

CRS Report for Congress

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Transnational Organized Crime: Principal Threats and U.S. Responses

March 20, 2006

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Summary

This report examines the growing threat of transnational organized crime to U.S. national security and global stability. The end of the Cold War — along with increasing globalization beginning in the 1990s — has helped criminal organizations expand their activities and gain global reach. Criminal networks are believed to have benefitted from the weakening of certain government institutions, more open borders, and the resurgence of ethnic and regional conflicts across the former Soviet Union and many other regions. Transnational criminal organizations have also exploited expanding financial markets and rapid technological developments. In addition, terrorist networks are believed to be increasingly supporting themselves through traditional crime, and have been linked to criminal organizations. Alliances between the two groups could amplify threats to American security. Transnational criminals engage in a spectrum of illicit activities, including narcotics and arms smuggling, trafficking in persons, counterfeiting, and money laundering and other financial crimes.

The report also outlines the U.S. response to international crime. While U.S. policy is framed within the 1998 International Crime Control Strategy, it is also shaped by other more recent federal and agency plans. Agencies heading government efforts include the Departments of State, Defense, Justice, Treasury, and Homeland Security. Key federal programs and initiatives and their interagency coordination are discussed. International cooperation and agreements are vital to U.S. strategy; also, many programs seek to assist and train foreign law enforcement. Finally, this report examines likely Congressional concerns related to U.S. efforts to combat transnational crime. The report will not be updated.

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Background

Starting in the 1990s with the end of the Cold War and the advent of globalization, many criminal organizations ramped up their operations and expanded them worldwide. These organizations are believed to have been helped by weakening government institutions in some countries, more open borders, and the resurgence of ethnic and regional conflicts across the former Soviet Union and many other regions. Crime networks have exploited expanding trade and financial markets, while benefitting from rapidly advancing technology, broadened international travel, and improved global communications. Mainly due to its clandestine nature, international crime is hard to measure. By the most conservative estimates, criminal proceeds¹ comprise between two and five percent of global gross domestic product (GDP).²

Transnational organized crime tends to develop in nations where law enforcement institutions are weak and citizens have limited economic alternatives. Farmers frequently turn to drug cultivation, boosting the international narcotics trade. Unemployed citizens seek work abroad and fall victim to people-trafficking rings. Across the globe, government corruption and illicit trade fuel and sustain each other. Transnational crime is believed to most frequently originate in regions such as sub-Saharan Africa, the former Soviet Union, Latin America, and the Caribbean, but its effects are global. Many experts maintain that terrorists are increasingly funding themselves through crime. They have been linked with criminal groups in money laundering, counterfeiting, and other activities. Collaboration between the two groups could heighten threats to the United States and its interests.

¹ This refers to money laundering. While money laundering has no official definition, the international police organization Interpol defines it as “any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources.”
[<http://www.interpol.int/Public/FinancialCrime/MoneyLaundering/default.asp>].

² Michael Camdessus, Managing Director, International Monetary Fund, “Money Laundering: The Importance of International Countermeasures,” (address before the Financial Action Task Force, February 10, 1998). Another study (using different criteria) estimated that laundered funds comprised about 10% of world GDP. Schneider, Friedrich, and Enste, Dominik, “Shadow Economies: Size, Causes, and Consequences,” *The Journal of Economic Literature*, vol. 38, no. 1, 2000.

Definitions

There is no single accepted definition of transnational organized crime. In 1994, researchers defined “transnational crime” to include offences whose inception, prevention, and/or direct or indirect effects involve more than one country.³ Experts believe transnational organized crime networks vary considerably in structure, strength, size, geographical range, and the scope and diversity of their operations. The United Nations sought a suitably broad definition in its Convention against Transnational Organized Crime, to which the United States became a party in December 2005. According to the U.N., organized crime groups consist of “three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offenses ... in order to obtain, directly or indirectly, a financial or other material benefit.”⁴

Traditional vs. Modern Networks. Definitions of transnational organized crime often differentiate between traditional crime organizations and more modern criminal networks. Traditional groups have a hierarchical structure that operates continuously or for an extended period. Newer networks, in contrast, are seen as having a more decentralized, often cell-like structure. Some experts also distinguish groups by their relation to the state. Many conventional organizations have interests that are aligned with countries; they depend on the state for contracts and services.⁵ They may have repeatedly laundered their assets through legitimate businesses. Modern networks, in contrast, are seen as less likely to profit from state contracts or launder large sums of money. They often thrive on the absence of effective governance.

Organized crime can involve top officials. For example, Vladimiro Montesinos, head of Peru’s national intelligence and anti-narcotics efforts between 1990 and 2000, is now imprisoned, charged with running major international drug, weapons, and money laundering operations.⁶ In addition, some states, such as North Korea, are accused of participating in organized crime as a matter of state policy.⁷

Organized Crime vs. Terrorism. Definitions of organized crime and terrorism sometimes overlap. Both groups frequently operate in decentralized cell structures, tend to target civilians, and use similar tactics such as kidnapping and drug dealing. Many experts distinguish the groups by motive: criminals are driven by financial gain and terrorists by political, sometimes religious goals. But clearly discerning groups’ motives can be challenging. Terrorists are increasingly seen as

³ Gerhard O. W. Mueller, “Transnational Crime: Definitions and Concepts,” *Transnational Organized Crime*, vol. 4, Autumn/Winter 1998.

⁴ The United Nations Convention Against Transnational Organized Crime. Available at [http://www.unodc.org/unodc/en/crime_cicp_convention.html].

⁵ Louise Shelley, “The Unholy Trinity: Transnational Crime, Corruption, and Terrorism,” *Brown Journal of World Affairs*, Winter/Spring 2005.

⁶ Dow Jones Newswires, “Peru’s Ex-Spy Chief Convicted of Extortion,” March 2, 2005.

⁷ Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report*, March 2005.

supporting themselves through criminal activity.⁸ Funding for the March 2003 Madrid train attacks, for instance, came from drug dealing.⁹ Some crime bosses also appear to dabble in terror. The Dubai-based Indian mobster Aftab Ansari, for example, is believed to have helped fund the September 11 attacks with ransom money earned from kidnapping.¹⁰ Further, definitions merge because a growing number of extremists may feel justified in committing the criminal activities themselves, on the grounds that such acts square with their ultimate “terrorist” aims.¹¹

Narco-Terrorism. Some 17 of the 41 State Department-designated foreign terrorist organizations engage in “narco-terrorism,” according to the Drug Enforcement Agency (DEA).¹² Many experts believe the term “narcoterrorism” was first used by former Peruvian President Belaúnde Terry in the early 1980s to describe terrorist-like tactics used against Peruvian law enforcement by Shining Path Marxist rebels. While narco-terrorism has no formal definition, it is generally used to describe activities by groups that use drug trafficking to fund terrorism. For the DEA, it is “a subset of terrorism,” in which groups or individuals participate directly or indirectly in the “cultivation, manufacture, transportation, or distribution of controlled substances and the money derived from these activities.”¹³

Some consider the term too broad. By various definitions, narco-terrorism could be applied to a wide range of groups, ranging from guerrilla organizations such as the Revolutionary Armed Forces of Colombia (FARC), which earns hundreds of millions of dollars annually from cocaine, to small, fledgling terrorist cells. Some claim the term’s use may occasionally reflect political motives.

⁸ David E. Kaplan, “Paying for Terror: How Jihadist Groups are Using Organized Crime Tactics — and Its Profits — to Finance Attacks on Targets Around the Globe,” *U.S. News and World Report*, December 12, 2005.

⁹ Treasury Department Assistant Secretary Juan Zarata, Treasury Department press release, February 1, 2005.

¹⁰ Rollie Lal, “Terrorists and Organized Crime Join Forces,” *International Herald Tribune*, May 24, 2005.

¹¹ “A Taliban-linked man who allegedly sought to poison U.S. streets with millions of dollars of heroin in a deadly ‘American jihad’ has become the first person extradited from Afghanistan to face federal charges.” The Associated Press, “U.S. Extradites Accused Drug Dealer from Afghanistan,” October 25, 2005.

¹² Testimony of Karen P. Tandy, Administrator, Drug Enforcement Administration, before the House International Relations Committee, February 12, 2004.

¹³ Testimony of Asa Hutchinson, Administrator of the Drug Enforcement Administration, Department of Justice, before the Subcommittee on Technology, Terrorism, and Government Information, the Senate Judiciary Committee, March 13, 2002.

Threats to the United States

Mainly because it is clandestine, transnational crime is hard to measure. The U.S. government's International Crime Threat Assessment,¹⁴ completed in 2000, gauges various global criminal activities and was drafted by an interagency working group led by the National Security Council (NSC). Based on this assessment, which is currently under review by the NSC,¹⁵ and other more recent reports, the largest international crime threats, in terms of their potential impact, include (1) smuggling of nuclear materials and technology; (2) drug trafficking; (3) trafficking in persons; (4) intellectual property crimes; and (5) money laundering.

- Many experts fear organized criminals will help terrorists or nation states acquire weapons of mass destruction (WMD). Among WMD threats,¹⁶ many experts believe the most menacing is that terrorists could develop and use a nuclear bomb.¹⁷ In regions such as the former Soviet Union, the security of nuclear material has been criticized as lax. The State Department, to allay concerns that former Soviet scientists could be bribed by criminal networks, runs nonweapons-related projects in Russia and Ukraine to keep them employed. The risk of nuclear smuggling was highlighted in October 2003 when officials in international intelligence and law enforcement discovered that Pakistani nuclear scientist A.Q. Khan was selling nuclear technology to North Korea, Libya, and other unknown parties.¹⁸ In one scenario, a nuclear attack on a U.S. city could kill more than half a million people and cause more than \$1 trillion in damage.¹⁹

¹⁴ *International Crime Threat Assessment*. [<http://clinton4.nara.gov/WH/EOP/NSC/html/documents/pub45270/pub45270index.html>].

¹⁵ Interview with an Administration official, November 2005. The official projected that the reassessment would be complete "in early 2006." Based partly on the results, the NSC Policy Coordination Committee on international crime may revise the 1998 International Crime Control Strategy.

¹⁶ For more information, see CRS Report RL30699, *Nuclear, Biological, and Chemical Weapons and Missiles: Status and Trends*, by Sharon A. Squassoni.

¹⁷ Testimony of Rensselaer Lee, Senior Fellow, Foreign Policy Research Institute, before the Subcommittee on Prevention of Nuclear and Biological Attacks, House Homeland Security Committee, September 22, 2005.

¹⁸ Regarding nuclear terrorism, including the threat of radiological dispersal devices, or "dirty bombs," see CRS Report RL32595, *Nuclear Terrorism: A Brief Review of Threats and Responses*, by Jonathan Medalia; and CRS Report RS21766, *Radiological Dispersal Devices: Select Issues in Consequence Management*, by Dana Shea.

¹⁹ Mathew Bunn, Anthony Wier, and John Holdren, "Controlling Nuclear Warheads and Materials: A Report Card and Action Plan," Project on Managing the Atom, Harvard University, March 2003, pp. 18-23.

- Every year illegal drugs kill about 17,000 Americans.²⁰ Illicit drugs are estimated to impose about \$160 billion in social and economic costs and \$67 billion in direct costs to the United States annually.²¹ The illicit drug trade is believed to be valued at between \$500 and \$900 billion worldwide. Analysts identify cocaine and heroin trafficking as the most profitable criminal activity for transnational groups.
- Trafficking in persons for sexual exploitation or forced labor is one of organized crime's largest revenue sources, generating \$9.5 billion annually, according to the FBI. An estimated 600,000 to 800,000 people are trafficked across international borders annually. When combined with domestic trafficking, the total is believed to be between two and four million.²² About 14,500 to 17,500 people are thought to be trafficked into the United States annually,²³ mainly from Southeast Asia and the former Soviet Union. In principle, the term "human smuggling" is distinct from "trafficking in persons." In human smuggling, migrants pay to cross international borders. Experts fear human smugglers may help terrorists enter the United States and other countries.²⁴
- IP violations are thought to distort international trade and cause extensive revenue losses to legitimate industries. According to Interpol, trade in counterfeit goods has grown eight times faster than legitimate trade since the early 1990s.²⁵ U.S. businesses estimate that counterfeiting costs them between \$200 and \$250 billion per year in lost sales.²⁶ In China, industry estimates place piracy levels in many sectors at about 90 percent.²⁷

²⁰ "Actual Causes of Death in the United States, 2000," *Journal of the American Medical Association*, vol. 291, no. 10, March 10, 2004, pp. 1238, 1241.

²¹ Drug Enforcement Agency, "Speaking Out Against Drug Legalization." [<http://www.dea.gov/demand/speakout/director.htm>].

²² U.S. Department of State, *Trafficking in Persons Report, 2005*, p. 13. June 3, 2005. [<http://www.state.gov/g/tip/rls/tiprpt/2005>].

²³ *Ibid.*

²⁴ Testimony of John P. Torres, Deputy Assistant Director, Smuggling and Public Safety, U.S. Immigration and Customs Enforcement, U.S. DHS, before the Subcommittee on Immigration, Border Security, and Claims, House Judiciary Committee, May 18, 2004.

²⁵ Interpol, "The Impact and Scale of Counterfeiting." [<http://www.interpol.com/Public/News/Factsheet51pr21.asp>].

²⁶ *Ibid.*

²⁷ Testimony of James E. Mendenhall, Acting General Counsel, Office of the United States Trade Representative, before the Subcommittee on Intellectual Property, Senate Judiciary Committee, May 25, 2005.

- Many criminal organizations hide the traces of their illegal activities by directly and indirectly investing their profits in legitimate financial institutions.²⁸ In bulk cash smuggling, criminals place their profits in jurisdictions with lax financial regulations and law enforcement. By highly conservative estimates, money laundering is valued at two to five percent of world GDP.²⁹

U.S. Policy Response

Framework

The International Crime Control Strategy (ICCS), released in June 1998, has framed related policies of both the Clinton and Bush Administrations.³⁰ It was created by multiple agencies, led by the National Security Council, in response to Presidential Decision Directive 42 (PDD-42), issued in October 1995.

It consists of eight broad goals,³¹ and is intended to complement, not supplant, a variety of related documents such as the National Drug Control and National Security Strategies. It aims to assist in “integrating all facets of the federal response to international crime.” To assist in policy coordination and other initiatives related to transnational crime, a Policy Coordination Committee (PCC)³² was established within the National Security Council (NSC) in April 2001. The PCC is currently discussing whether to produce an updated crime strategy. A significant question is whether federal agencies are adequately integrating efforts — such as those relating to international crime and terrorism — on their own.³³

²⁸ Money laundering is “the act of transferring illegally obtained money through legitimate persons or accounts so that its original source cannot be traced,” Black’s Law Dictionary 1027 (8th ed. 2004).

²⁹ Michael Camdessus, Managing Director, International Monetary Fund, “Money Laundering: The Importance of International Countermeasures,” (address before the Financial Action Task Force, February 10, 1998). Another study (using different criteria) estimated that laundered funds comprised about 10% of world GDP. Schneider, Friedrich, and Enste, Dominik, “Shadow Economies: Size, Causes, and Consequences,” *The Journal of Economic Literature*, vol. 38, no. 1, 2000.

³⁰ National Security Council, *International Crime Control Strategy*, June 1998. [<http://clinton4.nara.gov/media/pdf/iccs.pdf>].

³¹ The eight goals are to: 1) Extend the first line of defense beyond U.S. borders; 2) Protect U.S. borders by attacking smuggling and smuggling-related crimes; 3) Deny safe haven to international criminals; 4) Counter international financial crime; 5) Prevent criminal exploitation of international trade; 6) Respond to emerging international crime threats; 7) Foster international cooperation and the rule of law; and 8) Optimize the full range of U.S. efforts.

³² The Policy Coordination Committee (PCC) was established by the Assistant to the President for National Security Affairs.

³³ Conversation with an Administration official, November 2005. The PCC is reviewing the (continued...)

Key Federal Programs and Initiatives

A host of federal agencies, frequently in coordination, run programs to fight transnational organized crime. Leading agencies include the Departments of Justice, State, Treasury, Homeland Security, Defense, and Commerce. Many programs involve foreign cooperation. Below are descriptions of programs and initiatives to combat five principal transnational crime areas. Agency roles are expanded upon in this report's appendix.

Nuclear Smuggling. The U.S. response to nuclear smuggling is often termed a "layered defense." It aims to stop nuclear material moving toward U.S. borders at a number of steps along the way. While anti-smuggling efforts are primarily led by the State Department, agencies including the Departments of Defense, Energy, Homeland Security, and Commerce play crucial roles.³⁴

The State and Defense Departments lead coordination of the Proliferation Security Initiative. Announced by President Bush in May 2003, it creates international agreements and partnerships to permit the United States and its allies to search planes and ships suspected of carrying nuclear material or technologies. The DOD-managed Cooperative Threat Reduction program works to destroy nuclear weapons, especially in the former Soviet Union. The State Department also manages the International Science and Technology Centers in Russia and Ukraine to help employ scientists with nonweapons-related projects. In addition, DOE's International Materials Protection, Control, and Accounting program secures nuclear material through activities such as upgrading security at nuclear sites, consolidating material into more secure locations, and improving nuclear smuggling detection capabilities at borders.

The President's FY2007 budget requests about \$1.12 billion for U.S. programs that provide nonproliferation and threat reduction assistance to Russia and other former Soviet states; \$1.02 billion was appropriated for such programs in FY2006. The FY2007 request includes \$372.1 million for DOD's Cooperative Threat Reduction programs, down from \$415.5 million in FY2006. It also includes \$675 million for Energy Department WMD threat-reduction efforts and \$75 million for comparable State Department funding, up from \$530 million and \$71 million, respectively, in FY2006.³⁵

Drug Trafficking. The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) advises the President, Secretary of State, other

³³ (...continued)

International Crime Threat Assessment, last published in 2000. Based on this reassessment, which is expected to be completed in "early 2006," and on separate discussions, PCC officials will determine the need to produce a revised 1998 International Crime Control Strategy.

³⁴ See CRS Report RL32595, *Nuclear Terrorism: A Brief Review of Threats and Responses*, by Jonathan Medalia.

³⁵ See CRS Report RL31957, *Nonproliferation and Threat Reduction Assistance: U.S. Programs in the Former Soviet Union*, by (name redacted).

bureaus in the Department of State, as well as other departments and agencies of the U.S. government on programs and policies to combat international narcotics and crime. Other agencies, including the Departments of Justice, Homeland Security, and Defense, have a role in coordinating U.S. anti-drug programs and initiatives. U.S. counternarcotics efforts abroad center primarily on foreign crop eradication and global narcotics interdiction. The State Department and other agencies help eradicate crops by providing foreign countries with equipment and supplies.

INL also manages the Andean Counterdrug Initiative (ACI), the primary U.S. program supporting counternarcotics and economic development in the Andean region. ACI funding from FY2000 through FY2004 totals about \$3.5 billion.³⁶ Congress appropriated \$731 million for ACI in FY2005 and \$734.5 million in FY2006. The White House's FY2007 request is for \$721.5 million.

Drug Enforcement Agency (DEA) and other Justice Department officials play a central role in bringing smugglers to face justice in the United States through extradition, a significant judicial tool in combating narcotics. DEA agents also cooperate with 58 foreign governments in activities such as bilateral investigations, institution building, and training.³⁷

Trafficking in Persons. Interagency anti-trafficking efforts are led by the State Department. Other agencies, including the Departments of Justice, Homeland Security, Health and Human Services, and Labor, also play key roles.³⁸

The Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386), signed into law October 28, 2000, contains a number of key anti-trafficking provisions. One establishes an annual State Department *Trafficking in Persons Report*. First issued in July 2001, it reviews anti-trafficking trends and rates countries' anti-trafficking efforts. The act also authorizes the President to impose sanctions, under the International Emergency Economic Powers Act (P.L. 95-223), against countries that do not meet anti-trafficking "minimum standards."³⁹

On January 10, 2006, the President signed the Trafficking Victims Protection Reauthorization Act of 2005 (P.L. 109-164). Among other things, the bill aims to

³⁶ Other funding sources for the Andean region include the Foreign Military Financing program and the International Military Education and Training program, both State Department-managed. The Defense Department also has a counternarcotics account for worldwide programs involving interdiction, training, equipment, and intelligence sharing. From FY2000 through FY2005, the Departments of State and Defense provided the Andean region with about \$5.4 billion in counternarcotics-related assistance. For more information, see CRS Report RL33253, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2006 Assistance*, by (name redacted).

³⁷ For more information on drug trafficking issues, see CRS Issue Brief IB10150, *International Narcotics Policy: Overview and Analysis*, by Raphael Perl.

³⁸ See CRS Report RL30545, *Trafficking in Persons: The U.S. and the International Response*, by Francis Miko.

³⁹ These standards are defined in the Trafficking and Violence Protection Act of 2000 and the Trafficking Victims Protection Reauthorization Act of 2003 (P.L. 108-193).

assist foreign trafficking victims in the United States, address the needs of child victims, and develop anti-trafficking programs in post-conflict situations and foreign humanitarian emergencies. It authorizes \$188 million in 2006 and \$173 million in 2007 to combat human trafficking.

Intellectual Property (IP) Crimes. The Office of the United States Trade Representative (USTR) leads other agencies, including the Departments of Commerce, State, Justice, and Homeland Security, in combating IP violations.

A centerpiece of U.S. efforts to strengthen intellectual property enforcement is the annual USTR-led “Special 301” process,⁴⁰ which seeks to identify countries lacking adequate intellectual property protection. USTR also manages several tariff preference programs, such as the Generalized System of Preferences.⁴¹ Many U.S. anti-piracy initiatives involve forging international agreements, often through the World Trade Organization (WTO). Through the WTO, the USTR can initiate dispute settlement proceedings against foreign governments and institutions; a stringent WTO membership application process also promotes tougher IP laws.

Money Laundering. U.S. anti-money laundering efforts are led by the Treasury Department. Other key agencies include the Departments of Justice and Homeland Security.

The Treasury’s Office of Terrorism and Financial Intelligence (TFI) and its subsidiary bureaus safeguard domestic and foreign financial systems through financial sanctions, financial regulation and supervision, international initiatives, private sector outreach, law enforcement support, and other methods. TFI and Treasury bureaus such as the Financial Crimes Enforcement Network (FinCEN) support U.S. law enforcement agencies in international financial crime investigations and provide U.S. policymakers with global money laundering analyses. FinCEN and other Treasury affiliates cooperate with 32 foreign government institutions to improve international money laundering standards through the Financial Action Task Force (FATF). At the Justice Department, the Asset Forfeiture and Money Laundering Section guides other agencies on money laundering-related investigations and prosecutions.

Criminal Investigations

The Departments of Justice and Homeland Security lead a handful of agencies in transnational crime investigations.

Domestic. Within the Justice Department, the Criminal Division’s Organized Crime and Racketeering Section (OCRS) provides prosecutors to the Crime Strike Force Units of the U.S. Attorneys’ Offices, which supervise investigations and

⁴⁰ “Special 301” refers to certain provisions in the Trade Act of 1974, as amended by the 1988 Omnibus Trade and Competitiveness Act (P.L. 100-418).

⁴¹ The GSP was originally authorized by the Trade Act of 1974; it was reauthorized by the Trade and Tariff Act of 1984.

prosecutions of transnational organized criminal groups.⁴² OCRS prosecutors work with U.S. and foreign law enforcement agencies to facilitate the necessary flow of information and evidence among these agencies, and to counsel U.S. agents on timing and strategy issues. The FBI Organized Crime program places Special Agents in domestic field offices to investigate criminal organizations within their jurisdiction. Joint task forces composed of federal, state, and local law enforcement officials allow the FBI to pool additional resources to combat organized crime.⁴³

The U.S. Immigration and Customs Enforcement (ICE) is the Department of Homeland Security's largest investigative bureau. Within ICE, the Office of Investigations has a mission of investigating crimes including alien smuggling, narcotics and contraband smuggling, and financial crimes.⁴⁴ The Financial Investigations Division focuses on financial crime; the Smuggling/Trafficking Branch disrupts and prosecutes criminal organizations involved in human smuggling or trafficking in persons; and the Contraband Smuggling Branch focuses its investigations on organized smuggling groups.

International. Justice and DHS also lead several efforts to promote international investigative cooperation. Many foreign investigations, for example, are coordinated through the FBI's Office of International Operations. In the Legal Attaché program, FBI agents are stationed in more than 50 countries. They train foreign law enforcement personnel and, in return, receive foreign cooperation in gathering evidence related to crimes such as drug trafficking.⁴⁵

U.S. participation in Interpol is also led by DOJ in cooperation with DHS. Interpol promotes cooperation and facilitates information sharing among international law enforcement institutions. A National Central Bureau (NCB) in every Interpol member country serves as the single point of contact for cooperating in overseas criminal investigations. Each member country staffs its Bureau with its own law enforcement officials who are authorized to act within its jurisdiction. The USNCB is under the DOJ, working in conjunction with DHS.⁴⁶ It facilitates international law enforcement cooperation as the U.S. representative to Interpol, on behalf of the Attorney General.

⁴² U.S. Department of Justice Fact Sheet: Organized Crime and Racketeering Section. [<http://www.usdoj.gov/criminal/ocrs.html>].

⁴³ FBI Investigative Programs Fact Sheet: About Organized Crime. [<http://www.fbi.gov/hq/cid/orgcrime/aboutocs.htm>].

⁴⁴ U.S. DHS, Immigration and Customs Enforcement Fact Sheet: Office of Investigations. [http://www.bice.immigration.gov/graphics/about/organization/org_oi.htm].

⁴⁵ FBI Fact Sheet: Legats. [<http://www.fbi.gov/contact/legat.htm>].

⁴⁶ U.S. Department of Justice, USNCB Fact Sheet: Mission. [<http://www.usdoj.gov/usncb/usncborg/mission.html>].

Foreign Law Enforcement Training and Assistance

Interagency efforts to train and assist foreign officials, a major component of combating international crime, are led by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL).

Through INL's International Narcotics Control and Law Enforcement (INCLE) Global Anticrime Programs, for example, multiple U.S. agencies assist and train foreign governments to investigate and prosecute drug trafficking and other crimes. INL also leads interagency coordination of the International Law Enforcement Academies (ILEAs).⁴⁷ ILEAs have trained over 13,000 officials and promoted regional legal cooperation in 68 African, Asian, European, and Latin American countries.

Issues for Policy Consideration

Coordinating Crime and Terror Policies

Some analysts question whether agencies are giving adequate priority to international crime, given the heightened U.S. focus on terrorism since the September 11, 2001 terrorist attacks. Some believe the National Security Council has been slow in leading a government-wide effort to update or revise the International Crime Control Strategy, released in 1998.⁴⁸ Some agencies have argued, however, that federal coordination of anti-crime efforts are most effectively led by top agency officials.⁴⁹

Many experts believe a more coordinated law enforcement and intelligence approach would better combat both international crime and terrorism. They point to better coordination in areas such as money laundering, drug trafficking, and human smuggling. According to some experts, criminals could be effective witnesses or

⁴⁷ Four ILEAs currently operate in Budapest, Bangkok, Gaborone, and Roswell, N.M. Drug Enforcement Agency Fact Sheet: International Training. [<http://www.dea.gov/programs/training/part19.html>].

⁴⁸ According to a November 2005 conversation with an Administration official, the NSC's Policy Coordination Committee (PCC) on transnational crime is reviewing the International Crime Threat Assessment, last published in 2000 (and mentioned on page four). The reassessment was projected to be completed in "early 2006." Based on its conclusions and on separate discussions, the PCC will determine the need to revise the 1998 International Crime Control Strategy.

⁴⁹ A 2001 GAO report called for "sustained executive level coordination" of international crime policy within the National Security Council. Several agency officials commented that the report had overstated the NSC's policy-coordination role. According to one, while the NSC's role is "critical," most high-level interagency coordination could occur through senior agency officials "reaching out to one or more counterparts at other agencies." General Accounting Office Report to Senator Ben N. Campbell, GAO-01-629: International Crime Control: Sustained Executive-Level Coordination of Federal Response Needed, August 2001.

informants against terrorists. Terrorists may avoid organized criminal organizations, many experts believe, if association with them increases their risk of capture. Terrorists may instead commit petty crime or operate smaller, less sophisticated crime rings. According to European law enforcement officials, terrorist cells throughout the Continent commit crimes ranging from smuggling to car theft to selling pirated CDs.⁵⁰ Many experts urge enhanced cooperation between intelligence and law enforcement at all levels, including local police departments.⁵¹

Measuring Performance

Individual agencies can currently create their own measurement systems on crime-related programs.⁵² Some analysts have called for gauging anti-crime efforts through a broader interagency mechanism. Such a system, they argue, could give individual agencies some flexibility in controlling their programs. Agencies may point to the difficulties of obtaining solid international crime data. A recent interagency report on one crime area — money laundering — cited additional challenges and concluded that accurately quantifying seized assets is “currently not possible.”⁵³ Reasons include the incompatibility of individual agency tracking systems, varying types of data collected, definitional disparities, and redundant recording of seizures among agencies. Many experts believe adequate data collection underlies any successful performance measurement system.

Enhancing Multilateral Cooperation

Some experts propose expanding U.S. efforts through large multilateral institutions, such as the United Nations. Some consider multinational conventions to be a valuable tool in improving global law enforcement standards. Others are more skeptical about such treaties. Adherence varies, they point out, and enforcement is frequently lacking. Some analysts believe U.S. efforts are better spent working with small groups of more trusted partners. Some, for example, believe collective decision-making would be more effective through the Group of Eight (G8). Some argue that with more frequent meetings and improved enforcement, the intergovernmental body and similar structures could be more flexible in adapting to and fighting transnational threats.

⁵⁰ Kaplan, “Paying for Terror.”

⁵¹ One recent U.S. case, involving a North Carolina-based cigarette smuggling operation, demonstrates successful federal, state, and local law enforcement synergy. It started when local law enforcement shared suspicions about interstate cigarette smuggling with the FBI. After an investigation, the FBI and other agencies revealed a massive cigarette smuggling scheme involving a North Carolina-based Hezbollah cell, which had siphoned proceeds to Beirut, Lebanon-based terrorists. The case resulted in 18 convictions on material support of terrorism and other crimes.

⁵² GAO Report, August 2001.

⁵³ Multiple agencies, *U.S. Money Laundering Threat Assessment*, December 2005, p. iv. The report also outlines goals to improve money laundering data collection. [http://www.treas.gov/press/releases/reports/js3077_01112005_MLTA.pdf].

Many believe large international organizations are hindered by bureaucracy. Some analysts advocate increased efforts through less structured partnerships. For example, the Proliferation Security Initiative has no formal bureaucracy; it has instead been described as a loose organization of key partners. It is this structure, some maintain,⁵⁴ that has enabled PSI participants to take faster, more effective action following discoveries such as the nuclear smuggling activities of A. Q. Khan. Others claim PSI is ineffective and question whether its activities can receive adequate Congressional oversight. For many, combating criminal activities requires utilizing a diversity of institutions, some more bureaucratic than others.

Some experts believe that U.S. efforts are better spent working with regional structures, such as the European Union (EU)'s Europol or Southeast Asia's Aseanapol, which may receive more political backing and funding, than with Interpol. Typically more familiar with each other and frequently sharing similar crime problems, participating nations may be more willing to share information, harmonize laws, and cooperate in law enforcement.

Some observers are concerned that forming agreements with institutions such as the European Union could damage or water down existing bilateral agreements. Under the Bush Administration, the Departments of State, Justice, Homeland Security, the FBI, the CIA, and other agencies have actively worked to enhance coordination with their EU law enforcement and intelligence counterparts. Administration treaties include two with the European Union on extradition and mutual legal assistance, and two information sharing agreements with Europol. Some Administration officials have claimed they will continue to pursue U.S.-EU agreements without harming current bilateral relationships.⁵⁵

Effective Government/Private-Sector Partnerships

The private sector already plays a major role in combating transnational organized crime. The American financial sector, for example, under the USA PATRIOT Act of 2001 (P.L. 107-56), is charged with monitoring itself for illicit transactions and actively sharing information with the government. Some experts fear that further regulating the financial, technology, communications, and other industries would hinder their growth and increase government costs. In certain cases, many Americans may have privacy concerns about government involvement in the private sector.

Many experts advocate more government/private-sector partnerships. For example, companies with extensive transportation networks could assume greater responsibility for contraband and dangerous materials inspection. The government

⁵⁴ Testimony of Mark Fitzpatrick, Acting Deputy Assistant Secretary for Nonproliferation Controls at the State Department, before the Subcommittee on Financial Management, the Budget, and International Security, Senate Governmental Affairs Committee, June 23, 2004.

⁵⁵ In any case, competencies are split between EU and individual countries such that some cooperation must be at the EU level and some at the bilateral level. For more information, see CRS Report RL31509, *Europe and Counterterrorism: Strengthening Police and Judicial Cooperation*, by (name redacted).

could randomly audit these areas, and, in return, decrease burdensome customs inspections for companies at borders.

Leveraging Technology

Some experts advocate expanding the development of technology to detect, track, and protect against criminal activities. Congress may face decisions over which, if any, programs to fund. In recent years, crime detection has benefitted from powerful new modeling software and data-mining tools. Many banks, for example, are using money laundering software that can sift through millions of transactions to spot suspicious patterns. Government agencies are turning to similar programs to detect and map criminal activities. Aiming to fight illicit trade by improving product identification and authenticity, radio frequency identification devices (RFIDs) are becoming more widespread. Some agencies propose greater development and use of biometric technology, which identifies people through unique physical characteristics. The European Union is working to include biometric indicators on its passports, and the United States is expanding biometric recognition requirements for foreigners entering the country.⁵⁶

Focusing Federal Efforts Against Organized Crime

Some experts propose easing certain laws to allow the government to concentrate its limited resources on the most pressing criminal activities. For example, some advocate decriminalizing the possession of small amounts of marijuana. Many foreign countries have reduced legal penalties for marijuana possession. Approaches such as these can be controversial and politically difficult; critics believe they risk sending society an inappropriate message.

Conclusion

An improved understanding of international organized crime's dynamics might help Congress as it coordinates, funds, and oversees anti-crime policies and programs. Improved data collection and establishing a clear picture of the relative threats posed by various criminal activities would clearly be helpful. In addition, a closer scrutiny of the nexus between crime and terror could improve the government's ability to fight both. Stronger international law enforcement cooperation and more effective government partnerships with the private sector both may be central to effectively combating transnational organized crime.

⁵⁶ "Visa Hurdle Is Testing U.S.-French Relations," *International Herald Tribune*, February 1, 2006.

Appendix: U.S. Efforts Against Transnational Organized Crime: Agency Roles and Congressional Action

This appendix describes key U.S. programs, initiatives, and legislation to combat transnational crime. It provides additional information on the five criminal areas discussed in “Key Federal Programs and Initiatives,” above.

WMD Smuggling

U.S. anti-nuclear smuggling efforts are coordinated by the Departments of State, Defense, Energy, Homeland Security, Commerce, and other agencies.

State and Defense Departments. These agencies lead coordination of the Proliferation Security Initiative. Announced by President Bush in May 2003, it creates international agreements and partnerships to permit the United States and its allies to search planes and ships suspected of carrying nuclear material or technologies. In addition, the DOD-managed Cooperative Threat Reduction program works to destroy nuclear weapons, especially in the former Soviet Union. The State Department also funds the International Science and Technology Centers in Russia and Ukraine to help employ scientists with nonweapons-related projects.

Energy Department. DOE runs several programs to secure nuclear weapons and weapons-usable nuclear materials. The International Materials Protection, Control, and Accounting program works in the former Soviet Union and other countries. Its activities include upgrading security at nuclear sites, consolidating material into more secure locations, and improving nuclear smuggling detection capabilities at borders. The President’s FY2007 budget requests about \$1.12 billion for Energy, State, and Defense Department programs that provide nonproliferation and threat reduction assistance to Russia and other former Soviet states. This compares to about \$1.02 billion appropriated in FY2006. The FY2007 request includes \$372.1 million for DOD’s Cooperative Threat Reduction programs, down from \$415.5 million in FY2006. The request includes \$675 million for Energy Department WMD threat-reduction efforts, up from \$530 in FY2006. It also calls for \$75 million in comparable State Department funding, up from \$71 million in FY2006.⁵⁷

Homeland Security Department. The goal of the Container Security Initiative, launched in January 2002 by the former U.S. Customs Service (now part of DHS) is to increase inspection of the approximately seven million shipping containers entering the U.S. annually. DHS’s Customs and Border Protection (CBP) is generally charged with protecting U.S. borders from incoming nuclear material. Its efforts include border patrols, seaport security, and customs inspections. DHS also leads interagency efforts to develop technology to protect the United States from WMD threats.

⁵⁷ See CRS Report RL31957, *Nonproliferation and Threat Reduction Assistance: U.S. Programs in the Former Soviet Union*, by (name redacted).

Commerce Department. Commerce's Bureau of Industry and Security (BIS) is responsible for safeguarding U.S. national security and for promoting its foreign policy and economic interests by implementing U.S. export-control policy on dual-use commodities, software, and technology. As part of the State Department's Export Control and Related Border Security Assistance Program (EXBS), BIS helps other countries develop and enforce effective export controls through workshops, training, and other activities.

Recent Legislative Activity. A number of nuclear black market-related proposals are contained in the Foreign Relations Authorization Act for FY2006 and FY2007 (H.Rept. 109-168, H.R. 2601). Title VIII, the Nuclear Black Market Elimination Act, has four basic components. These are: sanctions, penalties for corporate entities associated with proliferation activities, incentives for proliferation-interdiction cooperation, and nonproliferation conditions required to receive U.S. assistance. Another H.R. 2601 section calls for the U.S. government to ask Pakistan for direct access to A.Q. Khan in order to further investigate his nuclear smuggling activities.⁵⁸

Drug Trafficking

A number of U.S. agencies, coordinated mainly by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), run anti-drug programs and initiatives. U.S. anti-narcotics efforts center primarily on foreign crop eradication and global narcotics interdiction. The State Department and other agencies help eradicate crops by providing foreign countries with equipment and supplies.

State Department. INL manages the Andean Counterdrug Initiative (ACI), the primary U.S. program supporting counternarcotics and economic development in the Andean region.⁵⁹ ACI funding from FY2000 through FY2004 totals about \$3.5 billion. Congress appropriated \$731 million for ACI in FY2005; \$734.5 million was approved for FY2006. The White House is requesting \$721.5 million for FY2007.

INL also leads other agencies in training and assisting foreign law enforcement, managing interagency coordination of programs such as the International Law Enforcement Academies (ILEAs). ILEAs train foreign personnel and promote

⁵⁸ For more information, see CRS Report RL33000, *Foreign Relations Authorization, FY2006 and FY2007: An Overview*, coordinated by Susan Epstein.

⁵⁹ Other funding sources for the Andean region include the Foreign Military Financing program and the International Military Education and Training program, both State Department-managed. The Defense Department also has a counternarcotics account for worldwide programs involving interdiction, training, equipment, and intelligence sharing. From FY2000 through FY2005, the Departments of State and Defense provided the Andean region with about \$5.4 billion in counternarcotics-related assistance. For more information, see CRS Report RL33253, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2006 Assistance*, by (name redacted).

international legal cooperation.⁶⁰ They have trained over 13,000 officials from 68 countries in Africa, Asia, Europe, and Latin America.

The U.S. Agency for International Development (AID) also funds a variety of anti-narcotics programs. Many promote education, institutional development, and alternative employment for people involved in drug production. AID also provides balance of payments support to compensate countries (especially Andean) forgoing drug export revenue.

Justice Department. Drug Enforcement Agency (DEA) agents cooperate with law enforcement agencies in 58 countries in activities such as bilateral investigations, institution building, and training. In the Justice-led Southwest Border Initiative (SWBI), several federal agencies work to combat Mexico- and Colombia-based trafficking groups operating along the Southwest Border. Working in concert, the DEA, the FBI, the U.S. Customs Service, and U.S. Attorneys' offices around the country conduct wiretaps aimed at tracking drug movements and identifying traffickers. DEA and other Justice Department officials play a central role in bringing smugglers to face justice in the United States through extradition, a significant judicial tool in combating narcotics.

Defense Department. DOD responsibilities include heading federal efforts to detect aerial and maritime drug trafficking toward the United States. DOD analysts also work with DEA and other U.S. agents to execute anti-narcotics actions in key drug production and transit countries.

Recent Legislative Activity. The FY2006 Foreign Operations Appropriations Act (P.L. 109-102, H.R. 3057) authorizes \$734.5 million for ACI in FY2006. In addition, the FY2006 National Defense Authorization Act (P.L. 109-163, H.R. 1815), signed by the President on January 6, 2006, authorizes \$901.7 million for Defense Department global drug interdiction. Unlike the FY2005 authorization, it did not include provisions relating to Colombia or the Andean Counterdrug Initiative.⁶¹

Trafficking in Persons

Interagency anti-trafficking efforts are led by the State Department. Other agencies, including the Departments of Justice, Health and Human Services, Homeland Security, and Labor, also play key roles.

State Department. The Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386), signed into law October 28, 2000, contained several key anti-trafficking provisions. One established an annual State Department *Trafficking*

⁶⁰ Four ILEAs currently operate in Budapest, Bangkok, Gaborone and Roswell, N.M. Drug Enforcement Agency Fact Sheet: International Training. [<http://www.dea.gov/programs/training/part19.html>].

⁶¹ For more information on drug trafficking issues, see CRS Issue Brief IB10150, *International Narcotics Policy: Overview and Analysis*, by Raphael Perl.

in Persons Report. First issued in July 2001, it reviews anti-trafficking trends and rates countries' anti-trafficking efforts.

P.L. 106-386 also authorizes the President to impose sanctions, under the International Emergency Economic Powers Act (P.L. 95-223), against countries that do not meet anti-trafficking "minimum standards."⁶² Also authorized was the Interagency Task Force to Monitor and Combat Trafficking in Persons. Created in 2002, it includes the Secretary of State, the Attorney General, the Secretary of Labor, and other top officials. It receives assistance from the State Department Office to Monitor and Combat Trafficking in Persons.

Justice Department. The Trafficking in Persons and Worker Exploitation Task Force, established by the Justice and Labor Departments, is charged with coordinating anti-trafficking investigations and prosecutions. On January 24, 2002, the Attorney General announced the implementation of a special "T" visa, authorized under P.L. 106-386, to assist trafficking victims cooperating with law enforcement officials. Victims facing significant retribution or other risks upon returning abroad may be granted permission to remain in the United States and are eligible to apply for permanent residency after three years.

Recent Legislative Activity. On October 7, 2005, the Senate ratified the United Nations Protocol to Prevent, Suppress, and Punish Trafficking in Persons,⁶³ to which the United States became a party on December 3, 2005. Currently 113 countries have signed the Protocol, with 94 countries party to the agreement.

On January 10, 2006, the President signed the Trafficking Victims Protection Reauthorization Act of 2005 (P.L. 109-164). Among other things, the bill aims to assist foreign trafficking victims in the United States, address the needs of child victims, and develop anti-trafficking programs in post-conflict situations and foreign humanitarian emergencies. It authorizes \$188 million in 2006 and \$173 million in 2007 to combat human trafficking.⁶⁴

Intellectual Property (IP) Crimes

The Office of the United States Trade Representative (USTR) leads other agencies including the Departments of Commerce, State, Justice, and Homeland Security in combating IP violations.

⁶² These standards are defined in the Trafficking and Violence Protection Act of 2000 and the Trafficking Victims Protection Reauthorization Act of 2003 (P.L. 108-193).

⁶³ United Nations, Protocol to Prevent, Suppress, and Punish Trafficking in Persons. [http://www.unodc.org/unodc/en/trafficking_protocol.html].

⁶⁴ For more information on human trafficking, see CRS Report RL30545, *Trafficking in Persons: The U.S. and the International Response*, by Francis Miko.

USTR. A centerpiece of U.S. efforts to strengthen IP enforcement is the annual USTR-led “Special 301 process,”⁶⁵ which seeks to identify countries lacking adequate intellectual property protection. If a trading partner is identified as a Priority Foreign Country (PFC), the USTR has 30 days to decide whether to investigate the countries’ questionable policies. Such an investigation can lead to separate intellectual property agreements with the PFC or to U.S. trade sanctions. USTR also manages several tariff preference programs, such as the Generalized System of Preferences.⁶⁶

Many U.S. anti-piracy initiatives involve forging international agreements, often through the World Trade Organization (WTO). Through the WTO, the USTR can initiate dispute settlement proceedings against foreign governments and institutions; a stringent WTO membership application process also promotes tougher IP laws. Free trade agreements (FTA) help, too; FTA partner nations must bring their enforcement regimes up to U.S. legal standards, as mandated by the Bipartisan Trade Promotion Act of 2002 (P.L. 107-210).⁶⁷

In October 2004 the Administration launched the interagency Strategy Targeting Organized Piracy (STOP!), which aims to strengthen existing anti-piracy efforts and includes new actions such as the creation of a government IP complaint hotline.

Homeland Security Department. DHS’s efforts include seizing pirated goods at U.S. borders and ports. According to the agency, it made more than 7,200 seizures valued at nearly \$140 million in FY2004. Chinese goods comprised almost 70% of this value. DHS is developing a risk-assessment computer model to help target suspected shipments.

Recent Legislative Activity. The 109th Congress has seen a number of legislative actions related to trade and IP violations. The United States Trade Rights Enforcement Act (H.R. 3283), for example, would boost funding and increase enforcement through several federal agencies. Among other things, it would authorize an additional \$6 million for the USTR beyond the President’s budget request for FY2006 and FY2007, for a total of \$44.78 million and \$47.02 million, respectively. H.R. 3283 passed on July 27, 2005. A similar bill, S. 1421, has been introduced in the Senate.

Another bill, H.R. 4186, would create a Chief Trade Prosecutor to ensure compliance with trade agreements. Separate legislation, S. 2317, would require the USTR to identify trade enforcement priorities, take action with respect to priority

⁶⁵ “Special 301” refers to certain provisions in the Trade Act of 1974, as amended by the 1988 Omnibus Trade and Competitiveness Act (P.L. 100-418).

⁶⁶ The GSP was originally authorized by the Trade Act of 1974; it was reauthorized by the Trade and Tariff Act of 1984.

⁶⁷ Under the Bipartisan Trade Promotion Act of 2002, one objective of forming FTAs is to establish “a standard of [intellectual property] protection similar to that found in United States law.” P.L. 107-210, 116 Stat. 993 (2002).

foreign country trade practices, and establish within the USTR's office a Chief Enforcement Officer and a Trade Enforcement Working Group.⁶⁸

Money Laundering

U.S. anti-money laundering efforts are coordinated by the Departments of Treasury, Justice, Homeland Security, and other agencies.

Department of Treasury. The Office of Terrorism and Financial Intelligence (TFI) and its subsidiary bureaus safeguard domestic and foreign financial systems through financial sanctions, financial regulation and supervision, international initiatives, private sector outreach, law enforcement support, and other methods. TFI and Treasury bureaus such as the Financial Crimes Enforcement Network (FinCEN) support U.S. law enforcement agencies in international financial crime investigations and provide U.S. policymakers with global money laundering analyses.

FinCEN and other Treasury affiliates cooperate with 32 foreign government institutions to improve international money laundering standards through the Financial Action Task Force (FATF). FinCEN also participates in global anti-money laundering networks. The Egmont Group is comprised of FinCEN and 100 similar international agencies. Egmont works to expand, systematize, and secure information sharing among its members.

Department of Justice. The Asset Forfeiture and Money Laundering Section guides law enforcement agencies on money laundering-related investigations and prosecutions. It also coordinates multi-district investigations and prosecutions, develops regulatory and legislative initiatives, and ensures uniform application of forfeiture and money laundering statutes.

Homeland Security Department. U.S. Immigration and Customs Enforcement (ICE) manages a handful of money laundering programs and initiatives. Its Financial Investigative Program investigates money laundering crimes involving drugs, human smuggling, telemarketing fraud, and counterfeit goods trafficking. ICE's domestic and international money laundering operations are coordinated through its Money Laundering Coordination Center.

Recent Legislative Activity. The USA PATRIOT Improvement and Reauthorization Act (P.L. 109-177, H.R. 3199), contains significant language on money laundering. Signed by President Bush on March 9, 2006, it will, among other things, increase penalties for financing terrorist activities and place greater restrictions on certain money-transferring businesses.⁶⁹

⁶⁸ More information on trade and IP issues, see CRS Issue Brief IB91121, *China-U.S. Trade Issues*, by (name redacted), and CRS Report 98-928, *The World Trade Organization: Background and Issues*, by (name redacted).

⁶⁹ For more information, see CRS Report RS22400, *Criminal Money Laundering Legislation in the 109th Congress*, by (name redacted).

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