

Hezbollah: Financing Terror Through Criminal Enterprise¹

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I. INTRODUCTION: CONSTRICTING THE OPERATING ENVIRONMENT

It is a painful reality that no counterterrorism technique or effort, however extensive, international, or comprehensive, will put an end to terror attacks or uproot terrorism. There will always be people and groups with entrenched causes, an overwhelming sense of frustration, a self-justifying worldview, and a healthy dose of evil, who will resort to violence as a means of expression.

The goal of counterterrorism, therefore, should be to constrict the environment in which terrorists operate so that it is increasingly difficult for terrorists to carry out their plots of destruction and death at every level, such as conducting operations, procuring and transferring false documents, ferrying fugitives from one place to another, and financing, laundering, and transferring funds. This includes cracking down not only on operational cells, but on their logistical and financial support networks as well.

The September 11 attacks drove home the central role logistical and financial support networks play in international terrorist operations. Clearly, individuals who provide such support must be recognized as terrorists of the same caliber as those who use that support to execute attacks.

Since September 2001, America—together with many of its allies—has spearheaded a groundbreaking and comprehensive disruption operation to stem the flow of funds to and among terrorist groups. Combined with the unprecedented law enforcement and intelligence efforts to apprehend terrorist operatives worldwide and thereby constrict the space in which terrorists can operate, cracking down on terrorist financing denies them the means to travel, communicate, procure equipment, and conduct attacks. Though the amount of money frozen internationally remains negligible, the impact of freezing terrorists' assets can be significant if the right accounts, companies, or front organizations are shut down. Denying terrorists access to their preferred means of raising, laundering, and transferring funds complicates their efforts to conduct their activities.

II. BEYOND AL-QAEDA: THE THREAT FROM HEZBOLLAH

However, al-Qaeda is not the only international terrorist network that poses a serious threat. Deputy Secretary of State Richard Armitage identified Hezbollah as "the A team of terrorism," and warned "their time will come, there's no question about it."³ Semantics aside, such statements are more than just tough talk. Highlights of Hezbollah's record of terror attacks include suicide truck bombings targeting U.S. and French forces in Beirut (in 1983 and 1984) and U.S. forces again in Saudi Arabia (in 1996), its record of suicide bombing attacks targeting Jewish and Israeli interests such as those in Argentina (1992 and 1994) and in Thailand (attempted in 1994), and a host of other plots targeting American, French, German, British, Kuwaiti, Bahraini and other interests in plots from Europe to Southeast Asia to the Middle East.⁴

According to U.S. authorities, concern over the threat posed by Hezbollah is well placed. FBI officials testified in February 2002 that "FBI investigations to date continue to indicate that many Hezbollah subjects based in the United States have the capability to attempt terrorist attacks here should this be a desired objective of the group."⁵ Similarly, CIA Director George Tenet testified

in February 2003 that "Hezbollah, as an organization with capability and worldwide presence, is [al-Qaeda's] equal, if not a far more capable organization."⁶

Still, some maintain that Hezbollah is merely a "resistance" organization responding to Israeli occupation of disputed land. The distinction is, appropriately, lost on most Western experts, given that the "resistance" groups in question employ acts of terrorism such as suicide bombings to achieve their goals and that many of the operatives go back and forth between serving in guerilla units fighting in South Lebanon and international terror cells plotting bombings abroad.⁷ In any event, no goal, however legitimate, legitimizes the use of terrorist tactics and the killing of innocent civilians.

U.S. intelligence officials have also expressed concern over possible links between Hezbollah and Abu Musab al-Zarqawi, highlighting the ad hoc tactical relationship brewing between Iran's Shia proxy and the loosely affiliated al-Qaeda network. In September 2003, when U.S. authorities designated Zarqawi and several of his associates as 'Specially Designated Global Terrorist' entities, the Treasury said that Zarqawi not only had "ties" to Hezbollah, but that plans were in place for his deputies to meet with both Hezbollah and Asbat al-Ansar (a Lebanese Sunni terrorist group), "and any other group that would enable them to smuggle mujaheddin [sic] into Palestine."⁸ The Treasury claimed that Zarqawi received "more than \$35,000" in mid 2001 "for work in Palestine," which included "finding a mechanism that would enable more suicide martyrs to enter Israel" as well as "to provide training on explosives, poisons, and remote controlled devices."⁹

Similarly, while the 9/11 Commission found no evidence that Iran or Hezbollah had advance knowledge of the September 11 plot, the commission's report does note that Iran and Hezbollah provided assistance to al-Qaeda on several occasions. For example, al-Qaeda operatives were allowed to travel through Iran with great ease. Entry stamps were not put in Saudi operatives' passports at the border, though at least eight of the September 11 hijackers transited the country between October 2000 and February 2001. The report also noted a "persistence of contacts between Iranian security officials and senior al-Qaeda figures" and drew attention to an informal agreement by which Iran would support al-Qaeda training with the understanding that such training would be used "for actions carried out primarily against Israel and the United States." Indeed, al-Qaeda operatives were trained in explosives, security, and intelligence on at least two occasions, with one group trained in Iran around 1992, and a second trained by Hezbollah in Lebanon's Beka'a Valley in the fall of 1993.¹⁰

In the final analysis, whether suspected ties between Hezbollah and global jihadist elements such as Zarqawi and the 9/11 plotters are proved or not, Hezbollah warrants being designated a terrorist group of global reach on the merits of its own activities. The means by which the group finances its vast and varied activities is therefore of paramount concern to U.S. intelligence officials and policymakers.

HEZBOLLAH FINANCES: A SNAPSHOT

Few details are publicly available about Hezbollah's finances. Iran, however, is believed to fund Hezbollah to the tune of at least \$100 million per year. Recently, Western diplomats and

analysts in Lebanon estimated Hezbollah may now receive closer to \$200 million a year from Iran.¹¹

A few snippets of information are publicly available, providing some measure of insight into the organization's funding activities. Consider the following examples:

- ✓ In the wake of the death of Palestinian leader Yasser Arafat, Hezbollah reportedly received an additional \$22 million from Iranian intelligence to support Palestinian terrorist groups and foment instability in Israel, the West Bank and Gaza.¹²
- ✓ Iran was also reported to have financed and established terrorist training camps in the Syrian-controlled Bekaa Valley to train Hezbollah, Hamas, PIJ and PFLP-GC terrorists to use rockets such as the short range Fajr-5 missile and the SA-7 anti-aircraft rocket.¹³ According to a report by a "Western intelligence agency," the Iranian training program cost \$50 million and included training Lebanese and Palestinian terrorists to carry out "underwater suicide operations."¹⁴
- ✓ At the time of the founding of Hezbollah's al-Manar satellite television in 1991, the station reportedly received seed money from Iran and had a running budget of \$1 million. By 2002 its annual budget had grown to approximately \$15 million.¹⁵ Middle East analysts and journalists maintain that most of this funding comes from Iran.¹⁶
- ✓ According to Arab media reports, in December 2003 Hezbollah lost US\$2 million when an aircraft crashed in Africa carrying contributions from wealthy Lebanese expatriates living in Africa.¹⁷
- ✓ In 2001, Paraguayan police searched the home of Hezbollah operative Sobhi Mahmoud Fayad in Ciudad Del Este, a town along the tri-border area where the borders of Brazil, Argentina, and Paraguay meet. Searching Fayad's home, police found receipts from the Martyr's Organization for donations Fayad sent totaling more than \$3.5 million dollars.¹⁸ Authorities believe Fayad sent over \$50 million to Hezbollah since 1995.
- ✓ In some cases, the foreign remittances discussed above are funneled to Hezbollah through the group's charities. Members of the Hezbollah cell in Charlotte, North Carolina, received receipts from Hezbollah for their donations, including receipts from the office of then-Hezbollah spiritual leader Sheikh Mohammad Fadlallah.¹⁹
- ✓ Law enforcement authorities were able to trace half a million dollars through various accounts tied to members of the Charlotte cell, but they believe most of the funds – estimated overall at about \$2 million stayed in cash. Of this, tens of thousands of dollars – some officials estimate it may be closer to a few hundred thousand of dollars – were never found.
- ✓ One receipt, signed by Ali Abu Al Shaer, the financial manager of "the office of his Excellency Ayat Allah Mr. Mohammed Hussein Fadlallah," thanked "brother

Mohammed Hammoud,” the subsequently convicted leader of the Charlotte cell, for a \$1,300 donation.²⁰

- ✓ Hezbollah runs the al-Janoub hospital in the southern Lebanese city of Nabatiyah—one out of a network of some fifty hospitals the group runs throughout the country. The hospital receives \$100,000 a month from Hezbollah and is run by Ahmad Saad, the hospital director who is also a member of Hezbollah’s “national health committee.”²¹
- ✓ Paraguayan officials arrested Ali Khalil Mehri for selling millions of dollars in pirated software and funding Hezbollah with some of the profits.²²
- ✓ The tri-border area is especially important to Hezbollah, where the group raises close to \$10,000,000 a year, according to a study produced by the U.S. Naval War College. According to the report, “U.S. Southern Command estimates that Islamist terrorist groups raise between three hundred million and five hundred million dollars per year in the Triple Frontier and the duty-free zones of Iquique, Colon, Maicao, and Margarita Island.”²³
- ✓ Hezbollah uses money wiring companies like Western Union not only to launder and transfer funds, but to raise money as well. For example, Hezbollah funding to Palestinian terrorist groups in the West Bank is almost entirely transferred via Western Union – including some \$3 million over a one year period in 2003-2004 alone. In some cases, Hezbollah activists run Western Union offices and share the profits with Hezbollah.²⁴

What is clear is that above and beyond the significant funding the group receives from Iran, Hezbollah raises still more funds – especially through foreign expatriate remittances, charities and front organizations, and criminal enterprises.

FOREIGN EXPATRIATE REMITTANCES

Hezbollah receives significant financial support from the contributions of Hezbollah supporters living abroad, particularly from Lebanese nationals living in Africa, South America and other places with large Lebanese Shia expatriate communities. Hezbollah’s main income, according to Hezbollah Parliamentarian Mohammad Raad, comes from the groups own investment portfolios and wealthy Shias.²⁵

Take the example of the case of the Union Transport Africaines (UTA) Flight 141, bound for Beirut, which crashed on take-off from Cotonou in Benin, West Africa on 25 December 2003. According to accounts in the Arab press, a “foreign relations official of the African branch of the Lebanese Hezbollah party and two of his aides” were among those killed.²⁶ Arab press reports also claim the Hezbollah officials were carrying US\$2 million in contributions, raised from wealthy Lebanese nationals living in Africa, to the organization’s headquarters in Beirut.

Arab media reports regarding the US\$2 million that Hezbollah lost in the aircraft crash noted that “this amount represented the regular contributions the party receives from wealthy Lebanese nationals in Guinea, Sierra Leone, Liberia, Benin, and other African states.”²⁷ The fact that

Hezbollah immediately sent an envoy to Benin "to console the sons of the Lebanese community" indicates the value that the group places on these expatriate communities.²⁸

As is the case among all terrorist groups that raise funds under the cover of charitable giving, some donors are defrauded unwittingly into funding terrorism while others are willing participants in Hezbollah's financing schemes. As the Israeli estimate suggests, the transfer of US\$2 million at once and by human courier—is remarkable in its audacity. The last known transfer of this size occurred in 1998, when Lebanese expatriates in Senegal attempted to smuggle approximately US\$1.7 million to Lebanon.²⁹ At the time, the local community claimed the smuggling operation was merely an attempt to evade Senegalese law, not to finance Hezbollah. Israeli intelligence, however, ranks Senegal as the "secondary centre for Hezbollah's fundraising activity in Africa" after the Ivory Coast.³⁰ An Israeli intelligence report focusing on Hezbollah fundraising operations in the Ivory Coast, Senegal, the Democratic Republic of Congo (formerly Zaire) and South Africa estimated that the organization raises "hundreds of thousands of U.S. dollars yearly" on the continent.³¹ The sum would be higher had more attempts to smuggle such remittances to Hezbollah succeeded.

Hezbollah supporters living in the U.S. also sent remittances back to Lebanon to fund Hezbollah activities. For example, in Charlotte, NC Hezbollah support networks organized regular parlor meetings held in members' homes where a collection basket was passed around after watching Hezbollah propaganda videos, usually produced by al-Manar.³²

Similar activity has been documented in South America, where authorities investigating the activities of Hezbollah operative Assad Barakat noted his involvement in "a network of economic financing, that would have as its center of operations Ciudad del Este, Paraguay, which would be sending funds to Lebanon disguised as benefiting the families of victims of the conflict with Israel. It is fitting to mention that the remittances have as their destination relatives fallen in terrorist acts and the economic strengthening of Hezbollah."³³ Argentinean officials express similar concern about Hezbollah activity in Ciudad del Este. Mario Baizan, a former Argentine presidential advisor, described the city as "one of the world's biggest centers for financing of the pro-Iranian militant group Hezbollah."³⁴

CHARITIES AND FRONT ORGANIZATIONS

Hezbollah uses charities and front organizations to conceal its fundraising activities, although it is less reliant on charities than groups like Hamas due to its annual subsidies from Iran and significant involvement in criminal enterprises. Take, for example, the al-Aqsa International Foundation, a terrorist front organization banned by the United States, Germany and Great Britain (though not the European Union). While al-Aqsa primarily served as a Hamas front organization, Sheikh Moayad, the head of the al-Aqsa office in Yemen, was arrested in Germany and extradited to the United States for providing financial support to al-Qaeda. Moayad proudly told an undercover FBI informant that he not only funded Hamas but also raised millions of dollars, recruited operatives, and provided weapons to al-Qaeda. According to one report, one of the foundation's offices in Europe also raised funds for Hezbollah.³⁵

The “Martyr’s Organization” (Bonyad-e Shahid), headed by Mohammad Hasan Rahimiyan, admittedly supplies charitable funds for the family of suicide bombers. In 2001, Paraguayan police searched the home of Hezbollah operative Sobhi Mahmoud Fayad in Ciudad Del Este, a town along the tri-border area where the borders of Brazil, Argentina, and Paraguay meet. Searching Fayad’s home, police found receipts from the Martyr’s Organization for donations Fayad sent totaling more than \$3.5 million dollars.³⁶ Authorities believe Fayad sent over \$50 million to Hezbollah since 1995. According to press reports, Iran has traditionally funded Palestinian dissident groups in the Lebanese refugee camps, including al Maqdah, through the Institute of the Palestinian Martyrs.³⁷

According to a declassified research report based on Israeli intelligence Hezbollah also receives funds from charities that are not directly tied to Hezbollah but are radical Islamist organizations and donate to Hezbollah out of ideological affinity. “Besides operating a worldwide network of fundraisers, funds are also raised through so-called ‘charity funds.’ Some of these are extremist Islamic institutions that, while not directly connected to Hezbollah, support it, albeit marginally, in view of their radical Islamic orientation.”³⁸ The report cites many such charities worldwide, including four in the Detroit area alone: The Islamic Resistance Support Association, the al-Shahid Fund, the Educational Development Association (EDA) and the Goodwill Charitable Organization (GCO). Also cited are the the al-Shahid Organization in Canada, the Karballah Foundation for Liberation in South Africa, the Lebanese Islamic Association and al-Shahid Social Relief Institution in Germany, and the Lebanese Welfare Committee, The Help Foundation and The Jam’iyat al-Abrar (Association of the Righteous) in Britain.

While some of these funds undoubtedly paid for Hezbollah’s military and terrorist operations, other funds enable the group to provide its members with day jobs, to drape itself in a veil of legitimacy, and to build grassroots support among not only Shia but Sunni and Christian Lebanese as well. For example, Hezbollah runs the al-Janoub hospital in the southern Lebanese city of Nabatiyah—one out of a network of some fifty hospitals the group runs throughout the country. The hospital receives \$100,000 a month from Hezbollah and is run by Ahmad Saad, the hospital director who is also a member of Hezbollah’s “national health committee.”³⁹

In light of its support from Iran, Hezbollah needs not rely on charities to raise funds as much as other groups like al Qaeda or Hamas. Nonetheless, as Assistant Secretary of State E. Anthony Wayne testified before Congress in September 2003, donating money to charities affiliated with terrorist groups like Hamas or Hezbollah frees up existing monies to support the group’s terrorist activities. “If you are funding the organization, even if there are many charitable activities going on, there is some fungibility between funds. You are strengthening the organization.”⁴⁰ Moreover, such funds are objectionable in their own right when they build grassroots support for terrorist organizations and subsidize the families of suicide bombers.

According to U.S. intelligence officials, “Hizbullah maintains several front companies in sub-Saharan Africa”.⁴¹ Little information is available on these purported fronts, though they are widely assumed to include import-export companies (an established terrorist modus operandi). These officials say that many Hezbollah activists in the tri-border region relocated to Africa and other locations as a result of the increased attention drawn to Hezbollah activity after the group’s role in the 1992 and 1994 truck bombings in Argentina. In an effort “not to have all their eggs in

one basket", one analyst adds, some Hezbollah operatives have "moved on" from locations in South America and Europe and set up shop in Africa, Asia and less conspicuous parts of South America.⁴²

CRIMINAL ENTERPRISES

Hezbollah depends on a wide variety of criminal enterprises, ranging from smuggling to fraud to drug trade to diamond trade in regions across the world, including North America, South America, and the Middle East, to raise money to support Hezbollah activities. Published reports even suggest that Al-Qaida and Hezbollah have formed additional tactical, ad-hoc alliances with a variety of terrorist organizations to cooperate on money laundering and other unlawful activities.⁴³

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.⁴⁴ Prominent 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 2000.⁴⁵ A senior U.S. law enforcement official concluded, "There is a significant amount of money moved out of the United States attributed to fraud that goes to terrorism."⁴⁶

The most outstanding case in North America is the Charlotte, North Carolina, cell run by two brothers, Mohammed and Chawki Hamoud. In June 2002, the Hamoud brothers were convicted of a variety of charges including funding the activities of Hezbollah from the proceeds of an interstate cigarette smuggling ring. Seven other defendants pled guilty to a variety of charges stemming from this case, including conspiracy to provide material support to terrorists, cigarette smuggling, money laundering and immigration violations.⁴⁷ Mohammed Hassan Dbouk and his brother-in-law, Ali Adham Amhaz, ran the Canadian portion of this network under the command of Haj Hasan Hilu Laqis (Hezbollah's chief military procurement officer). Their activities were funded in part with money that Laqis sent from Lebanon, in addition to their own criminal activities in Canada (e.g., credit card and banking scams).⁴⁸ Among the items that they purchased in Canada and the U.S. and smuggled into Lebanon were night-vision goggles, global positioning systems, stun guns, naval equipment, nitrogen cutters and laser range finders. The Canadian Hezbollah network also sought to take out life insurance policies for Hezbollah operatives committing acts of terrorism in the Middle East.⁴⁹ According to a wiretapped conversation with another member of his cell that was summarized by Canadian intelligence, "Dbouk referred to a person down there [in Southern Lebanon] ... who might in a short period of time go for a 'walk' ... and never come back, and wondering if Said [the other cell member] could fix some papers and details ... for him (person) and put himself (Said) as the reference."⁵⁰

Members of the Charlotte cell entered the U.S. from South America using false documents and through sham marriages carried out in Cyprus. They conducted their activities under multiple identities. Cell members paid indigent Americans to travel to Cyprus at Hezbollah's expense and engage in sham marriages so additional operatives could get visas to come to America.⁵¹

In South America, Hezbollah 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.⁵² In one case, Paraguayan officials arrested Ali Khalil Mehri for selling millions of dollars in pirated software and funding Hezbollah with some of the profits.⁵³ The tri-border area is especially important to Hezbollah, where the group raises close to \$10,000,000 a year, according to a study produced by the U.S. Naval War College.⁵⁴

According to the U.S. Treasury Department, Assad Barakat "threatened TBA [tri-border area] shopkeepers who are sympathetic to Hezbollah's cause with having family members in Lebanon placed on a 'Hezbollah blacklist' if the shopkeepers did not pay their quota to Hezbollah via Barakat."⁵⁵ The Treasury Department noted that Barakat is reported to be "the deputy to a Hezbollah financial director, Ali Kazan, and the primary liaison in the TBA for Hezbollah's Spiritual Leader Hussein Fadlallah."⁵⁶ Barakat not only served as a treasurer for Hezbollah, he was also "involved in a counterfeiting ring that distributes fake U.S. dollars and generates cash to fund Hezbollah operations" and personally couriered contributions to Lebanon for Hezbollah.⁵⁷ Barakat's personal secretary, Sobhi Mahmoud Fayad, served as Hezbollah's military leader in the tri-border region. Fayad was arrested at least three times since 1999, including once for surveilling the U.S. embassy in Asuncion.⁵⁸

Hezbollah activities in Latin America, however, are by no means limited to the tri-border area. Chilean officials have identified several import-export companies, primarily located in free trade zones such as the Iquique Free Trade Zone (ZOFRI) in northern Chile, that are suspected as serving as either front organizations or shell companies for Hezbollah. These include Kalmiar Ltd, Bahamas Ltd., Las Vegas Nevada Ltd., San Francisco Ltd., Saleh Trading Ltd., Frankfour Ltd., Guarany Ltd., Teen Chile Ltd., and Lucky Crown Ltd.⁵⁹

According to Chilean law enforcement officials, "starting in 1980 Lebanese members of Hezbollah have been expanding its presence in South America and continue developing its network of contacts in the Triple Border area."⁶⁰ In 1994 and 1995, these officials note, Hezbollah operatives began visiting Chile "to establish a new operational center for the development of their activities since the authorities of the Triple Border countries initiated greater and more rigorous control with respect to the activities of these foreigners, especially the Lebanese, who according to information provided by international security services are associated with terrorist members of Hezbollah."⁶¹ According to a U.S. Naval War College report, "U.S. Southern Command estimates that Islamist terrorist groups raise between three hundred million and five hundred million dollars per year in the Triple Frontier and the duty-free zones of Iquique, Colon, Maicao, and Margarita Island."⁶²

Hezbollah members in Venezuela—centered within the large Lebanese expatriate community on Margarita Island—helped several members of the Hezbollah cell in Charlotte, North Carolina infiltrate into the United States through Venezuela in 1992.⁶³ In the free trade area of Maicao, Columbia, Hezbollah is believed to participate in cigarette smuggling and may have operated a clandestine radio station broadcasting the group's propaganda.⁶⁴

Hezbollah also raises money from drugs and conflict diamonds to support its operations. Hezbollah benefits both financially and operationally from the Beka'a Valley's poppy crop, which the group trades to Israeli-Arabs for intelligence on Israeli infrastructure and placement of Israeli soldiers. Israeli authorities have broken up a series of Israeli-Arab cells working for Hezbollah in return for money and, frequently, drugs. Some of these cells, like one operating out of the Galilee village of Abu Snan, were planning to kidnap Israeli soldiers. In September 2002, an Israeli military court indicted a Lieutenant Colonel in the Israeli army, part of a ten member gang, for spying for Hezbollah. The officer, who reportedly lost an eye fighting Hezbollah guerillas, passed classified information to Hezbollah operatives in return for money, hashish and heroin.⁶⁵ Hezbollah benefits from the drug business in Lebanon (which in turn is linked to the group's activities in other drug producing areas like South America and Southeast Asia).⁶⁶

Hezbollah and other terrorist groups also traffic narcotics in North America to fund their activities back in the Middle East. A Drug Enforcement Administration (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 Hezbollah 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."⁶⁷

Long before al Qaeda was suspected of converting cash into easily transportable commodities like diamonds, Hezbollah learned to raise significant funds by dealing in so-called 'conflict diamonds' in Sierra Leone, Liberia, and Congo.⁶⁸

In his U.S. Senate testimony on the links between conflict diamonds and terrorism the former U.S. ambassador to Sierra Leone, Joseph Melrose Jr., and the former Sierra Leonean ambassador to the US, John Leigh, confirmed that diamonds mined in Sierra Leone finance the activities of terrorist groups such as Hezbollah and al-Qaeda.⁶⁹

According to David Crane, prosecutor for the Special Court in Sierra Leone: "Diamonds fuel the war on terrorism. Charles Taylor is harbouring terrorists from the Middle East, including al-Qaeda and Hizbullah, and has been for years."⁷⁰ Moreover, a July 2000 Belgian intelligence report stated that "there are indications that certain persons, the 'Lebanese connection' mentioned in the diamond smuggling file, also put in an appearance in files on money laundering, the drugs trade and the financing of Lebanese terrorist organisations such as Amal and Hizbullah."⁷¹ Belgian intelligence reports also tie the Congolese diamond trade to the financing of various terrorist groups including Hezbollah.⁷²

Speaking in the context of the diamond trade and its links to Middle Eastern terrorist groups, one official recently noted the "influx of hard-core Islamist extremists" in the Congo, over the past three years. He added, "We know Hezbollah is here, we know other groups are here, but they can

probably operate a long time before we know enough to stop them.”⁷³ The movement of Hezbollah operatives to Congo in the late 1990s and early 2000s is significant, given the rebellions that divided the country after the end of Mobutu Sese Seko’s dictatorship in 1997.

Hezbollah operatives also run otherwise legitimate business enterprises that function as shell companies or fronts for raising, laundering and transferring large sums of money. The most egregious example appears to be the use of Western Union offices by local Hezbollah operatives. Though Western Union officials were not complicit in this activity, the company failed to make any real efforts to vet local operators even as their international operations grew exponentially over a few short years, especially in areas of conflict.⁷⁴ According to Israeli officials, Hezbollah operatives run several Western Union offices in Lebanon and use the co-opted services of others worldwide, especially in Southeast Asia. In some cases, where the local Western Union agent is a Hezbollah member or supporter, experts believe Hezbollah gets a cut of the 7% service fee charge split between Western Union and the local agent. In other cases, Hezbollah simply uses the money wiring company to launder and transfer funds. For example, Hezbollah funding to Palestinian terrorist groups in the West Bank is almost entirely transferred via Western Union – including some \$3 million over a one year period in 2003-2004 alone.⁷⁵

CONCLUSION

According to a former senior law enforcement official, “Hezbollah is very criminally-oriented for its fundraising in the United States, including legitimate and illegitimate business activities.”⁷⁶ The members of the Charlotte cell, for example, raised significant sums of money for Hezbollah but used some of their earnings to buy nice houses and lead what appeared to be normal, middle-class American lives. Despite all the money the group receives from Iran, Hezbollah activists in the United States are believed to be self-funding, mostly through criminal enterprises.

Interestingly, while engaging in criminal activity often increases a group’s vulnerability by further exposing them to the scrutiny of law enforcement authorities, Hezbollah’s reliance on fellow sympathizers and members of local expatriate communities minimizes that potential exposure. Still, as the case of Hezbollah criminal activity in the tri-border region of South America makes clear, the group does engage in criminal activities that gave rise to the unwanted attention of local and international authorities, including mafia-style shakedowns of local store-owners, illegal pirating of multimedia, and the international drug trade. Moreover, as the Charlotte case highlighted, there are cases in which even sympathizers and members of close-knit communities can be convinced to break with their fellow Hezbollah supporters and cooperate with law enforcement authorities.

Cracking down on Hezbollah’s proactive involvement in criminal enterprises in the United States has been and should continue to be a focus of U.S. law enforcement authorities’ strategy for combating the group’s presence in this country and its effectiveness abroad.

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- ¹ This testimony draws heavily on the author's chapter "Hizballah Finances: Funding the Party of God," in *Terrorism Financing and State Responses in Comparative Perspective* (forthcoming 2006)
- ² Julie Sawyer and Andrew Eastman, research assistants in The Washington Institute's terrorism studies program, assisted in the preparation of this testimony.
- ³ . "U.S. Deputy Secretary of State: Hizbalah—"A Team of Terrorism," www.Albawaba.com, September 6, 2002; "Hezbollah Says Will Defend Lebanon from U.S. Threats," Reuters, September 6, 2002.
- ⁴ See Matthew Levitt, "Hizballah's African Activities Remain Undisrupted," *RUSI/Jane's Homeland Security and Resilience Monitor*, March 1, 2004 (posted online February 4, 2004); Matthew Levitt, "Smearred in Blood, Hezbollah Fingerprints All Over Globe," *The Australian*, June 9, 2003; Ely Karmon, *Fight on All Fronts: Hezbollah, The War on Terror, and the War in Iraq*, Policy Focus No. 46, The Washington Institute for Near East Policy, December 2003.
- ⁵ "Current and Projected National Security Threats to the United States," Hearing Before the Select Committee on Intelligence of the United States Senate, February 6, 2002 (see response number 3 to "Questions for the Record" on page 339 of GPO print edition).
- ⁶ "Threats to National Security," Hearing before the Senate Armed Services Committee of the United States Senate, February 12, 2003.
- ⁷ See Matthew Levitt, "Hezbollah: A Case Study of Global Reach" Remarks to a conference on "Post-Modern Terrorism: Trends, Scenarios, and Future Threats," International Policy Institute for Counter-Terrorism, Herzliya, Israel, September 8, 2003 available online at <http://www.washingtoninstitute.org/media/levitt/levitt090803.htm>
- ⁸ "Treasury Designates Six Al-Qaeda Terrorists," U.S. Department of the Treasury press release (JS-757), September 24, 2003. Available online: <http://www.treasury.gov/press/releases/js757.htm>
- ⁹ "Treasury Designates Six Al-Qaeda Terrorists," U.S. Department of the Treasury press release (JS-757), September 24, 2003. Available online: <http://www.treasury.gov/press/releases/js757.htm>
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- ¹¹ Scott Wilson, "Lebanese Wary of a Rising Hezbollah," *The Washington Post*, December 20, 2004, A17
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- ¹³ "Iran Establishes Rocket Training Centers in Lebanon," *Middle East Newslines*, August 8, 2002.
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- ¹⁵ Jorisch interview with Lebanese Hezbollah expert, October 11, 2002 in Avi Jorisch, *Beacon of Hatred: Inside Hezbollah's al-Manar Television* (Washington, DC: Washington Institute for Near East Policy, 2004), Page 32. Nicholas Blanford, "Hezbollah Sharpens Its Weapons in Propoganda War," *Christian Science Monitor*, December 28, 2001 in Jorisch, Page 32.
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