

Hizballah Fundraising in the American Heartland

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Brief Analysis



Operation Smoke Screen

In 1996, an off-duty police officer working as a security guard at a cigarette wholesaler in North Carolina noticed young men entering the building with grocery bags full of cash. The men would queue up in the cashier's line with 299 cartons of cigarettes each, while one of them stood at the register and paid cash as the others came through. Next, they would load the cigarettes into minivans and head toward Michigan. At the time, it was against the law to transport more than 300 cartons of cigarettes into another state unless they were marked with the tax stamp of that state. Yet, the smugglers in question took advantage of the fact that neither North Carolina nor Michigan stamped cigarettes to show tax paid. Given the large disparity between North Carolina's cigarette tax (50 cents per carton) and Michigan's (\$7.50 per carton), each minivan load had the potential to generate \$13,000 worth of profit; indeed, at the height of the operation, three to four minivans were running to Michigan each week.

Early in the operation, several of the minivans were pulled over for various reasons, leading the group to recruit American-born white women to replace the young Middle Eastern men as drivers. They even went so far as to strap bikes onto the back of some of the minivans in order to give the impression that they were returning from vacation. After an investigation using largely traditional methods, the Bureau of Alcohol, Tobacco, and Firearms presented the case to the U.S. attorney for the Western District of North Carolina. In addition, the Federal Bureau of Investigation (FBI) contacted the attorney's office and shared intelligence confirming that the smugglers were in fact part of a Hizballah cell operating out of Charlotte.

Fundraising for Terror

Since most members of the cell had multiple identities and opened various kinds of accounts under each identity, the financial investigation involved examining over 800 different accounts. These alternate identities were adopted from departing international students, meaning that the aliases had driver's licenses, social security numbers, Immigration and Naturalization Service work authorization cards, and credit histories. A few members of the cell kept one of their identities free from criminal conduct -- a common strategy employed by terrorist cells, according to expert testimony.

Investigators estimate that the cell purchased \$8 million worth of cigarettes, with an estimated \$2 million in profit. Even after making adjustments for operating costs and seized assets, investigators were unable to account for hundreds of thousands of dollars. With the help of expert testimony, prosecutors argued that these missing funds were sent to Hizballah. Typically, these transactions were made in person (i.e., via cash or checks carried by individuals traveling to Lebanon) rather than through cash or wire transfers from North Carolina. Investigators were able to track small amounts of this money because of receipts they found in the home of cell leader Mohamed Hammoud. Although these receipts predated the government's 1996 "material support" statute, prosecutors used the older Racketeer Influenced and Corrupt Organizations (RICO) statute to claim that the criminal enterprise at the core of the conspiracy was the Charlotte Hizballah cell and that the purpose of the racket was to send money to Hizballah. Also uncovered in Hammoud's home were propaganda videos and several letters between him and

Shaykh Harake, a Hizballah commander in the suburbs of southern Beirut. These letters described their work together in Lebanon (which Hammoud could not explain), outlined Hizballah's political and social activities, and used phrases such as "honorable martyrs."

Procurement

During pretrial preparations, prosecutors became aware of an ongoing Canadian Security Intelligence Service (CSIS) investigation involving Said Harb, a member of the Charlotte cell. After some legal wrangling, CSIS gradually agreed to release more intelligence. Three paragraphs from a CSIS wiretap transcript were used in the search warrant affidavit for eighteen locations, and other intelligence was used to reach a plea agreement with Harb, who later testified against Hammoud. In the end, CSIS shared over one hundred pages of electronic intercepts and sent a senior official to testify to the veracity of the material. This sort of international cooperation in a criminal prosecution was entirely novel.

The CSIS information outlined collusion between the Charlotte cell and Hizballah operatives working in Canada. Mohammud Dbouk, a childhood friend of Said Harb, had been sent to Canada by Haj Hasan Hilu Laqis (Hizballah's chief military procurement officer) to obtain dual-use items such as night-vision devices, global positioning systems, mine-detection equipment, and laser range finders. Dbouk had been trained in reconnaissance and intelligence by the Iranian Islamic Revolutionary Guard Corps and had previously worked for al-Manar, Hizballah's satellite television network.

At first, the money to purchase these items was either wired by Hizballah or sent by Harb. In addition to the profits from the cigarette smuggling operation, Harb would take a collection from "among the brothers" at weekly gatherings, during which Hammoud would deliver a sermon based on points raised by Harake and then screen al-Manar footage of Hizballah attacks. Later, Harb helped Dbouk and Ali Amhaz, Dbouk's brother-in-law, set up credit card and banking scams to purchase the dual-use items. Under this arrangement, all three men were given fifty cents on the dollar for the supplies they sent to Hizballah. Dbouk and Laqis even discussed taking out life insurance policies in Canada for Hizballah terrorists in the Middle East.

Overcoming Prosecutorial Challenges

The prosecution of the Hizballah cell involved several daunting challenges, from cooperating with foreign intelligence sources to employing untried statutes and applying others in novel ways. The prosecution's initial game plan was simply to disrupt the cell's operations and imprison or deport its members. Yet, with the help of CSIS and FBI intercepts, along with letters, receipts, photos, and propaganda uncovered through search warrants, the prosecutors were able to win the first guilty verdict under the U.S. material support statute.

This Special Policy Forum Report was prepared by Katherine Weitz.

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