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Before

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Subcommittee on Terrorism, Nonproliferation and Trade

“Foreign Aid and the Fight Against Terrorism and Proliferation: Leveraging Foreign Aid  
to Achieve U.S. Policy Goals”

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Mr. Chairman:

I would like to thank the Subcommittee for inviting me to testify on the issues related to leveraging foreign aid and the fight against terrorism and proliferation. My main areas of expertise are small arms proliferation and the criminal/terrorist nexus and I will stick to what I know. I am speaking for myself and not the organizations I work for.

There is growing recognition that there is no purely military solution in the fight against terrorism, whether the use of this tactic is driven by religion (radical Islamism), ideology and nationalism (Tamil Tigers), control of natural resources or “honey pots” (multi-pronged wars in the Democratic Republic of Congo, recent wars in Sierra Leone and Liberia) or a mixture of these elements (The FARC in Colombia, Taliban in Afghanistan, Hezbollah in Lebanon and the *janjaweed* in Sudan). Other panelist have stressed the need to build solid state institutions, bring good governance and deal with the underlying social issues that give rise to terrorist recruitment and popular support.

I look at the issues a little differently. We are facing a world that is changing more rapidly than we often recognize, a world that is being pulled by two strong but contradictory forces:

The first trend is global integration through free trade, the dawn of the Internet age, movement of money at lightening speed and mass migration. As Thomas Freidman has aptly described it, in many ways the world is now flat. Borders are often little more than imaginary lines on a map. Goods and capital flow further and faster than any time in history.

The second trend appears to be contradictory to the first, and that is toward global disintegration as states implode, government structures fracture under the accumulated scourges of corruption, poverty and renewed ethnic rivalries, and the massive traffic in small weapons that gives more and more groups the possibility of waging conflict at very little cost.

The changes across the globe have been swift and dramatic, demonstrated in a snap shot drawn from three World Bank studies<sup>1</sup> and a recent survey by Foreign Policy Magazine and the Carnegie Endowment for International Peace.<sup>2</sup> Both sets of studies use metrics of economic development, state legitimacy, human rights, demographic pressures, public services and citizen security to determine where countries rank on a global scale.

Those nations at the bottom have become know as “failed states” or “fragile states,” terms that have come into vogue to describe the growing areas of the world that lie beyond the control of central governments.

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<sup>1</sup> “Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries Under Stress,” The World Bank, September 2006, Washington, D.C., accessed at <http://www.worldbank.org/ieg>.

<sup>2</sup> “The Failed State Index 2007,” Foreign Policy Magazine, Jul7-August 2007, pp. 54-63.

In 1996 only 11 states were judged to be failing across the world. By 2003, a scant seven years later, the number had grown to 17 and by 2006 the number was 26.

These changes are important because they give rise to new hybrids that make the traditional distinction between terrorism and organized crime, particularly drug trafficking, impossible to sustain.

What draws these groups together, as overt state sponsorship for terrorism has been curtailed, are the shadow facilitators who understand how to exploit the seams in the international legal and economic structure, and who work with both terrorist and criminal organizations. Both groups use the same pipelines, the same illicit structures, and exploit the same state weaknesses, and are increasingly overlapping. Of the 43 Foreign Terrorist Organizations listed by the State Department, the Drug Enforcement Administration says 19 have clearly established ties to drug trafficking and many more are suspected of having such ties.<sup>3</sup>

This trend is accelerating, and is most visible in the recent wave of high-profile drug busts in remote West African countries, the same countries where one finds growing recruitment efforts across the spectrum of radical Islam, from al Qaeda and affiliated groups on the Sunni side to Hezbollah and Iran on the Shi'ia side.

As Antonio Maria Costa, the head of the United Nations Office on Drugs and Crime recently wrote in a recent op-ed in the Washington Post, this epidemic of drugs and drug money flooding Guinea Bissau, Guinea, Sierra Leone and elsewhere has become a security issue. "Drug money is perverting the weak economies of the region... The influence that this buys is rotting fragile states; traffickers are buying favors and protection from candidates in elections."<sup>4</sup>

I would argue that one cannot fight terrorism without fighting the conditions that bring social and economic collapse and rot to a system, or without cutting off the revenue sources of terrorist and criminal groups, now often drawing from the same pool, yet very few of our resources are directed toward that. The Taliban groups in Afghanistan are a clear example of terrorist organizations deriving the bulk of their funding from illicit drugs (opium and heroin) for the increasingly-lethal attacks against U.S. and NATO forces. Until those funds are cut off, the military campaign against the Taliban faces daunting odds.

Our approach to combating terrorism, and the aid we give, is often limited by our confinement to dealing with individual states as entirely separate entities. But this is an increasingly unsustainable.

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<sup>3</sup> DEA Chief of Operations Michael Braun at a July 18, 2008 speech to the Washington Institute for Near East Policy, accessible at: <http://www.washingtoninstitute.org/templateC07.php?CID=411>

<sup>4</sup> Antonio Maria Costa, "Cocaine Finds Africa," The Washington Post, July 29, 2008, p. A17, viewed at: <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/28/AR2008072802466.html>

As a recent report by Centre for Strategic Studies in The Hague elaborated on the concept, noting that terrorists “seek out the soft spots, the weak seams of the Westphalian nation-state and the international order that it has created. Sometimes the territory’s boundaries coincide with the entire territory of a state, as with Somalia, but mostly this is not the case. Traditional weak spots, like border areas are more likely. Terrorist organizations operate on the fringes of this Westphalian system, in the grey areas of territoriality.”<sup>5</sup> In order to help refine the discussion on terrorist sanctuaries, the authors propose looking at “Black Holes” that can be transnational in nature, rather than focusing on failed states. The report identifies 41 “black holes” in the non-Western world. Most involve at least two countries, often more.

This concept is correct, but incomplete. One important difference that studies like this do not make is the distinction between nations where the state has little or no power in certain areas that may overlap into other states, and states where the state in fact has a virtual monopoly on power and the use of force, but turns the state into a functioning criminal enterprise for the benefit of a small elite. A third variation is when a functioning state essentially turns over or franchises out part of its territory to non-state groups to carry out their own agenda with the blessing and protection of the central government or a regional power.

Many parts of Colombia, along with Somalia and the Tri-Border Area in South America fit the first category and could be considered “black holes.” These areas serve as safe havens where non-state actors (the FARC, drug trafficking organizations, black marketeers in pirated software, DVDs and CDs, Hezbollah, Hamas) can operate with little fear of reprisals from the state. These areas also are useful for on-the-ground training (see the IRA training of the FARC rebels or the Yair Klein/Israeli training of the Medellin cartel).

Afghanistan under the Taliban and Liberia under Charles Taylor are examples of the second category. A quick look at Liberia (1997-2003) underscores the advantages of having access to a criminal state where the state itself is strong and, in areas of concern to the criminals or terrorists, quite efficient. Some of the same advantages, although not on the same scale, apply to opium growers and heroin traffickers in Afghanistan.

In Liberia, the state, while failing to meet the basic needs of its people and fulfilling virtually none of the traditional roles of states (defending national borders, providing basic education and health services, sanitation, garbage collection, mail delivery), had a virtual monopoly on power as well as control of the “honey pots.” Under Taylor’s direction, the extraction of timber, diamonds and gold were carried out with relative efficiency, but the benefits went to Taylor, his inner circle and those outsiders doing business with him.

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<sup>5</sup> Rem Korteweg and David Ehrhardt, “Terrorist Black Holes: A Study into Terrorist Sanctuaries and Governmental Weakness,” Clingendael Centre for Strategic Studies, The Hague, November 2005, p. 22.

While able to control points of entry and exit, the control was used to grant protection to terrorists and internationally wanted criminals, who in turn were able to bring economic benefit to the Liberian elite. The groups whose operations Taylor sanctioned included al Qaeda, Hezbollah, Russian organized crime, Israeli organized crime, South African organized crime and Chinese (PRC) timber companies violating international timber laws.

Sudan, with its support of the *janjaweed* for ethnic cleansing, and Hezbollah with the support of Iran and Syria to carry out proxy military activities in Lebanon, Latin America and elsewhere, are examples of the third category. States essentially franchise out to non-state actors the jobs they do not want to do or cannot do. This gives the non-state groups a range of operational freedom within the confines of the sphere of influence of their state sponsor. It also provides a financial mechanism for the control of areas that may be considered stateless but in fact fall under the control (at times contested) of non-state armed groups. All three types of can provide hospitable conditions for non-state armed groups to flourish, and all compose different legs of the pipeline, with specific strengths and weaknesses.

The fact is that, on the ground, we are still lacking a holistic approach that looks beyond single countries to regions and the crippling weaknesses of the international regimes that are designed for a bygone era. In areas where the country is functional and wants to bring order to its ungoverned spaces, the traditional types of aid are more viable. Colombia and Mexico, in this hemisphere, are clear examples of states making heroic and costly efforts to contain the influence of non-state actors, particularly criminal and terrorist groups.

In criminal states or states that franchise out their brutality, such aid is neither wanted nor useful. It simply serves to strengthen corrupt and brutal regimes, unless it is on such a small scale and so specifically targeted that it escapes the predatory state. This often escapes our thinking in planning aid efforts, particularly in counter-terrorism.

But there is some progress being made. I would like to focus on a case, well-known to some of you, that offers a model for how to leverage our foreign aid, use information sharing among US and allied intelligence services and work with closely-vetted units among our allies.

Two important shadow facilitators have been arrested in the past 18 months thanks to outstanding work by the Drug Enforcement Administration (DEA). These are Monzar al Kassar, a Syrian weapons trafficker who armed numerous terrorist groups, and Viktor Bout, a Russian weapons trafficker who supplied weapons to the FARC in Colombia, the Taliban in Afghanistan, Islamist guerrillas in the Philippines, as well as most of sub-Saharan Africa's most notorious leaders and rebel movements, including Charles Taylor of Liberia, the UNITA rebels in Angola and the Revolutionary United Front (RUF) in Sierra Leone.<sup>6</sup>

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<sup>6</sup> For a more complete view of Bout's activities, see: Douglas Farah and Stephen Braun, Merchant of Death: Money, Guns, War and the Man Who Makes War Possible, J. Wiley and Sons, August 2008. For

I want to focus particularly on Viktor Bout, because I believe he is the prototype of the 21<sup>st</sup> century facilitator of the criminal/terrorist networks, and his operations offer clear examples of what I am talking about. His capture offers several important lessons. In describing this, I am using Bout's indictment in the Southern District of New York and other open source information.

Bout successfully exploited various weaknesses in the international regime, which allowed him to operate with impunity for more than a decade. He was able to obtain diplomatic passports, and hide his aircraft registrations in criminal states such as Liberia, Equatorial Guinea and the Central African Republic. He obtained end user certificates for weapons that ultimately ended up with terrorist organizations such as the Taliban and the FARC. His organization preyed on weak states and the ability to cheaply deliver hundreds of thousands of automatic weapons and tens of millions of rounds of ammunition to anyone who could pay for them.

I want to go through just one documented case of dozens to illustrate how the system works.

From July 1997 to October 1998, planes flying for Bout's Air Cess company made 37 flights with weapons from Burgas, Bulgaria, the center of Bulgarian weapons production, to the West African nation of Togo, a nation smaller than West Virginia and with a population of about 5.6 million. Bout had spent parts of the previous two years visiting different weapons factories in Bulgaria and setting up a network for future shipments. Then he or his clients forged a series of Togolese End User Certificates and provided the forgeries to a company called KAS Engineering, based in Gibraltar, an offshore haven. The company names where the weapons would be purchased were real and the certificates could pass as genuine.

KAS Engineering, using the forged EUCs and an apparently-false affidavit empowering the company's Sophia, Bulgaria office to represent the government of Togo, then contracted for the weapons in Bulgaria. Bout's aircraft would deliver the shipments. "Some of the end-user certificates had been provided to the representative of KAS Engineers (Gibraltar) through the captain of a flight coming from Togo and some by express mail from Dubai, United Arab Emirates," the U.N. investigation found. "Further investigations disclosed that the mail was sent by a Mr. Victor Bout."<sup>7</sup>

The routes of the weapons were fairly standard. The planes flew out empty from Ostend, Belgium. They headed for Burgas to load the weapons. Most of the flights then transited

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Bout's indictment in the U.S Southern District of New York, see:  
<http://counterterrorismblog.org/Bout%20Indictment%20%282%29.pdf>

<sup>7</sup> "Final Report of the Monitoring Mechanism on Angola," S/2000/1225, Dec. 21, 2000, paragraph 36; Interpol Red Notice for Victor Bout, Feb. 28, 2002.

through Nairobi, Kenya and Khartoum, Sudan, listing their final destination as small airstrips either in the DRC or in Kenya.<sup>8</sup>

On paper the transactions appeared legal, among thousands that are carried out each year. No questions were raised. No one selling the weapons in Bulgaria was required to explain why a peaceful small African nation, with a tiny military that had relied for 40 years on French weapons, suddenly needed to spend \$14 million for Soviet bloc weapons, including 15 million rounds of ammunition; 20,000 82 millimeter bombs; or 6,300 anti-tank rockets.<sup>9</sup> The answer, of course, is that Togo did not receive the weapons at all. They were sent on to the UNITA rebels in Angola.

This is the type of activities that make the shadow facilitators so dangerous. Those weapons could have been (and in other cases were) destined to groups at war with the United States and seeking to kill U.S. citizens.

How was he finally arrested, and what lessons can be drawn?

1) The integrated use of human intelligence in identifying, targeting and getting close to Viktor Bout. Bout had always stayed several steps ahead of U.S. and European efforts to arrest him, but none of the previous plans had successfully penetrated the inner circles of his operation, as this one did. The successful plan drew on studying his character and developing a specific project to take advantage of Bout's personal and professional weaknesses.

2) This human intelligence was supplemented by the use of legal, judicial wiretaps, carried out by several allied nations, from Romania to Denmark, the Netherlands Antilles to Thailand. This seamless international cooperation was vital, and hard-won. It is a key to leveraging U.S. aid and goodwill to achieve the key U.S. policy goal of arresting Mr. Bout. It has the additional benefit of being admissible in U.S. courts. Where technological help was needed, it was provided, but always with the full participation of the host agencies.

3) Inter-agency cooperation, where needed, was strong and ongoing. Agents in the Department of Homeland Security and members of the intelligence community were able to work together, despite occasionally-differing views of the importance of Mr. Bout as a target.

The road ahead remains rocky. The Thai police have been cooperative, diligent and effective in helping U.S. officials carry out the operation and in jail. But that is not the end of the road. The political landscape and weak judicial system must now be navigated, and this is where questions of U.S. aid can be addressed.

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<sup>8</sup> "Final Report of the Monitoring Mechanism on Angola," S/2000/1225, Dec. 21, 2000, paragraph 37.

<sup>9</sup> "Final Report of the Monitoring Mechanism on Angola," S/2000/1225, Dec. 21, 2000, paragraphs 32-38.

The primary pending issue in Mr. Bout's case is his requested extradition to the United States to stand trial. The formal hearing on the request has twice been postponed, in an ominous sign that Mr. Bout, and his backers inside the Russian government, are doing everything they can to subvert the Thai judicial process. These efforts include offering lucrative oil and gas deals, as well as military cooperation, to the government in exchange for Mr. Bout return to Russia, where he would be, in reality, a free man. In Russia, several proposals have surfaced, such as trying Mr. Bout for tax evasion, rather than terrorism and crimes against humanity.

The fact that the postponements have been approved is both troublesome and heartening. Troublesome because the delays show the Thai judiciary is unwilling, so far, to press forward with a clear-cut, judicially-valid extradition request that meets both Thailand's requirements and those of the United States. Heartening because they show that so far Mr. Bout and his allies have not succeeded in buying his way out.

A question posed by this subcommittee is whether U.S. aid should be contingent or conditional on a country's cooperation in counterterrorism efforts. There is, of course, no single answer to that, given the competing interests any government has in its international relationships.

However, I think the Bout case offers some guidelines for saying yes in specific cases. In the Bout case, all judicial guidelines were followed and the host government was fully apprised of the operations. The extradition request was turned in on time, and was accepted by the Thai government as such. Its initial cooperation was a model of efficiency and bilateral efforts.

Should the Thai judiciary not carry out its clear obligation in this case, then I think that has to be taken into account in future counterterrorism dealings with Thailand. I would be hard pressed to think of a higher priority in combating terrorism, and more broadly, the criminal/terrorist nexus of which Mr. Bout is a primary facilitator, than having Mr. Bout stand trial. That can only take place in the United States, where the charges have been filed.

The Bout case offers a textbook example of how to leverage U.S. aid to pursue U.S. policy goals. We cannot and should not try to match different efforts to bribe or coerce the Thai judiciary. But it should be made amply clear that there will be significant consequences if Mr. Bout is not extradited. And, if possible, enhanced aid, particularly to the Thai police units that capably and willingly helped carry out the arrest, should be considered.

Thank you.