

Criminal Enterprise in the Political Economy of Middle Eastern Terrorism

by [Matthew Levitt \(/experts/matthew-levitt\)](/experts/matthew-levitt)

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ABOUT THE AUTHORS



[Matthew Levitt \(/experts/matthew-levitt\)](/experts/matthew-levitt)

Matthew Levitt is the Fromer-Wexler Fellow and director of the Reinhard Program on Counterterrorism and Intelligence at The Washington Institute.



Brief Analysis

The information in this PolicyWatch is partially drawn from a larger article entitled "The Political Economy of Middle East Terrorism," Middle East Review of International Affairs 6, no. 4 (December 2002). [Read the full text of that article. \(templateC06.php?CID=794\)](#)

At least five terrorist suspects who entered the United States illegally from Canada during the Christmas holidays are now the subjects of an international manhunt. The suspects' international travel was apparently facilitated by Pakistani criminal elements engaged in the production of false documents, including forged visas and passports. The nexus between criminal and terrorist activity is not new. Indeed, international terrorism is facilitated and financed by an array of states, groups, fronts, individuals, businesses, banks, criminal enterprises, and nominally humanitarian organizations.

Since the attacks of September 11, experts and decisionmakers have focused much attention on charitable and humanitarian organizations, as well as official and unofficial banking systems in the network of terrorist financing. The political economy of terrorism, however, relies just as heavily on legitimate businesses and, increasingly, criminal activity.

Legitimate Business

Investigations into al-Qaeda sleeper cells in Europe in the wake of September 11 have revealed the widespread use of legitimate businesses and employment by al-Qaeda operatives as sources of support for both themselves and the network's activities. For instance, according to congressional testimony by a senior Federal Bureau of Investigation official, a construction and plumbing company run by members of an al-Qaeda cell in Europe hired mujahedin (holy warriors) who had recently fought in countries such as Bosnia. Cell members ran another business buying, fixing, and reselling used cars. In these and other examples, cell members deposit their legitimate salaries, government subsidies, supplemental income from family members, and terrorist funds received by cash or wire transfer into the same one or two accounts. According to the Lebanese state prosecutor, members of an al-Qaeda cell broken up in that country funded their own activities by buying and selling cars in Germany; apparently, they had also discussed establishing other business interests to cover the cell's activities.

Legitimate employment offers terrorists cover, livelihood, and, sometimes, useful international contacts.

Muhammad Haydar Zammar, the Syrian-born German national who recruited a number of the September 11 hijackers, worked at Tatex Trading, whose director, Abd al-Matin Tatari, was reportedly a member of Syria's Muslim Brotherhood. One of the company's principal shareholders is Muhammad Majid Said, director of Syria's General Intelligence Directorate from 1987 to 1994.

Criminal Activity

Criminal enterprises have also serviced the spread of terrorism. Ahmad Omar Sayid al-Shaykh -- convicted of the abduction and murder of Wall Street Journal reporter Daniel Pearl -- linked up with Aftab Ansari, a prominent figure in the Indian mafia, to provide al-Qaeda with recruits, false documents, safehouses, and proceeds from kidnappings, drug trafficking, prostitution, and other criminal activities.

Al-Qaeda and Hizballah raise millions of dollars in drug money to support their operations. In the past, according to one account, al-Qaeda raised as much as 35 percent of its operating funds from the drug trade. For its part, Hizballah benefits from the drug business in Lebanon much as al-Qaeda did from the drug business in Afghanistan. Hizballah uses the Beqa'a Valley's poppy crop not only for funds, but also to buy support from Israeli Arabs ready to carry out terrorist operations.

Hizballah and other terrorist groups also traffic narcotics in North America to support their activities in the Middle East. A Drug Enforcement Agency (DEA) investigation into a pseudoephedrine smuggling scam in the American Midwest led investigators as far as Jordan, Yemen, Lebanon, and other Middle Eastern countries, including bank accounts tied to Hizballah and Hamas. DEA chief Asa Hutchinson confirmed, "a significant portion of some of the sales are sent to the Middle East to benefit terrorist organizations." A senior U.S. law enforcement official added, "There is a significant amount of money moved out of the United States attributed to fraud that goes to terrorism."

Groups like al-Qaeda and Hizballah also capitalize on illicit gold and diamond markets. One official noted the "influx of hard-core Islamist extremists" in the Congo -- including those from Hizballah and other groups -- involved in diamond smuggling. Authorities in Belgium issued an arrest warrant for Victor Bout, a notorious arms trafficker suspected of supplying weapons to the Taliban and al-Qaeda, as well as to warring factions throughout Africa in an elaborate guns-for-diamonds scheme.

Smuggling, kidnapping, and extortion are well-established activities employed by terrorist groups. In June 2002, for example, Muhammad and Chawki Hamud, two brothers involved in a Hizballah support cell in Charlotte, North Carolina, were found guilty of funding Hizballah activities from the proceeds of an interstate cigarette smuggling ring. Seven other defendants pled guilty to a variety of charges stemming from this case (in addition to conspiracy to provide material support to terrorists), including cigarette smuggling, money laundering, and immigration violations. In South America, Hizballah operatives engage in a wide range of criminal enterprises to raise, transfer, and launder funds in support of their terrorist activities. These enterprises include, among others, mafia-style shakedowns of local Arab communities, sophisticated import-export scams involving traders from India and Hong Kong, and small-scale businesses that engage in a few thousand dollars worth of business but transfer tens of thousands of dollars around the globe. Taking a page from Hizballah operatives in the Tri-Border area (where Paraguay, Brazil, and Argentina meet), Hamas and other groups fund themselves with the proceeds of pirated multimedia. Copying intellectual property brings in millions of dollars a year in "royalties" that terrorist groups collect from criminals engaged in the counterfeit multimedia business. Hamas, Fatah, and even senior members of the Palestinian Authority may participate in such activities.

In the United States, law enforcement officials are investigating a variety of criminal enterprises suspected of funding Middle Eastern terrorist groups, including the stealing and reselling of baby formula, food stamp fraud, and

scams involving grocery coupons, welfare claims, credit cards, and even unlicensed t-shirts sales. U.S. officials believe "a substantial portion" of the estimated millions of dollars raised by Middle Eastern terrorist groups comes from the \$20 million to \$30 million annually brought in by the illicit scam industry in America. Recent examples include an Arab-American in Detroit caught smuggling \$12 million in fraudulent cashiers checks into the United States, and a fitness trainer in Boston accused of providing customers' social security and credit card numbers to Abd al-Ghani Meskini, an associate of Ahmad Ressam, the Algerian convicted of plotting to blow up Los Angeles international airport in 2000.

Conclusion

As things stand today, terrorist and criminal elements exist in a symbiotic relationship aimed at overcoming the increased counterterrorism measures employed by the international community post-September 11. Terrorist financing is an international problem, facilitated by ever-increasing globalization and borderless financial and electronic markets. Combating terrorist financing demands an international strategy focused on constricting the environment in which terrorists raise, launder, and transfer funds -- with greater attention given to the roles played by legitimate businesses and criminal activity in the network of terrorist financing and logistical support.

Matthew Levitt is a senior fellow in terrorism studies at The Washington Institute.

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