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**Senate Foreign Relations Subcommittee on the Western Hemisphere,  
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**“Illicit Mining: Threats to U.S. National Security and  
International Human Rights”**

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Chairman Rubio, Ranking Member Cardin, distinguished Members of the Subcommittee; thank you for the opportunity to appear before you today to discuss the work of the Bureau of International Narcotics & Law Enforcement Affairs (INL) at the U.S. Department of State to combat illicit mining. Mining in violation of the laws of the nation in which the activity occurs often takes place in remote areas, and is difficult to police, which leaves opportunities for organized criminal groups to carry out this activity. Transnational criminal organizations (TCOs), including drug trafficking organizations (DTOs), and insurgent groups use gold, mostly mined illegally in South America, to reap billions in illicit profits that further bolster their strength and long-term viability. They also use gold trafficking as a mechanism to launder profits from other illicit activities. Illicit mining threatens the national security and prosperity of the United States and our partners throughout Latin America by compromising the lawful gold supply chain and exploiting the U.S. financial system for illegal gain.

TCOs take advantage of a lack of state presence, corruption, and weak rule of law. They implement an efficient, low-risk business model that complements their traditional focus on narcotics production and trafficking. TCOs use illicitly mined gold to launder criminal proceeds by selling illegally mined gold to legal supply chains, which then exports it to refineries in the United States, China, India, the United Arab Emirates, Switzerland, and Italy. This scheme provides TCOs clean cash with high profits at low risk. In addition, illegal gold mining operations enable human trafficking; endangers public health; and destroys natural resources.

### **Illegal Gold Largest Source of Money Laundering**

In the last ten to fifteen years, some TCOs in the Western Hemisphere realized gold trafficking can provide them higher and easier returns than cocaine trafficking. Gold prices increased significantly between 2000 and 2012, reaching their peak at \$1,895 an ounce between 2011 and 2012. The heightened focus on counternarcotics operations increased the risks for these groups to produce and traffic narcotics and the move into the under-regulated gold mining sector offered lucrative incentives. One of the main incentives is that it is easy to import illegal gold into the United States. For example, although passengers must declare currency or monetary instruments such as gold coins, valued at \$10,000 or greater, non-monetized gold such as gold bars do not require the same reporting because it is not considered a monetary instrument. As a result, it is legal for a passenger to fly into the United States with, for example, 50 pounds of gold bullion, worth \$1 million at today's prices, without providing the same customs declaration information required when traveling with \$1 million in cash. Therefore, the individual passes through customs and does not automatically trigger secondary screening.

Peru is the top gold producer in Latin America and the sixth largest in the world. The Global Initiative Against Transnational Organized Crime, a network of over 430 independent and regional experts, estimates up to 28 percent of the gold leaving Peru is illegally mined. According to a report released by *Verite*, a non-profit research organization, illegal gold mining generates an estimated \$3 billion annually in Peru. In 2019, Peru's Financial Intelligence Unit found that illegal gold mining emerged as the largest source of money laundering, at more than double the amount related to illicit narcotics profits.

Although cocaine production in Colombia has risen to record levels, Colombian DTOs, dissidents of the *Fuerzas Armadas Revolucionarias de Colombia* (FARC), and other criminal

groups have nevertheless turned also to the illegal gold trade. They have made substantial revenue through illegally mined gold in recent years and often use it to also launder their revenue from drug trafficking. Colombia is the fourth largest gold producer in Latin American and 21st largest globally; the government estimates over 80 percent of gold mined in Colombia is mined illegally. This activity is widespread and coexists with cocaine trafficking in some areas controlled by FARC dissidents and other armed groups that operate in locations where there is little effective state presence, such as remote parts of Antioquia, Choco, Caqueta, Nariño, and the Amazonas departments.

### **TCOs Control Many Aspects of Illegal Mining**

Like most crimes, illegal mining thrives where the state is not present. Major drug production locales in the hemisphere overlap with major gold mining areas. The routes used to smuggle drugs and precursor chemicals are also used to smuggle gold, migrants, and controlled mining inputs such as mercury, petroleum, and dynamite. In Peru, family clans control these areas and direct illicit activities, such as drug production, illegal mining, illegal logging, and human and wildlife trafficking, which then feed into transnational criminal networks. With the opening of the Trans-Oceanic highway in 2011, illegal mining skyrocketed in Peru, particularly in the Amazonian region of Madre de Dios. The road has enabled illegal miners to bring heavy machinery, laborers, and inputs to set up gold mines there. Since illegal miners do not have access to capital through the formal banking sector, they often turn to TCOs and other criminal groups for financing. This gives TCOs another opportunity to launder drug money through the sale of heavy equipment, such as excavators and dredges.

Residents of mining regions in Peru refer to criminal groups operating locally as “assassins,” as they are often equipped with satellite phones and automatic weapons. In 2017, police in Peru’s Madre de Dios region uncovered a mass grave with 20 burned bodies thought to be the bodies of laborers from illegal mining camps. In addition to financing the activities and controlling the labor, TCOs are principal purchasers of illegal gold and launder their money through gold consolidators, semi-refiners, and shell companies. TCOs have also bought long-defunct gold mines to launder additional money by claiming the mines are back in production, while passing off purchases of dirty gold as their own.

In Colombia, criminal organizations frequently engage in both narco trafficking and illegal mining operations, as illegally mined gold is an efficient mechanism to launder profits from the drug trade. There is also a strong connection between illegal mining, forced labor, and trafficking-in-persons, which provide miners and sex workers for illegal mining camps. In addition, children are engaged in illegal mining operations as well as activities related to the supply chains of these operations.

### **Mined Gold Is Easier to Transact Than Drug Cash**

Gold’s origin is difficult to trace; once gold is melted down, it is almost impossible to trace. People often use cash to pay for gold, which makes transactions anonymous. Lax registration procedures allow criminal groups to set up companies to buy gold used to launder funds. Some licensed brokers also purchase illegally mined gold to pad their profits. Although gold exporters are required to provide documentation citing the gold’s origin to ensure its legitimacy, these documents are easy to falsify or obtain from corrupt officials and allow illegally mined gold to enter the legitimate supply chain.

## **Illegal Mining Fuels Human Trafficking and Environmental Destruction**

Illegal mining also promotes and is associated with other crimes, including sex and labor trafficking. The lucrative nature of illegal mining in Peru and Colombia has driven the demand for forced sex and labor trafficking, particularly in Peru's Madre de Dios, Puno, and Cusco regions. In the annual Trafficking of Person's Report for Peru, Embassy Lima reported that traffickers subjected victims to forced labor in artisanal gold mines and nearby makeshift camps that provide services to miners; traffickers compel victims through deceptive recruitment, debt-based coercion, restricted freedom of movement, withholding wages, and threats and use of physical violence. The International Labor Organization estimates that since 2010, 50,000 children have been forced to work in the illegal gold mines or subjected to sex trafficking in mining camps in the Madre de Dios and Puno regions. According to informal reports, mining workers have disappeared when attempting to denounce the inhumane working and living conditions. Workers have also reported that when trying to separate from their employer, they were forced to traffic drugs in order to receive their payment.

Illegal gold mining also has severe environmental consequences. In Colombia, gold mining operations frequently use mercury, a potent neurotoxin used to extract gold from the sediment, which results in severe and long-lasting soil, air, and water pollution. In Peru, illegal mining has destroyed a part of the Amazon rainforest equivalent to seven times the size of Miami. The majority of this deforestation has taken place within the last ten years and the pace of destruction is quickening. Miners have moved into some of the most biodiverse areas of the world, including the Tambopata National Reserve in Madre de Dios. The attached images, provided by the U.S. Embassy Lima, represent a glimpse of the devastation illicit mining poses on Peru's biodiversity. In Peru, Colombia, and other countries with illegal mining, mercury is poisoning the rivers and will impact public health for generations. In this process, mercury is also being released to the atmosphere where it can travel thousands of miles. An estimated 70 percent of mercury deposited in the United States comes from global sources. Each year, illegal miners in Peru release an estimated 40 metric tons of mercury into rivers, soils, and air, which allows it to enter the food chain. In 2012, researchers from Stanford University found that 60 percent of the fish species and 78 percent of adults in Madre de Dios had mercury contamination above EPA limits -- in some cases, over 27 times the reference limit.

## **U.S. Collaboration Addresses Illegal Mining**

The United States signed a Memorandum of Understanding (MOU) with the governments of Peru and Colombia, in 2017 and 2018 respectively, to expand bilateral cooperation to combat illegal mining and minimize its negative impacts. The Peru MOU supports over 40 activities that build the Peruvian government's capacity to fight TCOs, eradicate illegal mining from protected areas, support the development of transparent and traceable supply chains for small-scale gold, and eliminate the use of mercury from artisanal and small-scale gold mining. Support from INL aims to disrupt criminal networks that smuggle migrants, narcotics, illegal gold, and controlled chemicals, as well as to prevent illegally mined gold from entering the United States and the international market.

Within the framework of the MOU, INL works with other U.S. government agencies and the Government of Peru to train the police, prosecutors, judges, auditors, and others responsible for investigating these crimes and convicting perpetrators. INL provides capacity building and mentoring to Peru's Financial Intelligence Unit to identify money laundering risks in the mining

sector and to take steps to raise scrutiny on suspicious transactions linked to illegal mining. INL also trains customs authorities at ports and airports on how to recognize fraudulent documents to increase seizures of illegal gold before it leaves Peru.

The U.S. Embassy in Lima issued a Commercial Advisory encouraging buyers, sellers, traders, and refiners of gold to conduct additional due diligence as part of their risk management regimes to account for the influx of illegally mined Peruvian gold into existing supply chains. It also alerted buyers that illegally mined gold from Peru is exported via neighboring countries to obscure its origin and illegality before it enters the international market.

In February 2019, the Government of Peru launched Operation Mercury, a whole-of-government operation to evict illegal miners from Madre de Dios, the illegal gold epicenter in Peru. The two-year plan began with a two-week operation, led by 1,200 Peruvian police, 300 soldiers, and 70 prosecutors, aimed at removing an estimated 6,000 illegal miners from the La Pampa area of Madre de Dios and establishing a semi-permanent government presence in the region to prevent their return. INL provided operational support to the Peruvian National Police efforts and supported the Attorney General's efforts to set up a forensics laboratory in Madre de Dios with advanced technology to detect mercury and map crime scenes. The successful operation has led to subsequent interdictions around the country, as well as a 92 percent reduction in rates of deforestation caused by illegal mining in the area. Through the illegal gold mining MOU, INL will increase support for Operation Mercury as it enters into a new phase where authorities will remain in the region for two years to consolidate gains.

The U.S.-Colombia MOU signed at the 2018 High-Level Dialogue has increased joint efforts to combat illegal mining, including detecting and eliminating mercury usage. INL provides training as well as field and laboratory equipment to Colombian law enforcement entities for detecting and supporting prosecution of illegal mining activities for environmental damage, including a \$1.5 million environmental chemical laboratory. INL helps Colombia build institutional capabilities in the police, armed forces, office of the attorney general, and judicial institutions to detect, investigate, and prosecute environmental crimes, as well as money laundering, narcotics trafficking, and other organized criminal activity. This year alone, INL's direct operational support and the crucial use of INL-supported helicopters have allowed the Colombian National Police to seize or destroy more than \$4 million worth of heavy machinery and other mining equipment belonging to TCOs. Through the U.S.-Colombia MOU, INL coordinates with USAID and the Oro Legal program, a USAID-funded initiative, which aims to formalize small-scale and medium-scale mining operations, reduce mercury use, and rehabilitate degraded lands. This coordinated inter-agency approach provides a comprehensive set of interventions to address the complex challenges associated with illegal gold mining in Colombia.

INL recognizes that illegal mining is an issue that extends beyond individual country borders and that tackling this issue head-on requires strong regional networks. In August 2019, INL established a three-year project with the Organization of American States (OAS) to strengthen the national and regional systems that combat illegal mining financial structures and to enhance regional collaboration. Through training courses focused on financial intelligence units, customs and immigration authorities, and agencies responsible for the administration of seized and confiscated assets, we seek to enhance regional collaboration and to increase investigations and convictions of crimes related to illegal mining. We also seek to increase the quantity and value of seized and confiscated assets linked to TCOs.

While we have made progress, stronger regulation is needed to stop the trafficking of illegal gold through U.S. ports of entry and to target bad actors at home and abroad. I am glad to be joined by my colleagues who work on the domestic law enforcement aspect of this issue.

### **Conclusion**

Illegal gold mining presents a direct threat to U.S. national security interests. TCOs use illegally mined gold to launder billions of dollars in revenue from other criminal activities through the United States, harming our legitimate businesses and exploiting our financial system for illicit gain. Illegal gold mining feeds corruption and insecurity, presenting serious governance challenges for our partners. Our collaboration with Peru and Colombia is essential to disrupting these criminal networks, reducing human trafficking, decreasing environmental and health impacts of illegal mining, and preventing illegally mined gold from entering the United States. We must continue to advance our shared interests through a coordinated interagency approach with an eye toward developing greater cross-border collaboration, given the regional nature of illegal gold mining and associated crimes. We must do more to identify financial and money-laundering networks, and the flow of controlled mining inputs and heavy equipment used in gold mining. Illuminating the methods and processes used to facilitate illegal mining and trafficking of illegally mined gold will help us intensify our efforts to combat this scourge.

**Attachment:**  
**Environmental Devastation in Peru**

Illegal miners have moved into some of the most biodiverse areas of the world, including the Tambopata National Reserve in Madre de Dios along southeast Peru. Illegal mining is rapidly destroying parts of the Amazon rainforest and poisoning rivers with mercury causing severe environmental consequences. The below images, provided by the U.S. Embassy Lima, represent a glimpse of the devastation illicit mining poses on Peru's biodiversity.







