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Designating drug cartels as terrorist organizations: The next frontier in corporate risk

By Joseph F. Thompson, Nardello & Co.*

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In January 2025, President Trump signed Executive Order 14157, creating a pathway for designating certain transnational criminal organizations — commonly referred to as cartels — as Foreign Terrorist Organizations and Specially Designated Global Terrorists, which places cartel entities in the legal framework long applied to ideology-driven terror groups.

Less than one month later, multiple cartels were so designated, leading the US Department of the Treasury's Office of Foreign Assets Control to issue related sanctions guidance that will have serious implications for businesses operating in or working adjacent to cartel-controlled regions.

Earlier this year, my colleague Alberto Orozco (https://bit.ly/4nxjppW) examined these policy shifts and their implications for companies operating in Latin America. Building on his analysis, this article broadens the discussion to include recent maritime interdiction operations and the expanding use of civil forfeiture and to highlight the practices organizations should adopt to operate in this evolving threat landscape.

Recent operational escalation: Maritime strikes and regional impact

Since September 2025, the US military has conducted precision strikes against small, fast-moving "go-fast" vessels in the southern Caribbean and near Venezuelan waters, destroying multiple vessels in an effort to prevent narcotics from reaching US waters.

These actions, which targeted suspected narcotics-trafficking networks tied to designated cartels, underscore a dramatic policy shift: the fusion of law-enforcement, intelligence, and military tools to combat transnational organized crime now framed as terrorism.

From 2017 to 2020, I commanded the Caribbean Corridor Strike Force in San Juan, Puerto Rico, a multi-agency task force led by the Drug Enforcement Administration ("DEA") that targeted maritime trafficking networks.

Task force operations, including the interdiction of go-fast vessels and semi-submersibles transporting multi-hundred kilogram cocaine shipments bound for the United States, proved how the cartels use the Caribbean as a gateway to the US and European markets. This threat persists today.

What this means for your business

The designation of cartels as Foreign Terrorist Organizations and Specially Designated Global Terrorists expands risk exposure for companies well beyond the traditional narcotics sector.

For Fortune 500 enterprises, private-equity investors, and law firms, four dimensions are most relevant:

1. Sanctions and criminal exposure

US persons and entities face heightened liability for providing "material support," even unwittingly, to designated groups or their affiliates. Violations can trigger severe penalties, including asset freezes, blocked transactions, and lasting reputational damage.

2. Operational and supply chain risk

US entities operating in Latin America, especially Mexico and the Caribbean, must treat supply chain integrity as a national security-level priority.

3. Legal uncertainty and reputation defense

As these designations stem from executive authority rather than Congressional statute, enforcement interpretations are evolving rapidly. Regulatory scrutiny is expanding, and compliance failures will not be excused by claims of ambiguity or lack of awareness.

4. Asset seizure and civil forfeiture exposure

Beyond sanctions and criminal liability, companies face growing exposure to civil forfeiture under the expanded authorities tied to Foreign Terrorist Organization designations.

As highlighted in a recent analysis by the law firm of Foley & Lardner LLP, the Department of Justice can now pursue the civil seizure — *i.e.*, seizure without a criminal conviction — of property and assets associated with entities linked to Foreign Terrorist Organizations.

This expansion of authority — which illustrates how enforcement is evolving from punitive to preemptive, targeting

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financial lifelines as much as criminals — dramatically broadens the government's reach into corporate assets that may have only indirect connections to designated organizations.

Global businesses must understand that bank accounts, receivables, or other assets traced through cartel-linked intermediaries could be subject to civil forfeiture, a parallel enforcement mechanism — one favored by prosecutors because it bypasses the high evidentiary bar of criminal prosecution.

Corporate counsel and compliance teams must now anticipate multi-front risk: sanctions enforcement; material-support liability; and asset exposure through forfeiture tied to Foreign Terrorist Organizations.

The road ahead

The Trump administration's executive designations, combined with recent maritime operations, demonstrate a fundamental shift: cartels are no longer criminal entities but national security threats.

In today's landscape, where "know your customer" has become "know your counterparty's counterparties," the demand for thorough due diligence and intelligence-driven compliance has increased. The organizations that thrive will be those that integrate real-time intelligence and investigative foresight into every stage of risk management.

Now is the moment for corporate leaders to ensure their risk programs are not only compliant, but intelligence driven. The sure-fire way to protect your organization's interests is to partner with investigative professionals who understand the threat and the enforcement landscape.

About the author

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