

CRS Report for Congress

Terrorist Precursor Crimes: Issues and Options for Congress

May 24, 2007

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Prepared for Members and
Committees of Congress

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 24 MAY 2007		2. REPORT TYPE N/A		3. DATES COVERED -	
4. TITLE AND SUBTITLE Terrorist Precursor Crimes: Issues and Options for Congress				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service The Library of Congress 101 Independence Ave, SE Washington, DC 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release, distribution unlimited					
13. SUPPLEMENTARY NOTES The original document contains color images.					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT SAR	18. NUMBER OF PAGES 30	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

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Summary

Terrorist groups, regardless of ideological ilk, geographical location, or organizational structure, have certain basic needs in common: funding, security, operatives/support, propaganda, and means and/or appearance of force. In order to meet these needs, terrorists engage in a series of activities, some of which are legal, many of which are not. Terrorist precursor crimes, offenses committed to facilitate a particular attack or promote a terrorist campaign's objectives, are thought to be often carried out far away from the primary theater of conflict associated with a terrorist group. Much of the precursor activity, especially with regard to crimes conducted for the purpose of fundraising, takes place in wealthy Western countries, including the United States. Precursor crimes, known and/or alleged, include various fraud schemes, petty crime, identity and immigration crimes, the counterfeit of goods, narcotics trade, and illegal weapons procurement, amongst others. The implications of domestically occurring terrorist precursor crimes on the current threat environment, and specifically the United State's security posture, are not fully understood.

It does appear, however, that the likely presence of terrorist groups or their sympathizers conducting precursor crimes within the United States presents a series of unique problems and challenges for U.S. law enforcement and intelligence communities' counterterrorism programs, many of which have important implications for Congress. As Congress conducts oversight of the federal agencies engaged in terrorist precursor crime investigations and intelligence efforts, this phenomenon and U.S. efforts to identify, investigate, and counter it may be of particular concern. One such issue is how these agencies coordinate with one another on the issue of terrorist precursor crimes and whether there is an across-agency strategy on how to deal with such activity. Beyond the federal government agencies, there are numerous state, local, and tribal (SLT) agencies that are well positioned to assist in the identification and investigation of terrorist precursor crimes, but it is often unclear, and at the very least inconsistent, how these agencies are incorporated into existing efforts. In addition to oversight, there are potential budgetary and legislative issues related to terrorist precursor crimes that are of interest to Congress. This report will not be updated.

Contents

Introduction	1
Increase in Precursor Criminal Activity: Causes	2
Decline in State Sponsorship	3
Amateurization of Terror	4
Enhanced Counterterrorism Measures	5
Shift in Threat Environment	5
Examples of Terrorist Precursor Activity in the United States	7
Front Businesses and Charities	7
Counterfeiting Money	8
Counterfeit Goods	9
Narcotics	10
Smuggling and Import/Export Violations	10
Robbery/Theft	12
Fraud (Credit Card, Benefits, Food Stamps, etc.)	12
Phone Scams and Cell Phone Activity	13
Bribery	14
Immigration and Identity Crimes	15
Incitement	15
Training	17
Division of Labor within Terrorist Organizations	19
Potential for Identification and Infiltration	20
Precursor Crimes for Fundraising and Longevity of Terror Campaigns ...	21
Precursor Crimes' Effect on Threat Environment	23
Implications for Congress	24
Federal Role in Intelligence/Investigation of Precursor Crimes	24
SLT Role in Intelligence/Investigation of Precursor Crimes	25
Coordination of Federal and SLT Efforts	26

Terrorist Precursor Crimes: Issues and Options for Congress

Introduction

Irrespective of ideology or strategic goals, all terrorist groups have several basic needs in common: funding, security, operatives/support, propaganda, and means and/or appearance of force. In order to meet these needs, terrorists engage in a series of activities, some of which are legal, many of which are not, including various fraud schemes, petty crime, identity and immigration crimes, the counterfeit of goods, narcotics trade, and illegal weapons procurement, amongst others.¹ Terrorist precursor crimes can be defined as unlawful acts undertaken to facilitate a terrorist attack or to support a terrorist campaign. Many terrorist precursor crimes are carried out far away from the primary theater of conflict associated with a particular terrorist group. Much of the precursor activity, especially with regard to crimes conducted for the purpose of fundraising, is thought to take place in wealthy Western countries, including the United States.

This report provides an overview of the types of terrorist precursor crimes known, and/or alleged, to have been employed by individuals and/or groups in the United States. The report highlights issues related to the breadth of this activity in the United States, as well as the opportunities for intelligence collection and law enforcement-related countermeasures.

The report presents an analysis of the implications of domestically occurring terrorist precursor crimes for U.S. security. The presence of terrorist groups or terrorist sympathizers within the United States possibly conducting precursor crimes presents a series of unique problems and challenges. Unfortunately, there does not appear to be a consensus with regard to some of the fundamental questions associated with this issue: How does the presence of precursor activity affect the current threat environment? What is the current approach for dealing with terrorist precursor crimes? How effective are current efforts and what are areas for improvement?

The report's scope is largely limited to terrorist precursor crime occurring domestically, although some foreign examples are mentioned to demonstrate the importance of this issue and the extent terrorist groups are engaged in criminal

¹ It is important to note that not all the individuals and/or groups that engage in the illegal activities listed in this report are terrorists or have a nexus to terrorism. Indeed, it is more likely that a very small percentage of individuals engaged in such activity are involved in terrorism. The purpose of this report is to highlight some of those precursor crimes known to be utilized and/or favored by terrorist elements in order to facilitate their attacks and/or other strategic objectives.

activity to forward their agendas. It is beyond the scope of this report, however, to address each of the myriad national security policy implications associated with this issue. Thus, one area, the role of federal, state, and local agencies in addressing domestic, terrorist precursor crimes, is examined in greater detail.

Increase in Precursor Criminal Activity: Causes

According to numerous terrorism scholars and analysts, there are indications that terrorists are increasingly relying on non-terroristic, precursor crimes to facilitate their terrorist attacks and/or further their terrorist campaign.² Additionally, it appears that terrorist groups are diversifying and expanding the variety of crimes they commit.³ The cause for the increase in pre-attack criminal activity may be due to the following four factors:

- the decline in state sponsorship;
- the amateurization and decentralization of terror;
- enhanced counterterrorism measures,
- and changing terrorist demographics (i.e. shifts in ideology, strategy, and capabilities).

It is important to note that not all groups and not all members and/or supporters of such groups engage in such activity. There are some groups that appear adverse to conducting criminal acts in order to facilitate their objectives out of ideological concerns. Some may avoid criminal activity out of logistical concerns, for example criminal activity may be viewed as a liability, enhancing the potential for detection and apprehension of operatives. In other instances, criminal activity may be isolated within a particular strata or division of a group, in order to protect key operatives, spokesmen, and charismatic leaders from potential detection. There are instances where a group's involvement in precursor crimes remains the subject of debate.⁴

² The Canadian Security Intelligence Service's (CSIS) Integrated Threat Assessment Centre (ITAC) "Actual and Potential Links Between Terrorism and Criminality," Trends in Terrorism Series, Volume 2006-5, available at [<http://www.csis-scrs.gc.ca/en/itac/itacdocs/2006-5.asp>], accessed on May 4, 2007.

³ Ibid.

⁴ Al Qaeda's purported tie to Afghan opium provides an interesting example. There have been numerous assertions in the press that the group was heavily involved in its production and trade. However, David Kaplan of US News and World Report cites counterterrorism officials who call those assertions "flat wrong," claiming, "long ago, al Qaeda strategists reasoned that drug trafficking would expose them to possible detection...[and since] they don't trust many of the big drug barons...[they] encouraged their members not to get involved with them" - David E. Kaplan, "Paying for Terror: How Jihadist Groups are Using Organized-Crime Tactics — and Profits — to Finance Attacks on Targets Around the Globe," US News and World Report, December 5, 2005. If this account is accurate, al Qaeda's choice may have been borne of logistical security concerns and a lack of acute need for funds. Yet, there are reports suggesting that while al Qaeda has not actively joined in on the opium trade, it has increasingly utilized the smuggling routes used to move opium from (continued...)

Decline in State Sponsorship

State sponsorship of terrorism has dramatically decreased since the 1970s and 1980's when Dan Byman estimates that "almost every important terrorist group had some ties to at least one supportive government."⁵ The manner and extent of state sponsorship have changed significantly over the last several decades. By Byman's assessment, of the 36 terrorist groups the U.S. State Department had labeled with Foreign Terrorist Organization (FTO) status by 2002, "twenty had enjoyed significant state support at one point in history" and of that 20, only nine still maintained a state sponsor.⁶ Coinciding with the end of the Cold War there was a shift in the manner and volume of state sponsorship which forced many groups to identify other sources of revenue.⁷

Some terrorist groups turned to legitimate investments and business opportunities. Much attention has been paid to al Qaeda's business dealings in Sudan in the early 1990s. According to Jean-Charles Brisard who testified before the Senate Banking Committee in 2003, Osama bin Laden invested in and/or operated a bank, several import-export firms, several agricultural companies and a construction company with connections to his family's bin Laden construction conglomerate, while living in Sudan between 1991 and 1996.⁸ As with many groups, al Qaeda used an amalgam of means, both legal and illegal, to raise funds and facilitate its activity. Reportedly, numerous groups rely heavily on a wide range of crimes to facilitate their goals, including Hezbollah, the Irish Republican Army (IRA), Abu Sayyaf, the

⁴ (...continued)

Afghanistan to neighboring countries and beyond. In 2004, media reports suggested "recent U.S. Navy seizures in the Persian Gulf of several small boats carrying heroin and hashish along with alleged Al Qaeda operatives offered the first firm indication of a link between the terrorist network and drug trafficking"- Liz Sly, "Opium Cash Fuels Terror, Experts Say; Taliban, Al Qaeda Profit from Trade in Afghanistan," Chicago Tribune, February 9, 2004. Again, logistical concerns regarding the safe movement of operatives may have driven al Qaeda into this marriage of convenience, if they are indeed involved in the opium trade and/or utilizing related smuggling routes.

⁵ Dan Byman, *Deadly Connections: States that Sponsor Terrorism*, (Cambridge, UK: Cambridge University Press, 2005), 1, henceforth referred to as Byman, *Deadly Connections*.

⁶ Ibid., 3.

⁷ However, Byman says that some groups continue to receive significant financial support from state sponsors (i.e. Hezbollah from Iran). Many groups receive other kinds of support today other than money: operational/training, arms/logistics, diplomatic backing, help with organization, ideological direction, and sanctuary. Byman, *Deadly Connections*, Chapter 3.

⁸ Jean-Charles Brisard, "Prepared Testimony of Jean-Charles Brisard International Expert on Terrorism Financing, Lead Investigator, 911 Lawsuit CEO, JCB Consulting International, Testimony before the Senate Committee on Banking, Housing and Urban Affairs, October 22, 2003, Federal News Service.

Liberation Tigers of Tamil Eelam (LTTE) and the Revolutionary Armed Forces of Colombia (FARC), among many others.⁹

Amateurization of Terror

As terrorism has become more decentralized over the last decade, with groups adopting less hierarchical, cell networks and the proliferation of technology, information, and inspiration to support autonomous terror, there has been a proliferation of smaller, autonomous (or semi-autonomous) cells.¹⁰ Such groups often have fewer concrete links to larger, more organized terrorist groups and thus limited access to organized, large-scale fundraising mechanisms. In addition, many of these smaller cells mount more limited and less sophisticated attacks, which require less infrastructure, expertise, and expensive weaponry. Thus, amateur terrorists are likely to require significantly fewer funds. For example, while the September 11th attacks are estimated to have cost approximately \$400,000 - \$500,000,¹¹ the July 7, 2005 London bombings are estimated to have cost between several hundred and £ 8,000 (approximately \$15,600).¹² This is not a phenomenon limited to Britain. It appears that small, semi-autonomous terrorist cells in many countries have discovered that they are capable of conducting violently disruptive

⁹ See for example Oded Lowenheim, "Transnational Criminal Organizations and Security: The Case Against Inflating the Threat," in *International Journal*, Vol. 57 No.4/Autumn 2002, available from [<http://www.lexis.com>], accessed on April 23, 2007.

¹⁰ Exactly how autonomous these newer, smaller terrorist cells are remains debated. Some, like Bruce Hoffman, have argued that "ongoing investigations increasingly suggest that recent terrorist threats and attacks — the foiled 2004 plan to stage simultaneous suicide attacks in the United States, the 2005 suicide bus and subway bombings in London and the August 2006 plot to blow up 10 planes over the Atlantic — were all coordinated in some way by Al Qaeda and not by homegrown terror groups." Bruce Hoffman, "Remember Al Qaeda? They're baaack: Defeating Osama bin Laden's resurgent terrorist network requires far more than military might," *Los Angeles Times*, February 20, 2007. While these new cells, like the one that perpetrated the 2005 London transit bombings, may have connections to, and in some cases may have been in part trained, funded, or directed, by 'corporate' al Qaeda, there is clearly a distinction between this type of cell and those that were handpicked and directly managed by al Qaeda's upper-level leadership. The former are clearly part of a more decentralized, inspired cell network of like-minded believers who see themselves as part of the global jihad, even if they don't have the same level of involvement with the professional terrorist cadre.

¹¹ The National Commission on Terrorist Attacks on the United States, *The Final Report of the National Commission on Terrorist Attacks on the United States*, Official Government Edition, available from [<http://www.9-11commission.gov/>], accessed on October 30, 2006, 169.

¹² Quoting British police officials, BBC, *London Bombs Cost Just Hundreds*, January 3, 2006 available from [<http://news.bbc.co.uk/>], accessed on October 30, 2006, and quoting Home Secretary John Reid, BBC, *Resourcing Blamed Over July Bombs*, May 11, 2006 available from [<http://news.bbc.co.uk/>] accessed on October 30, 2006.

activities without extensive outside financial and/or logistical support, and, as such, numerous cells appear to have turned to precursor criminal activities to do just that.¹³

Enhanced Counterterrorism Measures

Enhanced counterterrorism measures, especially with regard to freezing certain charity and front business holdings, additional regulations within the banking sector, and monitoring money remittances may have caused terrorist elements to utilize different techniques for fundraising and money laundering. One notable example of a possible causal relationship is the result of the U.S. law enforcement crackdown on the Irish Republican Army's (IRA) American-based fundraising activities, which some experts have cited as the driving cause of the IRA's turn to criminal activity to fill that void and continue to fund its initiatives.¹⁴ In the last three decades, the IRA is reported to have been involved in everything from protection/extortion rackets, bank robbery, tax evasion, construction fraud, weapons and explosives running, to cigarette/narcotics smuggling.

Shift in Threat Environment

The terrorist threat environment has changed significantly since the dawn of modern international terrorism in 1968. For example, the number of terrorist groups with primarily religious objectives has risen dramatically, the lethality of terrorism has increased, and the number of groups that are no longer satisfied with limited, symbolic violence — but rather seek to cause large-scale carnage — has increased. This altered terrorist demographic may help to explain why terrorist groups today are increasingly reliant on precursor crimes.

At that time - the height of the Cold War - the terrorist threat environment was thought to be dominated by “left-wing, revolutionary Marxist-Leninist ideological organizations.”¹⁵ In 1968, according to data from the RAND/St. Andrew's Terrorism Chronology,¹⁶ eight of the 11 identifiable terrorist organizations could be classified as such and the other three were Palestinian ethno-nationalist groups. Due to their

¹³ There are examples of terrorist cells that funded their activities through their own wages and savings and/or a combination thereof with petty crime.

¹⁴ For example, Mark Hamm, *Crimes Committed by Terrorist Groups: Theory, Research, and Prevention*, September 2005, available from [<http://www.ncjrs.gov/pdffiles1/nij/grants/211203.pdf>], accessed on November 14, 2006, 5.

¹⁵ Bruce Hoffman, *Inside Terrorism*, (London: Indigo, 1999), 90, henceforth referred to as Hoffman, *Inside Terrorism*.

¹⁶ According to a 1998-1999 RAND publication, “The RAND-St. Andrews Chronology of International Terrorism is a computerized database of international terrorist incidents that have occurred worldwide from 1968 to the present. The chronology has been continuously maintained since 1972, first by RAND and since 1994 by the Centre for the Study of Terrorism and Political Violence at the University of St. Andrews, Scotland.” Bruce Hoffman, “Old Madness, New Methods: Revival of Religious Terrorism Begs for Broader U.S. Policy Review,” *Rand Review*, Winter 1998-1999, Vol. 22, No. 2, available from [<http://www.rand.org/publications/randreview/issues/rrwinter98.9.pdf>], accessed on April 23, 2007.

state sponsorship and concern that such activity would tarnish the statesman-like image they created for themselves, many of these groups did not engage in significant criminal activity. Today, groups with predominately religious or religio-nationalist ideologies dominate the current threat environment. For example, in 1968, none of the identifiable 11 terrorist groups was predominately religious in nature, but by 1995, 26 of the 56 (46%) known, active international terrorist groups in the RAND/St. Andrews database could be classified as religious.¹⁷ As of October 2005, the State Department had designated 42 groups as Foreign Terrorist Organizations (FTOs), of which at least 21 (50%) could be classified as religious terrorist groups.¹⁸

Somewhat counterintuitively, many of the terrorist groups that are religious in nature are involved in precursor criminal activity, even when said activity is expressly prohibited in religious scripture.¹⁹ Potential rationalizations for this activity could include First, any action that is undertaken in pursuit of the group's ultimate cause is deemed permissible. For example, numerous Islamist terrorist groups promote the use of suicide bombing as a legitimate tactic in jihad despite the explicit condemnation of suicide in the Quran.

Second, sometimes criminal activity allows groups to achieve two goals simultaneously - generate funds and harm their enemies. This is iterated by the purported comments of Abu Bakar Bashir, spiritual leader of the al Qaeda-linked Jemaah Islamiyah (JI), an Islamist group in Indonesia. When questioned about JI's involvement in a series of jewelry store robberies believed to have financed the 2002 Bali Bombings, Bashir purportedly commented, "You can take their blood; then why not take their property?"²⁰ This sentiment is echoed by Baz Mohammad, the Taliban-linked narcotics kingpin who was extradited to the United States in 2005. According to the indictment issued by the U.S. Attorney's Office, "in or about 1990, Baz Mohammad met with members of the Baz Mohammad Organization in his Karachi, Pakistan, residence and told them that selling heroin in the United States was a 'jihad' because they were taking the Americans' money at the same time the heroin they were paying for was killing them."²¹

¹⁷ Hoffman, *Inside Terrorism*, 91.

¹⁸ "... having aims and motivations reflecting a predominate religious character or influence." - Ibid. 90. & U.S. State Department, "Fact Sheet: Foreign Terrorist Organizations (FTOs)," October 11, 2005, U.S. State Department Website available from [<http://www.state.gov>], accessed on June 14, 2006.

¹⁹ For example, the IRA, a political terrorist organization with religious overtones, conducted numerous violent acts and other crimes over several decades, even though these ran contrary to Catholic dogma. Another example is the numerous jihadi groups that promote a Salafist school of Islam and a literal reading of the Quran, and yet utilize suicide bombings, even though suicide is explicitly prohibited in the Quran.

²⁰ David E. Kaplan, "Paying for Terror: How Jihadist Groups are Using Organized-Crime Tactics — and Profits — to Finance Attacks on Targets Around the Globe," US News and World Report, December 5, 2005, henceforth referred to as Kaplan, "Paying for Terror."

²¹ United States Attorney Southern District of New York, "United States Announces Historic Extradition of Taliban-linked Afghan Narco-terrorism to New York," Press Release, October 24, 2005, available from [<http://www.usdoj.gov/usao/nys/pressreleases/>] accessed (continued...)

Examples of Terrorist Precursor Activity in the United States

Although they often engage in many of the same activities, and despite the fact that terrorist attacks are ultimately criminal acts, most terrorists fundamentally differ from other criminals. It can be argued the latter are primarily driven by need, greed, and opportunity, while most terrorists are predominately driven by ideology. Terrorists may commit crimes because of that ideology or in support of more immediate logistical needs to support the group's long-term strategic ideological goal(s). Terrorists commit crimes in order to raise funds, hide their activities, and facilitate recruitment, propaganda efforts, and pre-operational planning. The following is an overview of known terrorist precursor crimes that occurred within the United States.²²

Front Businesses and Charities

Terrorist groups often set up front organizations to raise and launder money, recruit new members, and/or provide ideological and rhetorical support for the organization's cause. These front entities have taken the form of businesses, charities, and other non-governmental organizations. For example, in December 2001, then U.S. Treasury Secretary Paul O'Neill announced that the U.S. government had shut down three HAMAS-controlled organizations and frozen their assets in the United States.²³ In the Treasury Department press release, two of the organizations, the al Aqsa bank and the Beit al Mal bank, were described as not "just banks that unknowingly administer accounts for terrorists. They are direct arms of HAMAS, established and used to do HAMAS business."²⁴

A third entity that had its assets frozen, the Holy Land Foundation for Relief and Development (HLF), described itself as a charity dedicated to "prevent or alleviate human suffering arising out of conflict or natural disaster, with the core of our efforts

²¹ (...continued)
on November 8, 2006.

²² Many of the successfully prosecuted cases and/or allegations of terrorist precursor criminal activity could fall under the category of white collar crime. As this report demonstrates, terrorists have engaged in a wide variety of criminal activities, ranging from low-level 'street' crime to sophisticated white-collar crimes. However, there is not enough publicly available data from which to draw definitive quantitative conclusions regarding the breakdown of types of domestic precursor crimes. In general, it appears that larger, 'professional' groups are more likely to be able to engage in sophisticated, white collar crimes, while smaller terrorist cells that lack extensive links to such groups and whose members have little 'formal terrorist training' are more likely to engage in less sophisticated, smaller-scale criminal enterprises.

²³ U.S. Treasury Department, "Statement of Secretary Paul O'Neill on the Blocking of Hamas Financiers' Assets," Press Release, PO-837, December 4, 2001, available from [<http://www.treas.gov>], accessed on November 20, 2006.

²⁴ Ibid.

spotlighting the Palestinian refugees in Jordan, Lebanon, and Palestine.”²⁵ The Treasury Department, however, disagreed, stating “The Holy Land Foundation masquerades as a charity, while its primary purpose is to fund HAMAS.”²⁶ To date, several people have pled guilty to or been convicted of providing material support to a terrorist organization for their work with HLF, including Mohamed Shorbagi,²⁷ Bayan Elashi, Ghassan Elashi, Basman Elashi, and their company, Infocom.²⁸ They are currently serving sentences related to those convictions. Ghassan Elashi and seven other co-defendants, are scheduled to go to trial again in July 16, 2007 in a case styled U.S. v. Holy Land Foundation for Relief and Development, et al.²⁹ The allegations in this case include transferring millions of dollars to HAMAS, other HAMAS front entities and individual Palestinian families “who had a relative ‘martyred’ or jailed as a result of terrorist activities.”³⁰

Counterfeiting Money

Another method terrorists have used to generate funds is counterfeiting. In 2005, Gale Nettles was convicted for his role in a plot to bomb the Dirksen Federal Building in Chicago.³¹ Although his plot seemingly started as a lone wolf enterprise against the federal government, Nettles eventually conspired with an undercover FBI agent he believed was working with al Qaeda. Nettles was found guilty however of selling, exchanging, transferring and delivering false, forged, counterfeited and altered U.S. Federal Reserve notes. Nettles attempted to use counterfeit monies and the sale of counterfeit monies to procure the bomb-making materials for his attack.³² Nettles was acquitted of the charge of “fraudulently making, forging and counterfeiting U.S. Federal Reserve notes with the intent that the same be passed as

²⁵ Holy Land Foundation, “A Message from the President,” Holy Land Foundation Website archived by the Library of Congress, available from [<http://memory.loc.gov/911/index.html>], accessed on November 27, 2006.

²⁶ U.S. Treasury Department, “Statement of Secretary Paul O’Neill on the Blocking of HAMAS Financiers’ Assets.”

²⁷ United States Attorney’s Office, “Rome, Georgia Resident Pleads Guilty to Material Support of Foreign Terrorist Group: Local Businessman and Imam Provided Money to HAMAS,” Press Release, October 13, 2006, available from [<http://www.usdoj.gov/usao/gan/press/2006/10-13-06.pdf>] accessed on November 27, 2006.

²⁸ United States Attorney’s Office, Northern District of Texas, “Infocom Corporation and its Operators Sentenced in Federal Court: Elashi Brothers Convicted for Doing Business with Terrorist,” Press Release, October 13, 2006, available from [<http://www.usdoj.gov/usao/txn>] accessed on November 27, 2006.

²⁹ United States v. Holy Land Foundation for Relief and Development et al., (N.D. Tex. Updated May 2007) Criminal Docket for Case #: 3:04-cr-00240 All Defendants.

³⁰ United States v. Holy Land Foundation for Relief and Development et al., (N.D. Tex. November 2005) (No. 3:04-CR-240-G), Superseding Indictment.

³¹ United States v. Nettles, 400 F. Supp. 2d 1084, (N.D. Ill. November 2005).

³² Ibid.

genuine,” despite presented evidence that the counterfeit bills he used were actually created in his apartment and a prior history creating counterfeit monies.³³

Counterfeit Goods

One of the crimes used with increasing frequency by a variety of terrorist organizations is the sale of counterfeit goods. In March 2006, Imad Hammoud and several of his associates were indicted for operating a multi-million dollar cigarette trafficking ring to benefit the terrorist group Hezbollah.³⁴ Between 1996 and 2002, Hammoud and his associates allegedly purchased low- and non-taxed cigarettes in North Carolina, Kentucky and on Indian reservations, outfitted them with counterfeit tax stamps and resold them in the high cigarette tax states of New York and Michigan. The operation allegedly was eventually expanded to other goods, to include counterfeit Viagra pills and stolen goods such as infant formula and toilet paper.³⁵ It is charged that the operation directed sums towards Hezbollah and charged customers a “Resistance Tax” above the black market price, which went to Hezbollah.³⁶ To date, Hammoud and 19 of his known associates have been indicted on a combination of RICO, smuggling, counterfeit tax charges related to their roles in the operation - several have been convicted or pled guilty, some are appealing their convictions, and some are at other stages of the legal system.³⁷

This is just one of numerous counterfeit cases with a purported nexus to terrorism. Intelligence analysts have also warned that terrorist groups are making profits off everything from counterfeit handbags to illegally reproduced video games. In testimony before the House Committee on International Relations in 2003, Interpol’s Secretary General stated that the link between organized crime and counterfeit goods (also known as intellectual property crime) was long established, but announced that the international law enforcement body was “sounding the alarm that Intellectual Property Crime is becoming the preferred method of funding for a number of terrorist groups.”³⁸

³³ Nettles was convicted of counterfeiting U.S. Federal Reserve notes in September 2002, for which he served two years time at the Federal Correctional Institute in Yazoo City, Mississippi. Ibid.

³⁴ United States v. Imad Mohamad-Musbah Hammoud, et al., (E.D. Mich. March 2006), Indictment.

³⁵ Ibid.

³⁶ Ibid.

³⁷ United States v. Haydous, (E.D. Mich. Updated May 2007), Criminal Docket for Case#:2:03-cr-80406-GER-RSW All Defendants

³⁸ Ronald K. Noble, “The links between intellectual property crime and terrorist financing” Testimony before the U.S. House Committee on International Relations, July 16th 2003, available from [<http://www.interpol.int/Public/ICPO/speeches/SG20030716.asp>], accessed on March 30, 2007.

Narcotics

Narcotics reportedly are one of the most profitable terrorist fundraising commodities. According to the United Nations (UN) Office on Drugs and Crime, in 2003, the “value of the global illicit drug market for the year 2003 was estimated at U.S.\$13 billion at the production level, at \$94 billion at the wholesale level (taking seizures into account), and at U.S. \$322 billion based on retail prices and taking seizures and other losses into account.”³⁹ Significant portions of several illicit drug markets, including the South American cocaine trade, the Afghan opium market, and the Moroccan Hashish trade, are believed by some observers in the law enforcement community to be closely intertwined with terrorist campaigns.

Terrorist groups across the ideological spectrum have become involved in the narcotics trade at various stages. Some groups are involved in the initial stages, growing coca or opium crops or taxing those farmers that grow them. Other groups provide protected smuggling routes for hefty fees. Still other, usually smaller groups, are active in the distribution stage, selling drugs on the street to generate funds.

In 2006, Elkin Alberto Arroyave-Ruiz, Edgar Fernando Blanco-Puerta, and Uwe Jensen were convicted for their role in a \$25 million dollar weapons-for-drugs deal to provide material support for Autodefensas Unidas de Colombia (known by the acronym AUC or in English as the United Self-Defense Forces of Colombia), a paramilitary organization designated as a FTO by the U.S. State Department. The group brokered a deal with an FBI confidential informant to trade four to five tons of cocaine for prohibited weapons. The U.S. District Court in Houston found all three guilty of conspiracy to possess cocaine with intent to distribute and material support for a foreign terrorist organization. Ruiz received a life sentence for his role in the drugs for weapons plot, Puerta and Jensen received 15 and 14 years respectively.⁴⁰

Smuggling and Import/Export Violations

In 2004, the Department of State (DOS) announced that in coordination with the Secretary of Homeland Security and the Attorney General, the Human Smuggling and Trafficking Center was being reestablished to combat threats emanating from human smuggling, trafficking of persons and clandestine terrorist travel.⁴¹ The United Nations estimates that “human smuggling has grown to a \$10 billion per year

³⁹ United Nations Office on Drugs and Crime, “2005 World Drug Report, Volume 1: Analysis,” available from [http://www.unodc.org/pdf/WDR_2005/volume_1_chap2.pdf], 127.

⁴⁰ United States v. Carlos Ali Romero Varela et al., (S.D. Tex. November 2002) (No. 4:02-cr-0074). According to (United States v. Varela, (S.D. Texas updated April 2007) Criminal Docket for Case #:4:02-cr-00714 All Defendants and Case#:4:02-cr00714-4), Puerta and Ruiz have since entered appeals.

⁴¹ Department of State, “Human Smuggling and Trafficking Center (HSTC) Charter,” Press Release, May 2004, available from [<http://www.state.gov>], accessed on December 2, 2006.

global criminal industry.”⁴² According to DOS, there are “an estimated 800,000 to 900,000 individuals trafficked across international borders each year. The U.S. Government estimates 18,000 to 20,000 victims are trafficked to the United States annually.”⁴³ Human smuggling is not currently considered one of the primary finance generating enterprises utilized by terrorists, however, several intelligence and law enforcement agencies have warned that “terrorist organizations have tapped or will tap into this global criminal infrastructure. Alien smugglers and fraudulent document providers use their skills to facilitate the movement of terrorists across international borders.”⁴⁴

There has been at least one purported case in the United States. In November 2002, an indictment against Salim Boughader-Mucharrafille for multiple counts of human smuggling was filed in U.S. district court.⁴⁵ Boughader-Mucharrafille reportedly pled guilty to two counts of human trafficking in March 2003 and served most of a year-long prison term.⁴⁶ Upon his release from prison and return to Mexico, he was immediately re-arrested. In May 2006, a Mexican judge reportedly sentenced Boughader-Mucharrafille to fourteen years in prison for his role in the smuggling ring and on organized crime charges.⁴⁷ The 9/11 Commission Staff Report on Terrorist Travel cites an Immigration and Naturalization Services (INS) background paper and Central Intelligence Agency (CIA) analytic report that claim Boughader-Mucharrafille smuggled at least 200 “Lebanese nationals sympathetic to Hamas and Hezbollah into the United States” from Mexico.⁴⁸ According to press reports, Boughader-Mucharrafille admitted that one of the individuals he helped smuggle into the United States worked for al Minar, Hezbollah’s television station.⁴⁹ There also has been speculation that terrorists may utilize human smuggling/trafficking as a means to generate funds.

In addition to the criminal enterprises such as operating narcotics cartels and smuggling operations, terrorists worldwide appear to have increasingly become involved in street crime to finance their activities. This phenomenon may be the result of the increasing decentralization and amateurization of terror. Street crimes

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ United States v. Salim Boughader-Mucharrafille et al., (S.D. Cal. November 2002) (No. 3048W).

⁴⁶ Sandra Dibble, “Judge in Mexico City Sentences Smuggling-ring Leader to 14 years,” The San Diego Union-Tribune, May 23, 2006, LOCAL; Pg. B-2.

⁴⁷ Ibid.

⁴⁸ Thomas R. Eldridge, Susan Ginsburg, Walter T. Hempel II, Janice L. Kephart, Kelly Moore and Joanne M. Accolla and Alice Falk, *9/11 and Terrorist Travel: Staff Report of the National Commission on Terrorist Attacks Upon the United States*, available from [http://www.9-11commission.gov], accessed on November 28, 2006, 67.

⁴⁹ Pauline Arrillaga and Olga R. Rodriguez, “AP Investigation: Smuggler pipelines channel illegal immigrants into U.S. from nations with terror ties,” The Associated Press, June 29, 2005.

known to have been utilized domestically by terrorists include violent crimes such as armed robbery and small-scale scams such as individual credit card fraud, to name a few.

Robbery/Theft

According to an October 2005 indictment issued by the U.S. District Court for the Central District of California, Kevin James, a prison inmate who founded the radical group Jamiyyat Ul-Islam Is-Saheeh (JIS), recruited and directed followers to conduct attacks on U.S. military, Jewish and Israeli venues in the Los Angeles area.⁵⁰ It is charged that specific targets JIS intended to strike included U.S. military recruiting stations, synagogues, El Al airlines operations, and the Israeli Consulate.⁵¹ To finance the operation, two JIS members, Gregory Patterson and Hammad Samana, allegedly conducted a series of twelve armed robberies at California gas stations from May 30 - July 5, 2005.⁵² A pretrial status conference is set for August 13, 2007.⁵³

In addition to funding, there are instances where domestic terrorists have used robberies to procure weaponry to use in attacks. Timothy McVeigh and Terry Nichols conducted two robberies: One in Kansas in October 1994 (where they stole explosives from a storage locker) and another in Arkansas in November 1994 (when they robbed a firearms dealer).⁵⁴

Fraud (Credit Card, Benefits, Food Stamps, etc.)

There are numerous examples of terrorists using a variety of fraud schemes to raise funds, including credit card fraud, coupon and food stamps fraud, and benefits fraud. A 2006 case in the United States involved Karim Koubriti and his co-defendant Ahmed Hannon, who were found guilty of mail fraud, insurance fraud and material support of terrorism in connection with his 'economic jihad' scheme to defraud the Titan Insurance Company.⁵⁵ In this case, Koubriti and Hannon apparently falsely claimed to have been injured in a car accident and then filed a false insurance claim with Titan. Koubriti and Hannon provided fictitious invoices for

⁵⁰ United States v. Kevin James et al., (C.D. Cal. October 2005) Grand Jury Indictment.

⁵¹ Ibid.

⁵² Ibid.

⁵³ United States v. James, et al. (C.D. CA updated May 2007) Criminal Docket for Case#: 8:05-cr-00214-CJC-ALL.

⁵⁴ United States v. Timothy James McVeigh and Terry Lynn Nichols, (W.D. Okla. August 1995) (No. CR95-110), Grand Jury Indictment.

⁵⁵ United States v. Koubriti, 435 F. Supp. 2d 666, (E.D. Mich. 2006). Koubriti and Hannon were previously indicted as part of a Detroit-based terror cell purportedly preparing to conduct attacks in the United States and abroad. Previously, Koubriti had been found guilty of providing material support to a terrorist group and Hannon had been found guilty of identification forgery, but these convictions were overturned in 2004 when the lead prosecutor and star witness were accused of mishandling evidence and providing false testimony, respectively. Koubriti and Hannon were also linked to Abdel-Ilah Elwardoudi who is referenced in the "Phone Scams and Cell Phone Activity" section of this report.

medical bills, lost wages as well as mileage and services accrued due to the purported injuries.⁵⁶ Koubriti's motivation was two fold - "to commit fraud in order to both support terrorist activities and to 'cause economic harm to U.S. businesses'."⁵⁷

Many experts believe terrorists are becoming more creative in their fraud schemes. According to media reports, "one enterprising pair of jihadists in Germany hoped to fund a suicide mission to Iraq by taking out nearly \$1 million in life insurance and staging the death of one in a faked traffic accident."⁵⁸ Insurance fraud is just one of many fraud schemes utilized by terrorist elements. In 2005, Matthew Levitt testified before the Senate Committee on Homeland Security and Governmental Affairs that there have been indications that terrorist elements have funded activities through credit card fraud, welfare fraud, coupon fraud, stealing and reselling baby formula, and food stamps fraud.⁵⁹ In his testimony, Levitt cited "U.S. officials [who] 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."⁶⁰

Phone Scams and Cell Phone Activity

Terrorists apparently have used a variety of cell phone scams to fund and facilitate their activities. Some of these scams and bulk purchases of pre-paid cell phones have received particular attention by the media and law enforcement in recent years.⁶¹ In August 2006, Abdel-Ilah Elmardoudi was convicted for operating a phone card "shoulder surfing" scheme in which he stole hundreds of telephone calling-card numbers from unsuspecting travelers at the Minneapolis-St. Paul International Airport and then "supplied them to overseas callers who used them" to make a total of \$745,000 in international calls from Egypt, Kuwait, East Africa, the Philippines, the Middle East, and the Balkans.⁶² The end use of any funds generated by his calling card schemes are unclear.

Elmardoudi was one of four Detroit-area men arrested in the wake of the September 11th attacks who were allegedly part of a cell plotting to conduct attacks

⁵⁶ United States v. Koubriti, 435 F. Supp. 2d 666, (E.D. Mich. 2006).

⁵⁷ Ibid.

⁵⁸ Kaplan, "Paying for Terror."

⁵⁹ Matthew Levitt, "Terrorists, Criminals, and Counterfeit Goods," Statement before the Senate Committee on Homeland Security and Governmental Affairs, May 25, 2005, CQ Congressional Testimony, available from [<http://www.lexis.com>], accessed on April 10, 2007.

⁶⁰ Ibid.

⁶¹ Arthur H. Rotstein, "DPS issues advisory concerning prepaid cell phone purchases," *The Associated Press State & Local Wire*, August 16, 2006, available from [<http://www.lexis.com>], accessed on April 23, 2007.

⁶² Office of the U.S. Attorney, District of Minnesota, "Minneapolis Man Sentenced on Federal Fraud Charges," press release, September 25, 2006, available from [<http://www.usdoj.gov/usao/mn>], accessed on November 9, 2006.

against the MGM Grand in Las Vegas, NV, Disneyland in Anaheim, CA, a U.S. military base in Incerlik, Turkey and a hospital in Amman, Jordan.⁶³ Elwardoudi and an accomplice, Karim Koubriti, were convicted of material support, but these convictions were overturned. A third defendant was convicted on identification fraud charges and the fourth defendant was cleared of all charges.⁶⁴

Beyond calling card surfing, there has been increasing concern amongst law enforcement and intelligence officials that terrorist elements could use pay-as-you-go cell phones for both operational and fundraising purposes. Given the anonymity they provide compared to other cell phone plans, analysts fear they could be used by terrorists to communicate clandestinely or to hinder investigations when they are used as detonators or Global Positioning System (GPS) devices within improvised explosive devices. There have been numerous suspicious incidents regarding the resale of such phones reported throughout the United States.⁶⁵ There have been several arrests around the country related to suspicious purchases of cell phones. In some cases terrorism charges were initially filed against the defendants, such as in Michigan and Ohio, but were dropped.⁶⁶

Bribery

In addition to engaging in illegal activities to facilitate weapons procurement, safe travel, and funds, terrorists may attempt to reduce the scrutiny they receive from the law enforcement and intelligence communities. It is alleged that between 2003 and August 2006, several individuals, including men identified as Fnu Lnu, Murugesu Vinayagamoorthy, Vijayshanthar Patpanathan, Gaspar Raj Maria Paulian, Namasivaya Viswanathan, and Nachimuthu Socrates, were involved in multiple counts of criminal activity in support of the Liberation Tigers of Tamil Eelam (LTTE), a Sri Lankan group designated by the U.S. State Department as a FTO.⁶⁷ According to the indictment, the men are alleged not only to have provided material support for the LTTE, but also to have conspired to bribe U.S. government officials in an effort to have the LTTE removed from the State Department's Foreign Terrorist

⁶³ United States v. Koubriti et al., (E.D. Mich 2002) (No. 01-80778), Indictment.

⁶⁴ In 2004, Elwardoudi and Koubriti's convictions were overturned when it was discovered that the lead federal prosecutor in the case had withheld evidence from the defense and a Department of State special agent involved in the case provided false testimony. Department of Justice, "Former Federal Prosecutor, State Department Agent Indicted for Obstruction of Justice and Presenting False Evidence in Terrorism Trial," DOJ press release, March 29, 2006, available from [http://www.usdoj.gov] accessed on December 4, 2006.

⁶⁵ According to press reports, DHS and FBI issued an alert in 2006 regarding a potential terrorist nexus with suspicious bulk cell phone purchases. Mike Wagner, "'Like gold for terrorists'," The Columbus Dispatch (Ohio), August 16, 2006.

⁶⁶ Associated Press, "Authorities Back Off Accusing Bulk Cell Phone Buyers in Ohio and Michigan of Direct Terror Link," August 15, 2006.

⁶⁷ United States v. FNU LNU et al, (E.D. N.Y. January 2007) (No. 2006R01615) Indictment.

Organization (FTO) list.⁶⁸ Initial oral arguments in the case are expected to begin in June 2007.⁶⁹

Immigration and Identity Crimes

In an effort to hide their identity, terrorists commit a range of identity, document, and immigration offenses. In order to conceal her well known face so as to commit additional skyjackings, Leila Khaled, an accomplished Popular Front for the Liberation of Palestine (PFLP) terrorist who was part of the team that hijacked TWA flight 840 in 1969, reportedly underwent several plastic surgeries.⁷⁰ The 9/11 hijackers committed a wide variety of immigration offenses in order to enter the United States. The 9/11 Commission Staff Report on terrorist travel concludes: The 19 hijackers used 364 aliases,⁷¹ several had fraudulently altered their passports,⁷² two hijackers lied on their visa applications, and several violated the terms of their visas.⁷³

Incitement

To date, there are few, if any, examples of individuals convicted for inciting violence on behalf of a terrorist group in the United States, despite widespread terrorist propaganda campaigns aimed at encouraging followers and like-minded extremists to take action both at home and abroad, as will be discussed below. This may be due to the difficulty of successfully proving criminal intent to incite violence by our legal standards.

It is evident that over the last decade terrorist groups have increasingly utilized a decentralized, leaderless-resistance⁷⁴ organizational structure. Concomitantly,

⁶⁸ Ibid.

⁶⁹ United States v. Thavaraja et al, (E.D. N.Y. updated May 2007) Criminal Docket for Case#: 1:06-cr-00616-RJD-6

⁷⁰ The Guardian staff reporters, “‘I made the Ring from a Bullet and the Pin of a Hand Grenade’: When Palestinian Liberation Fighter Leila Khaled, right, Hijacked her first Plane in 1969, She Became the International Pin-up of Armed Struggle. Then She Underwent Cosmetic Surgery so She could do it Again. Thirty years on, She talks to Katharine Viner about Being a Woman at War,” The Guardian (London), January 26, 2001.

⁷¹ ‘to include variations of their names and noms de guerre,’ The National Commission on Terrorist Attacks Upon the United States, “9/11 and Terrorist Travel,” 1.

⁷² Passports of two of the 9/11 hijackers were found after the attacks to have been “manipulated in a fraudulent manner. They contained fraudulent entry-exit stamps (or cachets) probably inserted by al Qaeda travel document forgers to hide travel to Afghanistan for terrorist training. Our analysis of their travel patterns suggests that several more hijackers whose passports did not survive the attacks were likely to have had similar false stamps in their passports.” Ibid.

⁷³ Ibid., 1-5.

⁷⁴ According to Simson L. Garfinkel, “Leaderless Resistance applies specifically to groups (continued...) ”

groups have increasingly adopted methods of training and instruction that ultimately rely on inciting others to action through media channels. By its own proclamation, al Qaeda fancies itself the ultimate inciter, proclaiming to be the “pioneering vanguard” for the Islamist jihad against the West.⁷⁵ The group’s founder Abdullah Azzam saw the role of the group as the “vanguard who would radicalize and mobilize those Muslims that had hitherto rejected their extremist message.”⁷⁶ Intelligence analysts have long worried that al Qaeda’s fatwas, internet messages, and video- and audio-tapes were attempts to incite its followers and sympathizers to action.

One good example of incitement related to terrorism is found in the UK, with the conviction of Abu Hamza al-Masri. Al Masri served as the imam of the Finsbury Park Mosque, which boasts shoe bomber Richard Reid and “20th hijacker” Zacarias Moussaoui as former regular attendees. Al Masri was notorious for the vitriol he preached and his threats against Christians, Jews and Westerners. In February 2006, al Masri was convicted of 11 charges related to inciting racial hatred and soliciting murder.⁷⁷ Al Masri’s incitement efforts are not atypical, and may be indicative of a growing trend among Islamist terrorist elements. Many training manuals and attack instructions are posted on Jihadi websites, alongside virulent threats against the West, which intelligence analysts credit for facilitating and inspiring non-connected would-be jihadis to action.

In the United States, there is a long history of leaderless resistance-style organizations that utilize vitriolic rhetoric and instructions for action which opponents claim are clear efforts to incite followers to violence. Many of the single-issue domestic extremist groups operating currently in the United States (including environmental, animal rights or anti-abortion groups) have adopted such structures. However, many of these groups have been careful with regard to their language and defend their material as protected by First Amendment and not criminal incitement.

In the United States, there are numerous instances where environmental and animal rights extremists have provided instructions on how to construct weapons or

⁷⁴ (...continued)

that employ cells and that lack bidirectional vertical command links — that is, groups without leaders.” Rather than receiving commands, independent cells and like-minded individuals act alone, based on their interpretation of a symbolic leader’s pronouncements - often circulated by propaganda, the internet, and other media. This style has been adopted by numerous terrorist and extremist organizations, including groups operating domestically, notably some of the anti-abortion extremist groups, environmental and animal rights extremist groups, and white supremacists. This strategy is associated with Louis Beam, who attributed its origins to Col. Ulius Loius Amoss, but adapted it to pursue his white supremacist agenda. (See Simson L. Garfinkel, “Leaderless Resistance Today,” *First Monday*, Volume 8, No. 3, March 2003, available from [http://www.firstmonday.org/issues/issue8_3/garfinkel/], accessed on May 15, 2007.

⁷⁵ Rohan Gunaratna, “The Post-Madrid Face of al Qaeda,” *Washington Quarterly*, available from [<http://www.twq.com>] accessed on August 27, 2006.

⁷⁶ *Ibid.*

⁷⁷ BBC staff, “Abu Hamza Loses Race-hate Appeal,” BBC, November 28, 2006, available from [<http://www.bbc.co.uk>] accessed on December 12, 2006.

conduct attacks (e.g. How to build an incendiary device that can flatten a two story building). Some have provided home addresses and contact information for individuals the movement considers enemies with encouragement for supporters to express their outrage. In one case, Planned Parenthood successfully sued the American Coalition of Life Activists (ACLA) for its role in inciting attacks on doctors who perform abortions in 1999 in a civil case.⁷⁸ ACLA created wanted posters for doctors that performed abortions. Subsequently, one of its members posted the information on his website and struck through the names when those doctors were killed or greyed out the names when they were maimed by anti-abortion extremists.

Training

There have been reported cases where terrorist elements have conducted paramilitary training exercises in the United States or attended training abroad to prepare for terrorist activities against the United States. Several individuals, dubbed the “Portland Seven,” were convicted on terrorist material support charges after they apparently conducted martial arts and weapons training in anticipation of mounting jihad against the United States.⁷⁹ A group purportedly tied to the Pakistani terrorist organization Lashkar-e-Toiba conducted paintball training for similar purposes in Northern Virginia in 2000.⁸⁰

In other cases, individuals went abroad in search of jihad training. In April 2006, Hamid Hayat was convicted of providing material support to terrorists after he was found to have attended a jihadi training camp in Pakistan for a period of time between October 2003 and November 2004.⁸¹ The Department of Justice asserted that following his training, Hayat returned to the United States “to wage jihad upon receipt of orders.”⁸²

⁷⁸ *Planned Parenthood v. American Coalition of Life Activists*, 41 F. Supp. 2d 1130, 1999, U.S. District Court for the District of Oregon.

⁷⁹ October Martinique Lewis, Ahmed Bilal, Muhammad Bilal, Maher “Mike” Hawash, Jeffery Leon Battle, Patrice Lumumbard Ford and Habis Abdulla al Saoub “all named in the 15-count superseding indictment that included charges of conspiracy to levy war against the United States, conspiracy to provide material support and resources to al Qaeda, conspiracy to contribute services to al Qaeda and the Taliban, conspiracy to possess and discharge firearms in furtherance of crimes of violence, possessing firearms in furtherance of crimes of violence and money laundering.” All, except Habis Abdulla al Saoub, who was killed in Afghanistan in 2003, are currently serving sentences for their role in this conspiracy. Department of Justice, “October Martinique Lewis Pleads Guilty to Money Laundering Charges in ‘Portland Cell’ Case,” Press Release, September 26, 2004, available from [http://www.usdoj.gov/opa/pr/2003/September/03_crm_532.htm], accessed on November 10, 2006.

⁸⁰ *United States v. Masoud Khan et al.*, 309 F. Supp. 2d 789, (D. Or. 1999) *aff’d* 290 F.3d 1058 (9th Cir. 2002), *cert denied* 539 U.D. 958 (2003).

⁸¹ Department of Justice, “Hamid Hayat Convicted of Terrorism Charges,” Press Release, April 25, 2006, available from [<http://www.usdoj.gov>] accessed on November 2, 2006.

⁸² *Ibid.*

According to the United Nations, there is a convergence of organized crime and ideologically driven terrorist groups. Antonio Maria Costa, a UN official with the Office on Drugs and Crime, reportedly believes the “world is seeing the birth of a new hybrid of organized-crime-terrorist organizations.”⁸³ For example, media reports suggest that “Jihadists have penetrated as much as a third of the \$12.5 billion Moroccan hashish trade.”⁸⁴ According to the Brussels-based World Customs Organization, “counterfeiting is one of the fastest growing industries in the world with an estimated market worth more than [\$]500 billion each year, or 7 percent of global trade!,” the illegal profits of which often go to fund terrorist organizations.⁸⁵

Extent of Terrorist Precursor Criminal Activity in the United States

While there have been few comprehensive empirical studies to gauge the extent of terrorist precursor criminal activity in the United States to date, largely due to the lack of data, there are some indications that such activities may be widespread. As previously mentioned, there are numerous reports that suggest terrorist precursor criminal activity is occurring across the globe, with criminal trends emerging within each region. Some analysts have suggested that terrorist precursor crime may be even worse in the United States given the high per capita income of its citizenry, open society, and the presence of numerous terrorist groups with a known presence in the United States,⁸⁶ as well as large expatriate communities that foreign terrorists may attempt to tap.

One of the only attempts to provide a comprehensive review of terrorist activity within the United States is the American Terrorism Study (Study), which chronicles individuals convicted of terrorist-related offences in the United States as the result of an official FBI terrorism/domestic security investigation.⁸⁷ The Study categorizes specific activities and conducts trend analysis. The Study, based on a limited data

⁸³ Kaplan, “Paying for Terror.”

⁸⁴ Ibid.

⁸⁵ World Customs Organization, “En route towards the future, Council 2006,” Special Report, No. 51, October 2006, available from [<http://www.wcoomd.org>], accessed on December 17, 2006, 20.

⁸⁶ Steven Emerson, *American Jihad: The Terrorists Living Amongst Us*, (New York: Free Press, 2003), & Dale Watson, Section Chief for International Terrorism Operations, FBI, “Hearing on Foreign Terrorists in America,” Testimony before the Senate Committee on Judiciary Subcommittee on Technology, Terrorism, and Government Information, February 24, 1998, FDCH Political Transcripts, available from [<http://www.lexis.com>], accessed on April 10, 2007.

⁸⁷ Brent Smith and Kelly R. Damphouse, *The American Terrorism Study Data* (Fayetteville, AR: University of Arkansas).

set,⁸⁸ found that approximately one-third of the various activities that terrorists engage in to facilitate attacks were criminal.⁸⁹

Division of Labor within Terrorist Organizations

The organizational structure related to terrorist precursor criminal activity in the United States (i.e., the breakdown of labor within a terrorist group or cell with regard to criminal enterprises) may influence which countermeasures are most effective. Some larger, more experienced terrorist groups are structured in such a way that fundraising, recruitment, and operational activities are delegated to separate divisions.⁹⁰ Organizations like HAMAS separate their ideological and military wings, a move that provides spiritual leaders like the former Sheikh Yassin an air of plausible deniability about attacks and shields them from potential arrest and prosecution for involvement in these activities. In analogous organizations, criminal acts may be carried out by low-level supporters or operatives who are ostracized from the group's leadership in an effort to shield the latter from potential exposure to law enforcement. However, there are always exceptions to the rule. For example, the Charlotte, NC-based Hezbollah cell that was engaged in a multi-million dollar cigarette smuggling ring reportedly "responded directly to Sheikh Abbas Haraki, a senior Hezbollah military commander in South Beirut."⁹¹

⁸⁸ The authors of the American Terrorism Study acknowledge their research is limited to a relatively small data set: only the information that is available regarding individuals who were successfully convicted of terrorist crimes in the United States as the outcome of a FBI-led terrorism investigation. This Study was initially funded by a National Institute of Justice (NIJ) grant (1999-2000, Grant #1999-IJCX-0005) and later supported by the Oklahoma City National Memorial Institute for the Prevention of Terrorism (MIPT) (Grant #106-113-2000-64). The authors relied on court records. As such, intelligence regarding terrorist precursor crimes, individuals who were acquitted or never brought to trial on specific terrorist charges, and/or individuals who were convicted but not due to a FBI case were left out of this data set. However, this is one of the only extensive quantitative analyses on domestic terrorist activity in the United States to date. The Study includes information on 447 indictees charged with 2,851 counts from 1978-1999. This represents an estimated 75% of all federal terrorism indictments from this period. The author of this report acknowledges that there are other research initiatives that examine terrorist activity in the United States, however, many of those studies rely on open source data and related media reports. For the purposes of this report, the latter were not included.

⁸⁹ Brent L. Smith, Kelly R. Damphouse, Paxton Roberts, *Pre-Incident Indicators of Terrorist Incidents: The Identification of Behavioral, Geographic and Temporal Patterns of Preparatory Conduct* (Washington DC: Department of Justice, March 2006), 33.

⁹⁰ For example, the 9/11 Commission found that al Qaeda is organized into several committees, each with distinct missions and responsibilities. For example, the Military Committee is responsible for "proposing targets, gathering ideas for and supporting operations and managing training camps," whereas, the Finance Committee is responsible for "fundraising and budgetary support for training camps, housing costs, living expenses, travel, and the movement of money allocated to operations." 9/11 Commission, "Overview of the Enemy: Staff Statement No. 15," available from [http://www.9-11commission.gov/staff_statements/staff_statement_15.pdf], accessed on May 1, 2007, 3.

⁹¹ Matthew A. Levitt, "Islamic Extremism in Europe," Statement before the House (continued...)

It is likely that within smaller more amateur terrorist cells, direct interaction with leadership increases, compartmentalization of duty decreases, and a more even distribution of preoperational duties is adopted. For example, Ahmed Ressam (the would-be Millennium bomber) and his group of like-minded jihadis were reported to all be involved in a series of criminal activities, to include credit card fraud, pick pocketing, shoplifting, and stealing identity documents for resale to mujahideen.⁹² Given the differences among groups and individual cells, identifying terrorist precursor activity will not serve as a universal counterterrorism panacea. Such an approach may be extremely effective against some groups (those heavily involved in criminal activity) but less effective against others (those not involved, or not significantly involved, in criminal activity). The same goes for types of operatives: entry-level members assigned to fundraising efforts may engage in criminal activities on a greater scale than high-level commanders, potentially rendering the former more vulnerable to capture than the latter.

In addition to division of labor, decentralization of the flow of funds and goods may further frustrate interception and intelligence efforts. It has been suggested that some terrorist groups are careful about co-mingling funds and thus separate funds intended for different general purposes (e.g. training vs. operations vs. propaganda, etc). Some may separate funds for specific operations in an attempt to protect those channels from discovery or leading to a greater discovery by the security officials. This practice may frustrate law enforcement and intelligence efforts to identify and thwart future activity and/or link plots or acts to specific groups. Ultimately, a group's or cell's approach to precursor crimes can impact how the United States designs effective countermeasures.

Potential for Identification and Infiltration

To some extent, terrorist precursor criminal activity actually may provide additional opportunities for detecting the groups that engage in such activity. Each criminal act (as well as non-criminal operational support actions) in which terrorists engage has the potential to expose the elements that perform it. Furthermore, demonstrated criminal intent and/or evidence of criminal activity provides justification for intelligence and investigation efforts. Precursor criminal activity also provides opportunities to thwart not just individuals but potentially large parts of the terrorist group. According to congressional testimony, the FBI utilizes the Enterprise Theory of Investigation (ETI) when investigating criminal enterprises, especially those involved in human smuggling and human trafficking.⁹³ ETI is an "intelligence-

⁹¹ (...continued)

Committee on International Relations, Subcommittee on Europe, April 27, 2005 available from [<http://www.cq.com>], accessed on November 1, 2006.

⁹² Hal Bernton, Mike Carter, David Heath and James Neff, "The Terrorist Within: The Story Behind One Man's Holy War Against America, Chapter 6 — It Takes a Thief," A Special Report, *The Seattle Times*, June 23-July 7, 2002, available from [<http://seattletimes.nwsources.com>], accessed on November 2, 2006.

⁹³ "Statement of Chris Swecker," submitted to the U.S. House of Representatives Committee on Homeland Security Subcommittee on Management, Integration and (continued...)

driven investigative technique which seeks to identify the full scope of a criminal organization,”⁹⁴ in contrast to an approach that focuses on the arrest and prosecution of individual members of a larger network involved in criminal acts. It is unclear if the FBI and its field offices, as well as the other organizations in the law enforcement and intelligence communities whose work deals with these terrorist precursor crimes, vigorously and comprehensively employ enterprise-focused approaches to terrorist precursor crime investigations. Whether an investigation is narrowly or broadly focused could potentially influence terrorist behavior and, as such, impact future efforts to uncover terrorist activity in the United States.

Some might argue that exposing terrorist engagement in criminal activity could potentially discredit a terrorist group in the eyes of its supporters. However, as more terrorist organizations turn to criminal activity to fund and facilitate their agenda, and as their supporters increasingly accept such justifications, there is a distinct possibility that such an approach could have negative consequences. For example, groups could become more clandestine in their activities or adopt new techniques and novel scams, making it difficult for law enforcement and intelligence agencies to identify them. There are indications to suggest that thwarting a group’s ability to engage in criminal activities aimed at fundraising, recruiting, training, and arming could potentially weaken the organization and eventually cripple it to the point where it is no longer a threat.

Precursor Crimes for Fundraising and Longevity of Terror Campaigns

Margaret Thatcher is attributed with saying that it is necessary to starve terrorists of the oxygen of publicity on which they depend, in order to reduce the threat they pose. There is some research that suggests that it is just as important to cut off funding. James Fearon has researched the longevity of civil wars and concludes that civil wars last longer when rebels have access to finances generated from contraband goods like narcotics and gems.⁹⁵ Some of the conflicts he examined, specifically the Colombian civil war, are dominated by organizations that blur the lines between terrorists, criminal gangs, and guerrilla organizations, like Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, or FARC) and United Self-Defense Forces of Colombia (Autodefensas Unidas de Colombia, or AUC).⁹⁶ Fearon’s theory may have implications beyond civil wars, and specifically for the longevity of terrorist campaigns. Indeed, Bruce

⁹³ (...continued)

Oversight, March 8, 2006, available from [<http://www.fbi.gov/congress/congress06/swecker030806.htm>], accessed on April 3, 2007.

⁹⁴ Ibid.

⁹⁵ James D. Fearon, “Why Do Some Civil Wars Last so Much Longer than Others?” available from [<http://www.stanford.edu/group.ethnic/>], accessed on October 25, 2006, 11.

⁹⁶ Both FARC and AUC are designated as Foreign Terrorist Organizations (FTOs) by the U.S. government, U.S. State Department, “Foreign Terrorist Organizations (FTOs,” Fact Sheet, October 11, 2005, available from [<http://www.state.gov/s/ct/rls/fs/37191.htm>], accessed on January 20, 2007.

Hoffman has argued that when comparing the relative longevity of ethno-nationalist campaigns to those run by left- and right-wing terrorist groups, the former's resilience is "doubtless a product of the relative ease with which they are able to draw sustenance and support from an existing constituency..."⁹⁷ A cursory review of some of the longest terrorist campaigns of the latter half of the 20th century through today finds numerous well financed organizations, relative to their terrorist peers, to include al Qaeda, Palestine Liberation Organization (PLO), Irish Republican Army (IRA), FARC, Hezbollah, amongst many others.

In addition to longevity, some claim that there is a correlation between a group's level of finances and its ability to cause mass destruction. While overall, access to technology and technical information, as well as creative deployment, has allowed modestly-funded terrorist groups to conduct medium- to large-scale attacks, there appears to be a positive correlation between extensive funding and the potential for mass destruction. The most catastrophic attacks and attack plots have traditionally been hatched by the best financed groups of our time, like Aum Shinrykio⁹⁸ and al Qaeda.⁹⁹ These groups have demonstrated an interest in Chemical, Biological, Radiological, and/or Nuclear (CBRN) weapons, and appear willing to pay large sums to obtain deadly agents/material and the scientific expertise to generate them. There are claims, which vary in credibility, regarding al Qaeda's CBRN programs, including multiple attempts to obtain fissile material; discovery of labs and videotapes in Afghanistan suggesting production and/or experimentation with chemical weapons; and attack plots that sought to deploy CBRN.¹⁰⁰ RAND estimates on the cost of al Qaeda's CBRN programs and the numerous al Qaeda "scams

⁹⁷ Hoffman, *Inside Terrorism*, 171.

⁹⁸ Aum Shinrikyo (Aum), categorized by the U.S. government as a FTO, is the Japanese cult that aimed to "take over Japan and then the world, but over time it began to emphasize the imminence of the end of the world." U.S. State Department, Country Reports on Terrorism, updated April 30, 2007, available from [<http://www.state.gov/s/ct/rls/crt/2006/82738.htm>], accessed on May 1, 2007. In an effort to spark Armageddon, Aum launched a sarin gas attack on the Tokyo subway system in March 1995. At the time of the attack, Aum was estimated to have over \$1.4 billion dollars in assets, "Threats to America: Are We Prepared?" Testimony of James K. Campbell, CDR U.S. Navy before the Senate Judiciary Subcommittee on Technology, Terrorism and Government Information and the Senate Select Committee on Intelligence on Chemical and Biological Weapons, April 22, 1998, available from [<http://www.lexis.com>], accessed on May 3, 2007.

⁹⁹ In 2002, the United Nations, citing numerous government officials and terrorism experts, estimated that al Qaeda's financial portfolio was "around \$30 million, although some have put the figure as high as \$300 million." United Nations, "Second Report of the Monitoring Group Established Pursuant to Security Council Resolution 1363 (2001) and Extended by Resolution 1390 (2002)," available from [<http://www.un.org/Docs/sc/committees/1267/1050E02.pdf>], accessed on May 2, 2007.

¹⁰⁰ Center for Nonproliferation Studies, "Chart: Al-Qaida's WMD Activities," Weapons of Mass Destruction Terrorism Research Program, Updated May 13, 2005, available from [http://cns.miis.edu/pubs/other/sjm_cht.html], accessed on February 13, 2007. These claims vary in reliability and degree of corroboration, however there are several well documented allegations made by reputable sources and government officials.

involving the sale of radiological waste and other non-weapons-grade material”¹⁰¹ run into the millions of dollars.¹⁰² In addition to its chemical and biological programs - which produced nerve agents sarin and VX - “throughout the 1990s, Aum Shinrikyo tried without success to hire Russian nuclear experts, to purchase Russian nuclear technology and data, to mine uranium, and to steal sensitive nuclear power plant information.”¹⁰³

An anecdotal story regarding the arrest of 1993 World Trade Center bomb mastermind Ramzi Yousef lends some credence for the apparent correlation between funding and mass destructive capability. As U.S. federal agents flew with Yousef over Manhattan as they escorted him back to the United States after he was arrested in Pakistan, one of the FBI officials reportedly asked Yousef to look out the window and commented that the twin towers were “still standing” despite Yousef’s efforts to bring them down.¹⁰⁴ Yousef purportedly retorted, “They wouldn’t be if I had enough money and explosives.”¹⁰⁵

Precursor Crimes’ Effect on Threat Environment

More generally, the question of how the domestic occurrence of terrorist precursor crimes alters the threat environment has not been answered. Beyond potentially providing funds that could be directly used to finance an attack on a U.S. target, how does precursor criminal activity affect the threat to the United States? There are two conflicting schools of thought: The first, the ‘don’t-bite-the-hand-that-feeds-you’ theory suggests terrorist groups engaged in fundraising and other logistical support activities in the United States are unlikely to mount attacks within that country’s borders for fear of losing lucrative funding streams. A contrasting approach, the ‘presence-equals-threat’ theory, suggests that the groups fundraising or providing support functions within the country present a viable and immediate threat to the United States as those support networks could easily go operational.

The ‘don’t-bite-the-hand-that-feeds-you’ theory may explain why anti-American Islamist groups with a presence in the United States, such as HAMAS and Hezbollah, have avoided attacking targets in the United States to date. This leads one to ask, if U.S. funding channels were to dry up, would groups present in the United States become more willing to conduct attacks on our soil? Irrespective of funding levels, are there issues that might cause such a group to determine that the cost of attacking the United States on its own soil was in its strategic interest? And if so, are the cells currently operating in the United States capable of carrying out operations?

¹⁰¹ RAND, “Combating Nuclear Terrorism: Lessons from Aum Shinrikyo, Al Qaeda, and the Kinshasa Reactor,” Research Brief, Project Air Force, available from [http://www.rand.org/pubs/research_briefs/RB165/RAND_RB165.pdf], accessed on February 14, 2007.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ Simon Reeve, *The New Jackals: Ramzi Yousef, Osama bin Laden and the Future of Terrorism*, (Boston: Northeastern University Press, 1999), 109.

¹⁰⁵ Ibid.

It is important to consider the fundamental questions surrounding terrorist precursor crimes before charting a counterterrorism strategy that deals with this activity. The following strategic questions are worthy of further consideration:

- What is our national strategy for dealing with terrorist predicate crimes, do we have a coherent strategy, or do individual agencies approach this issue differently?
- What metrics are used to measure the success of U.S. strategy(ies) for terrorist precursor activity?
- Is that strategy(s) effective? Are there unintended consequences that actually work against the strategy's stated goals?

Implications for Congress

The existence of domestic terrorist precursor criminal activity has myriad, far-reaching implications. The presence of terrorist precursor activity within U.S. borders has relevance for areas of congressional oversight and interest, such as existing laws for enforcement and prosecution of precursor crimes; funding of various counterterrorism programs; and oversight of numerous agencies engaged in such activity to ensure coordination.

Issues directly related to the terrorist precursor crime phenomenon include concerns whether existing terrorism material support statutes and the way they are interpreted and utilized are sufficient for effectively prosecuting individuals who conduct terrorist precursor crimes. Another related issue is the role the private sector role plays in identifying, reporting, and helping facilitate the prosecution of fraud schemes, many of which may be utilized by terrorist groups to raise funds, including credit card fraud, coupon fraud, and benefits fraud. Furthermore, the question of the role and the effectiveness of the banking and financial sector in identifying and thwarting terrorist financing is an important issue. It is beyond the scope of this report, however, to explore each of these topics in-depth. The next section provides a single, narrow prism through which to examine the congressional implications of terrorist precursor criminal activity: the identification of terrorist precursor criminal activity by agencies at all levels of government and the subsequent collection of intelligence on and investigation of such activity.

Federal Role in Intelligence/Investigation of Precursor Crimes

Traditionally, federal intelligence agencies were primarily responsible for counterterrorism. Since the September 11th terrorist attacks, however, there have been changes to that approach, and additional federal agencies have become closely involved in counterterrorism activities. For instance, the FBI has begun to transition into a more prevention-focused, intelligence-driven agency in order to combat terrorism. As agencies continue to enhance their ability to detect and deter terrorism several questions are raised: Do they utilize a consistent approach in dealing with precursor crimes? If so, what is the accepted formula for collecting intelligence vs. enforcement? Are precursor crimes that are committed in the United States or by U.S. residents/citizens abroad a priority for these agencies? What is their assessment

of the breadth and diversity of criminal activity terrorist groups are engaging in within the United States? Which groups are the most active in the United States?

Testimony at congressional hearings in recent years suggests that intelligence sharing and coordination in general has been improving between the various intelligence and law enforcement agencies involved in counterterrorism. Specifically with regard to terrorist precursor criminal activity in the United States, this issue may be worth further examination. Is there a coherent strategy for dealing with precursor crimes across agencies? Have agencies made sufficient progress coordinating with other agencies on individual cases related to terrorist precursor crimes? Are additional congressional measures needed to ensure the effective coordination of terrorist pre-cursor crimes strategy amongst disparate agencies?

Based on information available, it is unclear whether there is a coordinated, federal-wide strategy for approaching terrorist precursor crimes occurring within the United States. A similar question relates to the intelligence and law enforcement communities' assessment of how the presence of such activity affects the security environment.

SLT Role in Intelligence/Investigation of Precursor Crimes

Since the September 11th attacks, there appears to be consensus that the stakeholders responsible for counterterrorism need to be expanded to include non-traditional partners, such as state, local, and tribal (SLT) law enforcement, amongst others. There is far less agreement over what kind of role SLT forces should play or how to further incorporate counterterrorism efforts into their daily duties. Given the proliferation of proposed players, many of which have overlapping jurisdictions, the issue of defining the 'lanes in the road' amongst federal, state, local, and tribal law enforcement and intelligence agencies begs further examination.

Of all the terrorism prevention roles that have been discussed for SLT agencies, identifying terrorist precursor crimes is perhaps the most natural. Given their existing skill sets, legal authority to investigate and prosecute such offenses, sheer numbers,¹⁰⁶ and intimate familiarity with their jurisdictions, SLT personnel are "well-positioned to develop information on crimes, activities, and organizations that support terrorist organizations" during the course of their normal duties.¹⁰⁷ Further issues include What is the current level of involvement of SLT agencies in identifying terrorist precursor activities? Are there appropriate ways to strengthen that involvement through additional training programs or exercises? Do SLT agencies have access to current intelligence regarding precursor criminal trends and other terrorist modus

¹⁰⁶ According to the most recent, publicly-available statistics from the Department of Justice's Bureau of Statistics, there were nearly 800,000 sworn law enforcement officers in the United States in 2000. Only 88,496, (11%) worked for federal agencies while approximately 711,000 (89%) were state, local and tribal law enforcement officers. U.S. Department of Justice, "Law Enforcement Statistics," *U.S. Department of Justice Website*, available from [<http://www.ojp.usdoj.gov>], accessed on April 29, 2006

¹⁰⁷ K. Jack Riley, Gregory F. Treverton, Jeremy M. Wilson and Lois M. Davis, *State and Local Intelligence in the War on Terrorism*. Santa Monica, CA: RAND Co, 2005, 1.

operandi that could assist them in identifying such activity within their own jurisdictions?

SLT agencies can utilize homeland security grant monies to fund such training, but the availability of training is unclear. There appear to be few, if any, federally certified courses available to SLT agencies that specifically focus on terrorist precursor crimes. That said, there are numerous classes that examine pre-incident indicators and other terrorism-related trends that may address the precursor crime issue.

With regards to overall integration of SLT agencies in the area of terrorist precursor crime investigation and intelligence efforts, anecdotal information suggests it is likely that progress in these three areas varies significantly from agency to agency. Given the importance of preventing future attacks and the potential role SLT agencies could play in identifying terrorist precursor activities within their communities, Congress may further examine the role that SLT agencies play in identifying and thwarting terrorist precursor crimes.

Coordination of Federal and SLT Efforts

It is also important to examine the intersection between counterterrorism efforts conducted at various levels of government and/or the potential for such involvement. How do federal agencies currently engage SLT agencies in this area? At what point do SLT agencies contact federal agencies when they believe they have identified a nexus to terrorism in the course of examining criminal activity? What happens next: Is the case taken over by federal agencies or is it worked in concert? Moreover, do current regulations on collecting intelligence, at each level of government, provide sufficient protections for civil rights while ensuring appropriate leverage for agencies working on counterterrorism? Have relevant agencies at all levels of government received adequate training on these regulations and do they fully understand what they do and do not prevent the agency from doing?

As demonstrated by the wealth of questions generated by examining just one aspect of terrorist precursor crimes, their identification and subsequent investigation, several areas deserve further attention. The challenge posed by domestic terrorist precursor crimes is complex. For example, on occasion, seemingly straightforward countermeasures applied to terrorist precursor activity may have resulted in unintended and unforeseen consequences. In some cases, well-intentioned countermeasures could actually exacerbate some terrorist threats and/or result in relatively few benefits given their overall cost.¹⁰⁸

¹⁰⁸ For example, scholars, and media sources have recently questioned the effectiveness of anti-money laundering strategies. Several recent studies suggest that such regulations are ineffective, and increasingly so given the cost/benefit ratio and increasing electronic nature of the financial industry. For example, Mariano-Florentino Cuellar argues that the fight against money laundering “delivers less than what it promises,” in the article “The Tenuous Relationship between the Fight Against Money Laundering and the Disruption of Criminal Finance,” *Journal of Criminal Law and Criminology*, Winter 2003. In October 2005, the editors of the *Economist* suggested that post-9/11 efforts to thwart terrorist financing via (continued...)

In addition to the complexity of the problem at hand, the complexity of the U.S. counterstrategy, as demonstrated by the sheer number of agencies involved, can be daunting. There are numerous agencies involved in the U.S. countermeasures, many with overlapping legal and geographic jurisdictions. This oversight issue may require additional attention at a level of detail beyond the scope of this report.

¹⁰⁸ (...continued)

regulation may have cost billions of dollars, while “yield[ing] depressingly few tangible results.” “Looking in the Wrong Places: Hindering Flows Across International Financial Networks is Costly and Does Not Stop Terrorists’ Primary Activity,” *The Economist*, October 20, 2005, Print Edition.