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Excerpts From

The Threat from International Organized Crime and Global Terrorism

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**House of Representatives,
Committee on International Relations,
Washington, DC.**

The Committee met, pursuant to notice, at 10 a.m. in room 2172, Rayburn House Office Building, Hon. Benjamin A. Gilman (chairman of the Committee) presiding.

Chairman GILMAN. Our Hearing today deals with an issue that is and should be of concern to our entire Nation, namely, the growing threat from global terrorism and organized crime. In fact, a new poll shows that Americans now find the prospect of nuclear terrorism among the most likely and frightening outcomes of the post-cold War era. More disturbing, three-quarters, 76 percent, of those interviewed believe that a terrorist group will use a weapon of mass destruction on American soil within the next decade.

Up until recently, most of us have viewed the problems of drug trafficking, organized crime and terrorism as issues of obvious concern, really only of marginal nature, though. In other words, drugs were only a danger to a small percentage of our citizenry; that organized crime was a menace, but restricted to car theft, gambling scams, and racketeering in larger cities. And finally, the terrorist groups were dangerous, but were usually operating in foreign countries and could only muster up an occasional suicide bomber.

Moreover, each of those problems were isolated and with little Influence or action over the other. In other words, our only challenge was for the DEA to stop heroin or cocaine shipments while en route to the United States and for the CIA to infrequently share intelligence information with other countries concerning organized crime or terrorist activities in their own country, or for the FBI to identify and arrest amateur terrorists

stumbling around with small, crudely homemade bombs searching blindly for unsuspecting targets.

We truly wish it were that simple. Regrettably, we are in something far worse. I will humbly suggest that what we are witnessing these days are three types of criminal activities: Drugs, terrorism, and organized crime, which are like three huge geological plates which are slowly starting to shift and grind together. They could ultimately produce an earthquake of unprecedented magnitude and destruction.

To be specific, all of these groups are far more sophisticated, far better financed and more disciplined than previously suspected.

Drug cartels have the ability to move literally hundreds of billions of dollars in and out of legitimate financial systems. In Colombia, for example, a few years ago several arrested members of the Medellin cartel reportedly offered to pay off the Colombian national debt if only their government would not honor its extradition treaty with the United States, which had been honored as early as 1985.

Today the Colombian Constitution has been amended and no longer permits extradition of Colombian nationals. Organized crime groups, particularly in Russia, now have almost a choke hold on the country's vast natural resources, as well as their banks and media.

Russia has been described recently by the press as a kleptocracy from top to bottom, a semicriminal State. And there are now various terrorist groups, including those being sponsored by Iran and Iraq, which are actively recruiting top nuclear scientists in their efforts to obtain nuclear weapons. And most recently, Russian General Lebed, a former national security advisor to President Yeltsin, suggested that dozens of nuclear suitcase devices are mysteriously disappearing from Russia's military arsenal and are feared out there and available on the black market. And the same threat exists from weapons using biological or chemical content.

What all of this tells us is that in the Interest of global business, these dangerous groups will soon cross a threshold of compartmentalization, will begin merging and are working jointly with one another.

Its sophisticated and highly disciplined managers view crime as an investment; indeed, an export commodity. When opportune, they will pool resources and move back and forth between legitimate and illegitimate activities, just as they are beginning to do today. This new globalized crime wave will take complete advantage of the new technologies to hide their activities, and when combined with their ability to move huge sums of money

instantly, actually threaten every free society's ability to assert financial control over its own economy.

These new global cartels can ultimately be capable of buying entire governments, commercial trade zones in emerging democracies and eventually undermining established Western markets and stable world financial commercial trading systems.

Last but not least, their ability to obtain and hide the purchase of stolen weapons, including nuclear devices, will give any major crime cartel or terrorist organization the necessary means to Power bully itself through the use of force and intimidation, something we all know is part and parcel of their natural behavior.

We have as witnesses today members of both the law enforcement community, both domestic and international, and the private sector, all of whom are exceptionally knowledgeable on both the depth of the problem and its potential solutions.

STATEMENT OF LOUIS J. FREEH DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Mr. **FREEH**. Thank you, Chairman Gilman. Good morning, Mr. Hamilton, all the other distinguished members of the panel. It is a pleasure, as always, to appear before you, and let me commend you for the timeliness of this hearing. Just in the last week, we have seen indications, repeated indications, from many different sources that the issues of global crime, particularly organized crime, as it is impacting on the United States and Americans, both now and the years to come, is becoming a huge problem with grave dangers.

Last week, Mr. Chairman, you spoke to the European Institute. In your presentation you noted that recent studies have shown that just with respect to international narcotics dealings, \$400 billion in profits is a conservative estimate of that trade, representing approximately 8 percent of the world economy.

Last week, President Yeltsin, grappling with the increasing dangers of organized crime in his country, said, and I quote from him, "With respect to organized crime, criminals have today brazenly entered the political arena and are dictating its laws, helped by corrupt officials. They can get everywhere unless the whole of society from top to bottom joins in an effort to end this scourge."

Early in the week, we also saw the publication of an outstanding study by the Center for Strategic and International Studies, Judge Webster and one of your other witnesses who will appear here today, Arnaud de Borchgrave, which again noted the imminent dangers

that organized crime pose, particularly focusing on Russian organized crime and Eastern European crime.

The size of this problem is really immense. We have, for instance, in the United States approximately 24 organized crime families, traditional La Cosa Nostra families, that we have identified, which are composed of about 2,000 active members. The Russian Ministry of the Interior has estimated that with respect to Russian organized crime groups, they number 5,000 to 8,000 groups; some 100,000 members. Thirty of those groups are active in other countries, including the United States.

In addition to the global aspects of organized crime, we also face the global aspects of terrorism. We know that, whether it is in the World Trade Center or whether it is Americans in a dormitory in Saudia Arabia, the targeting of Americans and American interests around the world have increased dramatically, and the subject and problems of terrorism are now here and confronting us on almost a daily basis.

A substantial portion of FBI cases today have foreign connections. That is a rapid departure from the tradition where most of our investigative matters included evidence, witnesses and investigations here within the United States. To deal with this problem, it is essential that we form the alliances with the police departments around the world.

In June of this year, in fact within the space of 24 hours, June 17th and June 18th, into Dulles Airport came two individuals in the custody of the FBI. One was Kansi, who, as you know, is now on trial or to be on trial for the murder of two CIA employees in Langley, Virginia. The other individual came from Canada, an individual named al-Sayegh, who was wanted and is still wanted for questioning with respect to his participation or knowledge of the bombing in Khobar, in Saudia Arabia.

Both of those individuals returning to the United States within 48 hours came here because of the FBI's ability, through its Legat program overseas and its Cooperation with foreign police authorities, to conduct investigations and project American resources to the places around the world where fugitives and criminals who would harm Americans operate and find safe harbor.

We are in the midst of a series of technological steps to increase our ability to police and investigate, in Cooperation with foreign authorities. Last week I signed an agreement with the head of the German BKA, which is their equivalent of the FBI, which establishes in their headquarters at Weisbaden an NCIC terminal, the National Criminal Information Center, where they can look at, at the same time that we look at, information with respect to stolen

cars and other files which are in our NCIC system and which 17,000 police departments in the United States have access to.

We are in the process of forming international data bases which will be used with respect to terrorism; forensic access so laboratories around the world can consult with each other immediately through telecommunications and imagery technology. Those are the things and the tools that are required for us to do our job in a global environment.

Let me just outline briefly the key elements of our Strategy and plans for International Law enforcement cooperation. The first one is the necessity to have a permanent FBI presence overseas. We have now in 32 countries, stationed in our embassies, and working under the full authority and knowledge of our ambassadors, FBI agents who are liaison officers representing the interests of the Federal Bureau of Investigation and the United States with respect to law enforcement activities.

They do not have the authority to conduct investigations or interviews on their own. They work strictly as liaison officers with the foreign counterparts, but their presence gives us the ability to assist in the crime scene in Sicily, find fugitives such as Kansi, return people to the United States, and protect Americans by preventing not just criminal acts, but acts of terrorism.

The second aspect of our initiative for international police Cooperation is the training of foreign law enforcement officers, both in basic and advanced techniques in the United States, as well as in various countries, and particularly in the context of the International Law Enforcement Academy in Budapest, which by everyone's estimation has been a remarkable success. We have trained there, over the course of the last 2 years, approximately 497 police officers from 20 countries.

The first course that those officers receive is a course in human dignity, to understand the ethics of policing in a Democracy as opposed to the traditions in many of the countries, particularly the former Soviet republics, which are represented now in that Academy.

Chairman **GILMAN**. Of course, we don't have the luxury of time as we had in past situations to combat other forms of organized crime. Is there any evidence that former KGB officials are involved in the Russian organized crime syndicates?

Mr. **FREEH**. Yes, sir, there is; both in investigations in Russia, as well as in other parts of Europe, in companies such as Nordex, which is a Vienna-based company, a multinational company. There are strong indications of former KGB officers working directly with some of these organized crime groups, and that poses an additional level of threat and

sophistication to these people.

Chairman **GILMAN**. One more question. Weapons of mass destruction like the suitcase-sized variety of the nuclear weapons former Russian General Lebed raised so much anxiety about most recently may someday fall into the hands of international terrorists. What do we know about the seriousness of that possibility that General Lebed raised and the role, if any, of international criminal elements dealing and trafficking in such weapons?

Mr. **FREEH**. That possibility is taken and has been taken with the utmost seriousness, not just by the FBI, but the Central Intelligence Agency, which, of course, runs the proliferation center for the United States. We have not seen any hard evidence of suitcase-sized nuclear devices either unaccounted for or falling into the hands of criminals or terrorists. However, the possibility and the threat of that is extremely high and something which occupies much attention not just from the criminal law enforcement point of view, but from the national security point of view. If you can buy, as we saw 2 years ago, 2.7 kilograms of weapons grade uranium or plutonium in Munich or Prague, the same channels of access for those materials could quickly or easily lead to a fully operational device.

So we have not seen any hard evidence of that, but we are taking it with the utmost seriousness.

Chairman **GILMAN**. Thank you. Referring to General Lebed's statements, we received today a letter from General Lebed. We had invited him to take part in a hearing. I will just read briefly one or two sentences from his letter and ask that it be made a part of the record. "The problems discussed at these hearings are extremely important." And then he goes on to say, "Let us assume that Russian officials' statements saying all nuclear devices are safe and fully controlled to be true. Will they be equally assuring if one says that Russian scientists who deal with technologies of production of nuclear ammunition, including compact devices, may be employed by radical regimes or may be involved in projects financed by international crime syndicates? Nowadays this threat is absolutely real."

And then he goes on to state, "Particularly concerning is the fact that Russian criminals more and more frequently use arms supplies as payment for drugs. It became known to the public that Russian and foreign criminals negotiated deals not only on small arms, mines and explosives, but `earth-air' missile installations, combat helicopters and submarines as well. One can suspect that the criminals are in a position to actually finance such deals. This also indicates the amount of funds the international drug dealers might spend on purchase of the latest weaponry. Criminal groups operate the financial resources that can be compared to national budgets of some countries. One can naturally ask, what are the

guarantees that weapons of mass destruction financed by narco-Mafia are not currently being developed somewhere in Latin America or Southeastern Asia? If we approach the issues of international security in a really responsible manner, we cannot just dismiss such questions."

STATEMENT OF GIOVANNI DE GENNARO
DEPUTY DIRECTOR, ITALIAN NATIONAL POLICE

Mr. **DE GENNARO**. I will present another view of the threat currently posed in Italy by domestic and foreign organized crime groups. And I try to provide to you some information about our legislations that we use to fight against organized crime. I will present an overview of organized crime in Italy, but I will speak in particular of the Sicilian Cosa Nostra, not only because it is the most dangerous and serious criminal organization in Italy, but also because it has traditionally been connected to LCN in the United States, as the investigation that we conducted in past time demonstrated.

Just as any criminal organization, the Sicilian Cosa Nostra bases its Power on the control it has over the territory from which it emerged, terrorizing the citizens living and working in the area. The most effective means of creating the situation of terror are still extortion, as they always have been. The reason is that while extortions are a source of illicit proceeds, they also enable the Mafioso to exert their Power of intimidation. That is their most important power.

There are also other profitable activities, such as drug trafficking, cigarette smuggling, illegal Influence over bids to tender for public contracts; thanks also to mafia-controlled enterprises.

But there is something more that makes the Sicilian Mafia so dangerous. Clashes between criminal groups belonging to the same organization to obtain control over specific areas and criminal activities has caused nearly 1,500 murders in Sicily alone over the last 15 years, about 100 a year. The government never let up its struggle against organized crime, and this prompted the Mafia's violent reaction, which increasingly involved public representatives as well.

Over a period of 20 years, from 1971, when the murder of Mr. Scaglione, chief prosecutor in Palermo, took place, to 1991, when Antonino Scopelliti, public prosecutor in the Maxi-Trial against the Mafia, was killed, over 40 people engaged in the fight against the Mafia were murdered, including law enforcement officers, magistrates and politicians.

Let me recall in particular my colleague, Boris Giuliano. He was the chief detective in Palermo. He was killed in July 1979, and he was the first Italian officer who attended the FBI Academy, and he was an example for everybody else.

In the early 1980's, however, there was the first decisive turning point in the struggle against organized crime, thanks to Judge Giovanni Falcone and his ideas. He firmly believed that it was essential to hit not just single criminals, but the whole criminal system by targeting the entire organization, rather than single crimes.

The second decisive turning point, Mr. Freeh recalled, speaking about our meeting in 1982 in Quantico, because it came about thanks to the Cooperation between Italian and U.S. investigators; the third one, because for the first time in the history of the fight against the Mafia, a high-ranking member of the Sicilian Cosa Nostra, Tommaso Buscetta, testified before Italian and U.S. judicial authorities, and he broke the Mafia strict code of silence for the first time.

As a result, the first phase of the so-called Palermo Maxi-Trial against the Sicilian Mafia involved 500 defendants; arrived to the end in 1993, with 19 life imprisonment sentences and a total of 2,665 years of imprisonment for all the defendants.

Confronted with this concrete and strict law enforcement action, for the first time the Sicilian Mafia changed its Strategy, and began to use terrorist techniques, and we spoke at that time of Mafia terrorism. They placed a bomb on a train in Naples-Milan which caused the death of 15 passengers and the wounding of another 230. It was the first terrorist attack of the Mafia against the government.

But the experience that Italian investigators had already acquired over the years, however, enabled them to promptly respond, thus immediately identifying the responsibility of the Mafia and those guilty of the crime, who were sentenced to life imprisonment.

Let me give you some numbers, because since those years, our constant efforts have become increasingly successful. Between 1983 and 1996, more than 52,000 people were reported to the judicial authorities all over Italy on Mafia-related charges, and assets for an approximated total of 7,000 billion lire were seized; 1,277 dangerous fugitives were apprehended, including the most important fugitive, Salvatore Riina, a fugitive since 20 years, the big boss of the organization.

In the early 1990's, with the final conclusion of the first Mafia Maxi-Trial, there was a new wave of Mafia terrorist attacks against the Italian Government with the obvious aim of weakening the anti-Mafia commitment.

Let me recall the attacks of 1992, when the Mafia killed the magistrates who had become the symbols of the struggle against the Cosa Nostra, Giovanni Falcone, Paolo Borsellino, their bodyguards, as well as the bombs which in 1993 damaged important artistic and religious buildings in Florence, Milan, Rome, causing the death of 10 people and the wounding of another 32. As Director Freeh recalled before, last week, we had the first sentence for those attacks, and let me thank my colleagues from the FBI for the help and the assistance that they gave us in that occasion.

To this new quality jump in Mafia attacks, however, we have countered an even more effective response, especially by updating necessary legislative and organizational instruments. In this context, the Italian Parliament enacted new laws, and even in this occasion we received strong support from the experience that we gained in the United States, because we have new law, which made it possible to, first, clearly define the role of cooperating witnesses; second, apply very strict imprisonment measures for the most dangerous of Mafia bosses; third, use undercover operations as an investigative technique to obtain evidence against major international traffickers. We didn't have this law before; and finally, entrust the Ministry of the Interior with the Power of dismissing mayors and municipal officers suspected of being involved in the Mafia. That was real important in the south of Italy.

Despite those positive achievements, in Italy we are aware that these results will not last long if we do not step up our efforts. For this reason, we are now focusing on Mafia assets in order to undermine its criminal power.

Now I try to provide you some information about a new threat that we are fighting together with FBI agents. Now we are confronted with the Russian Mafia operating in Italy, in the United States and several other countries. Extensive intelligence and investigation activities conducted over the last few years by Italian and U.S. law enforcement agencies have revealed that in 1993, Russian Mafia bosses allegedly decided to expand their activities as far as Europe and in Italy in particular; members of Russian criminal organizations called brigades have been identified in Rome and in some parts of Italy; real estate investments and huge financial transactions have been ascertained in several Italian regions; the intense tourist flow from Russia is partially run and exploited by Moscow organized crime groups to facilitate drugs and arms trafficking as well as illegal immigration; businesses dealing in furniture, wrought gold, fuels, structural steel for construction are used to launder or reinvest illegal proceeds; large sums in U.S. dollars from Russia and Switzerland have been deposited in Italian banks by Russian enterprises and nationals for short periods of time in order to carry out suspicious financial transactions amounting to several billion dollars.

A significant example of the danger posed by the Russian Mafia, who can alter standard market mechanisms, is represented by brokerage houses established to purchase huge quantities of oil in favor of companies controlled by this organization. But investigations conducted in Italy have revealed several murders committed by affiliates of these organizations. We arrested killers. We seized weapons, very dangerous weapons.

The present situation is even more challenging as, despite our combined efforts, we are faced with new, still unknown dangers whose seriousness we are well aware of.

During his recent visit to Washington, DC, the Italian Minister of the Interior stressed the need for an ever greater Cooperation between the Italian Government and the United States, especially in the fight against Russian organized crime. It is in this light that we should consider the efforts of the Italian-American working group, as well as the common Strategy against the Russian Mafia, on which the FBI and the Italian police agreed upon last July in New York. Cooperation will not be limited to intelligence, but will also have to produce concrete operational results in the very near future. And once again, we will be assisted by the FBI organizational Structure, as Mr. Freeh said before, and as it has always done in the past, the Legal Attache's Office in Rome will play a fundamental role being entrusted with prompt communications and liaison between Italian and U.S. investigators operating in their respective countries.