

## Making Smugglers Pay: Underwriting Egyptian Border Security

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Apr 13, 2009

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### Brief Analysis

**T**his past weekend, Egyptian police detained a man who was transporting \$2 million dollars to North Sinai to be smuggled to Hamas in the Gaza Strip. This came on the heels of two separate attempts by Hamas to smuggle nearly \$10 million dollars from Egypt into the Strip. This was not their first attempt to smuggle a large amount of cash into Gaza, nor will it likely be the last. The United States should encourage the Egyptians to crack down on the organization's bulk cash smuggling more effectively and push Cairo to develop an asset forfeiture regime, using funds seized under this program to finance more-robust law enforcement efforts along the border. European and American programs aimed at combating bulk cash smuggling offer a useful example for a similar Egyptian initiative.

#### Bulk Cash Smuggling into Gaza

Since the armed takeover of Gaza in 2007, the international community has put in place broad sanctions prohibiting financial support for Hamas. To circumvent these economic sanctions, Hamas has frequently turned to bulk cash smuggling to obtain necessary funds. In February 2009, for example, following the Gaza conflict, Egyptian border police caught Hamas officials attempting to smuggle suitcases holding around \$9 million in cash into the Strip. The following month, Hamas officials returning from reconciliation talks in Egypt attempted to smuggle \$850,000 in cash hidden in candy tins. Both cases were clearly in violation of Egypt's prohibition on persons leaving its borders carrying more than \$10,000 in undeclared cash.

While these efforts were thwarted, Hamas has succeeded on many other occasions. According to Palestinian officials, in June 2006, former Palestinian foreign minister and Hamas member Mahmoud al-Zahar successfully crossed the Egyptian-Gaza border with \$20 million in cash stuffed into twelve suitcases. Similarly, in November 2006, two Hamas lawmakers, Mushir al-Masri and Ahmad Bahar, smuggled in more than \$4 million.

Egyptian police officers, historically underpaid, have accepted bribes in exchange for turning a blind eye to weapons smuggling through tunnels into Gaza. Several media reports suggest that Egyptian police stationed at border crossings are more than willing to do the same in regard to cash. The recent seizure of these funds, however, represents an opportunity not only to crack down on illicit financial activity but also to boost the meager salaries of Egyptian border guards and finance their underresourced mission of securing the Egyptian border.

#### International Efforts to Combat Smuggling

On March 13, 2009, the United States, Canada, and seven European nations agreed to a plan to prevent arms smuggling into the Gaza Strip. Coming off the heels of a joint U.S.-Israeli agreement in January 2008 to combat weapons smuggling, this plan promotes tactical cooperation to stop, search, and seize ships and other transportation vehicles suspected of transferring weapons to Hamas.

Although these agreements are positive developments, neither specifically addresses the issue of bulk cash smuggling, which is disconcerting because the participating nations have broad experience in combating exactly this issue. For instance, according to the State Department's 2009 International Narcotics Control Strategy Report, in September 2008, Germany participated in a multinational customs cash-smuggling enforcement operation that included many European Union and North African countries, with assistance from the U.S. Department of Homeland Security's (DHS) Bureau of Immigration and Customs Enforcement. By the end of the weeklong effort, officials discovered 181 cases of money smuggling and seized 5.5 million euros. Countries with experience in this area, such as the United States and EU members, could help Egypt develop its own efforts to combat the growing industry of bulk cash smuggling into Gaza.

#### Cooperative Relationships

International efforts to combat smuggling into the Gaza Strip must not focus on the border alone. Both Egypt and Israel have made efforts to hinder weapons smuggling by exposing, blocking, and demolishing smuggling tunnels. This has been relatively ineffective, however, since new tunnels are dug and Egyptian follow-up efforts have been desultory. This, coupled with the high rate of bribery among Egyptian border police, has created an environment ripe for bulk cash and other illicit smuggling.

The United States could adopt several measures to improve Egyptian performance in this area. DHS has developed cooperative relationships with foreign partners aimed at combating the illicit movement of currency. This type of cooperation has proven successful in the past with international partners, and could be effective with the Egyptians as well. Recent U.S.-Israeli custom efforts, for example, have thwarted bulk cash smuggling between the two countries. Under the DHS's "Hands Across the World" initiative, a four-day series of coordinated law enforcement actions resulted in one arrest and two seizures in the United States and fourteen seizures in Israel. Combined, the seizures totaled nearly \$500,000 in cash, negotiable checks, gold, and diamonds.

The United States could also encourage the Egyptians to develop an asset forfeiture program to complement its beefed-up efforts to target bulk cash smuggling. The Egyptians could then use seized funds to bolster its law enforcement presence and capabilities at the border. Such asset forfeiture programs have been successful in the United States, where seized assets have long been applied toward the cost of financing government activity. Not only does asset forfeiture act as a high-impact tool to deter and punish criminal activity, it also can help underwrite the costs of such law enforcement activities.

For fiscal year 2008, the net position of the Treasury Department's Forfeiture Fund totaled \$427 million. Treasury allocated \$90 million to federal, state, and local law enforcement agencies and \$200,000 to foreign countries to strengthen asset forfeiture programs and cover the cost of investigations, operations, and related travel and efforts.

In addition, authorities seize and disburse more than just money to law enforcement agencies. For example, local law enforcement and federal agencies, such as the Drug Enforcement Agency; FBI; Alcohol, Tobacco and Firearms; and DHS have received firearms, vehicles, electronic equipment, and other tools to aid them in their daily activities. These seized assets greatly strengthen the ability of these agencies and departments to perform their jobs.

The U.S. asset forfeiture program has been utilized specifically to deter the financing of terrorist groups. In fact, Hamas is fully aware that the proceeds of its illicit activities may be seized. In the United States, the Holy Land Foundation, a charity convicted in November 2008 of material support for funding Hamas, had to forfeit \$12.4 million due to money-laundering convictions.

## Conclusion

Adopting an asset forfeiture program to systematically prevent bulk cash smuggling along the Gaza border would not only act as a deterrent to potential smugglers, it would also significantly enhance the capabilities and resources of local border police by reducing their susceptibility to bribes. Reducing the success of cash smuggling from Egypt to Gaza would hurt Hamas, striking at the heart of the group's ability to strengthen and arm its terrorist and militia wings.

Matthew Levitt is a senior fellow and director of The Washington Institute's [Stein Program on Counterterrorism and Intelligence \(templateI02.php?SID=11&newActiveSubNav=Stein%20Program%20on%20Counterterrorism%20and%20Intelligence&activeSubNavLink=templateI02.php%3FSID%3D11&newActiveNav=researchPr](#). Becca Wasser is a research assistant at the Institute. ❖

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