

---

# Tracking Narco-Terrorist Networks: The Money Trail

MICHAEL JACOBSON AND MATTHEW LEVITT

---

## INTRODUCTION

In October 2008, after a two-year joint investigation by U.S. and Colombian authorities, the Colombian government arrested thirty-six individuals on money laundering and drug charges. According to authorities, this network—comprised of Lebanese expatriates—was more than a traditional criminal syndicate, and was shipping a portion of its profits back to Hizbollah in Lebanon.

These types of cases—where terrorist groups and organized crime networks are closely intertwined—are growing far more common. These “hybrid” organizations—part terrorist group, part organized crime network—are “meaner and uglier than anything law enforcement or militaries have ever faced” in the view of senior U.S. Drug Enforcement Agency (DEA) officials.

While this growing linkage is certainly a dangerous trend from the U.S. perspective, it also presents opportunities for policymakers. As the nexus of terrorism and criminal activity intensifies, targeting terrorist groups’ criminal activities becomes an increasingly effective strategy. Terrorist networks are becoming increasingly transnational and a key challenge in confronting them is achieving international cooperation in counterterrorism initiatives. By capitalizing on terrorists’ increasing criminal activity, the Obama administration could leverage its strategy of international cooperation and diplomatic engagement to gain broader support against illicit financing of transnational threats.

---

*Matthew Levitt* director of the Stein Program on Counterterrorism and Intelligence at The Washington Institute. *Michael Jacobson* is senior fellow in the Stein Program. Both are former Treasury Department officials and are co-authors of *The Money Trail: Finding, Following and Freezing Terrorist Finances* (Washington Institute: 2008).

---

## INCREASING INVOLVEMENT IN CRIMINAL ACTIVITY

The terrorist threat is not static. Terrorists adapt and evolve, partly in response to the very countermeasures we enact. As the terrorist threat has evolved, the means by which terrorist groups raise, store, and move funds have also changed and have often hindered government efforts to thwart terrorist activities. Studies show that terrorist groups learn from one another, exchange information on new technologies, and share innovations. This is particularly evident in the financing and resourcing of terrorist activities.

Before September 11, 2001, al-Qaeda funded and controlled operations from its base in Afghanistan. Al-Qaeda provided funding for the East Africa embassy bombings in 1998, the 2000 attack on the USS *Cole* in Yemen, and the 2001 World Trade Center attacks. Today, the terrorist

.....  
*“While many fundraising techniques remain popular, including abuse of charities and otherwise legitimate businesses, terrorist cells increasingly engage in criminal activity to fund their actions.”*  
 .....

threat is more decentralized, with the al-Qaeda core no longer funding other terrorist groups, cells, or operations as they did in the past. Local cells are being increasingly left to fund their own activities. While many fundraising techniques remain popular, including abuse of charities and otherwise legitimate businesses, terrorist cells increasingly engage in criminal activity to fund their actions. For example, Al-Jemaah al-Islamiyah, an al-Qaeda affiliate in Southeast Asia, helped to finance the

2002 Bali bombings by robbing jewelry stores. Another example is the 2005 attacks in London, which were partially financed by credit card fraud.

Terrorist groups are involved in a wide variety of criminal activities, from cigarette smuggling to selling counterfeit products, but the nexus of drugs and terror is particularly glaring. According to the DEA, nineteen of the forty-three designated foreign terrorist organizations are linked definitively to the global drug trade, and up to 60 percent of terrorist organizations are connected to the illegal narcotics industry. For example, the 2004 Madrid train bombings, which killed 191 people, were partially bankrolled by hashish sales.

Indeed, the drug trade's financial benefits are acutely alluring. The United Nations estimates that the international drug trade generates \$322 billion per year, making drugs by far the most lucrative illicit activity. Beyond mere sales, drugs provide diverse revenue sources, including taxes on farmers

and local cartels, and necessitate security detail for all aspects of production, trade, and distribution. Groups like the Afghan Taliban, the Revolutionary Armed Forces of Colombia, the Kurdistan Workers' Party, and Lebanon's Hizbollah generate significant revenue from extortion fees collected from drug cartels and poppy or coca farmers operating in their territory.

It may seem hypocritical for supposedly religious terrorist groups to pursue criminal activity; however, many of these groups acknowledge the contradiction and seek to justify their actions. For instance, in 2006, Taliban member Khan Mohammed, who was sentenced to life in prison for drug trafficking and narco-terrorism, described his participation in the Afghan drug trade as stemming from a desire to see "God turn all the infidels into corpses." He added, "Whether it is by opium or by shooting, this is our common goal."<sup>1</sup> A leader of the Lebanon-based Fatah al-Islam, a group with ties to al-Qaeda, justified Fatah al-Islam's bank robberies by positing that stealing money from the "infidels" and their institutions is something that Allah "has permitted us to do," noting that this money is instead "directed towards jihad."<sup>2</sup>

In Afghanistan, an independent Taliban militia controls its own territory, maintains bases and training camps, facilitates weapons smuggling, and engages in every aspect of the narcotics production pipeline. Naturally, the Taliban seeks to maintain control over its own territory. Indeed, an increasing number of DEA arrests in recent years have targeted drug kingpins closely tied to the Taliban, such as Baz Mohammad and Haji Juma Ka Khan. In October 2005, the U.S. government formally extradited Mohammad from Afghanistan to New York. According to the DEA, Mohammad was a "Taliban-linked narco-terrorist" who had conspired to import more than \$25 million worth of heroin from Afghanistan into the United States and other countries. Khan, the first defendant prosecuted under the 2006 Federal Narco-Terrorism statute, trafficked massive quantities of drugs "with the intent to support a terrorist organization."

#### **TAKING ADVANTAGE OF THE GROWING CRIME-TERRORISM NEXUS**

All things considered, the growing nexus between international terrorism and organized crime may actually be a positive development. For one, tracking terrorists for their illicit activities, rather than their terrorism-based endeavors, is less complicated. Also, while countries may adhere to dissimilar definitions of terrorism or hold divergent lists of designated terrorist organizations, there is more of a consensus on the need to fight crime.

Some countries are more willing to coordinate with the United States on criminal law enforcement than on counterterrorism efforts, for a variety of reasons. Many countries do not want to acknowledge that they have a terrorist problem that they are not dealing with effectively. Others

..... are reluctant to be seen cooperating with the United States in the unpopular “War on Terror.” The governments in the Tri-Border Area (TBA) of Argentina, Paraguay, and Brazil, where Hizbollah, Hamas, and other terrorist organizations have had a long-standing presence, is a good example of the former. For instance, in December

*“All things considered, the growing nexus between international terrorism and organized crime may actually be a positive development.”*

..... 2006, the U.S. Treasury designated several prominent Lebanese expatriates in the TBA as terrorists because of their Hizbollah ties. In response, the Argentine, Paraguayan, and Brazilian governments issued a joint statement exonerating these individuals and rejecting American claims of terrorist activity in the TBA.

However, the 2007 State Department annual report on terrorism reveals that these three governments take a markedly more aggressive approach to other criminal activities: “The governments of the TBA have long been concerned with arms and drugs smuggling, document fraud, money laundering, and the manufacture and movement of contraband goods through this region.”<sup>3</sup> Thus, the United States would be wise to work with the TBA governments through crime enforcement and drug-related channels rather than by ineffectively promoting collaboration on counterterrorism measures.

This approach is appealing because it would require neither changes to domestic legal structures nor a reorganization of government bodies or legal, administrative, and regulatory authorities. Drug laws are comprehensive and ubiquitous; governments must simply enforce existing laws and hold terrorists accountable for their transgressions. Enforcing domestic laws is not a political statement, but merely a function of law and order and of national sovereignty.

Kenya vividly illustrates the potential of the law enforcement approach. Kenya lacks stringent counterterrorism laws, but could effectively combat terrorism by enforcing domestic criminal legislation. Although Kenyan authorities continue to battle Islamic terrorist networks along its unstable border regions, the perception of counterterrorism legislation as “anti-Muslim” has prevented the legislation’s development. U.S. authorities

commenting on terrorism in Kenya have drawn negative responses from Kenyan officials; the Kenyan government views such public statements as “unfriendly act[s] and threat[s] to the country’s vital tourism industry.”

It is also easier to prosecute terrorists for criminal activity than for crimes of terrorism. In terrorism-related procedures, evidence often comes from intelligence sources, which can pose significant challenges in prosecuting a suspect. The evidence may be inadmissible, its use may compromise a valuable source or method, or the evidence may have been supplied by a foreign government unwilling to publicly acknowledge its cooperation with the United States. Evidence in criminal prosecution is more fluidly utilized and has fewer gray areas. Zacarias Moussaoui’s prosecution on terrorism-related grounds provides a paradigmatic example of the difficulties in trying suspected terrorists. Although the “20th hijacker” ultimately pleaded guilty, the trial persisted for more than three and a half years as a result of disputed intelligence.

Beyond the legal benefits, disclosing terrorists’ criminal activities conveys a positive public relations externality. Redefining terrorists as criminals sullies the upright reputation they seek to portray among their followers, be it as “freedom fighters” or principled religious activists. Publicly pursuing terrorists through the criminal activity track taints the political, religious, or practical legitimacy so critical to building financial support and recruiting operatives for terrorism. The 2006 Federal Narco-Terrorism statute, which has been used in several cases already, is likely to play an increasingly important role, not only in terms of enforcement, but in highlighting terrorist groups’ hypocritical involvement in criminal activity.

#### **THE CASE OF HIZBOLLAH**

This approach of targeting terrorist organizations for their criminal activity could pay especially large dividends when it comes to Hizbollah. The United States and many of its allies, particularly the Europeans, disagree on whether or not Hizbollah is a terrorist organization. There is far more agreement, however, that Hizbollah’s global criminal activities and infrastructure pose a serious problem and need to be addressed.

To date, the European Union has not designated any part of Hizbollah as a terrorist organization, although the EU included Hizbollah members involved in specific acts of terrorism, such as Imad Mughniyeh, on its terrorism list. Even the United States’ closest ally, the United Kingdom, has been reluctant to treat Hizbollah as a terrorist group. In March 2009, the United Kingdom announced that it was reviving dialogue with the

political wing of Hizbollah. Unlike the United States, which has blacklisted the entire Hizbollah organization, the United Kingdom has banned only Hizbollah's terrorist (External Security Organization) and military wings. The ban on the terrorist wing began in 2000, while the ban on the military wing followed Hizbollah's June 2008 decision to increase its support to Iraqi and Palestinian militants.

The inherent challenge in developing an international consensus on the definition of terrorism is highlighted by enduring debates at the United Nations, which tend to devolve into semantic arguments over the distinction between "terrorist" and "freedom fighter." Even the United States and its European allies encounter disagreement. For example, Europe has yet to designate Hizbollah as a terrorist group because of the organization's activity in the Lebanese political arena. Many European officials argue that Hizbollah, which is a part of the Lebanese government, is now on the path to becoming a legitimate political party, and that the designation would backfire and reverse this progress.

Despite the differences between U.S. and European perceptions of and policies toward Hizbollah, there is one critical area where all parties' interests converge: law enforcement. The United States and its European counterparts have a particularly strong interest in combating Hizbollah's burgeoning role in illicit drug trafficking. Regardless of divergent political considerations or varying definitions of terrorism, combating crime and

.....  
*"While Hizbollah is involved in a wide variety of criminal activities, its role in the production and trafficking of narcotics is particularly salient."*  
 .....

enforcing sovereign laws are straightforward issues. Of all Islamic groups, Hizbollah has the longest record of engaging in criminal activity to support its activities. While Hizbollah is involved in a wide variety of criminal activities, its role in the production and trafficking of narcotics is particularly salient. Hizbollah has capitalized on the vast Lebanese Shi'a expatriate population, mainly located in South America

and Africa. With its strong presence in Africa, Hizbollah has been able to utilize the continent as a strategic location from which to raise and transfer funds and to engage in such criminal enterprises as diamond smuggling.

In early 2009, Admiral James G. Stavridis, the supreme allied commander, Europe, testified before the House Armed Services Committee about the nexus of illicit drug trafficking. He testified that in August 2008, the U.S. Southern Command and the DEA coordinated with host nations

to target a Hizbollah drug trafficking ring in the TBA of Argentina, Brazil, and Paraguay. According to Michael Braun, the former assistant administrator and chief of operations at the DEA, “both Hamas and Hizbollah are active in this [Tri-Border] region, where it is possible to make a profit of 1 million dollars from the sale of fourteen or fifteen kilos of drugs, an amount that could be transported in a single suitcase.”<sup>4</sup> As discussed above, in late 2008, U.S. and Colombian investigators identified and dismantled an international cocaine smuggling and money-laundering ring based in Colombia. This operation, which was composed of a Colombian drug cartel and Lebanese members of Hizbollah, used portions of its profits—allegedly hundreds of millions of dollars per year—to finance Hizbollah.

Such revelations should not be surprising. In December 2006, the U.S. Treasury listed Hizbollah operative Sobhi Fayad as a Specially Designated Terrorist. Treasury officials stated that Fayad served as a liaison between the Iranian embassy and the Hizbollah community in the TBA and also traveled back to Lebanon and Iran to meet with senior Hizbollah officials. According to Treasury, Fayad was also involved in a variety of illicit activities including trafficking drugs and counterfeiting U.S. dollars.

While the Europeans may not consider Hizbollah to be a terrorist group, Europeans unequivocally oppose efforts by Hizbollah to establish criminal enterprises within their borders. For example, although there is no consensus between the United States and the United Kingdom on whether or how to engage Hizbollah, or even how to classify Hizbollah and its various component parts, the countries agree that drug trafficking is illegal. The United Kingdom and other European nations are as eager as the United States to stop the flow of drugs into their countries and to prevent Hizbollah from operating criminal enterprises within their territories. Therefore, while officials may openly describe these actions as targeting criminals, not Hizbollah, the end result will be much the same.

## CONCLUSION

Terrorism and criminal activity are likely to overlap even further in the coming years with terrorist organizations’ marked turn to drug trafficking. As former DEA operations chief Michael Braun explained in a July 2008 speech, “terrorist organizations and drug cartels often rely on the same money launderers”<sup>4</sup> and shadow facilitation networks. Targeting the full range of money launderers, drug traffickers, document forgers and other facilitators could prove instrumental in the struggle to combat today’s terrorism threat. ■

## ENDNOTES

- 1 Del Quentin Wilber, "Afghan Farmer Helps Convict Taliban Member in U.S. Court," *The Washington Post*, December 23, 2008, available at <<http://www.washingtonpost.com/wp-dyn/content/article/2008/12/22/AR2008122202359.html>>.
- 2 "Fatah al-Islam: 'Our Activities in the Wake of Nahr al-Bared,'" December 8, 2008, available at NEFA Foundation, <<http://www.nefafoundation.org/miscellaneous/nefa-fatahislam1208-2.pdf>>.
- 3 U.S. Department of State, *2007 Country Reports on Terrorism*, Chapter Five: Safe Havens, April 30, 2008, available at <<http://www.state.gov/s/ct/rls/crt/2007/104103.htm>>.
- 4 Michael Braun, "Drug Trafficking and Middle Eastern Terrorist Groups: A Growing Nexus?" in a speech before the Washington Institute, Washington, DC, July 25, 2008.