

NATURAL RESOURCES AND TRANSNATIONAL ORGANIZED CRIME

Testimony to the House Subcommittee on National Security, International Development, and Monetary Policy.

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Vice Chair Gottheimer, Ranking Member Barr, and members of the Subcommittee: It is an honor to be here today before you to discuss resource crime and its intersection with organized crime.

My name is Kathleen Miles, and I am the Director of Analysis of CINTOC, the Center on Illicit Networks and Transnational Organized Crime, and the CEO of Ex Arca, an information company that tracks money and influence in politics. At both CINTOC and Ex Arca, I work on uncovering how various illicit networks generate revenue. At CINTOC, I have led projects in Southern and Eastern Africa on wildlife trafficking and its intersection with other serious organized crime such as drug and human trafficking. Prior to my work at CINTOC, I worked for Booz Allen Hamilton supporting the US Intelligence Community in countering threat finance and financial operations and during that time I worked on the Afghan Threat Finance Cell.

Over many years working at the nexus of illicit finance and organized crime, I have come to the following conclusion -- any time we talk about illicit and illegal commodities and organized criminal groups, we are really discussing the ability of these networks to create, launder, and utilize wealth. Whether we are discussing the Taliban's profits from heroin or Hezbollah's ties to timber trafficking, the root of the issue is the ability of the illicit organization to earn money to fund its operations.

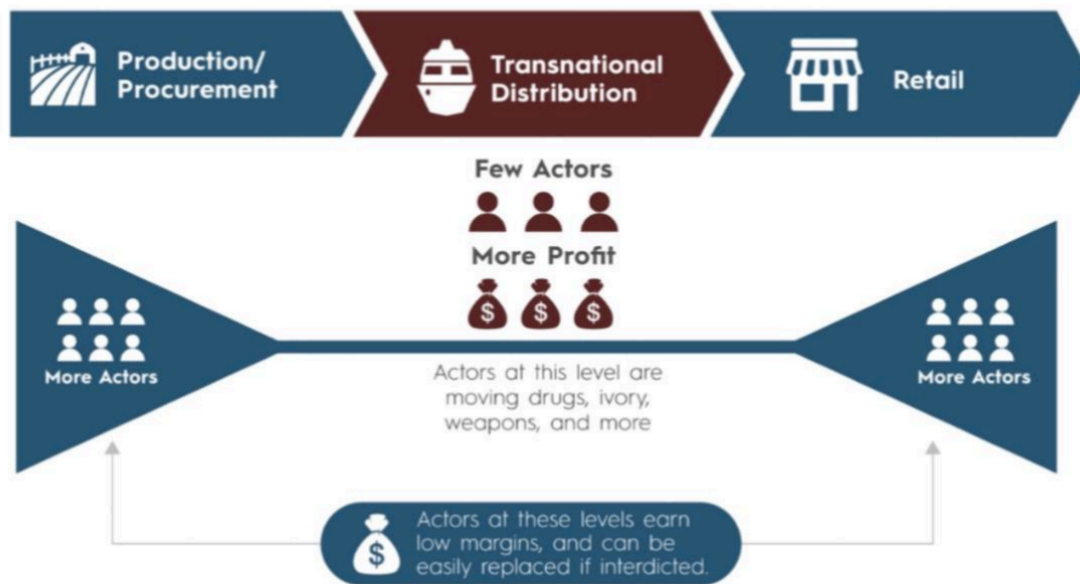
Today, I am going to discuss three topics: 1. CINTOC's Martini Glass Model for understanding criminal supply chains, 2. natural resource trafficking and why illicit actors increasingly exploit this lucrative crime sector, and 3. solutions going forward.

At CINTOC, we developed the Martini Glass Model (submitted below) to demonstrate how illicit supply chains operate. As a whole, we have discovered that criminal supply chains are commodity agnostic. In other words, they operate the same way whether they are moving timber, drugs, people, or counterfeit electronics. Additionally, illicit organizations function the same as commercial firms, they are constantly working to maximize competitive advantage and profits.

The Martini Glass model breaks down the criminal supply chain into three basic steps:

1. At the wide end of the glass we have **production**, where raw materials are cultivated or produced,
2. At the stem of the glass we have **distribution**, where goods are shipped transnationally, and
3. At the wide base of the glass we have **retail**, where goods are sold to consumers

The Martini Glass Model of Criminal Supply Chains



For our purposes today, I am going to focus on the stem of the martini glass or the distribution sector, which is typically where my research has documented activity involving transnational illicit networks including Lebanese Hezbollah and Chinese Triads. In the distribution part of the supply chain, we observe functional experts skilled at moving goods and laundering money collaborating to transport illicit goods across countries and continents. These functional experts are typically non-political. They are members of organized crime networks and do not care about the commodity they are moving. Rather these experts “own” corrupted pathways that enable them to move any type of illicit good from the source location to market.

For example, in 2015, I had the pleasure of supporting the Drug Enforcement Agency (DEA) in the extradition of the Akasha Network. The network was made up of four key individuals, who were extradited for attempting to ship 99 kilos of Afghan heroin from Kenya to New York. They were recorded offering everything from ivory to rare minerals in addition to the drugs for which they were ultimately prosecuted and sentenced. The Akasha Network is a transnational organized crime syndicate facilitating illicit goods getting to markets and creating wealth for not only the Akasha family, but in the case of the heroin they were moving, also for the Afghan Taliban.

Natural resource crime allows illicit networks to reduce risk, while keeping profits high. They are less likely to get caught, and if they do will face lower penalties, than compared to other serious crimes like drug and human trafficking. Also, criminal organizations, like commercial investors, want to diversify their sources of income. In a 2016 investigation in Tanzania, I was



tracking the network of a high-profile Iranian operative and businessman. This individual and his network operated front companies that provided cover for drugs coming into Africa and ivory shipments leaving the continent. He bought political influence through bribery in Tanzania and used corrupt politicians to secure mining rights for companies of his choosing for uranium and gold. Specifically, this individual and his network helped to facilitate uranium mining rights for Russian companies. We assessed this individual to earn more money and that he was a greater threat to US national security by helping to facilitate mining rights, than the drugs he was also trafficking.

Natural resources create a particularly difficult problem for law enforcement. At the most basic level, a major problem is simply a lack of knowledge and ability to identify which shipments are legal and which are not. While illicit drugs such as cocaine and heroin are high priorities for law enforcement who receive requisite training, access to experts, and specialized education, their understanding of natural resource trafficking is spotty and inconsistent, even in cases when these resources are worth more than drugs on the illicit market.

For example, most law enforcement are trained to identify and handle illicit drugs. Relatively few police officers and customs officials are trained to know the difference between a rare soft wood and Monkey puzzle wood, an endangered wood from South America, or between elephant ivory and other similar looking items like hippo teeth. This lack of consistent training and attention means that valuable resources literally hide in plain sight.

Since these resources can hide in plain sight, they can also be commingled with other assets, which is another way that criminals wash dirty money. A few years ago, I was lucky enough to have a conversation with the lead DEA analyst in the landmark Lebanese Canadian Bank (LCB) case. In this case, DEA agents and analysts pieced together how Hezbollah utilized secondhand car exports from the US to West Africa to launder drug proceeds back to Lebanon. The case was ground-breaking, illuminating a complex trade-based money laundering scheme. Yet, it was not as comprehensive as it could have been. That same analyst noted the presence of timber shipments from the same West African network. But because the DEA team had limited time, resources, and importantly, did not have a timber expert on the team, it elected not to pursue the timber shipments. If we want to thwart illicit finance, we need to take a more holistic look at the business enterprise of the target network, and not leave money on the table.

If you remember one thing I have said today, please let it be this: transnational criminal organizations operate like any other import-export business. Their focus is on moving products from one place to another as efficiently as possible, but they don't just move one commodity.

However, our law enforcement system is organized by commodity: from the Drug Enforcement Agency to the Bureau of Alcohol, Tobacco, Firearms and Explosives to the Fish and Wildlife Service, enforcement officials are siloed, both in terms of their authorities and their expertise, by commodity. In order to become more efficient, our law enforcement teams ought to work to understand the entire range of goods smuggled by each network they target, and then work to disrupt the systems that enable that network. To actively effect change, we need members of the national security community and federal law enforcement to look for specific points of convergence where they can have the most impact – i.e. breaking the stem of the martini glass.



Second, we also need to address the systems that facilitate organized crime activity. One key area I want to highlight is the role social media plays in facilitating organized crime.

CINTOC's research has uncovered organized crime groups using Facebook to market and sell illegally-sourced timber, elephant ivory, and even plots of land in the rainforest. This is just the tip of the iceberg. There are dozens of other groups engaged in resource crimes operating on Facebook, Instagram, and other platforms. Social media platforms provide a space for organized criminals to meet, market, and sell goods that is global, ungoverned and largely anonymous.

As Congress debates how to reform the laws governing cyberspace, I implore you to consider reforms to Section 230 of the Communications Act that would remove the liability shield for tech platforms that host and enable criminal commerce. This cannot wait. We are already seeing how wildlife markets on social media platforms are accelerating the extinction risks of iconic and endangered species.

CINTOC and our partners at the Alliance to Counter Crime Online recommend:

- Stripping immunities for hosting terror and serious crime content;
- Putting the onus on tech firms to monitor their platforms;
- Regulating that firms must report crime and terror activity, along with full data about the users who uploaded it, to law enforcement;
- Appropriating resources to law enforcement to contend with this data.

Distinguished committee members, if it is illegal in real life, it should be illegal to host it online.

Thank you for inviting me to speak.

Online Resources:

How wildlife traffickers move goods online: <http://bit.ly/2Sxj5JW>

The Alliance to Counter Crime Online: <http://www.counterincrimelife.org>

The Center on Illicit Networks and Transnational Crime: <http://www.cintoc.org>

Time to Reform CDA230: <https://www.youtube.com/watch?v=HJuXYGKMH7I>

Articles and reports authored by CINTOC:

Breaking Criminal Supply Chains: <https://www.cintoc.org/congressional-testimony>

The Curse of the Shiny Object: <https://cco.ndu.edu/News/Article/1311348/the-curse-of-the-shiny-object/>