



Remarks Prepared for Delivery by Attorney General Michael B. Mukasey on International Organized Crime at the Center for Strategic and International Studies

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Good afternoon. It's a pleasure to be here. The Center for Strategic and International Studies is dedicated to thoughtful discussion of important global issues. In my short time in Washington I've seen a lot of discussion, and so have come to appreciate the value of thoughtful discussion.

In 1961, Attorney General Robert Kennedy highlighted the broad threat posed by organized crime. He said: "In too many major communities of our country, organized crime has become big business. It knows no state lines. It drains off millions of dollars of our national wealth, infecting legitimate businesses, labor unions, and even sports. Tolerating organized crime promotes the cheap philosophy that everything is a racket."

In the 47 years following that speech, the Justice Department and this country's law enforcement agencies began a wide-ranging crackdown on organized crime networks, especially La Cosa Nostra. President Lyndon Johnson spurred that effort by issuing an Executive Order placing the Attorney General in charge of coordinating all federal law enforcement activity against organized crime. Shortly after that, the Attorney General formed the Organized Crime Council to establish priorities and formulate a national unified strategy to combat organized crime. The Council was made up of senior officials from the Department, and representatives from many law enforcement agencies.

Perhaps the biggest hurdle at the time those operations started was that much of the public did not see or understand the threat posed by organized crime. It was a failure of imagination; a failure to see that a vast underworld could thrive under our noses, and commit crime as a matter of business. Over time, however, as police and prosecutors changed the reality for the racketeers, the American public began to understand how utterly ruthless organized criminals could be.

Ultimately, the efforts of the Council, law enforcement, and the Department of Justice resulted in one of the most successful programs in the Department's history. Mobsters were charged, convicted and imprisoned, their assets were seized, and organized crime was severely weakened. As a result of that accomplishment, the last time the Organized Crime Council met was in 1993.

Perhaps we are victims of our own success, because it seems that there is a widespread belief around the country that organized crime is no longer a serious threat. Most Americans think of organized crime only as a part of America's past; its modern role merely the subject of popular movies or television dramas. I can assure you that organized crime is different in source and in scope, but unfortunately this phenomenon, in a different institutional costume, is alive and well.

That is why, earlier this year, the Organized Crime Council met for the first time in 15 years. It did so because the United States faces a new and more modern threat, from international organized crime. We can't ignore criminal syndicates in other countries on the naïve assumption that they are a danger only in their homeland, whether it is located in Eurasia, Africa, or anywhere else.

International organized crime poses a greater challenge to law enforcement than did the traditional mafia, in many respects. And the geographical source of the threat is not the only difference. The degree of sophistication is also markedly different.

Some of the most significant international organized criminals are also infiltrating our own strategic industries, and those of our allies, are providing logistical support to terrorist organizations and foreign intelligence agencies, and are capable of creating havoc in our economic infrastructure. These international criminals pose real national security threats to this country.

Here I would like to pause long enough to make explicit an important distinction between this national security threat and others that I and other people involved in law enforcement, intelligence gathering, and national defense have spoken of frequently. International organized criminals are not motivated by ideology; they are motivated by the same thing that has motivated traditional organized criminals: money.

International organized crime is a hybrid criminal problem that implicates three of the Department's national priorities: national security, violent crime, and public corruption. It needs a coordinated response and an openness to new ways of doing business. It also demands that we work closely with our foreign colleagues in order to dismantle global criminal syndicates. In short, this is about more than the Department of Justice. It involves our law enforcement and non-law enforcement colleagues at the Departments of Homeland Security, State, Treasury, and Labor, the U.S. Postal Service, as well as the intelligence community. I'd like to thank these other agencies for their help and efforts.

The Attorney General's Organized Crime Council will have a leading role in coordinating that effort. It is actively engaged in identifying the most serious threats, and in developing strategies to combat them. Earlier this month, I met with the Council and approved a Law Enforcement Strategy to Combat International Organized Crime. The strategy is an important part of this Administration's ongoing coordinated commitment to safeguard our national security from transnational threats. Today, I want to tell you a little about that strategy, which we've already begun to implement, about the threats we face, and about some of the recent successes we have had against international organized crime outfits, which I hope are a preview of more to come.

In the past we understood the basics of international organized crime and some of the ways it threatens the United States, but we lacked an overall perspective on how the pieces fit together. Therefore, the Department and other federal agencies recently conducted a comprehensive assessment of international organized crime.

We drew on the best available intelligence to identify, analyze, and give priority to the threats. The assessment contained in the Law Enforcement Strategy describes that and has made it vividly clear that international organized crime is a serious national security and criminal problem that demands a targeted and coordinated response.

First, we learned that organized crime, in addition to being as varied and dangerous as ever, has a remarkable ability to adapt to changing conditions. As a result, the challenge we face with the new breed of organized criminals is quite different from the one we faced a generation or two ago. They are more sophisticated, they are richer, they have greater influence over government and political institutions worldwide, and they are savvier about using the latest technology, first to perpetrate and then to cover up their crimes.

This new group of organized criminals are far more involved in our everyday lives than many people appreciate. They touch all sectors of our economy, dealing in everything from cigarettes to oil; clothing to pharmaceuticals. These criminals invest some of the millions they make from illegal activities in the same publicly traded companies as we hold in our pension plans and 401(k)s. They exploit the internet and peddle their scams on eBay, and they're responsible for a significant chunk of the spam email we get.

When I use the term "international organized criminal," I do not mean to suggest that these are only foreign citizens, or to place blame for the problem on other nations. I am referring to the globalization of crime and to groups with members and associates around the world, including here in the United States.

I would like to talk for a few minutes about the specific threats identified in our assessment. As you would expect, much of our analysis relied on classified intelligence and ongoing investigations, so I will not be able to go into too much detail; but I can give you some examples from operations we've already concluded.

The first threat we identified was that international organized criminals control significant positions in the global energy and strategic materials markets. They are expanding their holdings in these sectors, which corrupts the normal functioning of these markets and may have a destabilizing effect on U.S. geopolitical interests.

Organized crime has put down deep roots in various parts of the globe. So-called "iron triangles" of corrupt business leaders, corrupt government officials, and organized criminals exert substantial influence over the economies of many countries. This is a grave concern for U.S. law enforcement, and we have responded.

One of the most well-known recent examples is the case of Semion Mogilevich – also known as the "Brainy Don"--and several members of his criminal organization who the United States charged in a 45-count racketeering indictment in 2003. According to published reports, even after the indictment, Mogilevich continued to expand his criminal empire in a new direction. He was said to exert influence over large portions of the natural gas industry in parts of what used to be the Soviet Union.

The arrest of Mogilevich by Russian police in January is a positive sign. But we continue to watch the growth of organized crime and its penetration into some of these markets with great concern.

A second threat we identified was the logistical and other support that organized crime provides to terrorists, foreign intelligence services, and foreign governments that may be targeting the United States or otherwise acting against our interests.

There are many examples of these connections. Just last month, a complaint was unsealed against Viktor Bout [BOOT], a notorious international arms trafficker. Bout is charged with conspiring to sell millions of dollars worth of weapons to the Revolutionary Armed Forces of Colombia, known as FARC. The FARC, as we know also, is a designated foreign terrorist organization.

The complaint alleges that Bout, along with an accomplice, agreed to sell the FARC 100 surface-to-air missiles, as well as launchers for armor-piercing rockets. Luckily, in this instance the individuals holding themselves out to be members of the FARC were actually confidential sources working with the Justice Department. As this example makes clear, although these criminals are not motivated by ideology, when the price is right, they are more than willing to help the people who are motivated by ideology.

Another set of recent cases highlights a third threat – from international organized criminals who smuggle and traffic people and contraband into the country. Together, Operation Royal Charm in New Jersey and Operation Smoking Dragon in Los Angeles uncovered an extensive Asian criminal enterprise that was smuggling nearly every form of contraband imaginable. These investigations resulted in the indictment of 87 people who smuggled goods into the United States by using shipping containers with bills of lading that falsely identified the contents as toys and furniture from China.

Instead of toys, the smugglers were bringing in millions of dollars worth of high quality counterfeit \$100 bills as well as counterfeit pharmaceuticals and cigarettes, and illicit drugs including ecstasy and methamphetamine. Two of the defendants entered into a deal with undercover agents to provide various weapons, including hundreds of shoulder-fired rockets capable of shooting down airplanes.

Another threat involves the ways organized crime exploits the U.S. and international financial systems to move illicit funds. These groups are run like global corporations; they use sophisticated financial operations. Any time you have that kind of expertise, there is potential for it to be misused in a way that causes harm. We already know organized criminals have bad intentions; so the question becomes exactly what kinds of harm do they want to cause.

They may exploit legitimate banking systems here and abroad to launder money, or engage in other financial crimes like insurance fraud. And over the past several years we have seen cases where U.S. shell companies were established and used for global money laundering schemes in Russia, Latvia, the U.S., and other countries.

The criminals operating these schemes are willing to move money for anyone who needs to hide the source, ownership, or destination of the funds--no questions asked. They corrupt

banking officials and exploit lax anti-money-laundering protections around the world to inject illicit funds into the global money stream. By all estimates, such schemes move billions of dollars every year through U.S. financial institutions.

A good example is the case of Garri Grigorian, a Russian national living in the United States who helped launder more than \$130 million on behalf of the Moscow-based Intellect Bank and its customers, through bank accounts in Sandy, Utah. Grigorian and his co-conspirators set up three U.S. shell companies, and then set up bank accounts for those companies in Utah and New York.

The companies never did any business; they existed only to create the illusion that transactions to and from their bank accounts were legitimate trade. Once those accounts were set up, Intellect Bank could use them to conduct U.S. dollar wire transfers on behalf of their clients. In total there were more than 5,000 of these wire transfers in a little more than two years. For his crimes, Grigorian was sentenced to 51 months in prison and ordered to pay \$17 million in restitution.

As we tighten up our banking regulations to fight this type of crime, criminals have developed more complex schemes and turned increasingly to offshore jurisdictions with less rigorous requirements, but with the same access to our banking systems. To some extent, we might always be playing catch-up, but identifying the danger is a crucial step.

Yet another threat is the way international organized criminals use cyberspace to target U.S. victims and infrastructure. The internet is tailor-made for organized crime--it's anonymous, largely untraceable, and can provide instant communication for a far-flung network of crooks.

Criminals need only sit back and wait for entrepreneurs to come up with legitimate new uses for the internet, which they can then corrupt. For instance, technology in the past few years has created brand new avenues for money laundering with the proliferation of so-called "virtual-world" games like Second Life, and with mobile payment systems.

A number of recent cyber investigations in the United States--involving everything from fraudulent eBay auctions to so-called phishing—that's phishing with a P-H—schemes responsible for large-scale identity theft--have traced the perpetrators back to Romania, long considered to be a main source of electronic crime. Close cooperation between the Department, the FBI, and Romanian authorities has revealed a troubling phenomenon.

Traditional Romanian organized crime figures--who previously were involved in offenses like drug smuggling, human trafficking, and extortion--have joined forces with other criminals to bring some young computer hackers under their control, and have organized them into cells based on their cyber-crime specialty.

Fortunately, Romanian officials are taking these developments seriously, and last November they arrested eleven of their citizens who were part of a ring that perpetrated these phishing schemes. The criminals got personal data from computer users, imprinted credit and debit card information onto counterfeit cards, and then used those cards to obtain cash from ATMs and Western Union locations. Romanian police executed 21 search warrants and seized computers, card reading and writing devices, blank cards, and other equipment.

Other threats identified in our assessment include manipulation of securities markets; corrupting public officials, globally; and using violence as a basis for power. These are the hallmarks of international organized crime in the 21st century. That is what we are up against. As you can see, organized crime has become a lot more complex and diversified since the days of Robert Kennedy.

So what are we doing about it? First, I want to stress that we haven't been standing still. For every example I gave, there is a stack more I could have used; completed cases where we have successfully disrupted criminal organizations, and on-going actions aimed at taking down more.

As I mentioned earlier, on April 7th I signed off on a comprehensive law enforcement strategy developed by the council. The strategy places its highest priority on those groups that threaten our national security, the stability of our economy, the integrity of government institutions, infrastructure, and systems in the United States. It sets up an investigation and prosecution framework emphasizing four priority areas of action against international organized crime.

First, we have to target the biggest organized crime threats, just as we've done successfully in targeting the worst of the worst transnational drug cartels. We will develop a high-priority list of people and organizations that pose the greatest threat, and then focus our resources on them.

Second, we have to marshal information from all available sources--law enforcement, the intelligence community, foreign partners, and the private sector--so we can identify and draw connections among the groups.

Third, we have to use every tool at our disposal--whether it is the Secret Service to identify counterfeit currency, the IRS to locate financial assets, or the Bureau of Alcohol, Tobacco, Firearms and Explosives to find contraband weapons. It was famously said that Robert Kennedy's prosecutors would bust mobsters for spitting on the sidewalk if that's what they could get. Our prosecutors are just as aggressive today.

That means we will be increasing the information we provide to the State Department to support their programs to deny visas to criminals, and to the Treasury Department to support their sanctions programs that target money laundering.

It also means we will step up what we are already doing with our international partners to get these criminals wherever they hide. I am pleased that several countries like Hungary, Romania, Thailand, the United Kingdom and others have been working with the United States on these operations, but we all recognize we need to do more. So we have people assigned overseas who train and help our counterparts, to strengthen law enforcement efforts around the world. International borders pose no hindrance to criminals, so we're making sure those borders do not pose an obstacle to effective enforcement.

Finally, we have to develop aggressive strategies for dismantling entire criminal organizations and removing their leadership. We have more than 120 prosecutors, and the FBI

has more than 500 agents and analysts, dedicated to fighting organized crime. These professionals are skilled in using techniques originally developed to fight La Cosa Nostra and other domestic threats. We're going to capitalize on that expertise in our global fight.

This strategy is a significant step forward in tackling the evolving challenges posed by international organized crime--but it is just a first step. We are building a new 21st century organized crime program that we believe will be nimble enough to fight the threat posed by international organized criminals for years to come.

To do that we must have a unified effort with our state, local, and especially our foreign partners to deal with the problem, or we risk falling behind.

Just as we now look back with gratitude to all those who created a program that has proved so successful in fighting domestic organized crime, we want to help design a new program that future generations will look back on as being responsible for dismantling the modern, global threat.

For the sake of future generations, this is both a noble and a vital goal.

I thank you for your time.

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