

Party of Fraud: Hizballah's Criminal Enterprises

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Mar 22, 2012

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Brief Analysis

On March 19, 2012, Michael Braun, David Asher, and Matthew Levitt addressed a Policy Forum at The Washington Institute. Mr. Braun, a managing partner with Spectre Group International, is former assistant administrator and chief of operations at the U.S. Drug Enforcement Administration. Dr. Asher, a senior fellow at Center for a New American Security, specializes on countering illicit financial networks and transnational threats. Dr. Levitt, director of The Washington Institute's Stein Program on Counterterrorism and Intelligence, is the author of the forthcoming book *Hezbollah: The Global Footprint of Lebanon's Party of God*. The following is a rapporteur's summary of their remarks.

MICHAEL BRAUN

Given the growing confluence of drugs and terror, Washington needs to be more focused on Hizballah's illicit activities, particularly in the Western Hemisphere. A long-established relationship with the Islamic Revolutionary Guards Qods Force provides Hizballah, Iran's trusted proxy group, opportunities to build operational capacity in the global illicit drug trade.

Hizballah entered the global narcotics trade approximately seven years ago by acquiring relatively small amounts of cocaine in 15kg-20kg quantities. Trafficking the drugs from the Tri-Border Area (Brazil, Paraguay, and Argentina), across the Atlantic, and into locations like Europe, Saudi Arabia, and the United Arab Emirates, this initial investment produced hefty profits almost overnight. Today, Hizballah is moving tons of cocaine into West Africa, onward to North Africa, and eventually into European markets.

For decades, Hizballah has been a master at identifying and exploiting existing smuggling and organized crime infrastructure. Conservatively, the DEA has linked at least half of the U.S.-designated foreign terrorist organizations to the global drug trade. Hizballah's illicit activity is directly linked to the group's ability to build contacts and

relationships globally.

In permissive environments, Hizballah operatives are developing close personal relationships with individuals from organized crime groups. Formidable interorganizational relationships evolve from these personal relationships as young operatives dispatched to places like the Tri-Border Area ascend the ranks within their organization. DEA agents routinely report links between Hizballah and other terrorist and organized crime groups throughout South America, West Africa, and Europe.

Going forward, Washington should focus on three key strategies to disrupt the growing nexus between drugs and terror. First, the development of interlocking counternarcotics and counterterrorism strategies with singular funding streams can limit the usual stovepiping that stifles cooperation between agencies. Second, because U.S. law enforcement presence in South America has decreased since 9/11, Washington needs to put greater emphasis on "defense in depth" -- i.e., expanding U.S. activity in the region. Finally, a relentless focus on traditional threats such as drugs, arms, and human trafficking, along with their associated money laundering, will expose terrorist operatives to law enforcement.

DAVID ASHER

Hizballah has long exploited the Lebanese banking system to bolster the group's coffers. The startling growth of Lebanon's banks illustrates the degree of Hizballah's money-laundering activity in the wake of Hizballah's 2006 war with Israel. Banking data suggests the Lebanese banking system essentially doubled between 2006 and 2011, the result of a massive surge in dollar-dominated deposits from non-residents and members of the Lebanese diaspora. Foreign exchange reserves and gold reserves of the Central Bank of Lebanon tell a similarly story -- in the wake of the the war the funds skyrocketed. The miraculous growth experienced by the Lebanese banking system during costly reconstruction efforts is suspicious at best.

The fastest growing bank in Lebanon over the last decade has been the Lebanese Canadian Bank -- the bank most centrally involved in Hizballah's finances. It provided services and loans to Hizballah entities and received large deposits without reporting their source to the central bank. Hizballah has encroached on every part of Lebanon's economy from its banking system to real estate and construction; however, they also seem to embrace illicit finance as a main source of revenue. Indeed, these illicit networks connect back to Hizballah's coffers through Hussain al-Shami, a senior leader in charge of foreign donations to Hizballah's fundraising organizations.

In December 2011, a \$483 million asset forfeiture claim filed in the Southern District of New York exposed a massive money-laundering scheme through Hizballah fronts in Lebanon, including the Lebanese Canadian Bank and two Beirut-based money exchange houses. The Lebanese financial institutions assisted in a scheme to integrate hundreds of millions of dollars from narcotic sales with the proceeds of used cars bought in the United States and sold in Africa. Over the last five years, large sums of bulk cash, often escorted by Hizballah security guards, have been shipped from Africa to Lebanon; in 2007 alone, some \$1.2 billion declared at the Togo-Ghana border made its way into Lebanese banks. The Lebanese Canadian Bank and affiliated exchange houses laundered and eventually piped the funds back into the U.S. and European banking systems.

Hizballah's money-laundering activities and infiltration of the banking system constitute a principal risk to Lebanon's financial security. For instance, the U.S. Treasury designation of the Lebanese Canadian Bank triggered a run on funds in the banking system, while Iran and Syria continue to use Beirut to skirt sanctions and thus expose the entire Lebanese banking system to severe sanctions. The choice facing the Beirut is clear: maintain Lebanon's government or maintain Hizballah.

Going forward, the United States needs a decisive pressure option to curtail the influence of Hizballah and Iran in Lebanon without resorting to military force. Washington should consider creating an Iran-Hizballah Illicit Activities

initiative -- similar to the initiative applied against Kim Jong-il's regime and the strategy that proved effective against Milosevic in the mid-1990s.

MATTHEW LEVITT

While Hizballah has long engaged in criminal activity, the scope and scale of that activity has expanded significantly over time, providing law enforcement opportunity to undermine the group's capabilities. Consider last December, when federal prosecutors accused three Hizballah-linked financial institutions with laundering more than \$480 million from narcotics trafficking and other criminal activities. Hizballah operative Ayman Joumma, who had operations in Colombia, Lebanon, Panama, and West Africa, laundered as much as \$200 million a month in cocaine sales in Europe and the Middle East for the scheme.

Over several years Hizballah has been uniquely positioned to draw from a vast continuum of worldwide supporters and operatives. At one end is a small group of Hizballah-trained operatives and at the other a much larger pool of sympathizers who provide funds for the group.

From weapons procurement of shoulder-fire missiles to stolen laptops, passports, and PlayStation 2s, material support cases in 2009 indicate the scope and scale of Hizballah's rising criminal activity. In one case a Hizballah operative attempted to sell counterfeit money to a government witness. The counterfeit bills, however, proved to be genuine, revealing a Hizballah scheme to sell money stolen from the Middle East. In yet another instance, Dani Nemr Tarraf, charged with spearheading a plot to obtain military-grade weapons for Hizballah, told conspirators that weapons could be easily shipped through the port of Latakia into Syria and Iran because Hizballah controlled the port and secrecy was guaranteed.

Criminal activities expose Hizballah to unprecedented scrutiny from U.S. law enforcement, offering new opportunities to target the group. Although many countries are reluctant to cooperate with the U.S. counterterrorism efforts for fear of admitting that terrorists operate on their soil, they are less hesitant to cooperate on criminal law enforcement. It is often easier to pursue and apprehend suspects as criminals than as terrorists.

This has been evident in U.S. efforts to counter Hizballah activity in the Tri-Border Area. It is no surprise that Buenos Aires, Brasilia, and Asuncion issued a joint statement rejecting U.S. claims of terrorist activity in the region. Yet, "the governments [of the Tri-Border Area] have long been concerned with arms and drugs smuggling, document fraud, money laundering, and the manufacture and movement of contraband goods through this region," according to a 2007 U.S. State Department assessment. These countries are more willing to cooperate with the United States if it frames its efforts as anticrime and antidrug rather than as counterterrorism. Enforcing domestic laws to hold terrorists accountable for their criminal activity allows countries to avoid the messy politics that counterterrorism activities might imply.

Q&A SESSION

This rapporteur's summary was prepared by Divah Alshawa. ❖

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