

Hezbollah: Party of Fraud

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Articles & Testimony

Worldwide efforts aimed at Hezbollah's criminal rather than terrorist activities would weaken the group's support network and undermine its reputation at home and abroad.

In June, Lebanon's new prime minister, Najib Mikati, announced the formation of a government dominated by members and allies of the Shiite terrorist organization Hezbollah. The creation of the new government has made Hezbollah the most dominant political force in Lebanon just six years after the "Cedar Revolution," which placed the group on the defensive and forced its Syrian patrons to leave the country. With control of the Lebanese government, a vast social-service network, an army of soldiers and operatives, and an arsenal of more than 40,000 rockets, Hezbollah has arguably never been more powerful.

Hezbollah would not have achieved its current stature without the assistance of its creator and chief sponsor, Iran. Since founding Hezbollah in 1982, Iran has armed, funded, and trained the organization, transforming it into a potent terrorist and fighting force. Yet Hezbollah has not relied entirely on Iran to finance its operations. Instead, it has raised funds through criminal activities, including counterfeiting currencies and goods, credit-card fraud, and money laundering. In 2002, for example, Hezbollah operatives in North Carolina were convicted for smuggling cigarettes across state lines and sending a significant portion of their profits -- estimated to be more than \$1.5 million -- back to their commanders in Lebanon.

This high-profile case first alerted many to the global extent of Hezbollah's criminal operations. But since then, Hezbollah's criminal network has grown in size, scope, and savvy. Wary of the instability plaguing its patrons in Tehran since the Green Movement uprising in 2009, Hezbollah has expanded its illicit activities to gain greater financial independence (an expansion sure to continue following this year's uprising in Syria, Hezbollah's other major benefactor). A series of international investigations into Hezbollah's criminal activities over the past several years has revealed that the organization has developed a far more sophisticated, organized, and global crime network. This system has helped sustain the organization in spite of the challenges confronting Iran and Syria, bringing in tens of millions of dollars in profit each year. But it has also exposed Hezbollah to criminal prosecution in Western countries. Some of these nations have avoided prosecuting Hezbollah for its terrorism-related activities, seeing the organization less as a terrorist front than a militant group engaged in political and social activities in Lebanon. But these countries may be more willing to target, and thus weaken, Hezbollah for its criminal activities.

Hezbollah has long relied almost exclusively on its relationship with Iran and Syria for funding. Since the early 1990s, Hezbollah has operated with a guaranteed annual contribution of at least \$100 million a year from Tehran. Early last decade, Iran doubled that investment to more than \$200 million a year, and its financial support for Hezbollah reached its pinnacle in 2008-9. According to Israeli intelligence estimates, Iran, flush with revenues from oil prices that had risen as high as \$145 per barrel in late July 2008, ramped up its funding to defray Hezbollah's soaring costs as it attempted to rebuild following its 2006 war with Israel. Hezbollah required unprecedented assistance to restock its weapons supplies, invest in reconstruction, and buy favor within both the various sectarian communities and Lebanese towns and villages that suffered damage during the war. It was especially desperate for support in advance of Lebanon's June 2009 elections, when the group attempted to compete with its Sunni political rivals, who were funded by Saudi Arabia. According to a report by the global intelligence company STRATFOR, as the election neared, Iran allegedly pledged as much as \$600 million to Hezbollah for its political campaign. By 2009, Israeli intelligence estimated that, since the summer of 2006, Iran had provided Hezbollah more than \$1 billion in direct aid.

This influx of Iranian money led Hezbollah to hire more people and invest in more programs, assuming that Iran's inflated support would persist. Yet just as Hezbollah accustomed itself to a larger budget, Iran became a much less reliable donor. By mid-January 2009, oil prices had fallen to \$36 per barrel and remained under \$60 until May, drastically reducing Iran's oil profits. International sanctions against Iran's nuclear program, meanwhile, became harsher. Combined with crippling subsidies for basic commodities and soaring inflation, these factors severely hampered Iran's economic growth. Then, as the economy crashed, Tehran's ruling clerics blatantly stole the country's June 2009 elections, spurring months of protests by the Green Movement.

According to Israeli intelligence, these economic pressures forced Tehran to slash its annual budget for Hezbollah by 40 percent in early 2009. (It remains unclear whether Iran has since increased its funding.) As a result, Hezbollah was forced to enact austerity measures, reducing salaries and paid staff and placing several building projects on hold. Hezbollah operatives feared for their jobs, and Hezbollah beneficiaries feared for their handouts. The ensuing cutbacks caused tension within the organization as certain programs and activities were prioritized over others.

Suddenly constrained after years of abundant Iranian funding, Hezbollah turned to its preexisting criminal enterprises to boost its assets. The organization views its illicit income as critical for providing social services to an expanding swath of the Lebanese electorate, paying the families of its fighters, and investing in its growing arsenal of rockets and other advanced weapons.

Signs of Hezbollah's increasing reliance on criminal activity quickly began popping up across the globe. In February of this year, U.S. prosecutors indicted seven U.S. citizens -- one of whom is a known Hezbollah associate -- for allegedly conspiring to aid the Taliban. Drug Enforcement Administration agents recorded meetings in Benin, Ghana, Romania, and Ukraine between the defendants and confidential DEA sources posing as Taliban representatives. According to the tapes, some of the individuals agreed to receive, store, and move tons of Taliban heroin. Others offered to sell substantial quantities of cocaine that the Taliban or their agents could then resell, either themselves or through drug dealers, at a profit in the United States. One of the indicted individuals, Alwar Pouryan, an Iranian national described by one of his co-conspirators as "a weapons trafficker affiliated with Hezbollah," planned to sell weapons to Taliban representatives, giving DEA agents the details about the proposed deal. According to the indictment against Pouryan and the other six suspects, the list included surface-to-air missiles, antitank missiles, grenade launchers, and AK-47 and M-16 rifles. Hezbollah operatives have demonstrated their willingness to sell drugs and arms -- even for ostensible adversaries such as the Taliban -- to supplement their revenues.

The discovery of this Hezbollah-linked conspiracy to support the Taliban followed the U.S. Treasury Department's decision in January of this year to blacklist the Lebanese narcotics kingpin Ayman Joumma, along with nine people and 19 businesses involved in his drug trafficking and money laundering. An extensive DEA investigation revealed that Joumma laundered as much as \$200 million a month from cocaine sales in Europe and the Middle East to operations located in Colombia, Lebanon, Panama, and West Africa through money exchange houses,

bulk cash smuggling, and other schemes. According to U.S. prosecutors, the majority of those drug profits were funneled back to Hezbollah. Two weeks later, the Treasury Department designated the Lebanese Canadian Bank as a "financial institution of primary money-laundering concern" for colluding with Joumma to launder his illicit profits and direct them to Hezbollah. The depth of Hezbollah's relationship with Joumma and with LCB, Lebanon's eighth-largest bank, with a reported \$5 billion in assets in 2009, suggests just how intricate and ambitious Hezbollah's criminal activities have become.

The list of Hezbollah-linked criminal projects continues. In Miami last October, a group of businessmen pled guilty to attempting to ship electronics to a shopping center in South America that the U.S. Treasury Department designated as a Hezbollah front. In Philadelphia in 2009, ten individuals were charged with conspiring to provide material support for Hezbollah through trafficking counterfeit goods. The defendants in the case transported stolen laptop computers, passports, Sony PlayStation 2 systems, and automobiles to raise funds for Hezbollah, and attempted to procure weapons for the organization as well. Authorities tracked the shipment of stolen goods to places as disparate as Benin, Venezuela, and the United States. A separate criminal complaint in Philadelphia that same year charged Dani Nemr Tarraf -- a German national who maintained a home in Lebanon -- with spearheading a plot to obtain 10,000 machine guns and a shoulder-fired missile system capable of destroying an F-16 that could be shipped to Iran or Syria.

Despite being discovered in these several cases, Hezbollah operatives continue to run one of the largest and most sophisticated global criminal operations in the world. These criminal activities have strengthened Hezbollah and made it more difficult for Western nations to undermine it. Yet they have also exposed Hezbollah to unprecedented risk. Well trained by Iran in the arts of counterintelligence and operational security, Hezbollah prefers to keep its actions out of the public eye. Its crime network, however, has placed the organization under unprecedented scrutiny from law enforcement agencies worldwide, offering a new opening for international action to weaken it like never before.

To begin with, it is often easier to pursue and apprehend suspects as criminals than as terrorists. Few countries have formally listed Hezbollah as a terrorist organization, but they will target the organization when it engages in criminal plots. The European Union, for example, does not classify Hezbollah as a terrorist organization, but its member states are eager to prevent the group from running criminal enterprises on their territories. Countries around the world share a determination to prevent drugs from being smuggled across their borders, whether by criminals, terrorists, or networks that combine the two.

Although many countries are reluctant to cooperate with the United States on counterterrorism for fear of admitting that terrorists operate on their soil, they are less hesitant to work with the country on criminal law enforcement. This has been evident in U.S. efforts to counter Hamas and Hezbollah activity in Latin America's so-called Tri-Border Area, where Argentina, Brazil, and Paraguay meet. In December 2006, the U.S. Treasury Department designated a number of prominent Lebanese expatriates in the area as terrorists for their ties to Hezbollah. Immediately after it did so, Buenos Aires, Brasilia, and Asuncion issued a joint statement exculpating the suspects and rejecting U.S. claims about terrorist activity in the region. Yet the U.S. State Department's 2007 annual report on terrorism noted that "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." The countries of the Tri-Border Area are thus more willing to cooperate with the United States if it frames its efforts as anticrime and antidrug rather than counterterrorism.

Most important, to hold terrorists accountable for their criminal activity, countries do not need to do anything more than enforce their own existing laws. No new legislation, institutional change, or regulatory authority is necessary. And enforcing domestic laws allows countries to avoid the messy politics that counterterrorism activities might imply.

Fortunately, Hezbollah is likely to continue providing law enforcement targets for some time. The group continues to worry about Iran's ongoing economic ills, as well as the political disarray in Syria, and will thus likely continue to bolster its criminal operations in case its sponsors run into further trouble. Western countries can unite to expose these activities. A model for such a cooperative effort is the South American response to Hezbollah's bombing of the Jewish community center in Buenos Aires in 1994. Law-enforcement and intelligence agencies in Argentina, Brazil, and Paraguay teamed with their U.S. counterparts to disrupt Hezbollah's presence in their countries by arresting the organization's operatives on criminal, rather than terrorism, charges and targeting its financial interests. A similar but worldwide effort today -- when Hezbollah is already being challenged at home by the indictment of several Hezbollah operatives for the murder of former Lebanese Prime Minister Rafiq Hariri -- would weaken Hezbollah's global support network and undermine its reputation at home and across the globe, exposing it as a criminal gang rather than a standard bearer of "resistance" in Lebanon.

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