs), which operate nearly uncontested, and blaze a trail of corruption and violence that create conditions that allow the PRC and Russia to exploit, threaten citizen security, and undermine public confidence in government institutions. These threats, along with Iran, corruption, irregular migration, and climate change, all overwhelm the region’s fragile state institutions, springing unrest and increasingly frustrated populations. This combination of factors pushes many political leaders to seek resources and support from all sources, including our adversaries who are very eager to undermine U.S. presence and public image.”<sup>7</sup>

Already the staunchly anti-U.S. bloc of the BJCE is ensconced in power in Venezuela, Bolivia, and Nicaragua while deeply corrupt authoritarian governments in El Salvador, Guatemala, and increasingly Honduras, are no longer viable partners for the United States.

In Argentina, President Alberto Fernández announced his country as the gateway to Russian expansion in the hemisphere on the eve of the Russian invasion of Ukraine and following a face-to-face meeting with Vladimir Putin.<sup>8</sup> He has also granted the PRC privileged access to strategic Argentine state infrastructure and key minerals. These concessions included the construction of an autonomous deep space station, control of a key access point to Antarctica, and access to lithium deposits under opaque contracts.

Brazil’s right-wing populist leader Jair Bolsonaro also visited Russia just before the invasion of Ukraine. Bolsonaro declared his solidarity with Russia after meeting Putin and falsely bragged that he had negotiated a peaceful resolution to the looming conflict.<sup>9</sup>

In a sequence that clearly demonstrates blurred ideological lines, Bolsonaro’s successor, long-time leftist leader Luiz Inácio Lula da Silva (Lula), went out of his way to downplay Russia’s aggression in Ukraine, declare the United States was partly

<sup>5</sup>“Strategy on Countering Corruption,” The White House, December 2021, accessed at: <https://www.whitehouse.gov/wp-content/uploads/2021/12/United-States-Strategy-on-Countering-Corruption.pdf>.

<sup>6</sup>United States Strategy on Countering Corruption, December 2021.

<sup>7</sup>Statement of General Laura Richardson, Commander, United States Southern Command, Before the 117th Congress, House Armed Services Committee, March 8, 2022, accessed at: <https://www.southcom.mil/Media/Special-Coverage/SOUTHCOMs-2022-Posture-Statement-to-Congress/>.

<sup>8</sup>Federico Rivas Molina, “Alberto Fernández le ofrece a Rusia que Argentina sea su puerta de entrada a América Latina,” El País, February 4, 2022, accessed at: <https://elpais.com/internacional/2022-02-04/alberto-fernandez-le-ofrece-a-rusia-que-argentina-sea-su-puerta-de-entrada-a-america-latina.html>.

<sup>9</sup>Giovanna Galvani, “Bolsonaro em encontro com Putin: ‘Somos solidários à Rússia,’” CNN Brasil, February 16, 2022, accessed at: <https://elpais.com/internacional/2022-02-04/alberto-fernandez-le-ofrece-a-rusia-que-argentina-sea-su-puerta-de-entrada-a-america-latina.html>.

to blame for Russia's actions, and publicly embraced Maduro and the region's other authoritarian regimes.<sup>10</sup>

In Colombia, which has been the strongest partner of the United States over the past three decades, President Gustavo Petro campaigned on moving away from that close alliance. Since taking office, Petro has consistently bolstered the Maduro regime in Venezuela and used his large social media following to repeat Russian propaganda talking points. Most of Colombia's counter-narcotics efforts have been brought to a standstill by budget cuts, loss of experienced personnel, and lack of political will.

This opens the door to the real possibility that the traditionally robust alliance of U.S. strategic partners in Latin America will be reduced to a handful of the smallest countries rather than regional economic and political leaders.

This erosion of alliances comes while traditional actors in criminal economies have remained active—including the Sinaloa Cartel (Mexico), the Cartel Jalisco Nueva Generación—CJNG (Mexico), and several thousand dissident members of the Revolutionary Armed Forces of Colombia—FARC (Colombia/Venezuela/Ecuador) divided into different groups.

Amid these changes, new actors such as Albanian organized crime, Turkish criminal groups, Libyan actors, and other mafia groups are emerging as significant new players. These groups are changing the dynamics of traditional criminal economies, challenging and upsetting current relationships, and offering new paths to expand profits through product and market diversification. Each group brings added prospects of globalization for products, money laundering, and exchanges of lessons learned.

New actors, new markets, and new products are driving fragmentation among traditional groups, consolidation of criminalized economies within the BJCE and convergence and competition among different actors that are driving instability and corruption. The Mexican CJNG has displaced the Sinaloa cartel as the dominant criminal network, expanding its illicit pipelines from primarily trafficking in cocaine to dominating Fentanyl markets, fake pharmaceuticals, precursor chemicals, methamphetamines, and a host of other products.

Traditional criminal actors based in Colombia and Mexico are now competing with—and sometimes collaborating with—new actors such as transnational gangs in Brazil and Central America, as well extra-regional, non-traditional actors. New actors such as Albanian organized crime, Turkish criminal groups, Libyan actors and Italian mafia groups are emerging as significant new players that are changing the dynamics of these traditional groups, challenging and upsetting current relationships, and offering new paths to expand profits through product and market diversification. Each group brings added prospects of globalization for products, new technologies, money-laundering methodologies, and exchanges of lessons learned.

As attention in the United States is focused heavily on the Russia-Ukraine conflict, and will likely remain so for the foreseeable future, the space for criminal actors and state-sponsored criminal groups to expand under the protection of regional and extra-regional governments will likely continue to grow.

Among the most visible effects of the on-going reordering of illicit economies and networks in Latin America under the protection of a criminalized state is the massive refugee and humanitarian crisis arising from the Maduro regime's repression, corruption, and mismanagement. Some 6 million people have fled Venezuela in the past 5 years, with more than half remaining in camps in Colombia and millions more scattered around the region. This crisis is not the focus of this report but must be noted not only because of the human toll, but because supporting the Venezuelan migrant community strains the humanitarian resources of surrounding countries.

Long-term results of these two major blows to the regions' economies has been to force the state to retrench, leaving broadening gaps for illicit economies to flourish while empowering non-state armed actors that can replace the state. These issues, in turn, make finding viable, sustainable strategies to combat these trends in the near- and mid-term very difficult, even in the countries where the political will to do so exists.

In this context I and my colleagues at the International Coalition Against Illicit Economies (ICAIE), where I am a senior adviser, in a recent Spring 2023 Policy Brief (<https://icaie.com/2023/04/spring-icaie-policy-brief-emerging-transnational-organized-crime-threats-in-latin-america-converging-criminalized-markets-illicit-vectors/>) identified several emerging security trends that offer new challenges to law enforcement and policy communities in the region that are far-reaching, and threat-

<sup>10</sup>Will Grant and Jaroslav Lukiv, "Lula welcomes back banned Venezuelan leader Maduro," BBC News, May 30, 2023, accessed at: <https://www.bbc.co.uk/news/world-latin-america-65750537>.

en to accelerate the negative trends unless dealt with effectively. I summarize our findings in the Policy Brief, below.

*Trafficking in Natural Resources.*—The illicit trafficking of natural resources not only opens new revenue streams for transnational criminal organizations and money-laundering avenues, but it is a primary contributor to massive environmental degradation, health hazards, child labor, human trafficking and loss of state legitimacy. The most lucrative commodity is gold—especially illegally-mined gold—a largely unregulated trade booming across the hemisphere from Venezuela, Colombia, Ecuador, Guyana, and in the north to the Madre de Dios regions of Peru and Bolivia and the Amazon Basin in Brazil.

Gold has several advantages that make it increasingly attractive to criminal groups as the formal financial system has put anti-money laundering laws and regulations in place. As the Organization of American States (OAS) noted in a series of reports, illicit gold mining provides fungible assets that are easy to transport, largely impossible to trace once out of the ground, and readily convertible in markets around the world.<sup>11</sup>

The price of gold has risen sharply in recent years, meaning in many places, mining gold illegally is more profitable for miners in the jungles of South America than planting coca crops to produce cocaine.<sup>12</sup> If gold is moved at 95 percent purity or below it does not legally have to be declared a financial instrument. This makes it easy to move nearly pure gold to a financial hub without declaring it, refine it in situ and have gold that can be turned into cash immediately in ways that avoid the formal banking system. This process enables criminals and kleptocrats to exploit gold markets as a way to launder dirty money.

The Maduro regime in Venezuela has raised hundreds of millions of dollars through the sale of illegally mined gold, often with the support or proxy actions of Colombian non-state armed actors affiliated with different groups of the Revolutionary Armed Forces of Colombia (FARC) dissident factions. Large gold refineries in the United Arab Emirates, United States, and elsewhere have been sanctioned for their massive failure of their own “know your customer” rules and due diligence. One refinery in Suriname helped the FARC, the Maduro regime, and Mexican cartel launder hundreds of millions of dollars through illicit gold and falsified gold invoices.<sup>13</sup>

As U.S. pressure to stem the flow of what human rights groups and others call “blood gold” to the international market has increased, growing amounts of gold have flowed from Venezuela, Nicaragua, Suriname, Ecuador, and elsewhere to state actors and criminal enterprises operating outside of the hemisphere, including Turkey, China, Kenya, the United Arab Emirates and elsewhere.<sup>14</sup> In recent years, China has become an increasingly important market for gold mined by the Maduro regime, which often the allied regime of Daniel Ortega in Nicaragua to move the gold to market.<sup>15</sup> A group of Libyan middlemen who had long ties to the Gadhafi regime’s sanctions evasion efforts in the 1990’s are key facilitators in this new criminal convergence space.<sup>16</sup>

The Ascent, Diversification, and Expansion of the Cartel Jalisco Nueva Generación (CJNG): The CJNG in the past 3 years has emerged as the most promi-

<sup>11</sup>“Tipologías y señales de alerta relacionadas con el lavado de activos provenientes de la minería ilegal en América Latina y el Caribe,” Organization of American States, Department Against Transnational Organized Crime, January 2022, accessed at: <https://www.flipsnack.com/dcmcenter/doc-tipolog-as-y-se-ales-de-alerta-mineria-ilegal-esp.html>.

<sup>12</sup>Javier Villalba, “Colombia Drug Trafficking Money Laundered Through Modified Gold,” Insight Crime, June 17, 2021, accessed at: <https://insightcrime.org/news/urabenos-gold-launder-drug-money-colombia/>.

<sup>13</sup>Douglas Farah and Kathryn Babineau, “Suriname: New Paradigm of a Criminalized State,” Global Dispatch, Center for a Secure Free Society, March 2017, accessed at: <https://www.securefreesociety.org/wp-content/uploads/2017/03/Global-Dispatch-Issue-3-FINAL.pdf>.

<sup>14</sup>See for example: Carina Pons and Mayela Armas, “Venezuela sold 73 tonnes of gold to Turkey, UAE last year: Legislator,” Reuters, February 6, 2019, accessed at: <https://www.reuters.com/article/us-venezuela-politics-gold/venezuela-sold-73-tonnes-of-gold-to-turkey-uae-last-year-legislator-idUSKCN1PVIXE>; and “Gold and Grief in Venezuela’s Violent South,” International Crisis Group, February 28, 2019, accessed at: <https://www.crisisgroup.org/latin-america-caribbean/andes/venezuela/073-gold-and-grief-venezuelas-violent-south>.

<sup>15</sup>Yalilé Loiza, “La OEA advirtió sobre el incremento de comercio de oro desde Ecuador a China,” Infobae, February 1, 2023, accessed at: <https://www.infobae.com/america/america-latina/2023/02/01/la-oea-advirtio-sobre-el-incremento-del-comercio-ilegal-de-oro-desde-ecuador-a-china/>.

<sup>16</sup>For details see: Douglas Farah and Marianne Richardson, “Dangerous Alliances: Russia’s Strategic Inroads in Latin America,” Institute for National Strategic Studies, National Defense University, Strategic Perspectives 41, December 2022, accessed at: <https://inss.ndu.edu/Portals/68/Documents/stratperspective/inss/strategic-perspectives-41.pdf>.

ment cocaine trafficking organization in Latin America, surpassing the Sinaloa Cartel and other Mexican and Colombian trafficking structures. It now operates in at least 29 of Mexico's 33 states, as well as northern Central America, Ecuador, Colombia, and Venezuela.<sup>17</sup> It is also expanding its operation and corruptive influence in different parts of the world.

In order to achieve this, the CJNG has successfully focused on:

- Expanding its territorial control in multiple jurisdictions in order to control all illicit activities rather than just operating as a cocaine plaza;
- The indiscriminate use of wide-spread violence to combat other cartels, law enforcement, perceived enemies such as journalists, and would-be competitors and successfully targeting high-profile targets;
- A rapid scaling up of its business opportunities inside and outside of Mexico while moving to diversify its portfolio and develop new methodologies for laundering and moving its illicit proceeds.

A primary area of the CJNG's expanded and diversified economic profile now includes a growing dominance in the trafficking of fake medicines and counterfeit pharmaceuticals, a multi-billion illicit industry repeatedly traced back to this cartel. In Mexico, 60 percent of commercially-sold pharmaceuticals are counterfeit, expired, or stolen.<sup>18</sup> Pirated pharmaceuticals are most common in Guanajuato, Jalisco, Guerrero, and Michoacan. The medicines are sold on-line, in the informal economy, and in professional brick-and-mortar pharmacies, where CJNG liaisons force pharmacists and storekeepers to sell and store them alongside real medicine.

Counterfeit pharmaceuticals are often sold for a fifth of the price of real medicine. Fake medicine has included treatments for HIV, cancer, osteoporosis, diabetes, blood pressure, cholesterol, and obesity.<sup>19</sup> Pharmacists who oppose the sale of the counterfeit medicines, do so at risk to their own lives.<sup>20</sup>

The cartels' expanded trafficking in counterfeit pharmaceuticals includes pills that are cut with illegal drugs, notoriously Fentanyl, or Fentanyl disguised as other pharmaceutical products. Many counterfeit pharmaceuticals connected to the CJNG and other cartels contained Fentanyl, including counterfeit Oxycodone, Xanax, and Roxicodone.<sup>21</sup> These pills were milled in pill presses to mimic legitimate pharmaceuticals. Including Fentanyl in the recipe for these drugs makes drug trafficking even more profitable and harder to detect, as cartels can package the substances into ever-smaller bags, spread them among an ever-wider network of distributors, and achieve the same or greater levels of usage.<sup>22</sup> Increasingly, the cartels have also started mixing Fentanyl with Xylazine—a sedative used in cow and horses—and found in many cities across the United States which causes severe skin ulcerations, necrosis, and can result in amputations if left untreated.

The CJNG is sourcing the precursor chemicals for Fentanyl production from the same suppliers—largely Chinese and Indian—used by other cartels, including the Sinaloa cartel.<sup>23</sup> The Asian suppliers sell to precursors to large Mexican companies and primarily imported through the Lázaro Cardenas and Manzanillo ports.

The link between expanded Fentanyl production and supply of precursor chemicals makes controlling ports, especially vital ports such as Lázaro Cardenas and Manzanillo, critical for cartel economic supremacy. Whoever controls the ports has a stranglehold on the production of the new synthetic production line, and related illicit markets.

The Evolution of the MS-13 and PCC Gangs into Transnational Criminal Organizations: Since their emergence in the criminal landscape as prison-based gangs in

<sup>17</sup> IISS Armed Conflict Survey, 2022. Data from the Mexico Ministry of Finance and Public Credit.

<sup>18</sup> Castillo Garcia, Gustavo. "Se apodera el 'CJNG' de la producción de medicinas 'piratas'". *La Jornada*, 17 March 2020. <https://www.jornada.com.mx/ultimas/politica/2020/03/17/se-apodera-el-cjng-de-la-produccion-de-medicinas-piratas-9877.html>.

<sup>19</sup> "El CJNG extiende sus tentáculos criminales; así trafica medicamentos piratas en México." *Infobae*, 17 March 2020. <https://www.infobae.com/america/mexico/2020/03/17/el-cjng-extiende-sus-tentaculos-criminales-asi-trafica-medicamentos-piratas-en-mexico/>.

<sup>20</sup> Castillo Garcia, Gustavo. "Se apodera el 'CJNG' de la producción de medicinas 'piratas'". *La Jornada*, 17 March 2020. <https://www.jornada.com.mx/ultimas/politica/2020/03/17/se-apodera-el-cjng-de-la-produccion-de-medicinas-piratas-9877.html>.

<sup>21</sup> Atlanta-Carolinas High Intensity Drug Trafficking Area's 2019 Threat Assessment. [https://www.sestatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/AlcoholDrugAbuse/Drug\\_Trafficking\\_Threat\\_Assessment.pdf](https://www.sestatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/AlcoholDrugAbuse/Drug_Trafficking_Threat_Assessment.pdf).

<sup>22</sup> "La estrategia del CJNG y el Cartel de Sinaloa para inundar Estados Unidos con fentanilo." *Infobae*, 12 May 2022. <https://www.infobae.com/america/mexico/2022/05/13/la-estrategia-del-cjng-y-el-cartel-de-sinaloa-para-inundar-estados-unidos-con-fentanilo/>.

<sup>23</sup> Asmann, Parker. "Mexico's Sinaloa Cartel, CJNG Share Fentanyl Chemical Suppliers." *Insight Crime*, 16 November 2022. <https://insightcrime.org/news/mexico-sinaloa-cartel-cjng-chemical-suppliers-fentanyl/>.

the mid-1990's both the MS-13 (Mara Salvatrucha) in Central America and the PCC (Primeiro Comando da Capital) in Brazil have been identified primarily as street thugs known for their ruthless violence, flashy tattoos, neighborhood extortion rings, and cultural insularity. While that typology was true for many years, both groups have now grown into transnational criminal threats, making the past nomenclature both obsolete and inaccurate.

As I have argued in recent academic publications and policy discussions that this coalescing of transnational criminal groups that have moved beyond gangs to Community Embedded Transnational Armed Groups (CETAGs) in informal and imperfect alliances, pose enormous and little-understood challenges to U.S. strategic interests and the U.S. ability to effectively respond to broadening hemispheric instability. Rooted in their communities, this type of criminal group is likely to expand across the hemisphere.

The MS-13, primarily operating in the Northern Triangle of Central America (El Salvador, Honduras, Guatemala) and the PCC, based in São Paulo (and active in most Brazilian States), are now both tier one criminal/political/military threats to hemispheric stability.<sup>24</sup> The groups—no longer gangs but transnational criminal structures—are becoming more deeply enmeshed in the global drug trade, the body politic, and armed conflicts in the hemisphere. Both structures are rapidly amassing formal political power and seek new alliances with each other and other state and non-state armed actors to achieve their goals of becoming major criminal enterprises embedded in the state. In addition, both groups share important characteristics. These include:

- A hierarchical structure that is both rigid and allows for local autonomy. At the highest levels, the hierarchies are pyramid-shaped. Leaders achieve coordination through bodies known as *sintonias* (PCC) and *ranflas* (MS-13), but local groups have significant freedom in implementing the strategic decisions the leadership makes;
- Members aspire to visible trappings of wealth and economic success (weapons, cars, luxury houses, beautiful women, jewelry);
- An increasing reliance on local, retail drug sales (*narco menudeo*) to create local demand and provide income that allows them to diversify their criminal portfolios and move away from deeply unpopular revenue streams such as extortion in the neighborhoods they control. The retail sales include cocaine, crack cocaine, chemical-laced marijuana called *krispy* and generate the bulk of revenues for both groups; prostitution; human smuggling and other high-end illicit activities;
- A reliance on territorial control in heavily populated areas such as national and regional capitals, as well as key drug trafficking routes, to gain political and economic leverage and vertically integrate their trafficking structures;

In addition, both groups have reached some understanding with the Maduro regime in Venezuela and allied criminal structures operating in Venezuelan territory to acquire cocaine and weapons, and both rely on territorial control as their primary claim to legitimacy.

These groups have replaced the state as the arbiter of power across most of the areas where they operate; they have more legitimacy in many ways than government institutions.

The MS-13 remains largely confined to northern Central America and the United States, with a growing presence in Mexico. The MS-13 poses an existential threat to the governments of El Salvador and Honduras, both small countries whose primary strategic importance derives from their proximity to the United States. The group is expanding territorial control, infiltrating the police and negotiating pacts with governments that have increased the group's engagement in cocaine trafficking, production, and retail. While moving aggressively to take over cocaine trafficking routes in the region, the MS-13 is far less involved in the transnational drug trade than the PCC. However, most of the MS-13 activities directly impact the United States, making it a more direct challenge.

<sup>24</sup>A tier one, or existential threat is considered to be among the most serious of all threats to national security, and has been defined as a threat that would “deprive the United States of its sovereignty under the Constitution, would threaten the territorial integrity of the United States or the safety within U.S. borders of large numbers of Americans, or would pose a manifest challenge to U.S. core interests abroad in a way that would compel an undesired and unwelcome change in our freely chosen ways of life at home.” See Louis Jacobson, “Is ISIS an existential threat to the United States,” *PolitiFact*, November 16, 2015.

The MS-13—initially formed in prisons in Los Angeles, California in the 1980’s before many were deported back to post-conflict Central America in mid-1990’s<sup>25</sup>—has long been recognized as a significant strategic challenge for the United States, in part because of its U.S. roots and on-going proximity and engagement across the United States. In 2012 the group was declared “significant transnational criminal organization” by the U.S. Treasury Department.

While the PCC, unlike the MS-13, does not have operational U.S. branches and does not operate near a U.S. border, this CETAG has a demonstrated capacity to disrupt and destabilize multiple countries in the hemisphere—most notably Paraguay and Bolivia—as well as the operational capacity to deliver cocaine and other illicit products to Brazil, Africa, and Europe. This broad reach, now extending into Colombia, Peru, and Venezuela, in turn, drives massive corruption and is spurring the groundwork for State collapse in multiple countries. The cumulative impact poses a significant strategic threat to the United States and its hemispheric allies.

The Emergence of New Extra-Regional Criminal Structures: For most of the history of large-scale cocaine production and shipments in Latin America, the primary operational groups were Colombian or Mexican, with Caribbean groups and Central American structures playing a lesser role. With the diversification of both markets and products, the face of transnational organized crime in Latin America is growing much more diverse.

Now, operating alongside—and sometimes in competition with—the fragmenting and realigning regional structures, there is a growing presence of Eastern European, Chinese, Turkish, Italian, and Balkan syndicates vying for space.

There are many other indicators of growing extra-regional actors in the region. Albanian, Kosovar, and Greek criminal groups are competing alongside Mexican cartels for power in Ecuador.<sup>26</sup> An Albanian national, reportedly an important link between South American drug trafficking networks and Balkan criminal networks, was shot to death in a restaurant in Guayaquil in late January 2022.<sup>27</sup>

The Ecuadoran media has confirmed at least 6 murders of Albanians since 2019. Turkish organized crime has been developing inroads into Venezuela since at least 2020<sup>28</sup> and in November 2022, Panama’s role as a central logistics hub for extra-regional criminal organizations came to light. Authorities arrested 49 people in Dubai, Spain, France, Belgium, and the Netherlands, all with alleged ties to the so-called ‘Super Cartel’. Defendants were allegedly coordinating a massive drug trafficking operation out of Panama with support from leading cartels in Ireland, Italy, Bosnia, the Netherlands, and Morocco.<sup>29</sup> According to Panama’s attorney general, Panamanian nationals had been helping the Super Cartel move drugs and maintain communications around the world.

Italian organized crime, in particular groups with ties to the ‘Ndrangheta, are also active in Argentina and Chile, with ties in Central America along drug trafficking routes to Europe.<sup>30</sup> Cocaine seizures in Portugal in August 2022 also indicate comprehensive collaboration between prominent Brazilian criminal groups, in particular the PCC, and West African groups operating out of Angola and Guinea Bissau.<sup>31</sup>

<sup>25</sup>In the mid-1990’s, as the civil wars in Central America ended, the Clinton administration began deporting thousands of gang members as they completed their prison terms in the United States, primarily California, flooding the Northern Triangle with thousands of violent felons the reconfigured back into the mirror images of the gangs they had formed in the United States. For a detailed look at the policies and history of the gang deportations and enormous difficulties this policy has caused in Central America, see Ana Arana, “How Street Gangs Took Central America,” *Foreign Affairs* 84, no. 3 (May/June 2005): 98–110.

<sup>26</sup><https://www.wsj.com/articles/drug-trail-from-europe-to-ecuador-inside-the-hunt-for-elusive-narco-suspect-dritan-rexhepi-11637756980>.

<sup>27</sup>Mistler-Ferguson, Scott. “Albanian drug traffickers jockey for position in Ecuador.” *InSight Crime*, 28 February 2022. <https://insightcrime.org/news/albanian-drug-traffickers-jockey-for-position-in-ecuador/>.

<sup>28</sup>“Turkish organized crime boss: to evade DEA and ship cocaine to middle east, Erkan Yildirim, son of former Prime Minister and Parliament Speaker Binali Yildirim, close friend of Interior Minister Suleyman Soylu, recently established ‘New Headquarters’ in Venezuela.” *Memri*, 26 May 2021. <https://www.memri.org/reports/turkish-organized-crime-boss-evade-dea-and-ship-cocaine-middle-east-erkan-yildirim-son>.

<sup>29</sup>Ballestin, Raquel. “Panama becomes logistics hub for drug trafficking ‘Super Cartel’.” *InSight Crime*, 9 December 2022. <https://insightcrime.org/news/panama-logistics-hub-drug-trafficking-super-cartel/>.

<sup>30</sup>Alvarado, Isaías. “Este país de América es el nuevo ‘paraíso’ de carteles y su fama de tranquilo se está diluyendo.” *Univision*, 25 July 2021. <https://www.univision.com/noticias/narcotrafico/este-pais-es-el-nuevo>

<sup>31</sup>Ford, Alessandro. “Portugal fighting back against rising tide of cocaine.” *InSight Crime*, August 2022. <https://insightcrime.org/news/portugal-fighting-back-against-rising-tide-cocaine/>

Guinea Bissau has long been identified as a narco-state, with drug kingpins able to live freely and openly outside the capital with no threat from law enforcement.<sup>32</sup>

#### CONCLUSIONS

Latin America is facing a “host of cross-cutting, transboundary challenges” that directly threaten not only U.S. strategic interests, but the key pillars that have sustained long-standing partnerships across the region to jointly face myriad common issues. As illicit networks expand their territorial control, ecosystems of corruption, political power, and product lines, they are aided and abetted by extra-regional actors such as China, Russia, and Iran who undercut the rule of law and directly challenge U.S. goals and initiatives in the Western Hemisphere.

As traditional transnational organized criminal groups have formed new alliances with non-state extra-regional networks and merged with regional criminalized state actors, the United States is very likely facing an unprecedented loss of key allies and U.S. influence in the hemisphere. The terrain that is lost will likely prove very difficult to regain as states continue to deal with the fallout of the COVID-19 pandemic and the on-going Venezuelan humanitarian crisis.

Russia and China view Latin America as a key theater of great power competition, and act accordingly. The United States must forgo the complacency inherent in having been most of the region’s international partner of choice for a century, and seek creative new engagements with its partners. Higher-quality, more comprehensive, and more sustained engagement with the right communities will go far to strengthen democracy, civil society, and regional stability.

The sheer number of violent, criminal networks now controlling territory and wielding political power—some of them protected by member states of the BJCE—mean the desired end-state of stability will prove elusive for many communities. The same forces wield massive corruption networks to undermine rule of law, hollow out state institutions, weaken civil society, and drive violence and irregular migration.

The United States has an underutilized toolbox that can be deployed to reverse these worrisome trends, but new policy initiatives, backed by resources, must be deployed quickly or the costs of these trends will be even higher.

In order to counter the current trends in Latin America, the United States must take short-term actions that support a long-term strategy of re-engagement and partnership. These include:

- Getting U.S. Ambassadors confirmed and in place in key countries across the region would be an important and achievable first step. The lack of Ambassadors feeds the perception that the United States does not prioritize the region and provides less robust engagement at senior policy levels.
- Redefine who the United States is willing to strategically partner with away from the traditional right vs. left paradigm to one that prioritizes democratic governance, rule of law, and anti-corruption efforts. This would open the doors to meaningfully engage with the new governments of Chile and Honduras more robustly while making countries like Argentina and Brazil less central for policy initiatives.
- Fully embrace the Biden administration’s twin policies of combatting transnational organized crime and corruption as priorities. This includes funding and implementing unfulfilled and unfunded initiatives to create task forces to work with regional partners on these issues and empower civil society to participate in these struggles.
- As part of the whole-of-Government agenda, refine and prioritize combatting illicit networks, particularly those linked to state actors such as Venezuela and Nicaragua. This not only combats corruption but weakens the criminalized states and their non-state actors.

Use the Summit of the Americas event in June 2022 to reset U.S. engagement in the region with a clear articulation of priorities, while highlighting the advantages partnership with the United States offers as opposed to the consequences of allying with Russia, China, or Iran.

**Mr. PFLUGER.** Thank you, Mr. Farah. I now recognize Mr. Urben for your opening statement.

<sup>32</sup>Dalby, Chris. “Record cocaine hauls confirm Guinea-Bissau’s ‘narco-state’ reputation.” *In-Sight Crime*, 25 September 2019. <https://insightcrime.org/news/analysis/guinea-bissau-colombia-cocaine-hauls/>

**STATEMENT OF CHRISTOPHER URBEN, FORMER ASSISTANT  
SPECIAL AGENT IN CHARGE OF U.S. DRUG ENFORCEMENT  
AGENCY, DEA, AND MANAGING DIRECTOR, NARDELLO &  
COMPANY**

Mr. URBEN. Chairman Pfluger, Ranking Member Magaziner, and distinguished Members of this subcommittee, thank you for the opportunity to address you today on this important issue. I spent 24 years working for the DEA where I worked as an agent as well as a supervisor to investigate and disrupt and dismantle significant transnational organized crime within the United States and around the world.

During the last several years of my career with DEA, I worked in DEA's Special Operations Division, SOD, with an interagency group to target what we identified as a growing threat. The collaboration between Chinese and Mexican TCOs in the trafficking of Fentanyl and in the money-laundering activities associated with it. It is a development that I and others at SOD dedicated substantial efforts to understanding and addressing. This may be relevant to the subcommittee's consideration as it seeks to address threats to the homeland posed by these TCOs.

To understand how this collaboration works, it's important to understand how it developed in the past. Mexican cartels, including Sinaloa and CJNG have long established control over territory in Mexico and access to supply and distribution chains extending into the United States. This dates from their trafficking time in cocaine and heroin and other drugs that are produced south of the U.S. border and moved into the United States for sale.

The cartels used that control and access to move into the Fentanyl marketplace as the source of supply for these deadly drugs. They became available primarily via precursor chemicals supplied by Chinese TCOs. This development presents an unprecedented challenge by itself.

But there is another part of this growing relationship that helps fuel the success of Fentanyl production and distribution—the growing role of Chinese organized crime that they have taken in the laundering drug proceeds. The Mexican cartels, they laundered these proceeds for the Mexican cartels in a way that's safer, quicker, and more profitable for the cartel.

As reflected by the graphic in exhibit 1 to my testimony that you have, here is how it works. Every day in the United States, Chinese money brokers pick up narcotics proceeds from the sales of Fentanyl and other drugs, such as cocaine and heroin in the form of bulk U.S. cash. A distribution gang, let's say, in New York, or any other city in the United States that owes payment to the Mexican cartel delivers bulk cash to the Chinese broker in the United States. That Chinese broker then sells the U.S. dollars to Chinese customers who want to spend their money in the United States, acquiring real estate, paying for college tuition, gambling, or other investments. These Chinese customers pay in China for the cash they receive in the United States. It doesn't cross borders. Proceeds in China are used to buy goods for exports in Mexico or South America where the goods are sold by Chinese brokers located in Mexico to recoup their funds.



Some of the proceeds are also used to pay for precursor chemicals that enable cartels to produce more synthetic opioids than bound for the United States. These Chinese brokers accomplish all this with a trusted electronic encryption communications network that allows this to happen instantly. It is called WeChat.

While the threat posed by the collaboration between Chinese and Mexican TCOs is real and growing, more can be done to combat it. More investigative resources such as translators, data scientists, and experienced targeting analysts will enable law enforcement to have the tools needed to detect and investigate these networks, where they operate.

Both the Trump and Biden administrations have authorized the imposition of sanctions on participants in the global trade of Fentanyl and synthetic opioids. Recent sanctions on Chinese brokers of precursor chemicals and Mexican suppliers of synthetic opioids are an encouraging development. But further investments in the sanctions program, along the lines of the effective sanctions program targeting those involved in the Russian aggression against the Ukraine would help address this threat.

In the private sector where I now work on Nardello & Co, the global investigative firm, I am also seeing greater awareness by the business community that needs to understand this emerging threat and develop the tools to address it. More investments in training and detection will facilitate private sector's organization's compliance with anti-money laundering laws and help protect the integrity of our financial system as well as reduce the flow of dangerous synthetic opioids in the United States.

Congress can also play a vital role by providing resources, incentives, and authority for Government and the private sector to work together to combat this threat. Thank you for the opportunity to speak with you today about this important issue.

[The prepared statement of Mr. Urben follows:]

JUNE 7, 2023

PREPARED STATEMENT OF CHRISTOPHER URBEN

Chairman Pfluger, Ranking Member Magaziner, and distinguished Members of this subcommittee, thank you for the opportunity to address you today on this important issue.

I spent 24 years working for the United States Drug Enforcement Administration ("DEA"), where I worked as an agent and supervisor to investigate and disrupt or dismantle significant transnational criminal organizations ("TCOs") within the United States and around the world.

During the last several years of my career with DEA, I worked in DEA's Special Operations Division ("SOD") with an interagency group to target what we identified as a growing threat: the growing collaboration between Chinese and Mexican TCOs in trafficking of Fentanyl and in money-laundering activities. It's a development that I and others at SOD dedicated substantial efforts to understanding and addressing, and that may be relevant to this subcommittee's consideration as it seeks ways to address threats to the homeland posed by TCOs.

To understand how this collaboration works, it's important to understand how it developed. Mexican cartels, including the Sinaloa and Cartel Jalisco New Generation ("CJNG"), have long-established control over territory in Mexico and access to supply and distribution chains extending into the United States. This dates from their time trafficking cocaine, heroin, and other drugs that are produced south of the U.S. border into the United States for sale.

The cartels used that control and access to move into the Fentanyl/synthetic opioid marketplace as the source of supply for these deadly drugs became available, primarily via precursor chemicals supplied by Chinese TCOs. Prior to approximately

2019, the cartels and drug dealers within the United States were receiving Fentanyl in shipments directly from chemical brokers in China and selling it in the United States. Then, the Chinese government started cracking down on the production of pure Fentanyl in mainland China and its shipment and sale into the United States. Now, Mexican cartels increasingly are receiving what are known as precursor chemicals via chemical brokers in China and using them to produce Fentanyl themselves in territory they control in Mexico for distribution into the United States.

The potency of the synthetic opioids created in Mexican cartel-run drug labs has made them particularly dangerous—as the DEA has reported previously, 1 kilogram of pure Fentanyl has enough opioid to kill 500,000 people. Because of the Mexican cartels' powerful existing distribution networks, it's relatively easy for them to smuggle Fentanyl into the United States. Where once the cartels might have had to smuggle tractor trailers full of cocaine, heroin, or other drugs into the United States to supply the market, now just a few kilos smuggled via passenger cars or individual travelers, or via the mail, can supply equivalent potency to local drug trafficking organizations ("DTOs") here in the United States, which mix the Fentanyl with other chemicals for consumption or process them into counterfeit pills for sale on the street or over the internet.

This development presents an unprecedented challenge by itself. But there's another part of this growing relationship that helps fuel the success of synthetic opioid production and distribution: the growing role that Chinese TCOs have taken in laundering drug proceeds for the Mexican cartels in a way that's safer, quicker, and more profitable for the cartels.

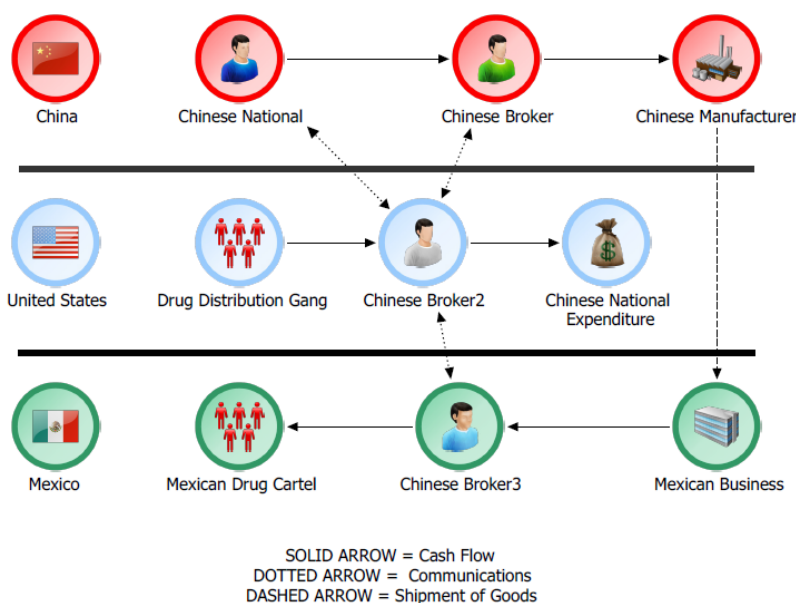
The most predominant laundering scheme that had been employed by the Mexican cartels, known as the Black-Market Peso Exchange ("BMPE"), was complex and dangerous, resulting in high transaction costs of 7–10 percent of the total amount laundered and lengthy delays of a week or more. Moreover, because of the BMPE connection to the cartels, laundering involved a constant risk of violence, theft, or law enforcement intervention.

The method used by the Chinese TCOs avoids the costs, delays, and risks of the BMPE by employing brokers in three countries—China, the United States, and Mexico—and by addressing needs of other participants in the global economy that are in China or that do business with China.

As reflected by the graphic in Exhibit 1 to my testimony, here's how it works:

Every day in the United States, Chinese money brokers pick up narcotics proceeds—from sales of Fentanyl and other synthetic opioids as well as heroin, cocaine, and other drugs—in the form of bulk U.S. cash. A drug distribution gang in New York or another U.S. city that owes payment to the Mexican cartel delivers the bulk cash to the Chinese broker. The Chinese broker then sells the U.S. dollars to Chinese customers who want to spend money in the United States, acquiring real estate, paying college tuition, gambling, or making other investments. These Chinese customers pay in China for the cash they receive in the United States. The proceeds in China are used to buy goods for export to Mexico or South America, where the goods are sold by the Chinese brokers in Mexico to recoup their funds. Some of the proceeds also are used to pay for the precursor chemicals that enable the cartels to produce more synthetic opioids. The Chinese brokers accomplish all of this with trusted electronic encrypted communications that allow all of this to happen instantly.

**EXHIBIT 1: Testimony of Christopher Urben**



What makes this so effective and hard to detect?

- First, it minimizes movement of funds. Dollars don't leave the United States, pesos don't leave Mexico, and RMB does not leave China.
- Second, it takes advantage of the huge and increasing volume of trade with China, and the existence of capital controls within China, by ensuring a constant stream of customers and making it harder to separate legitimate from illegitimate transactions.
- Third, it uses technology to its advantage, advertising the sale of dollars in internet chat rooms and communicating primarily via WeChat, an encrypted network that is resistant to surveillance by U.S. law enforcement and that facilitates speed and trust within the Chinese organized crime network.

While the threat posed by collaboration between Chinese and Mexican TCOs is real and growing, more can be done to combat it. More investigative resources such as translators, data scientists, and experienced targeting analysts will enable law enforcement to have the tools needed to detect and investigate these networks where they operate. Both the Trump and Biden administrations have authorized imposition of sanctions for participants in the global trade of Fentanyl and synthetic opioids. Recent sanctions on chemical brokers in China for precursor chemicals and Mexican suppliers of synthetic opioids are an encouraging development, but further investments in the sanctions program along the lines of the effective sanctions program targeting those involved in Russian aggression against the Ukraine, would help address the threat. Additional investigative tools and rules addressing this money-laundering scheme also can play an important role.

In the private sector, where I now work for Nardello & Co., the global investigative firm, I am also seeing greater awareness by the business community that it needs to understand this emerging threat and develop tools to address it. More investments in training and detection will facilitate private-sector organizations' compliance with anti-money laundering laws, help protect the integrity of the financial system, and help reduce the flow of dangerous synthetic opioids into the United States.

Congress can play a vital role by providing resources, incentives, and authority for the Government and the private sector to work together to combat this threat. Thank you for the opportunity to speak with you about this important issue.

Mr. PFLUGER. Thank you, Mr. Urben. I now recognize Ms. Ford, for your opening statement of 5 minutes.

**STATEMENT OF MELISSA FORD MALDONADO, POLICY DIRECTOR, TEXAS PUBLIC POLICY FOUNDATION, SECURE AND SOVEREIGN TEXAS CAMPAIGN**

Ms. FORD MALDONADO. Chairman Pfluger, Ranking Member Magaziner, and Members of the subcommittee, thank you for the opportunity to testify today. My name is Melissa Ford Maldonado, and I'm a policy director at the Texas Public Policy Foundation; a nonprofit and nonpartisan research institute. We're based in Austin, Texas, but I'm originally from Bolivia.

My work focuses on the relationship between the United States and Mexico. I have done extensive research on Mexican drug cartels and why they pose a huge threat to the United States and Texas.

What I've learned is that cartels have complete control over the Southern side of the border. The border that the United Nations recently labeled the deadliest land crossing in the world. There are record numbers of people dying while attempting to cross in the worst conditions possible, and this is all being orchestrated by cartels.

People who have lived and worked on the border for decades are saying that they have never seen tragedies of this magnitude. Officials in Eagle Pass evening are having to keep a refrigerated truck to hold the bodies of migrants that are drowning in the Rio Grande. Across the river in Piedras Negras, families often report seeing bodies floating under the bridge.

Less than a year ago, a trailer with over 60 migrants locked inside was abandoned by a smuggler near San Antonio, and 53 of them died after being left in the heat.

To cartels, these human beings are just commodities to be exploited and discarded. That's what cartels do; they prey on the vulnerable. Workers that aid migrants at the border estimate that most females encounter some sort of sexual assault on their way to the United States. They're also telling us that there's been a significant rise of sex trafficking cases involving children.

The cartels won't stop. They're richer, and they are bolder than ever, and they will continue to take advantage of our weak border to extend their operations into the United States.

The effect on Texans is just as heartbreaking. We've spoken to ranchers and homeowners who no longer feel safe in their homes, who can't walk around their property unarmed, or let their children play outside because they have encountered armed smugglers on their land, breaking in, stealing, destroying their property, and many have had to move away because of this. Texas communities are also facing a growing number of high-speed car chases.

In March, in Ozona, a 7-year-old girl named Emilia and her grandma were killed, along with 2 of the 11 migrants due to a high-speed car chase that ended in a wreck.

We are also seeing an increase in American teenagers being recruited on social media by cartels to transport migrants. We saw it with a 15-year-old in Mission, and a 12-year-old and 15-year-old in San Antonio, and then with a 15-year-old in El Paso as well. DPS there in El Paso when we were there a few weeks ago told us that is a daily occurrence for them, and sometimes they see multiple of these high-speed car chases in just 1 day.

Another problem we are having is these officers are increasingly assaulted; 248 border agents have been assaulted just this fiscal year. This is all having a huge impact in the quality of life of communities in Texas, but it's not just a Texas problem. Our entire country is feeling the effects of the deadliest drug crisis in history. Texas alone has seized 418 million lethal doses of Fentanyl since 2021. To put that into perspective, that's enough to kill every man, woman, and child in America.

One of the most disturbing parts of this is that the cartels are processing deadly amounts of Fentanyl into pills made to look like any other prescription pill, but they're laced with Fentanyl.

One mother, Rebecca, shared in testimony how both her sons, Kyler and Caleb, 18 and 20, were killed by pain pills that were laced with Fentanyl.

Chairman Pfluger, Ranking Member Magaziner, and Members of the subcommittee, I believe that cartels are the largest threat to the United States right now. Texas is working really hard to fight them, but we need help. This crisis is happening because the Federal Government has failed to do their job to secure the border and protect the people of Texas and the United States. I ask you to be realistic about what we are up against.

We must face the facts that the border is already militarized from the Southern side. Cartels control 30 to 40 percent of Mexico's territory right now. There is extensive evidence of collusion between the state and the cartels. This is a new scenario that demands new solutions; new solutions from policy makers like you who need to understand that the Mexican state as a meaningful partner against cartels is a thing of the past. Therefore, I think we need to use every option on the table to fight back against them. Thank you for your time. I am grateful for your leadership and ready to answer any questions.

[The prepared statement of Ms. Ford Maldonado follows:]

PREPARED STATEMENT OF MELISSA FORD MALDONADO

WEDNESDAY, JUNE 7, 2023

Chairman Pfluger, Ranking Member Magaziner, and Members of the subcommittee, thank you for the opportunity to testify today. My name is Melissa Ford Maldonado, and I am the policy director for Secure & Sovereign Texas, an initiative of the Texas Public Policy Foundation, a nonprofit and nonpartisan research institution based in Austin, Texas.

Much of my work focuses on the relationship between the United States and Mexico, and the center of that relationship, Texas and Mexico. Texas and Mexico not only share a heritage and culture, but also 1,200 miles of common border and a massively important trade alliance. However, this close relationship and proximity has left a door open for illegal activity from Mexico to harm the United States, especially Texas.

The Secure & Sovereign Texas campaign has done extensive research on Mexican transnational criminal organizations, specifically drug cartels, and why they pose a grave and imminent threat to the safety and well-being of families and communities

in Texas and in the United States. I want to share with you what we've seen and learned.

Today, the flow of humans being smuggled, opioids, and poisonous illegal narcotics are driven by Mexican drug cartels. These drug cartels are ruthless, strategic, highly organized money-making entities that continue to evolve in strength and sophistication. They are running a billion-dollar slave trade, and are richer, more armed, and bolder than ever. This is leading to a lot of suffering at the border and beyond the border as well. Texas citizens and communities are being devastated by crime, drugs, a humanitarian crisis, and an unprecedented level of violence.

Smugglers are profiting from pushing people across our border, and it has been heartbreaking to see literally millions of migrants being smuggled—and often abused—across the Texas-Mexico border in the worst conditions possible. Mexican drug cartels have complete control over the southern side of the border. There are record numbers of migrants dying at the U.S.-Mexico border, and a U.N. report recently labeled it the most dangerous and deadliest land crossing in the world.

Maverick County Sheriff Tom Schmerber, who grew up in the area, called the border a graveyard, saying he's been working on the border for almost four decades but has never seen tragedies of this magnitude. Local officials in Eagle Pass, Texas, are having to keep a refrigerated truck to hold the bodies of migrants who drown in the currents of the Rio Grande while trying to cross the border into the United States. Across the river, families having picnics or walking along the waterfront promenade of Piedras Negras, Mexico, say they sometimes see bodies floating by or bobbing among the reeds under a bridge. "We had times when we received four or five bodies a week," said Hugo González, owner of Funerarias González in Piedras Negras. "At one point, there were a lot of corpses and there was nowhere to put them. We just didn't have enough refrigerators at the funeral home."

In the 2022 fiscal year that ended in September, the bodies of more than 890 migrants, a record number, were recovered by U.S. authorities along the border, a 58 percent increase over 2021, and far higher than the 247 to 329 deceased found each year between 2014 and 2020. Unfortunately, the number of actual deaths is likely higher, as other local agencies often recover bodies without involvement from U.S. Customs and Border Patrol.

There are countless heartbreaking stories of cartel-orchestrated human smuggling in Texas. Less than a year ago, a trailer with more than 60 migrants locked inside was abandoned by a smuggler near San Antonio. Fifty-three of them died after being left in the heat. This is terribly sad. The men, women, and children who died in that hot trailer were just looking for a better life, but cartels saw them as disposable commodities to be exploited and discarded. That's why we must work hard to target those that are using them and profiting from their illegal crossings the most.

Regrettably, it is a grim reality that cartels exploit the most vulnerable, specifically targeting women and young girls. Rape, assault, and sexual slavery are everyday life for the women and children who attempt to cross. In our investigations, we have conducted interviews with Border Patrol agents and engaged with individuals involved in supporting and safeguarding female migrants. They estimate that an overwhelming majority of female migrants face some form of sexual assault during their journey toward the United States. Furthermore, they have alerted us to a concerning surge in instances of child sex trafficking.

The impact on the Texas side of the border is equally disheartening. Exploiting the porosity of our border, cartel operatives have expanded their operations into the United States, inflicting turmoil upon our border communities. Texan ranchers and homeowners often find themselves confronted with armed smugglers trespassing on their land, engaging in theft, destruction, arson, and property invasion.

Individuals residing in border towns have shared with us their profound sense of insecurity within their own homes. Many now find themselves unable to roam their properties unarmed, and their children are no longer allowed to play outside. One of these women is Dolores Chacon, whom we met about 3 weeks ago in El Paso. She lives in a small home on the El Paso-Mexico border. In 2008, a fence was erected right behind her home, which she now calls her freedom wall. Before that, she says her property was constantly getting broken into and vandalized, which left her constantly terrified in her own home. Many of her neighbors moved away because of this.

Many Texas communities are also seeing an increasing number of high-speed car chases in usually quiet little towns, placing residents at risk. In March, a human smuggler in Ozona, Texas, killed Emilia, a 7-year-old girl and her 71-year-old grandmother while trying to escape police. The smuggler also killed 2 of the 11 illegal immigrants he was transporting.

Another disturbing trend we are witnessing involves the recruitment of American teenagers by cartels through popular social media platforms such as Snapchat,

Facebook, Instagram, TikTok, and others. These platforms serve as avenues for enticing young individuals with the promise of quick cash in exchange for transporting migrants into the United States.

In February, a 15-year-old led police on a high-speed chase in Mission, Texas, that ended with 7 migrants bailing out of the vehicle on a dirt road. That same month, a 12-year-old and 15-year-old transporting illegal immigrants near San Antonio, Texas, crashed their vehicle while trying to outrun cops in a high-speed chase. Last August, a 15-year-old girl transporting migrants in El Paso led police on a high-speed chase which ended in a multi-vehicle wreck.

The smuggling of migrants is often used as a diversion to overwhelm Border Patrol agents, who are increasingly assaulted doing their job. Since October of last year, 248 Border Patrol agents have been assaulted at the Southern Border.

All these occurrences have a huge impact on the local economy and quality of life of communities in Texas, but it is not just a local issue anymore—this is affecting the entire country.

Mexican drug cartels are responsible for the smuggling not only of humans but of record amounts of illegal drugs into the United States, the former being used to help facilitate the latter.

Whether transported by the criminals themselves or smuggled by the migrants on the orders of their coyotes, drugs are coming across the border in record amounts, and people are dying in record numbers in what has become the deadliest drug crisis in history.

- Texas law enforcement has seized 418 million lethal doses of Fentanyl since the beginning of Operation Lone Star in 2021. That is enough to kill every man, woman, and child in America.
- Over 107,000 Americans died from drug overdoses in the 12-month period ending in January 2022, and we've had more than 1,000,000 American drug overdose deaths since 1999.
- Fentanyl is involved in more deaths of Americans under 50 than any cause of death, including heart disease, cancer, homicide, suicide, and accidents.
- More Americans are dying each year from drugs than were killed in the entire Vietnam War—and the death toll is rising every day.

One of the most disturbing parts of this is that Mexican drug cartels often process deadly amounts of Fentanyl into pills made to look like any other prescription medicine. One mother, Rebecca Kiessling, shared her story when she testified before the Homeland Security Subcommittee on Border Security earlier this year, after both her sons, Caleb, 20, and Kyler, 18, were killed by prescription pain pills that ended up being laced with Fentanyl.

Chairman Pfluger, Ranking Member Magaziner, and Members of the subcommittee, I believe that Mexican criminal organizations are the largest criminal threat to the United States right now. Texas is working hard to fight them with every means possible, but we need help, and it is past time to take decisive action to protect American communities.

I'd like to conclude by making two points:

1. The Federal Government has failed to fulfill its duty to secure the border and protect the people of Texas and the United States.
2. The Mexican state is no longer a partner to the United States. There is irrefutable evidence of extensive collusion between the Mexican state and criminal cartels at all levels of government. Cartels effectively control 30 to 40 percent of Mexico's territory and together, they are conducting a deadly export trade, trafficking in Fentanyl, corruption, and worst of all, literally millions of fellow human beings. This collusion makes it impossible for the United States and Mexico to have a reliable border security partnership.

It is crucial that we approach the border situation with a realistic perspective and respond accordingly. The border is already militarized from the southern side, and the cooperation with the Mexican state ceased a long time ago because the Mexican government would much rather cooperate with cartels than with us. In light of these circumstances, we must implement robust measures and utilize the full strength and capabilities of the United States to effectively address the border crisis.

Thank you for your time. I am grateful for your leadership, and I am happy to answer any questions you may have.

#### ATTACHMENT

[A copy of the document has been retained in committee files and it can also be accessed at the following: <https://www.texaspolicy.com/wp-content/uploads/2022/>

*09/2022-09-RR-SST-Abrazos-no-Balazos-The-Mexican-State-Cartel-Nexus-paper1.-pdf.]*

Mr. PFLUGER. Thank you, Ms. Ford. The Chair now recognizes Mr. Blazakis for his opening statement of 5 minutes.

**STATEMENT OF JASON BLAZAKIS, PROFESSOR, MIDDLEBURY INSTITUTE OF INTERNATIONAL STUDIES, DIRECTOR, THE CENTER ON TERRORISM EXTREMISM AND COUNTERTERRORISM**

Mr. BLAZAKIS. Good afternoon, Chairman Pfluger, Ranking Member Magaziner, and distinguished Members of the committee. Thank you for the opportunity to testify today. I request that my full written statement be put into the record.

Since the beginning of the Trump administration, the U.S. National Security Architecture has pivoted to the challenge of tackling state foreign threats. While there is little question that Russia, China, and Iran pose significant threats to U.S. national security interests, we must not ignore the broad array of transnational actors that seek to harm the United States. This is why your hearing today is so important. It gives us a chance to examine the transnational threat landscape.

Prior to joining the Middlebury Institute as a professor, I worked in the Federal Government for nearly 20 years. Of those years in Government service, I worked across both Republican and Democratic administrations. While in Government, I worked directly on counterterrorism, counter-narcotics, and intelligence issues. These experiences of working in counterterrorism, law enforcement, and intelligence for the U.S. Government really has influenced my views about which policy options are most suitable for countering terrorist groups and criminal organizations like drug cartels.

Today, I was asked to focus my testimony on the question of whether or not the Mexican drug cartels should be designated as foreign terrorists organizations or FTOs for short. It's also very important to emphasize that the question of whether to label the Mexican cartels as FTOs has come up before. In fact, President Trump said that he was going to designate the cartels, but he did not do so.

Here are some of the reasons why I think designating the Mexican drug cartels as FTOs is a bad policy idea. I also like to note in my written testimony there are other reasons that I can't address in my oral.

First, the FTO list is comprised of organizations that are guided by an ideological belief system. The Mexican drug cartels are guided by one thing: A desire to make money. They don't peddle drugs because they want to uproot the powers that be. They have no interest in governing. Simply put, unlike ISIS, they have no interest in creating a caliphate-like structure. They don't have an interest overthrowing the Mexican government.

Second, if the State Department starts designating criminal groups as terrorists, the number of eligible targets that could be added to the FTO list would increase significantly. Hundreds of new organizations would be added to the FTO list, not just a Mexican cartel. Many more would be eligible for listing—Brazilian gangs, Central American gangs, Italian mafia groups, the Yakuza



crime syndicate, and many more. That's a recipe for disaster. It's a recipe for bureaucratic inertia, especially when you consider the amount of work that goes into every FTO designation.

Each FTO designation takes hundreds, or in some cases, thousands of hours to complete. There is one significant advantage, though, to applying the FTO regime against Mexican cartels. Adding the Mexican cartels to the terrorist list would trigger the material support benefits that come with FTO designations. Simply put, that means more time behind bars for those who try to provide material support to the cartels. But on the other hand, there is a negative to this benefit. I can easily imagine scenarios where drug consumers may run afoul of the material support clause when they buy drugs trafficked by a Mexican cartel.

I provide a few examples of such hypothetical scenarios in my written testimony.

Fourth, the designation of the Mexican drug cartels would damage U.S.-Mexico relations. If the U.S. Government pushes the Mexican government on the FTO designation, it does run the risk that Mexico will distance itself from the United States and strengthen relations with countries like China and Russia. For these reasons and for others mentioned in my written testimony, adding the Mexican drug cartels to the FTO list would do very little to solve this immense national security challenge.

There are better alternatives to meaningfully counter the cartels. First, the United States needs to look inwards. The Mexican drug cartels are well-armed. It has been well-documented that the cartels are getting their guns from the United States. The United States should explore arms control options that diminish the cartels' access to weapons.

Second, the United States should engage in capacity building to build up the Mexican financial sector, not just the governmental sector.

Third, the State Department should make more cartel individuals subject to the Narcotics Rewards Program.

Fourth, we must treat the demand side of this problem. This means investing more in health and educational policies that can cut down America's insatiable appetite for drugs.

Finally, we must not forget the challenge that is posed by groups like ISIS, al-Qaeda, the Wagner Group in Iran's threat network, these transnational actors throw—or pose a significant threat to the U.S. homeland. I look forward to your questions. Thank you.

[The prepared statement of Mr. Blazakis follows:]

#### PREPARED STATEMENT OF JASON BLAZAKIS

##### INTRODUCTION

Good afternoon, Chairman Pfluger, Ranking Member Magaziner, and distinguished Members of the committee. Thank you for the opportunity to testify today. I request that this written statement be put into the record.

Since the beginning of the Trump administration, the U.S. national security architecture has pivoted to the challenge of tackling state-borne threats. While there is little question that Russia, China, and Iran pose significant threats to U.S. national security interests, we must not ignore the array of transnational actors who seek to harm the United States. This is why your hearing today is so important—it gives us a chance to examine the transnational threat landscape.

Before diving into the substance, I want to share with you some of my past and current work experiences that qualify me to speak to the issues that I am going to cover in my testimony below.

My name is Jason Blazakis and I am a professor at the Middlebury Institute of International Studies in Monterey, California. I am also the director of Middlebury's Center on Terrorism, Extremism, and Counterterrorism (or CTEC for short). I have served in these dual roles since July 2018. At the same time, I am also a senior research fellow at the Soufan Center, a non-profit and non-partisan think tank based in New York City.

Prior to joining the Middlebury Institute, CTEC, and the Soufan Center, I worked in the Federal Government for nearly 20 years. Of those years in Government service, I worked across both Republican and Democratic administrations. The last 10½ years of my Government service was spent at the Counterterrorism (CT) Bureau at the U.S. Department of State.

Additionally, I was the head of Embassy Kabul's Narcotics Affairs Section (NAS) for much of 2004 and worked at the State Department's Bureau of International Narcotics and Law Enforcement Affairs Bureau (INL). Finally, I spent nearly 4 years in the U.S. intelligence community (USIC). In the USIC, I worked at the Bureau of Intelligence and Research (INR). These experiences working on counterterrorism, law enforcement, and intelligence issues for the U.S. Government influence my views on which policies are most suitable for countering terrorist groups and criminal organizations, like drug cartels.

At the CT Bureau between early 2008 and July 2018, I directed the activities of the Office of Counterterrorism Finance and Designations. Simply put, I, and my team, at the CT Bureau were responsible for evaluating and compiling the underlying evidence that ultimately contributed to the Secretary of State's labeling of Foreign Terrorist Organizations (FTOs) pursuant to the Immigration and Nationality Act. My office was also responsible for recommending which groups or individuals should be designated as Specially Designated Global Terrorists (SDGTs) pursuant to Executive Order (EO) 13224. Furthermore, my team developed the evidence required for listing state Sponsors of Terrorism consistent with various legal statutes. In my time at the Department of State I oversaw the designations of hundreds of individuals, organizations, and countries as terrorists. Simultaneously, my office was responsible for reviewing hundreds of Treasury Department proposed terrorist designations under EO 13224. Finally, I served as the CT Bureau's representative to the U.S. Government's review group responsible for activities related to the Rewards for Justice (RFJ) program, the U.S. Department of State's national security rewards program that was established in 1984.<sup>1</sup>

#### THE MEXICAN DRUG CARTELS

Today, I was asked to devote a significant portion of my testimony to the question of whether the "Mexican drug cartels should be designated as FTOs." In my time at the CT Bureau at the State Department the issue of whether to designate the "Mexican cartels" as FTOs was raised periodically. Every time the debate arose, I expressed my opposition to leveraging the FTO tool against the "Mexican drug cartels." Before getting into the substance of my reasons for this I want to note two things. First, I was not alone in opposing these designations. Many others at the State Department, Department of Defense, intelligence community, and law enforcement community believed this was a bad idea. This remains the case today. It is also very important to emphasize that this is why the Trump administration did not designate any Mexican drug cartels as an FTO, despite promising to do so.<sup>2</sup> Second, the Mexican drug cartels are not monolithic. As such, when someone calls for designating the drug cartels, we need to inspect what this precisely means. There are dozens of drug cartels based in Mexico. Not all of them are created equal and some, quite frankly, are not significant threats to U.S. national security, much less the homeland. Yet, while I oppose the use of terrorism tools to counter cartels, I want to be clear: several Mexican drug cartels are a threat to the homeland. For example, a recent press release by the Department of Justice noted, "the Sinaloa Cartel is one of the most powerful drug cartels in the world and is largely responsible for the manufacturing and importing of Fentanyl for distribution in the United States."<sup>3</sup>

<sup>1</sup>U.S. Department of State. "Program History and Statutory Authorities." <https://rewardsforjustice.net/about/program-overview/>. Accessed on June 1, 2023.

<sup>2</sup><https://www.npr.org/2019/11/27/783449704/president-trump-says-he-will-designate-mexican-drug-cartels-as-terrorist-groups>.

<sup>3</sup><https://www.justice.gov/opa/pr/justice-department-announces-charges-against-sinaloa-cartel-s-global-operation#:text=The%20Sinaloa%20Cartel%20is%20one,times%20more%20potent%20than%20heroin>.

The Sinaloa Cartel is a clear and present danger to U.S. national security, especially when you consider that Fentanyl is more than 50 times more potent than heroin and is the leading cause of death for Americans ages 18 to 49.<sup>4</sup>

Nevertheless, designating any of the Mexican drug cartels as FTOs at this time is a bad idea.

Here's why: First, the FTO list is comprised of organizations that are guided by an ideological belief system. The Mexican drug cartels are guided by one thing—a desire to make money. They do what they do, sling drugs, to make money. They don't peddle drugs because they want to uproot the powers that be. They have no interest in governing. Simply put, unlike ISIS, they have no interest in creating a caliphate-like structure. They don't have any interest in overthrowing Mexican President Andres Manuel Lopez Obrador. The U.S. Government must not conflate terrorism and crime. It is a slippery slope when the State Department gets into the business of identifying criminal organizations as terrorist groups. As of June 1, 2023, the FTO list has 68 groups on it. If the State Department starts designating criminal groups as terrorists, the number of eligible targets that could be added to the FTO would significantly increase. Hundreds of new organizations could be added to the FTO list—not just Mexican drug cartels, but Brazilian gangs, Central American gangs, Italian mafia groups, the Yakuza crime syndicate, and many more. That's a recipe for disaster. It's a recipe for bureaucratic inertia, especially when you consider the amount of work that goes into every FTO designation package. Each FTO designation takes hundreds, in some cases thousands, of combined person hours to complete. Each FTO designation package is the equivalent of writing a Ph.D. dissertation. My old office responsible for this work has fewer than 10 people who are exclusively dedicated to sanctioning FTOs. As such, they must carefully prioritize the targets they select for designation. If the CT Bureau at State gets into the business of designating criminal groups as terrorists, it gets out of the business of designating terrorist groups. This is a bad tradeoff.

However, there is one very significant advantage of applying the FTO regime against the Mexican drug cartels. Adding the Mexican cartels to the terrorist list would trigger the material support benefits that come with FTO designations.<sup>5</sup> Simply put, that means more time beyond bars for those who try to provide material support to the cartels.<sup>6</sup> On the one hand, that's a net positive. However, this is also a possible benefit with downsides. I can easily imagine scenarios where drug consumers may run afoul of the material support clause when they buy drugs trafficked by a Mexican drug cartel. I can imagine a scenario where a high school junior, let's name him Henry, buys Fentanyl from a Mexican drug cartel and an overly enthusiastic prosecutor decides to pursue a material support case against Henry because he provided funding to an FTO. Similarly, I can see a college sophomore, let's call her Sally, who goes to spring break in Acapulco and ends up buying drugs from a Mexican cartel. In this scenario, let's assume when Sally returns home from spring break that she has the illicit drugs in her checked bag. This results in Sally being arrested at the airport. She's eventually charged for providing material support to a Mexican drug cartel that had been already designated by the U.S. Department of State as an FTO. These types of theoretical scenarios worry me—and should worry every one of you. Sadly, because of America's drug epidemic, there are a lot of Sallys and Henrys hooked on drugs. I don't think the solution is branding Henry and Sally as terrorists. Yet, adding the Mexican drug cartels to the list of terrorist organizations increases the chances that many more Americans could be prosecuted for terrorism. Their drug addiction is already a tragedy. It seems unnecessary to compound the error, but adding the Mexican drug cartels to the list of terrorist organizations would do just that.

Moreover, a U.S.-driven FTO designation of drug cartels holds a variety of consequences for asylum seekers. For example, victims coerced into carrying out material support are frequently discounted from receiving any humanitarian assistance or asylum.<sup>7</sup> In this way, an FTO designation fails to distinguish those who act willingly on behalf of the cartel from those that are forced to do so. Conversely, an FTO designation could aid those attempting to flee for politically-motivated reasons—an

<sup>4</sup> Ibid.

<sup>5</sup> <https://www.latimes.com/opinion/story/2023-03-17/dont-designate-mexican-drug-cartels-as-foreign-terrorist-organizations>.

<sup>6</sup> Many of the cartels are treated as transnational criminal organizations already and as a consequence individuals who support these groups can face stiff prison sentences. Yet, low-level material supporters of FTOs often receive 20 to 25 years behind bars.

<sup>7</sup> <https://michiganlawreview.org/ms-13-as-a-terrorist-organization-risks-for-central-american-asylum-seekers/>.

FTO automatically identifies a terrorist or terrorist group as a political actor.<sup>8</sup> Should civilians speak out against the cartels, they are more likely to obtain asylum for expressing a suppressed political opinion; nonetheless, only a limited group of individuals can receive this benefit. Even those asylum seekers that are capable of resisting recruitment may not be considered “politically persecuted,” much less those forced to carry out the cartel’s illicit activities.<sup>9</sup>

One of the strengths of the FTO regime is the fact that the designation requires financial institutions to block any assets associated with the designated entity. Because the most dangerous Mexican drug cartels are already designated pursuant to the Foreign Narcotics Kingpin Designation Act,<sup>10</sup> they are already subject to having their property and interests blocked. Of note, hundreds of entities and individuals have been designated as Kingpins and there have been tangible results. According to a 2019 GAO study, OFAC has “reported that it has frozen more than half a billion dollars of sanctioned individuals’ or entities assets under the Kingpin Act between 2000 and 2019.”<sup>11</sup> Simply put, the FTO designation would bring nothing new to the table when it comes to accessing the wealth of the Mexican drug cartels.

Fifth, one of the benefits of the FTO regime is that it renders individuals associated with the designated terrorist group inadmissible to the United States. According to the same GAO study, one of the consequences of sanctions pursuant to the Kingpin Act is that it provides a basis for denying visa requests. Specifically, “Treasury provides information to State so it can decide whether to cancel existing visas and deny visa applications of Kingpin Act designees.”<sup>12</sup> Yet again, an FTO designation would not benefit the U.S. Government when it comes to denying drug traffickers access to the United States. The ability to do that already exists thanks to the Kingpin Act.

Finally, the designation of the Mexican drug cartels would damage U.S.-Mexico relations. In 2019, when the Trump administration explained that it was considering the FTO designation, President Obrador was categorical in his opposition. To counter the Mexican drug cartels, the United States must work with the Mexican government. Foreign Minister Marcelo Ebrard emphasized this point in an Op-Ed earlier this year. He criticized U.S. efforts to seemingly undermine Mexican authority and indicated that an FTO designation would ultimately increase violent and illicit activities within both countries.<sup>13</sup> It is clear that U.S. calls for intervention in Mexico have increased tensions between the two countries writ large; to defend Mexican authority and geopolitical interests, Ebrard stressed that the United States’ sheer plethora of available weaponry remains a major contributing factor to increased cartel violence.<sup>14</sup> To maintain our own image and secure our relationships with our Central American partners, it is in the United States’ best interest to secure avenues of collaboration—not competition. While Mexico can certainly do much more to fight the drug cartels, we would be mistaken to think that they are sitting on their hands. We would also be mistaken to think that the Mexican drug cartel challenge is only Mexican-made. Some have irresponsibly argued<sup>15</sup> that the designation would allow for more direct U.S. military action against the cartels. This notion is highly problematic, likely would result in a violation of Mexico’s sovereignty and poison the well for any cooperation with the Mexican government. Even worse, it could push Mexico further into the orbit of America’s fiercest economic (China), military (Russia), and ideological (Iran) opponents.

China’s investment in Mexico has grown in leaps and bounds over the last several years. In fact, in 2021, Chinese and Mexican trade exceeded \$100 billion.<sup>16</sup> In 2022, Chinese foreign direct investment (FDI) in Mexico was significant at \$282 million—indicative of Chinese industry’s vested interest in expanding its global reach and overarching sphere of influence.<sup>17</sup> Moreover, evidence of criminal collusion between Chinese chemical companies and the Sinaloa cartel are noteworthy; an unsealed indictment in April revealed that a Chinese company sold illicit Fentanyl-producing ingredients to cartel personnel, thus perpetuating America’s burgeoning opioid cri-

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> <https://www.ecfr.gov/current/title-31/subtitle-B/chapter-V/part-598>.

<sup>11</sup> <https://www.gao.gov/assets/gao-20-112.pdf>.

<sup>12</sup> Ibid. Page 12.

<sup>13</sup> <https://www.reuters.com/world/americas/mexicos-top-diplomat-stresses-cooperation-with-us-versus-intervention-2023-03-11/>.

<sup>14</sup> <https://www.wsj.com/articles/mexico-foreign-minister-drug-cartels-bill-barr-ag-91345214>.

<sup>15</sup> <https://www.usatoday.com/story/news/nation/2023/04/16/mexican-drug-cartels-terrorist-organizations-senators-fentanyl-mexico-border/11666432002/>.

<sup>16</sup> <https://www.brookings.edu/on-the-record/how-is-china-involved-in-organized-crime-in-mexico/>.

<sup>17</sup> <https://www.dallasfed.org/research/swe/2023/swe2303>.

sis.<sup>18</sup> A U.S.-driven FTO designation could serve to facilitate and sustain Chinese and Mexican illicit trade routes, should the Mexican and Chinese governments fail to adequately address this expanding criminality. The United States' volatile relationship with the CCP in addition to its mounting tensions with Mexican authorities have the potential to isolate U.S. influence from conversations on mitigating the Fentanyl trade—a trade that ultimately reaps severe consequences among the American public.

Russia similarly continues to cultivate relationships and strategic business ventures in the LATAM region. While limited in quantity, Russia previously supplied Mexico with military equipment and continues to expand its presence among the United States' central and South American neighbors, likely to sow geopolitical discord and sour perceptions of U.S. authorities.<sup>19</sup> Evidently, given growing interest and investment from our adversaries in Mexico, the United States must work to ensure our partnerships in Central America are strong and cooperative in nature. There have also been reports that the notorious Russian mercenary organization, PMC Wagner, tried to establish an office in Mexico prior to the outbreak of COVID-19.

All this to say, if the U.S. Government pushes Mexico on the FTO designation, it runs the risk that Mexico will distance itself from the United States and strengthen relations with countries like China and Russia.

These are but handful of reasons why designating the Mexican drug cartels as terrorist groups would be a mistake. Yet, there is much more that should be done to counter these groups. The next section of my testimony explores some possible ways the U.S. Government can expand its efforts to counter the drug cartels.

#### WHAT SHOULD BE DONE ABOUT THE MEXICAN DRUG CARTELS?

Militarizing the border, putting U.S. troops into Mexico, and sanctioning the cartels as FTOs are not appropriate policy responses to countering the drug cartels. As noted earlier, the Mexican cartels are not only a Mexican-made problem. The trafficking of arms, ammunition, and other weaponry from the United States across the border into Mexico broadens cartels' breath of resources and facilitates continued violence. Mexican authorities found that approximately 70 to 90 percent of guns found during criminal investigations are linked to the United States.<sup>20</sup> This figure tells us that the availability and accessibility of guns within the United States renders their feasible illicit transfer. Moreover, it indicates U.S. complicity in the cartel's violent crimes. In fact, a gun used to carry out the kidnapping and subsequent murder of two Americans in Mexico during March of this year was trafficked by way of the United States.<sup>21</sup> More recently, in April 2023, a U.S. citizen was caught plundering 5,680 rounds of pistol ammunition from Southern Texas to his home in Mexico.<sup>22</sup> In addition to arms and ammunition, U.S. Customs and Border Control officials uncovered 50,000 pounds of Fentanyl crossing into the U.S. Southern Border in 2022 alone.<sup>23</sup> These examples serve as a snapshot of a much broader problem, implicating both the United States and Mexico in furthering transnational cartel crime. There are no simple solutions to this problem, but one obvious policy is to adopt stricter arms control laws in the United States. Simply put, America is arming the Mexican drug cartels and that must stop.

#### NARCOTICS REWARDS PROGRAM/REWARDS FOR JUSTICE (RFJ) PROGRAM

When I was at the State Department, I managed the CT Bureau's involvement in the RFJ program that focused on countering terrorists. That program has been used more frequently than the U.S. Department of State's "Narcotics Rewards Program (NRP)." The RFJ program is administered by the Bureau of Diplomatic Security (DS), but the NRP program is administered by the State Department's INL bureau. This is a bureaucratic inefficiency and folding NRP under the authority of the DS Bureau may improve the pace of narcotics-related designations. The NRP should

<sup>18</sup> <https://www.washingtonpost.com/health/2023/04/27/fentanyl-china-chemical-companies/>.

<sup>19</sup> <https://www.csis.org/analysis/russia-western-hemisphere-assessing-putins-malign-influence-latin-america-and-caribbean>.

<sup>20</sup> <https://news.harvard.edu/gazette/story/2022/02/stopping-toxic-flow-of-gun-traffic-from-us-to-mexico/>.

<sup>21</sup> <https://abcnews.go.com/International/gun-kidnapping-americans-mexico-allegedly-us/story?id=98012006>.

<sup>22</sup> <https://www.justice.gov/usao-sdtx/pr/american-living-mexico-caught-trying-export-5680-rounds-ammunition>.

<sup>23</sup> <https://www.nbcnews.com/politics/national-security/fentanyl-gun-smuggling-us-mexico-border-deal-rcna75782>.

be used more. The program is designed to incentivize individuals to provide tips on the activities of drug dealers so that they can be prosecuted for their misdeeds. Adding more individuals from the Mexican drug cartels to the NRP list would be useful. If the program expands, it is very likely that some of the best lead information will come from within the cartels. After all, criminals like their money, especially informants within crime groups. It is important to acknowledge that on April 14, 2023, the U.S. Department of State used the NRP to announce rewards offers for information leading to the arrest and conviction of 27 individuals involved in illicit Fentanyl trafficking. Expanding these efforts would be better than labeling drug cartels as FTOs.

#### CAPACITY BUILDING

According to the U.S. Department of State, between 2008–2021, the United States spent \$3.3 billion in equipment, training, and capacity building for Mexican justice and law enforcement sectors.<sup>24</sup> Much of this security cooperation assistance has focused on assisting Mexican police, prosecutors, and judges' efforts to better track criminals, drugs, arms, and money to disrupt organized crime groups. Moving forward, funds for countering the drug cartels should aim to build Mexico's Financial Intelligence Unit (FIU) capacity. Further, specialized attention and training in the area of anti-corruption is critical. Based on my experience of working in the NAS in Embassy Kabul, building up judiciary and law enforcement capacity is crucial. However, winning the fight against blood money will require an expansion of regulatory efforts, as well as the strengthening of Mexico's FIU and most importantly the private sector. The solution to countering the financing of the cartels will require reinforcing and bolstering Mexico's banking compliance systems. In my experience of countering illicit actor financing, the private sector's buy-in is critical. Like the Financial Action Task Force (FATF),<sup>25</sup> I define private sector broadly, to include accountants, lawyers, precious gem dealers, among many others. In its last Follow-Up Report regarding its FATF mutual evaluation, Mexico scored a "non-compliant" on FATF recommendation 23. As such, the United States should focus on capacity building efforts that aim to strengthen Mexico's Designated Non-Financial Businesses and Professions (DNFBPs). The Mexican drug cartels need accomplished lawyers and accountants to make their money look clean as they try to insert their dirty money back into the formal financial system. Improving Mexico's DNFBPs' abilities to detect and report suspect transactions and money laundering is a cost-effective way to counter Mexico's drug cartels.

#### SOCIAL, HEALTH, AND EDUCATIONAL POLICIES

As much as the Mexican drug cartels are a national security challenge, the broader challenge of drugs in America is, frankly, more of a health, social, and educational challenge. In my view, the Federal Government is not allocating enough time, money, and resources to health, education, and social policies that can decrease America's appetite for drugs. We must address the demand side of this problem while also countering the suppliers and traffickers.

In the 2022 fiscal year, the U.S. total Federal drug control spending was \$41 billion. In response to the increase of substance use disorders, namely the ever-growing Fentanyl crisis, the budget requests for 2023 and 2024 were slightly increased.<sup>26</sup> The misuse of prescription drugs and the opioid epidemic are a major focus of U.S. drug control strategies and spending. The death rates caused by the misuse of opioids and synthetic variants such as heroin continue to rise. From 1999 to 2014, the number of annual deaths caused by Fentanyl overdoses hovered just underneath 3,000 deaths per year. After 2015, there has been a massive spike in Fentanyl overdoses. In 2021, overdoses dramatically increased to 70,601. This jump is alarming—this new potent synthetic opioid is the No. 1 cause of drug-related death in the United States.<sup>27</sup> Yet, when compared to other types of spending, our efforts to fight the drug problem on the demand side can be best characterized as unserious, especially when we compare that \$41 billion to the current Department of Defense (DoD) budget. DoD's budget for fiscal year 2023 was over \$2 trillion.<sup>28</sup> Simply put, killing,

<sup>24</sup> <https://www.state.gov/u-s-relations-with-mexico/#:text=The%20United%20States%20and%20Mexico%20partner%20to%20combat%20transnational%20organized,justice%20and%20law%20enforcement%20sectors>.

<sup>25</sup> FATF sets guidelines for countries to follow in countering terrorism financing and money laundering.

<sup>26</sup> <https://www.statista.com/statistics/618857/total-federal-drug-control-spending-in-us/>.

<sup>27</sup> <https://www.statista.com/statistics/895945/fentanyl-overdose-deaths-us/>.

<sup>28</sup> <https://www.usaspending.gov/agency/department-of-defense#:text=Each%20year%20Federal%20agencies%20receive,making%20financial%20promises%20called%20obligations%20>.

prosecuting, and sanctioning the supply-side entities and individuals (the Mexican drug cartels) of this problem is not enough. It may not be sexy policy to invest in educational, medical, and social-policy initiatives to fight the drug scourge, but this is an area where lawmakers must invest more financial resources.

#### OTHER TRANSNATIONAL THREATS

The United States faces a broad array of transnational threats, to include gangs, terrorist groups, and private military companies. In my view, the groups noted below represent the most serious transnational threats to the U.S. homeland.

#### MS-13

The Mara Salvatrucha (MS-13) originated in the 1970's and 1980's in Los Angeles, California.<sup>29</sup> Formed by Salvadorian immigrants escaping civil war, the transnational street gang now has outreach in El Salvador, Honduras, Mexico, and the United States. Engaging in crimes such as murder, narcotics, weapon trafficking, and extortion, MS-13 continues to pose a serious threat to U.S. security.<sup>30</sup> Despite its American origin, the gang's cultural ties to Central America have enabled their influence to spread rapidly among communities in El Salvador, Honduras, Guatemala, and Nicaragua. Chasing the reputation of being the most murderous gang in the world, MS-13 is on the road to just that: in March 2022 the gang's death toll reached an all-time high of 62 deaths within a 24-hour period.<sup>31</sup> Unsurprisingly, their barbaric practices have become well-known to the U.S. Department of the Treasury, who recently sanctioned members of the gang residing in Nicaragua and Honduras in February 2023. Freezing their property rights and blocking their financial transactions, the U.S. Department of the Treasury hopes their response will prevent further extortion, money laundering, and drug trafficking across the U.S.-Mexico border.<sup>32</sup> MS-13's violence, sadly, is unlikely to end because of these designations, or any designation for that matter. Indeed, MS-13's violence has sparked the flow of refugees—innocents who want to escape the violent world MS-13 has created in Central America. Sadly, as I have previously described, this violence has American roots.

#### TERRORIST THREATS (ISIS AND AQ)

The Salafi-jihadist threat posed groups like ISIS and al-Qaeda. These groups, while not the potent forces they once were, still have the capacity to inspire homegrown extremists to carry out acts of violence. Frequently, we can still read Department of Justice media releases documenting a new arrest, prison sentence, or guilty verdict for individuals associated with ISIS and al-Qaeda. Recently, not far from where we sit today, in Virginia, the U.S. Government arrested an alleged ISIS supporter. In early May 2023, Virginia resident Mohammed Chhipa was arrested for sending nearly \$200,000 overseas to ISIS.<sup>33</sup> Chhipa could face decades behind bars for providing material support to a designated FTO. This underscores that ISIS sympathizers remain active in the United States. Second, it underlines the point that terrorist financing is also a persistent threat to U.S. national security interests. As the February 2023 Annual Threat Assessment of the U.S. Intelligence Community, "ISIS's ideology and propaganda . . . almost certainly will continue to inspire attacks in the West, including the United States."<sup>34</sup> This challenge is likely to intensify because of the ham-fisted way the United States left Afghanistan. This spring, General Michael Kurilla, head of U.S. Central Command, told the U.S. Senate Armed Services Committee that ISIS's province in Afghanistan, ISIS-Khorasan, "can do an external operation against U.S. or Western interests abroad in under six months with little or no warning."<sup>35</sup>

<sup>29</sup> <https://insightcrime.org/el-salvador-organized-crime-news/mara-salvatrucha-ms-13-profile/>.

<sup>30</sup> <https://www.ojp.gov/ncjrs/virtual-library/abstracts/ms-13-gang-profile>.

<sup>31</sup> <https://www.bbc.com/news/world-latin-america-60893048>.

<sup>32</sup> <https://apnews.com/article/drug-crimes-crime-caribbean-honduras-central-america-812e435334860ae703110202fa64c008>.

<sup>33</sup> <https://www.fox5dc.com/news/virginia-man-accused-of-sending-money-to-isis-remains-behind-bars-following-court-appearance>.

<sup>34</sup> <https://www.dni.gov/files/ODNI/documents/assessments/ATA-2023-Unclassified-Report.pdf>.

<sup>35</sup> <https://www.usnews.com/news/national-news/articles/2023-03-16/u-s-commander-isis-in-afghanistan-6-months-away-from-foreign-attack-capability>.

Like ISIS, al-Qaeda remains a threat to U.S. national security interests, despite that the group's leader was killed in 2022.<sup>36</sup> Of particular concern is the sanctuary al-Qaeda now has in Afghanistan by virtue of the Taliban<sup>37</sup> taking over the country. As the Annual Threat Assessment of the U.S. intelligence community explains, "al-Qaeda remains committed to attacking U.S. interests." The group also continues to inspire home-grown extremists and the group is well-known for playing the long game. Unlike ISIS, al-Qaeda is more patient. In many ways, this makes the group more difficult to infiltrate and counter. One of many examples of al-Qaeda's careful planning culminated in the group's deadly December 2019 attack at a Naval Air Station in Pensacola, Florida. The perpetrator of the attack was part of the Royal Saudi Air Force and the investigation following the attack revealed operational ties between the attacker and al-Qaeda's affiliate in Yemen.<sup>38</sup>

#### IRAN'S THREAT NETWORK

The Iranian regime and its many proxies represent a clear threat to the United States. While Iran's proxies, including Hizballah, operate in the United States, Iran's menacing activities are a greater threat to U.S. overseas interests. Nonetheless, Hizballah's U.S.-based terrorist financing schemes have made the group millions of dollars. Iran has also plotted to assassinate Americans, most notably John Bolton. This month the U.S. Department of the Treasury sanctioned Mohammad Reza Ansari and Shahram Poursafi pursuant to E.O. 13224 for their plot to assassinate Americans.<sup>39</sup>

#### PMC (WAGNER)

Private Military Companies (PMCs), such as the Russia-based Wagner Group represent a threat to U.S. national security interests. Indeed, the Treasury Department emphasized the transnational criminal aspects of the Wagner Group on January 26, 2023, when it designated the group as a transnational criminal organization (TCO) pursuant to Executive Order 13581.<sup>40</sup> In justifying the Wagner Group's criminal designation, the Treasury Department explained, "Wagner personnel have engaged in an on-going pattern of serious criminal activity, including mass executions, rape, child abductions, and physical abuse."<sup>41</sup> While it has been well-documented in numerous reports that the Wagner Group carries out terrorism and criminal acts in Ukraine and throughout the African continent, what is less well-known is that the organization leverages American-made social media tools to recruit U.S. citizens and others to its cause.

In May 2023, *Politico* published an article noting that PMC Wagner was trying to recruit, via Facebook and Twitter, individuals to fill positions as medics, drone operators, and psychologists to assist in the group's war effort in Ukraine.<sup>42</sup> According to Logically, a U.K.-based disinformation-focused research group, the posts were in multiple languages and received more than 120,000 views.<sup>43</sup> The Wagner Group has grand ambitions, and its founder has admitted to meddling in U.S. elections. In a post over Russia social media site VK, Prigozhin explained, "we have interfered in U.S. elections, we are interfering, and we will continue to interfere."<sup>44</sup> The Wagner Group is a threat to the United States. That is why I have argued that the group should be added to the State Department's list of Foreign Terrorist Organizations. It is also why I support the bipartisan HARM Act, which would require the State Department to designate the Wagner Group as an FTO.<sup>45</sup>

<sup>36</sup> <https://www.csis.org/analysis/zawahiris-death-and-whats-next-al-qaeda>.

<sup>37</sup> Al-Qaeda is a long-time ally of the Taliban and the ties between the groups remain strong.

<sup>38</sup> <https://www.cnn.com/2020/05/18/politics/pensacola-shooting-al-qaeda/index.htm>.

<sup>39</sup> <https://home.treasury.gov/news/press-releases/jy1513>.

<sup>40</sup> <https://home.treasury.gov/news/press-releases/jy1220>.

<sup>41</sup> *Ibid.*

<sup>42</sup> [https://www.politico.eu/article/russia-ukraine-war-mercenaries-wagner-group-recruit-twitter-facebook-yevgeny-prigozhin/?utm\\_campaign=Readbook&utm\\_medium=K-email&hsmi=260770258&hsenc=p2ANqtz-9yPLN20j9Zz7stblBhK5trA8vxwCc-CH9DJf3B2\\_dmNWEusDazbwgk4RB8c45f3Dz2MrxkB5kXkdzvFo0hVqrCJYcIw&utm\\_content=260770258&utm\\_source=hs\\_email](https://www.politico.eu/article/russia-ukraine-war-mercenaries-wagner-group-recruit-twitter-facebook-yevgeny-prigozhin/?utm_campaign=Readbook&utm_medium=K-email&hsmi=260770258&hsenc=p2ANqtz-9yPLN20j9Zz7stblBhK5trA8vxwCc-CH9DJf3B2_dmNWEusDazbwgk4RB8c45f3Dz2MrxkB5kXkdzvFo0hVqrCJYcIw&utm_content=260770258&utm_source=hs_email).

<sup>43</sup> *Ibid.*

<sup>44</sup> [https://www.reuters.com/world/us/russias-prigozhin-admits-interfering-us-elections-2022-11-07/#:~:text=LONDON%2C%20Nov%207%20\(Reuters\),efforts%20to%20influence%20American%20politics](https://www.reuters.com/world/us/russias-prigozhin-admits-interfering-us-elections-2022-11-07/#:~:text=LONDON%2C%20Nov%207%20(Reuters),efforts%20to%20influence%20American%20politics).

<sup>45</sup> <https://www.Congress.gov/bill/118th-congress/house-bill/506?s=1&r=50>.



## CONCLUSION

The threat posed by a broad range of transnational groups remains significant. The drug trafficking organizations, terrorist groups, and mercenaries I have highlighted in my testimony only represent a very small component of the overall threat picture. Books are quite literally written about each one of these dangerous groups. What is contained in the testimony above is a surface-level examination. Moreover, there are many other types of transnational threats that persist, such as the growing threat posed by racially- and ethnically-motivated violent extremists (REMVE). The REMVE threat has become increasingly interconnected with U.S.-based Nazis linked to overseas REMVE groups like the Russian Imperial Movement (RIM). RIM was designated as a terrorist group by the U.S. Department of State on April 7, 2020, pursuant to Executive Order 13224.<sup>46</sup>

I want to close my testimony by emphasizing that while I strenuously oppose the terrorist designation of the Mexican drug cartels, I can understand the desire to label them as FTOs. They are a menace and more must be done to counter them. Congress certainly has an important role in ensuring this is done by holding the Executive branch accountable for failed approaches. While I encourage Congress to not designate the cartels as FTOs, Congress does have every right to pursue that objective. I speak from direct experience when I say that without Congressional pressure, the State Department would not have moved as quickly as it could have to designate Boko Haram and the Haqqani Network as FTOs. In the case of the Mexican drug cartel issue, however, I would encourage all to examine some of the recommended policy approaches I offer instead. Unlike a Mexican cartel FTO designation, these alternative approaches are more likely to impact the cartels' blood-stained wallets.

Mr. PFLUGER. Well, thank you, Mr. Blazakis, for your statement, for all the witnesses' statements. Members will now be recognized by order of seniority for 5 minutes of questioning, and an additional round of questioning may be called after all Members have been recognized. I now recognized myself for 5 minutes of questioning.

Hearing the discussion that the first thing that I'll address is that there's this narrative that seems to be that the problem is in the United States and not with the lack of rule of law at our border and to the south. So immediately I would like to push back on that suggestion that the rule of law and the lack of rule of law, as we see it, is directly responsible for this.

I'll start with Mr. Urben. In April, you testified before the House Oversight Committee and the Accountability Committee. In your testimony, you discussed how Chinese organized crime networks launder money, or Mexican Transnational Criminal Organizations. You stated more needs to be done. What steps can the United States take to undercut this budding relationship between the Chinese organized crime networks and Mexican TCOs?

Mr. URBEN. So it is two-fold. One is certainly on the government-law enforcement side. There's is an opportunity to leverage data that's judicially acquired by law enforcement. One component or an access point or a weakness of Chinese organized crime is that you can hold that data in and map the network out, identify the targets that the Government should go after in terms of prosecution. So that's on the Government side.

Also, on the Government side, we have used the term whole-of-Government approach in the past. What I mean by that is using specific authorities that the Government has that we can leverage to impact the Chinese money-laundering network.

<sup>46</sup> <https://2017-2021.state.gov/united-states-designates-russian-imperial-movement-and-leaders-as-global-terrorists/>.

For example, sanctions. For example, pulling visas of identified Chinese money laundering that we decide we're not going to prosecute. There's a limited amount of resources to prosecute high-valued targets in leadership. So that's on the Government side.

On the private-sector side, I think training, I think enhanced compliance at banks, financial institutions, wire remitters. This is an evolving threat, so I think there needs to be essentially a partnership, to some degree, with Government in the private sector where we provide the intelligence, not sensitive intelligence, but the information that will allow them to enhance their compliance programs to impose what I call cost on Chinese money launderers, make it more difficult for them, whether again through Government, arrest and prosecutions, or on the private-sector side with compliance.

Mr. PFLUGER. Well, thank you, Mr. Urben. I am hearing that strength works best when dealing with these thugs. Ms. Ford, I'll go to you. This narrative that illegal immigration from some of my counterparts on the other side of the aisle has absolutely nothing to do—the wide open borders has nothing to do with the rise of transnational criminal organizations, trafficking of drugs, the trafficking of people. You mentioned the 53 tragic deaths on the tractor south of San Antonio. What is illegal immigration, and the surge, over 5 until since Biden took office, doing to allow the flow of drugs and trafficking of people into in country?

Ms. FORD MALDONADO. Thank you, Chairman Pfluger. A lot of people do say that the problem with legal immigration is sometimes we use the cartels as a guise to go after illegal immigration, right? But I would say two things about that. The problem is not about immigration. This is about border security and national security. I also think that if people care about migrants, they should realize that the most inhumane thing that we can do to them is let things run the course that they're continuing to run. They're being smuggled. They're being abused. They are often being killed at the border. So we need to crack down on the border and crack down on the people that are taking advantage of them, if we want to do something about illegal immigration.

Now, I also think that illegal immigration is posing a threat to what's happening, because we are seeing numbers come in like they've never come in before. We're seeing so much insecurity at the border, and that's taken away a lot of limited resources and attention that should be going toward protecting the homeland.

Mr. PFLUGER. Thank you very much. Mr. Farah, the evidence that links the Sinaloa cartel and Hizballah, has been well-documented by the DOJ through arrest and indictments and the relationship between the two organizations as fueled instability between Latin America and the Middle East for the last decade. Can you describe that relationship to us today?

Mr. FARAH. The Mexican cartels and Hizballah have primarily a financial relationship that allows them to move money to designated terrorist organizations in the Middle East in exchange for access to ports and the import of illegal products or smuggled products or products, counterfeit products into our hemisphere.

I think my work is primarily focused on the tri-border area of Paraguay, Argentina, and Brazil where you see this network of

now Essesay, which is the main gang with Hizballah operatives and with Colombian and Mexican drug cartels moving into ever-expanding circles of collaboration, not out of ideology or religion, but simply for the ability to profit. When I talked about the new groups that are emerging in the hemisphere, it's this type of new specialization that comes in. This ability of Hizballah to provide new things that the cartels didn't have before access to new methodologies, et cetera.

So I think that it is an economic relationship that is primarily going into a different types of specialization, which is being harmful to the countries in place as well as posing an increasing threat to the homeland.

Mr. PFLUGER. Thank you. My time has expired. I now recognize the gentleman from Rhode Island, the Ranking Member, Mr. Magaziner, for 5 minutes of questioning.

Mr. MAGAZINER. Thank you, Chairman. You know, the reality is that because these TCO treats emanate from outside our border, because the violence, the taking advantage of people who are fleeing poverty, fleeing persecution all originates or primarily originates in Central, South America, and beyond. We need to work with our foreign partners in order to crack down on TCO violence. We have to do that. Some of those countries that we must work with are more reliable partners than others. That is the case. It has always been the case. But if we are truly going to get to the root causes of these threats, it requires multilateral coordination.

So on that theme, Mr. Blazakis, you talk about building capacity in our partner countries in your written testimony? Can you expand on what the opportunities are in working with Mexico and ourselves and Central American allies to crack down on TCO activity?

Mr. BLAZAKIS. I would highlight one specific example from my written testimony. I highlighted the need for Mexico for instance, to improve its financial action task force or FATF rating related to recommendation 23, which focuses on designated nonfinancial businesses and professions DNFBPs for short. This area is especially important in Mexico and is one of some countries really that has struggled with trying to strengthen the designated nonfinancial business and professional sector. It is really important to build that up for a lot of reasons, especially in Mexico.

When we're talking about DNFBPs, we're talking about lawyers, accountants, and many others in similar professions who are enabling transactions. The drug cartels can't wash their money in the way that Mr. Urben discussed really eloquently without having some sort of legitimate business or invest in real estate without having an army of enablers. These enablers are areas where the U.S. Government should focus a lot of its capacity building moving forward, in addition to trying to build the capacity of prosecutors, especially in the area of corruption.

Mr. MAGAZINER. Thank you. On a related note, Mr. Farah, I was struck by a portion of your written testimony. You wrote: Russia and China view Latin America as a key theater of great power competition and act accordingly. The United States must forego complacency and see creative new engagements with its partners. Higher quality, more comprehensive, and more sustained engage-

ment with the right communities will go far to strengthen democracy, civil society, and regional stability.

Can you expand on that a bit? In so doing, what can we do? What can we the United States do to motivate our foreign partners to be better partners and more effective partners in tracking down on TCO activity?

Mr. FARAH. Thank you. I think it's a challenging environment because we are now facing numerous governments that have—for example, the government of Argentina, which has declared itself as Russia's doorway to Latin America and has allowed China to come with nuclear programs, deep space stations, et cetera. So I think that there's more constraint space to operate with trusted partners. I think at the same time, the vast majority of folks in the military and in the law enforcement community prefer the United States as their first partner of choice. I think that if you look at—and we mapped this out for SOUTHCOM and others over time—the level of high-level visits by the Russian and Chinese is about 17 times the level of U.S. visits to Latin America. I think that—well, I told them at the time—if Russia can find the time in the middle of a war to send its foreign minister around, we should be able to do a little better. We have a huge disadvantage with Russia in that they have a small cadre of highly experienced Ambassadors that rotate around the region and speak Spanish around all the time. We have major Ambassadors sitting without Ambassadors. In the case of Chile, almost 3 years. Now we're going into Colombia, we're going into the second year.

So I think there are multiple relatively easy fixes that engagement. I think we also need to do a better job of helping to explain the threats to their own democracies and rule of law that the Russian and Chinese involvement bring because they're directly tied to massive corruption and massive destruction of their own institutions.

Mr. MAGAZINER. Thank you. Mr. Blazakis, one final question. You notice that, see is a pattern that is developed at our hearings on the border where Members of both parties talk about the importance of cracking down on human smuggling, cracking down on drug trafficking. But when it comes to trafficking guns, there is a often deafening silence on the other side of the aisle. Can you talk about why this aspect of TCO activity is so important and something that we need to address?

Mr. BLAZAKIS. Just as you mentioned in your opening testimony, there is the illegal export of nearly 600,000 weapons going into Mexico. That's not insignificant. In many ways, it could be perceived as fueling this insurgency that's happening in Mexico that's taken so many civilians' lives in Mexico that Ms. Maldonado, and also the lives of Americans when the drugs come back into the United States. So in this case, we have to improve our border security going outbound as just one example, and using be AI technology, especially could be one way to get at this challenge.

Mr. MAGAZINER. My time has expired. Thank you, all.

Mr. PFLUGER. The gentleman's time has expired. The Chair now recognizes the gentleman from North Carolina, Mr. Bishop, for 5 minutes of questioning.

Mr. BISHOP. Thank you, Mr. Chairman. Mr. Blazakis, is that how you say it or Blazakis?

Mr. BLAZAKIS. Potato, potato. My grandmother will say Blazakis, I say Blazakis.

Mr. BISHOP. Blazakis. Thank you, sir. One point that you've made—you know, it is interesting, as I've listened to the witnesses, I think it sounds like a very tough—to crack. Now I understand this FTO designation thing has been out there for a while. I hope I come to that with you, Mr. Blazakis. But I want to first get at the last thing Mr. Magaziner was referring to and you have in your testimony, that the sentence says that you are to report information from Mexican authorities that—I don't know whether they are reliable or not—I can't tell from without further looking at it, but found that approximately 70 to 90 percent of guns found in criminal investigations are linked to the United States. In your next sentence: This figure tells us that the availability and accessibility of guns within the United States renders their feasible illicit transfer.

So I want to make sure I understand this. So are you saying just the fact that we have broad second amendment rights and Americans have, I have got a Glock 19, is that—I mean, we can't stop Mexican drug cartels because of that?

Mr. BLAZAKIS. That's certainly one component of it. There is no questioning that there are illegal weapons—weapons illegally being moved, and individuals may be purchasing these weapons legally in the United States. So there is a significant access to the weapons. There's no secret about that.

Mr. BISHOP. There certainly is access to guns in the United States. It's Constitutionally protected. The question now that I have for you. What are you saying then should be done about that? I mean, I didn't think it was a great idea when the Obama administration ran guns in the United States. I remember that big controversy. I wasn't here then. So that seems dumb. I think there are ways to stop trafficking guns across the border, southward, I'm for that. So what beyond that are you saying? Do you think we just need to repeal the Second Amendment? I just want to understand what you're proposing.

Mr. BLAZAKIS. No, no, not at all. Not repeal the Second Amendment. But I think careful consideration about who should have access to the guns is particularly important, and what kinds of weapons should be accessible to the American public. I mean, we've time and again, this is a separate issue, school shootings in this country, plaguing us just as the drug epidemic is plaguing us. Access to AR-15s, automatic weapons, you know, some of these things absolutely need to be explored and taken seriously. But in addition to that, as I mentioned before, the challenge of the border, these weapons going illegally, illegally across the border, there are things that you can do short of looking at arms control-related gun laws in America that would be helpful as I mentioned to responding to Mr. Magaziner of the use of AI technology, bolstering our border officials' capabilities to look at what's going outbound. A lot of that requires intelligence as well. Who are going across the border bringing these weapons? That's a thorny issue as well Constitutionally in terms

of the investigation of Americans here. So these are quite a few issues I would explore.

Mr. BISHOP. OK. I hope I have a chance to come back to you. Mr. Urben, I was interested in looking at your model that was on the diagram and your testimony, and I found myself sort-of surprised that with all the advances made, you know, the suspicious activity reports that financial institutions do, and they do them by the ton. That the success we've had in interdicting terrorists moving money, that this is really a model. They can money launder. Chinese money brokers can money launder proceeds from illicit drug transactions in huge quantities in order to supply Chinese who want to use money in the United States. Why are we not having success in breaking that up? It's classic money laundering, isn't it?

Mr. URBEN. I mean, the cash that's here that's bought by Chinese nationals after the Chinese broker receives the proceeds, it is disconnected from the financial system.

Mr. BISHOP. Oh, it does not go through the financial system?

Mr. URBEN. It does, but it's disconnected in a way where it's not linear, where the drug proceeds are smurfed into banks or smuggles or wire transferred. The cash stays in each country or location. So it is not traditionally like it's been required wired or moved or transfer. That's what you're talking about suspicious activity reports. This is the dollars stay in the United States, the pesos stay in Mexico, and RMB stays in China.

Mr. BISHOP. I would think the source of that money in those accounts would be suspicious to a financial institution handling it. So it may be something that acquires deeper than here. I want to get one more question in or one more comment. It does seem—you mentioned WeChat, though.

Mr. URBEN. Yes.

Mr. BISHOP. So you got that social media network. There's an article in the *Wall Street Journal* that comes out today. Instagram connects vast pedophile network. I didn't get a chance to read the entire article. It's really shocking.

Ms. Ford Maldonado, you talked about, of course, child trafficking is a phenomenon that we see—sex trafficking in the United States facilitated by cartels is something we've seen that at higher levels as ever. Maybe I'll ask you, are social media networks contributing to that illegal conduct? I've been concerned about U.S. officials, agencies suppressing free speech on social media networks and have fought that. Speaking of agencies doing that, but we ought to be doing everything we can to stop illegal conduct on Instagram that's promoting pedophilia and so forth, shouldn't we?

Mr. PFLUGER. The gentleman's time has expired, but please, quickly.

Ms. FORD MALDONADO. Yes, 100 percent. I think there's a lot of social media platforms that are very responsible for what's going on. We've also done a lot of search on social media platforms being used to recruit people to take place in trafficking and smuggling and all of the illegal activities.

Mr. PFLUGER. The gentleman's time has expired. The Chair now recognizes the gentleman from New York, Mr. Goldman.

Mr. GOLDMAN. Thank you, Mr. Chairman. I thank our witnesses for being here today. I want to follow up on a line of questioning

that my colleague, Mr. Bishop, was asking, because my experience as a prosecutor of Transnational Criminal Organizations makes it pretty clear to me that these organizations need some mechanism to maintain their power and their authority.

Mr. Blazakis, when you were in your opening testimony, you talked a fair bit about that mechanism being assault weapons. I believe you say based on your research, which I've also seen, that approximately 70 to 90 percent of guns found during—by Mexican authorities during criminal investigations are linked back to the United States. Are you aware of how many legitimate gun stores there are in Mexico?

Mr. BLAZAKIS. I'm unaware, no.

Mr. GOLDMAN. One.

Mr. BLAZAKIS. Very little.

Mr. GOLDMAN. One. So there are nearly 500,000 guns that go across the border from the United States to Mexico illegally as you point out.

Mr. Urben, I am grateful for your service in the DEA with whom I worked with many of your colleagues. What impact do you think that the cartels having access to assault weapons and other weapons of war has on their ability to control the border, to control human smuggling, to control the opioid and Fentanyl trade?

Mr. URBEN. Well, certainly, the access of weapons by the cartels is a paramilitary organization, many of them are former members of the Mexican military, enables them to impose themselves in violence throughout the country and to determine how they want to smuggle drugs across the border. So the weapons obviously facilitate that.

Mr. GOLDMAN. Right. Without those weapons of war to maintain that control at the border, is it your experience—or based on your experience, would you believe that the Mexican government with support from the United States and other countries would be able to curtail the authority and power of the cartels?

Mr. URBEN. Is it concerns just weapons or in general, a joint partnership or relationship?

Mr. GOLDMAN. Well, right, I'm trying to understand the impact of this influx of assault weapons from the United States to Mexico, especially to the cartels, how that impacts the Mexican government's ability to crack down on the cartels as well.

Mr. URBEN. Sure. Them being well-armed makes it difficult to control them.

Mr. GOLDMAN. Would you say—and I'll turn to Ms. Ford Maldonado—you know, the Executive Order signed by the President in 2021 lays out Executive Order 14060 in December 2021 lays out objectives and mechanisms to fight these cartels and to fight the Fentanyl trafficking. What's your sense of how that has been implemented and whether that has had a material impact on the cartels across the border?

Ms. FORD MALDONADO. I think unfortunately the situation that we're seeing at the border is only getting worse and worse. So something new needs to happen, and we need to address the new problems that we're facing. I believe that every option should be on the table to fight these cartels. Because they're not a small threat anymore. I think they're the largest criminal threat to the United

States right now, and I think we should have every option on the table. Right now, I mean, we have a very strong robust military. They're employed in different missions around the world, which is honestly necessary. But our governance is threatened because we are not using the full force and weight of the United States to protect our own border and fight those that are coming in and basically declaring war against Americans. So we should be—

Mr. GOLDMAN. Well, I do think that, you know, one of the things that we are talking about here—and I'm sorry to interrupt you, I'm about out of time—you know, to the extent that my colleagues on the other side talk a lot about the control that the cartels have over the Fentanyl trade, over human smuggling, we have to look at this outflow of American-made guns to the Mexican cartels, which give them the control at the border and the power to oversee these trafficking networks. With that, I yield back.

Mr. PFLUGER. The gentleman's time has expired. The Chair now recognizes the gentleman from New York, Mr. D'Esposito.

Mr. D'ESPOSITO. Thank you, Mr. Chairman. Thank you to the panel for being here this afternoon sharing your time with us. Since the Biden administration's taken office, encounters at our Southwest Border have hit record numbers. The latest statistics of monthly border encounters on our Southwest Border show that the number of encounters is 10 times more than they were in 2020. To reach across our Southwest Border, illegal immigrants often rely on smugglers and cartels working for TCOs. The FAA recently signed off on plans to open a migrant shelter in a warehouse at JFK International Airport, just blocks from my Congressional district.

Ms. Ford Maldonado, what sort of risks are associated with housing unvetted migrants at a major international airport?

Ms. FORD MALDONADO. I can tell you that the problem is no longer just people coming in and looking for a better life. I have a stat right here. In the last 26 months, we've seen 6 million total encounters from 171 different countries, and we've had 1.7 million total gotaways. So we don't even know what threats they're posing to our country.

But I can tell you that it's not a victimless crime, right? The immigration that's going on, it's coming in. It's taking away from our resources that should be used to defend our country from all of these threats coming in.

In just the first 26 months of this administration, CBP has apprehended over 80,000 criminals at the border with the very few resources that are at the border right now. What's especially scary about that is 90 percent of our border resources aren't even on the front lines.

So I think that, among the 80,000 criminals, if you think about it, there were murderers. There were rapists, pedophiles, gang members. There's even a term, "angel families," for all the people that have lost their sons, their daughters, their family members to crime coming in from illegal immigration because we don't have control over our borders.

So I think—I think it's a massive threat. I think we need to get it into control. I think we've handed complete operational control at the border to the cartels, and we have no idea what else is coming in.



Mr. D'ESPOSITO. I agree. You know, not only is it a failure of the administration; it's a failure of our Secretary of Homeland Security. It's a failure of the American people, but it's also a failure of those seeking the American dream.

I've always said that I support people coming into this country but coming through the front door. Nobody comes to this country for a better way of life because they want to be stored in a vacant building at JFK Airport.

TCOs are decentralized and depend on multiple illicit businesses' support from adversarial and lawless nation-states and work together with other TCOs. Human traffickers use new technology such as cryptocurrencies to hide and obscure payments while trafficking these humans coming across our Southern Border.

The first question is, what techniques have law enforcement used to keep up with the evolving networks and techniques that are employed to traffic humans covertly? I'll leave that to anybody.

Mr. BLAZAKIS. I'll take that question.

I think the Department of Justice Federal investigators have done an excellent job charting the cryptocurrency flows, whether it's Bitcoin, Ethereum, you name the crypto. The Government has worked with groups like Chainalysis in the private sector and Ciphertrace amongst others to be able to track cryptocurrency.

Cryptocurrency is not anonymous. It's pseudonymous. There is a great capability that exists within the Government to track crypto as a general matter. We have seen billions of assets frozen of transnational groups who have thought that they were able to have secure transactions via crypto, and they've lost those forfeited funds to the United States.

So we are doing some good work in the crypto space. Great technology being leveraged by Department of Justice in conjunction with the law enforcement community and the private sector in this space.

Mr. D'ESPOSITO. Thank you.

Mr. Chairman, I yield back.

Mr. PFLUGER. The gentleman yields.

The Chair now recognizes the gentleman from Arizona, Mr. Crane, for 5 minutes of questioning.

Mr. CRANE. Thank you, Mr. Chairman. Thank you guys for coming. I appreciate you all being here.

I am going to start with Mr. Urben. Sir, why do you think—why do you think the cartels purchase chemicals necessary for the production of Fentanyl from China?

Mr. URBEN. There's obviously a budding relationship there, and there's an ease to get them, as well as there's a tremendous amount of chemical companies in China that produce the precursors that they need.

Mr. CRANE. That's a pretty long trip from China to Mexico, isn't it, sir? Doesn't that increase costs, shipment costs?

Mr. URBEN. Sure. It certainly would increase shipping costs. But, again, it's obvious that they are successful in acquiring the precursors from China, so they continue to do it.

Mr. CRANE. Thank you.

In a Communist-run country like China, you would think that they would be able to crack down if they wanted to on the supply

that's coming over and killing so many Americans. Would you agree with that? Or maybe do a better job of cracking down?

Mr. URBEN. I believe they can, yes.

Mr. CRANE. Sir, have you ever read the book "Unrestricted Warfare"?

Mr. URBEN. I have.

Mr. CRANE. What about anybody else on the panel?

Mr. Farah, have you read "Unrestricted Warfare"?

Ms. Maldonado.

Ms. FORD MALDONADO. No.

Mr. CRANE. Sir on the end?

It was written and published in 1999, authored by two PLA senior colonels, and it talks about China's plan to, you know, dominate and take out the United States of America using economic warfare, cyber warfare, elite capture, corporate espionage, intellectual property theft, asymmetric warfare on almost every aspect of our social, economic, and political life. Basically, take out the United States of America without firing a shot, if possible.

Does that sound—does that sound familiar to anybody on the panel?

Does that sound like something you're seeing in the headlines, Mr. Urben?

Mr. URBEN. I mean, certainly, they are finding ways to undermine various aspects of our country. In terms of my investigative efforts when I was with DEA, those investigative efforts took place outside of mainland China.

Mr. CRANE. Now, obviously this is a Homeland Security Committee, and we're talking about border security.

Reading that list and just knowing a little bit about the Chinese Communist Party, do you think it's feasible that they might use Fentanyl and the ingredients for deadly drugs to kill our own citizens?

Mr. URBEN. Again, in terms of my investigative efforts, I did not tie it back to mainland China and the CCP.

In terms of the question itself, is it feasible?

Mr. CRANE. Yes.

Mr. URBEN. I guess it is feasible.

Mr. CRANE. But you would acknowledge that ingredients are coming from China, right?

Mr. URBEN. Oh, I certainly—they are coming—precursor chemicals are coming from China to Mexico.

Mr. CRANE. OK. Thank you.

Ms. Maldonado, you were talking about the cartels—how effective they are, how powerful they've become. I think we can all acknowledge that. But I want to ask you a question.

Do you think that that's what initiated this surge that we're seeing on the Southern Border? What do you think the cause of what we're seeing on the Southern Border—what do you think initiated that surge that we're seeing right now?

Ms. FORD MALDONADO. The surge of immigrants?

Mr. CRANE. Yes.

Ms. FORD MALDONADO. I think it's a lot of reasons. Actually, I was just in Juarez about 3 weeks ago on the Mexican side of the border, and I was able to talk to a lot of the migrants that were

there. I think a big part of it is they're hearing that the border is open, right?

So people are traveling—I mean, there was people there that traveled 8,000 miles with no water, no medical care because they're hearing that the border is open. They're hearing that their family members, their friends got in. That's what's taking them straight into the hands of the cartels. So I think a lot of it is word of mouth.

Mr. CRANE. Yep.

Ms. FORD MALDONADO. They're hearing that there's an open invitation to come into the United States. Unfortunately, they're having to make it through incredibly difficult and horrendous circumstances to try and get here.

Mr. CRANE. Yes, ma'am. Do you think something that might contribute to that is when the future President of the United States says in a 2019 Democratic primary debate, "The United States is a country that tells people struggling under oppression or poor conditions," quote, "you should come"? "They deserve to be heard. That's who we are. We are a Nation that says you want to flee and you're fleeing oppression, you should come"?

Do you think that that's something that might initiate some of the surge that we're seeing?

Ms. FORD MALDONADO. I think absolutely. I think that that's what we're seeing happen. It hasn't always been the same problem that it is now. It's a problem that's continuously increasing, and it's being orchestrated by the cartels because they're making more money than ever.

But I think that a different policy would have different results, and that's why we need to look at new avenues that haven't been thought of before.

Mr. CRANE. I agree. I also think we should go back to some of the policies that were working in the past.

My time is up. I yield back. Thank you, Mr. Chairman.

Mr. PFLUGER. Thank you. The gentleman's time has expired.

We will now enter a second round of questioning and do the same process between Republicans and Democrats for 5 minutes.

I'd like to highlight the fact that I think I finally agree with one of my colleagues on the control of the border. When my colleague from New York mentioned that the cartels do in fact have control of the border, I do agree with that statement. They do have control of the border.

I'd also like to remind my colleagues on the other side of the aisle that Operation Fast and Furious under the Obama-Biden administration put hundreds of thousands of weapons into Mexico. One of those—two of those weapons actually were found at the crime scene where U.S. Border Patrol Agent Brian Terry was murdered.

So maybe this narrative that we need to turn our Border Patrol northward to protect Mexico from U.S. weapons—maybe we should just take a deep breath and protect the United States from the illegal and illicit activities that are entering our country.

I'd like to focus your attention on this chart. On the bottom rung is the year 2020, and then it goes 2021, 2022, and 2023. These are in pounds of drugs—illicit drug seizure by weight every single year from 2020 in red, to 2021 in gray, 2022 in blue.

Mr. Urben, with your 25-plus years in DEA, why do we see a doubling, tripling of the amount of drug seizures here in the United States that are coming from Mexico? I mean, is it—are these—is this success here, or is this actually an indicator of failed policies?

Mr. URBEN. Well, I mean, I'm not going to comment on the policy aspect in terms of—it's obviously an indication of more drugs coming across the border and more seizures. That's the way I look at it. So, to some degree, there is some success there if you're seizing the drugs.

With the amount of drugs coming over and the amount of deaths associated with overdoses or murder for taking, you know, pills that are laced with Fentanyl, that's not success.

Mr. PFLUGER. That's not success. I agree.

So what are the policies that need to be implemented to prevent the hundreds of thousands of deaths?

Mr. URBEN. It's obviously a broad question. I think the first component to that is there needs to be a joint cooperative relationship with Mexico in some way where you can action law enforcement or the military down there against the cartels. For us to disrupt the Mexican cartels, we have to start down there. That's, again, a broad issue. It's a State Department issue. It's a negotiated issue. But that's something that would have to happen to disrupt their capabilities.

In terms of the homeland, I think—again, what I talked about earlier was data, right? We need data analytics to leverage data for insight for law enforcement against the Mexican cartels and Chinese money launderers.

Mr. PFLUGER. You know, you have all mentioned working with the Mexican Government.

Mr. FARAH, do you see this administration doing anything to have accountability or relationships with the Mexican Government to push back?

Mr. FARAH. I think the relationship with Mexico as well as Colombia and many other countries is much more fraught than it was previously. I think we have fewer and fewer interlocutors that can be trusted that we can deal with.

I think—as I talked about the criminalized state structure emerging as different governments—and I think the AMLO government in Mexico is certainly moving this direction—they become more aligned on a strategic level with cartels than with United States and other groups, as I think Colombia will do under President Petro and as we've seen in Venezuela and as we've seen in Nicaragua.

You're facing an outlook where you have fewer levers because we have, over time, allowed those relationships—and I'm not saying—I think it goes back a decade at least—those relationships to deteriorate, and we have not been successful in engaging in on-going training because those—the units we train and work with are consistently dismantled. When different governments come in, they are more aligned with the criminal groups.

So you have well-trained, well-meaning people that are then dispersed to the wind. I think that that has made it more and more difficult over time to engage people who want to talk with us be-

cause they're not going to last in their own structures and for us to have people we can talk to down there.

Mr. PFLUGER. Thank you.

I look at one of the agreements that we had from 2016—or really 2017 to 2020—and that was migrant protection protocols, MPP, otherwise known as Remain in Mexico. I can't help but draw a distinction between the numbers that we're seeing here in 2020 in a policy like that that does limit the amount of malign activity that a cartel can do, that they can use people.

I have been to the border a dozen times. I've seen the destruction. I've seen what Ms. Ford Maldonado has described. The assaults, the sexual assaults, the amount of money that they're charging.

Ms. Ford Maldonado, what do you think about reinstatement and an actual implementation from this administration of MPP, Remain in Mexico? Would that have an effect on the amount of drugs that we're seeing come into this country?

Ms. FORD MALDONADO. I think it's possible. I think it would definitely have an effect on what's happening at the border. I think we also need to explore new avenues as to how we can secure the border and how we can stop the inhumane things that are happening.

You were just saying, we've also heard stories from Border Patrol who have interviewed little girls who were raped multiple times on their journey to Mexico. Little girls that came across with the morning-after pill because their parents sent them across expecting them to be assaulted on their journey.

So I think something needs to be done, not just because of what's happening at the border but what's happening beyond the border. I mean, Fentanyl is affecting absolutely everyone. I think that the most recent numbers we've seen is 107,000 people that were killed in the year ending in January 2022. That's 9,000 people every 30 days. That is the equivalent of a fully loaded 747 crashing into a mountain every single day of people that are dying because of this.

Mr. PFLUGER. It's tragic. Thank you for your testimony. My time has expired.

I recognize the gentleman from Rhode Island, Mr. Magaziner.

Mr. MAGAZINER. Thank you, Chairman. I have to—I wish that some of our colleagues were still here.

On this discussion about guns illegally trafficked across the Southern Border to the cartels, there are solutions here. They don't need to be partisan solutions. I wish our colleagues were here for this conversation.

But, you know, listen. I know that our colleagues across the aisle are not going to support an assault weapons ban. They're not going to support a high-capacity magazine ban. I support those things. They don't. Fine. Leave that conversation for another day.

As Mr. Blazakis said, the issue here is firearms often being purchased legally and then trafficked to the cartels illegally. There are things that we can do to crack down on that, like universal background checks; closing the gun show loophole so that when a gun is sold to an individual, wherever they are in whatever setting, there is a criminal background check to make sure that that firearm is not being sold to somebody with a record that suggests that they can't be trusted with it.

I have introduced a bill—or I'm introducing a bill soon to stiffen penalties for dealers that fail to conduct background checks that they are legally required to conduct. Because, unfortunately, right now, under our current laws—and this is not the vast majority of gun shop owners, most of whom follow the law and do the right thing—but those that don't, when they knowingly fail to perform a background check, get a slap on the wrist over and over again.

So there are things that are common sense that ought to be bipartisan that we ought to do, and we cannot minimize the fact that the source of the power of these TCOs, of these cartels, is their ability to inflict acts of violence on people because they are heavily armed, and that is part of the equation.

I also want to build off of something that Ms. Ford said correctly when she was asked—correctly, I believe. Why are people coming here? The obvious answer is, well, because they think they'll have an easy time getting across. One of the reasons that they think they have an easy time getting across is because the cartels and the traffickers are lying to them and telling them that U.S. asylum laws will let anybody come across; you'll have an easy time getting asylum, getting a green card, whatever the case may be.

So, again, one of the remedies to this is, let people apply for asylum at U.S. consulates or from their home countries so that they can see whether they are eligible or not. When people see themselves that they're not eligible, they'll be less likely to believe the lies that the cartels are telling them and make that dangerous, often deadly journey.

So, again, there are things here that ought to be common-sense, bipartisan solutions, and I do hope that—

Mr. PFLUGER. Will the gentleman yield? I'll give you additional time.

Mr. MAGAZINER. Sure.

Mr. PFLUGER. Is that not currently happening where you can apply for asylum at U.S. consulates? Is that not the standard protocol?

Mr. MAGAZINER. My understanding is that the legislation that the House just passed restricts the ability of people to use the CBP One app to get applications to have their asylum claims considered, that the number of places in other countries where people can apply for asylum in person is limited.

Again, I think, under the current administration, some of those policies are changing. I think that's a positive thing. But I do think that needs to be part of the conversation. We need to make it harder for the cartels to lie to people about their eligibility.

Mr. PFLUGER. Yes. I just think we need to check that—you know, the specificity of that particular asylum—when you're seeking asylum and doing it in another country, I think it is pretty much standard protocol that that happens, and I'm not sure that the law has been changed to reflect any difference.

You still have 2 minutes left. So I yield back.

Mr. MAGAZINER. Thank you. All right. Switching gears here.

We've focused most of our attention today on Mexican, Central American, and South American TCOs, and rightfully so because I think we are all in agreement that those are the TCOs that pose the most immediate risks to the homeland and to our citizens.

But there are other groups out there, some of which are operating in the United States that are dangerous, and I believe Mr. Farah and others have mentioned them. ISIS, the Iranian transnational network.

Can we just—and I'll open it up to any of you with my last couple minutes here. Would anyone like to spend a little bit more time highlighting the risks posed by some of those organizations and what we, as policy makers, should do to crack down on them?

Mr. FARAH. I think one of the real issues that we're seeing across the region is not just the traditional like Hezbollah threat network, Iranian threat network. It's—the Albanian mafia is now there. There are multiple parts of the Italian mafia structure now plugged in.

Because the market is—the cocaine market is shifting while our synthetic market here is rising. So the cocaine market in Europe and Russia and the former Soviet republics is much more lucrative than it is in the United States. Our cocaine consumption has been down while our synthetic consumption has been way up.

So I think that there are numerous new types of violence being introduced, numerous new types of money laundering being introduced. Numerous new types of trafficking structures are being introduced. It introduced these groups that have been in this hemisphere to a whole new set of African, European, Asian, and former Soviet republic structures that allow everyone to make a lot more money and make it much more difficult for us to crack down.

There's one case I'm sure Mr. Urben is familiar with. The case of the Gayane, which is a ship that ended up being busted in Philadelphia with 17 tons. That was—those are Eastern European crews, loading off the coast of Chile, passing through with a different group that switched—that loaded the cocaine in the Panama Canal and moved to Philadelphia. It was all external actors in a 17-ton cocaine shipment, which was busted almost by luck in Philadelphia. So I think that's the issue.

Mr. MAGAZINER. Would anyone else like to weigh in on any other TCOs that we should be focused on as well as a committee? Again, ISIS, Iran.

Mr. Blazakis.

Mr. BLAZAKIS. I'll just say, on the ISIS front, I think it's particularly important that we keep our eye on Afghanistan. We've had multiple senior officials within the Biden administration speak with great alarm regarding a possible resurgence of the so-called ISIS Khorasan Province in Afghanistan, so much to the point where the administration said that they worry about that group having the external operations capability within 6 months. That statement was from a senior Department of Defense official about 3 months ago.

I think it's particularly important that we continue to invest some level of resources as it relates to tracking ISIS Khorasan in Afghanistan, especially.

Mr. MAGAZINER. Thank you all.

Mr. PFLUGER. The gentleman's time has expired.

The Chair now recognizes the gentlelady from Nevada, Ms. Titus, for her questioning.

Ms. TITUS. Thank you very much.

I'd like to talk about an issue that maybe many people don't think of as connected to homeland security, but it's becoming more and more entwined with some of the issues that we have internationally. It's affecting major metropolitan areas, especially in a district like mine, which is Las Vegas. That's organized retail crime.

We've seen that it involves targeted, large-scale organized theft. It's run through international criminal networks. I think the Department of Homeland Security Investigations Unit issued a report saying the average American family will pay more than \$500 annually in additional cost due to the impact of organized retail crime, which has been used to finance on-going illicit operations like human trafficking and drug trafficking.

There was another DHS report that noted organized retail crime is leading to more brazen, more violent attacks in retail stores throughout the country, and many of the criminal rings orchestrating these thefts are also involved in other serious activities.

So I wonder—it's an incredibly complex issue, but should—can you make some suggestions of how we can better address it with more interaction among—across Government agencies or with different levels of government? Anybody?

Mr. URBEN. I mean, the first thing you'd want to do is prioritize it and put funding into that and have a local, State, and Federal response set up a task force to do—whether it be undercover operations to engage—you know, they're going to sell these products after they steal them.

Ms. TITUS. Right.

Mr. URBEN. There's a process associated with this, and they're doing it continually again and again and again.

The other component is if you could intercept their electronic communications. Obviously, if it's an international or a sophisticated organized crime group, they're communicating amongst other members. So I think that's the first thing.

I also think a deterrent—however you want to work with the private sector—to have a deterrent at that store, at that location, so it's not as easy to steal the goods.

Ms. TITUS. That was going to be my question.

Do you think a Federal task force would be something that would be useful in the Department of Homeland Security?

Mr. URBEN. On this specific topic? Yes. I do think the more sophisticated actors that are operating beyond State—from State to State doing—multiple States—I think a Federal task force would be the answer. Again, encompassing State and local resources and expertise.

Ms. TITUS. I've got a bill that's bicameral and bipartisan called Combating Organized Retail Crime to give more resources to Homeland Security to go after this. So we should look at having a task force as part of those resources.

Mr. URBEN. I've had task forces that I've supervised, and if you have proper leadership and resources, they can do amazing things. So I think the threat that you're discussing and you're talking about—that would be a solution with properly—properly resourced up.

Ms. TITUS. Thank you.



We could look at that, Mr. Chairman, Mr. Ranking Member.

Anybody else want to comment on that? I mean, they're stealing everything from eyelashes to power saws, you know, and reselling it, and then that money goes into other nefarious operations.

Well, let me ask you another question. This goes back to Mr. Goldman's talk about guns and—U.S. guns go to Mexico, and that's where they are used in the involvement of a lot of crime.

Mr. Blazakis, could you address how we could work better with Mexico to address this issue?

Mr. BLAZAKIS. So one of the most important things that we need to do with the government in Mexico is engage with them as it relates to implementing the bicentennial framework that was put in place by the Biden administration in agreement with the Mexican government.

On this front, it's still early days. But, in particular, there are three pillars where I think it's particularly important to spend our time. That is in the area of jointly working on a challenge of public health-related issues, which obviously is an impact that comes from the cartel work.

Doing more in the area of shoring up the border, particular in the context of using technology. I'm not a believer of building walls and moats. I think that's—you know, from times in the past, it didn't help the Chinese particularly when it comes to the creation of the Great Wall of China. It's certainly not going to work in the contemporaneous time that we live in today.

There's a cyber component to this that we have to explore to pursue these criminal networks as well, and I think the bicentennial framework is an important place to do this work.

But we can't alienate the Mexican government. I do think we run the risk of doing so if we consider certain other kinds of policy options, whether it's the FTO designation of the cartels, whether it's the use of authorized military force against cartel members across the border.

I think these things will push AMLO into the arms of our economic adversaries like China, our ideological enemies like Iran, and our military foes like the Russian Federation.

Ms. TITUS. Thank you.

Thank you, Mr. Chairman.

Mr. PFLUGER. The gentlelady's time has expired.

I'd like to thank the witnesses for your valuable testimony and for Members on this committee for your questions.

Just to close with a couple of thoughts, I mean, I think you heard Members on both sides of the aisle asking very similar questions. We may disagree on a couple of tactical points, but on the strategic problem that we have right now, the fact that Fentanyl—the trafficking of the opioids, the problem that we see in the United States is massive, and it's tragic.

I hope that, as a result of this hearing, what we will see is a push—not just in a bipartisan way but more in a whole-of-Government way, that we take your testimony, that we take your answers and your experience professionally, and that we're able to push this into action.

Because—on a point of personal privilege, my 12-year-old daughter was here listening to this. I have a classmate from the Air

Force Academy here with his daughter. I see many young people in the audience here today. The reason that we're having this hearing is to preserve the next generation from being inundated with—whether it's Fentanyl or other opioids crime or whatever else it may be.

I hope that the work on this subcommittee will really get at the heart of this, that our country can come together in a way that we can lower those numbers. Whatever the cause may be, this is not and should not be a partisan solution. It should be a bipartisan, bicameral—as Ms. Titus mentioned in her bill—solution to get after this and to see our communities safe.

The Members of the subcommittee may have additional questions for the witnesses, and we would appreciate and ask the witnesses to respond to these in writing. Pursuant to the committee rule VII(D), the hearing record will be open for the next 10 days.

Without objection, this subcommittee stands adjourned.

[Whereupon, at 3:33 p.m., the subcommittee was adjourned.]

