



The dark triad: organized crime, terror and fraud

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Abstract

Purpose – The purpose of this paper is to recognize that organized crime and terrorism do not always operate independently from each other but, at times, rely on each other to create synergistic outcomes and use the same tactics and methods to advance their goals such as the use of fraud.

Design/methodology/approach – Sources of information consisted of scholarly articles and articles retrieved from the web.

Findings – Findings suggest that over time the crime-terror nexus has increased its collaborative nature and terrorists have adopted the use of fraud schemes that were initially believed to be methods used only by organized crime to finance their organizations and goals.

Originality/value – This paper serves as a useful guide to alert and educate anti-fraud professionals, law enforcement and policy makers of the nexus between organized crime, terrorism and fraud and that fraud should not be viewed as a peripheral issue in the crime-terror nexus.

Keywords Terrorism, Crimes, Fraud

Paper type Research paper

Introduction

The problems of organized crime and terrorism were often considered separate phenomena prior to September 11th attacks (Shelley *et al.*, 2005). Security studies, military and law enforcement seminars discussed the emerging threat of transnational organized crime or terrorism, but the important links between the two were rarely made. Part of the reason for the lack of linkage may be due to the fact that organized crime and terrorism are usually viewed as two different forms of crime because organized crime's main focus is economic profit while terrorism is said to be motivated by ideological aims and a desire for political change (Bovenkerk and Chakra, 2005). Yet since the end of the Cold War and the subsequent decline in state sponsorship for terrorism, the use and imitation of organized crime tactics has been an important factor as methods to produce revenue for terrorist groups and conversely, organized crime has adopted terrorist methods of violence.

Consequently, the 1990s can be described as the decade in which the crime-terror nexus was consolidated and the two separate organizations identifiable by their distinct motives began to reveal operational and organizational similarities. In fact organized crime and terrorist appear to be learning from one another and adapting to each other's successes and failures. Thus, when the two collaborate, terrorist organizations derive benefits from criminal activity such as smuggling illicit products with no loss of status as a perceived political movement that, at times, is simply a guise for their economic motives and organized crime who have forged an alliance, albeit an unclear one, with terrorists



become more formidable and gain in political clout. Moreover, both organizations operate on network structures that at times intersect, such as using smuggling and other illicit means to raise cash and then employ similar fraud schemes to move their funds.

According to Robert Charles, Former Expert for the State Department on Narcotics; “Transnational crime is converging with the terrorist world” (Kaplan, 2005, p. 22). To further illustrate the serious consequences of a nexus between organized transnational crime and terrorism, consider the insight of Louise Shelley, Director of the Terrorism, Transnational Crime and Corruption Center at George Mason University:

Transnational crime will be a defining issue of the 21st century for policymakers – as defining as the Cold War was for the 20th century and colonialism was for the 19th. Terrorists and transnational crime groups will proliferate because these crime groups are major beneficiaries of globalization. They take advantage of increased travel, trade, rapid money movements, telecommunications and computer links, and are well positioned for growth (Mooney *et al.*, 2009, p. 121).

However, the authors caution that the link between these groups, although evident, is not always clear. The problem in part may be due to the fact that there are different types of organized crime and terrorists groups. On the one hand, there are organized crime groups that use violence or the threat thereof to commit extortion to enforce “business agreements” where the state fails completely or partially from enforcing contracts such as in Sicily and the former Soviet Republic (Bovenkerk and Chakra, 2005). Then there is the type of organized crime that would rather operate clandestinely such as in smuggling narcotics, people, and avoid contact with the authorities.

Thus, when there is reference to organized crime’s link to terrorism, it is important to also consider what genre of organized crime organization is being referenced. For example, consider that traditional organized crime syndicates need the state and the global economic system because they thrive on obtaining government contracts and the international financial system to retain its value and their wealth. These traditional organized crime groups have little in common with the newer organized transnational crime groups that often originate from post-conflict situations and thrive on chaos who possess neither large resources nor loyalty to the state; their services are merely available to the highest bidder (Shelley, 2006). In some instances, certain criminal groups – particularly those that are relatively younger, smaller, and more loosely organized than traditionally hierarchical syndicates – have become ideologically radicalized and actively pursue operations that will not only result in lucrative illicit profits but also further the goals of a terrorist group (Rollins and Wyler, 2010).

In contrast, newer organized crime groups have a different risk assessment compared to networks operating in established societies where law enforcement functions better and association with terrorists enhances risk of disrupting profitable and influence-enhancing operations (Shelley, 2006). The newer crime groups in ungovernable regions are now forging alliances with terrorist organizations; neither the criminals nor the terrorists need fear state bodies of control because corrupt and ineffective law enforcement in conflict regions makes attempts at control almost futile. The newer crime groups may not share the ideological motivations of terrorists but are willing to exploit weak states. In fact, these newer organized crime groups may promote chaos, similar to terrorist goals, because it is through presence of conflict that they enhance their profits (Shelley, 2006).

Conversely, although terrorist groups do have a common goal of frightening people by using extreme violence in their efforts to influence political developments, studies of

terrorists groups and their activities tend to support the position that their differences may be equal to or more than their similarities (Cronin, 2002). Despite the fact that the nuances between these groups and their relationships may not be precisely defined, the authors believe that the war against terrorism cannot be separated from the fight against organized crime and fraud. This is not an unreasonable position because although these two groups and their connection may be unclear, they both have a common enemy and that is the state in general and its law enforcement agencies in particular (Bovenkerk and Chakra, 2005).

The development of these two entities has now resulted in the emergence of transnational organized crime and international networked terrorist groups as exemplified by Al Qaeda with these types of groups creating a state of heightened insecurity within the world of governments that are accustomed to military threats by known, identifiable state players now forced to react to economic and social destruction perpetrated by unknown non-state players (Makarenko, 2004). Growing reliance on cross-border criminal activities, facilitated by open borders, weak states, immigration flows, financial technology, and an intricate and accessible global transportation system, coupled with an interest to establish political control have contributed to the rise of the crime-terror nexus. In essence international crime-terror groups are challenging legitimate governments, arguable for the first time in history, because they realize that first of all they have the power to do it now and second they realize that economic and political power enhance one another.

In addition, the war against terrorism cannot be separated from the war against fraud; fraud analysis must be central to understanding the patterns of terrorist behavior and that fraud analysis cannot be viewed as a peripheral issue. Although the perception may be that fraud is not linked to terrorism because white collar crime issues are more the province of organized crime, the perception is misguided. Terrorists derive funding from a variety of criminal activities ranging in scale and sophistication from low-level crime to organized fraud or narcotics smuggling, or from state sponsors and activities in failed states and other safe havens. Some of the fraud schemes include but are not limited to, credit card fraud, bank fraud, mortgage fraud, charitable donation fraud, insurance fraud, identity theft, money laundering, immigration fraud, and tax evasion. Shell companies also have been used by terrorist groups to receive and distribute money; these companies provide a legitimate appearance and may engage in legitimate activities to establish a positive reputation in the business community.

In this paper, the authors examine factors which make the organized crime and terror collaboration more likely, examples illustrating the interaction, and the role fraud plays in financing terror activities. Moreover, the rise of hybrid groups of crime and terror where in essence they are indistinguishable, as opposed to solely two distinct groups, is not unforeseeable as explained in the "black hole" syndrome thesis and applied to the current scenarios in Afghanistan and Mexico.

Organized crime-terror interaction

In general, there appear to be three ways that the crime-terror nexus interact:

- (1) through shared tactics and methods;
- (2) through the process of transformation from one type of group to the other over time; and

(3) through short- or long-term transaction-based service-for-hire activities between groups (Mullins, 2009).

Organizations struggling to survive, wishing to expand their reach, seeking to develop more sophisticated skills and tactics, or simply requiring external assistance for a specific, one-time service may reach out to other entities for their support and expertise, even if such entities have different philosophical objectives (Rollins and Wyler, 2010). Common motivations for criminal and terrorist organizations to partner include financial viability, geographic growth, personnel protection, logistical support, support of mutually exclusive criminal activities, and the introduction of third parties to facilitate organizational goals, among others.

However, such collaborations are also fraught with great risk to both types of entities; partnering arrangements can, at times, lead to successful alliances, but they can also have the potential of sowing the seeds for distrust, competition, and opportunity for vulnerabilities to be exploited (Rollins and Wyler, 2010). In turn, these vulnerabilities could lead to improved detection and disruption of both the terrorist organization and the criminal syndicate. Common disincentives for partnering may include increased attention from government authorities; fear of compromising internal security; ideological resistance to illicit endeavors, such as drug trafficking, kidnapping, and fraud; and sufficient sources of non-criminal funding from charities, large private donors, licit businesses, and state sponsors. Several observers of the crime-terror nexus indicate that such disincentives are among the primary reasons why the core leadership of certain international terrorist groups such as Hezbollah and Al Qaeda, which have other lucrative funding sources, is not known to be significantly partnered with transnational criminal groups (Rollins and Wyler, 2010). There is concern that, over time, groups may become increasingly motivated by the lucrative nature of their illicit financing activities and transform from a group that is mainly ideological to one that is profit driven.

As with terrorist organizations, common disincentives from the perspective of organized crime groups include increased and unwanted attention from authorities, risk of infiltration, and heightened vulnerability of organization leadership to capture by authorities. Criminal groups already in control of lucrative revenue streams may not find the potential additional business with terrorist groups sufficient to outweigh the costs. Criminal groups may also opt to avoid collaboration with terrorist groups if such interactions would disrupt their relationships with corrupt government officials who are willing to facilitate criminal activities, but not terrorism-related ones.

Given some of the incentives and disincentives to collaborate, what are some of the conditions that assist in the collaboration process? Organized crime groups and terrorists thrive where the controls of the central state are least, and where there are porous borders and ineffective law enforcement. Our research indicates that organized crime tends to flourish most when groups in society see their own interests as separate from that of the system of governance and the norms promulgated from that system and where the standards of law enforcement and legal authority are low (Shelley *et al.*, 2005). They also flourish where local law enforcement, such as in many developed communities, cannot successfully police ethnic sub-communities within the larger community. Crime-terror connections are more likely to occur in areas of the world where the state has the least presence and means of control, shadow economies, corruption, and regional conflicts (Shelley *et al.*, 2005).

In conflict zones and certain urban areas, for example, criminals are less constrained by respect for the political system and the rule of law, less intimidated by regulation and law enforcement, and often motivated by a desire to subvert or disregard the established order. It is also growing in many major cities or penal institutions in democratic societies where ethnic sub-groups do not share the norms of the larger society. It is not just terrorists that benefit from adopting tactics from the organized crime play book; cooperation with terrorists and adopting their tactics may have a significant benefit for organized crime by destabilizing the political structure, undermining law enforcement and limiting the possibilities for international cooperation so that they can maximize their profits (Makarenko, 2004).

Many immigrant communities in Western Europe are outside the control of law enforcement and intelligence authorities. In these urban neighborhoods of major and secondary European cities, relationships can be established between terrorists and criminals in restaurants, cafes, businesses, and religious institutions. Prisons provide another major area of interaction; no longer merely schools of crime, prisons have become corporate headquarters of crime groups where relationships are formed and orders are entered for supplies of all varieties of illicit commodities (Shelley, 2006). A clear example of this crime-terror interaction is evident in Spanish prisons prior to the Madrid bombings, where terrorists recruited ordinary criminals to carry out the plot (Shelley, 2006).

Prison authorities, lacking firm knowledge of who they have confined in their prisons, cannot isolate criminals from terrorists because they do not know that they have arrested terrorists. Unless they engage in undercover work in prisons – introducing informants, monitoring conversations and visitors, they may be entirely ignorant as to the actual identity of those they have in their custody. The criminals targeted for recruitment transport illicit cargo, move people or provide false documents are likely to be aware of the true affiliations and motives of their new-found partners (Shelley, 2006). Terrorists also commit criminal acts to survive, and are imprisoned for non-terrorist criminal offenses. These criminal acts are not merely financial in nature but consist of a wide range of supporting activities including document fraud, illegal cross-border transport of people and money laundering.

For example, terrorists in Europe are engaging in human smuggling with and without the help of organized crime especially in Sicily that was previously mentioned. Authorities in Italy suspect that one gang of terrorists made over 30 landings in Sicily and moved thousands of people across the Mediterranean at some \$4,000 per head (Kaplan, 2005). Consider the statement from a retired FBI official:

I am aware of a high-level Mafia figure, who was cooperating with authorities, being asked if the Mafia would assist terrorists in smuggling people into Europe through Italy [...] The retired agent is reported to have advised that he understood the high level Mafia boss to have said, “The Mafia will help who ever can pay” (Stuart, 2006, para. 5).

Matt Heron, the Head of New York City’s FBI Unit voiced similar worries, stating:

They [the mafia] will deal with anybody, if they can make a buck. They will sell to a terrorist just as easily as they would sell to an order of Franciscan monks. It’s a business relationship to them. If the mob has explosives and a terrorist wants them and they have the money, they could become instant friends (Stuart, 2006, para. 6).

In fact Al Qaeda has been using the Naples-based Camorra Mafia for expertise in forging documents, extensive networks, and to move Al Qaeda operatives through

Europe to safe houses (Chepesiuk, 2007). According to Italy's political crimes unit, the number of Al Qaeda operatives passing through Naples many have exceeded a thousand and if Camorra should experience any problems, they will send the operatives off on one of the many trains leaving the city or via speed boats that Camorra uses to traffic drugs, cigarettes and other contraband. The Camorra-Al Qaeda alliance is just one of many examples where the distinct line between organized crime and terrorism is blurring rapidly. Others provide the home base for terrorist groups where a cooperative or even symbiotic relationship exists between the crime group and the terrorist group operating within the region. For example, traditional Mafia groups learned to use the magnifying glass of symbolic violence to reach a wider audience when in the early 1990s, the Sicilian Mafia carried out a series of car bombs in the Italian mainland, specifically Rome and Florence (Makarenko, 2004). The goal, of course, was to intimidate the public by openly challenging the political structure so that their Parliament would renounce the anti-Mafia legislation.

Patterns of criminal behavior generated overseas are transferred to the USA through US-based cells of foreign terror groups and tend to persist once transferred. For example, Hezbollah involvement in cigarette trafficking observed first in Latin America was subsequently prosecuted in North Carolina. Chechen terrorists' involvement in the sex trade industry in Russia has been noted by Los Angeles law enforcement. In developing countries, criminals and terrorists tend to spawn more collaborative relationships that are closer knit, whereas in the developed world, organized crime is more likely to co-exist with terrorism through arm's length business transactions. For example, in Latin America, transnational organized crime has employed terrorist groups to guard their drug processing plants (Shelley *et al.*, 2005). One of the newest crime-terror links is developing in the transit hub of West Africa where alleged Latin American traffickers are collaborating with Al Qaeda affiliates to smuggle cocaine to Europe (Rollins and Wyler, 2010).

Terrorism and smuggling

Just as organized crime has been heavily involved in cigarette smuggling, it is not surprising that terrorist cells within the USA have used cigarette smuggling as a method to fund their operations and it is considered one of the "top fundraising activities used by terrorists, along with illicit drug, weapon, and diamond trade" (Shelley and Melzer, 2008, p. 10). Specifically, large quantities of cigarettes are sold on the black market at below retail cost by avoiding paying tobacco tax rates or paying lower tax rates in certain states. This was basically the business model of the Mohamad Hammoud and the Hassan Moussa Makki Terrorist Cell. Their business model involved moving large amounts of cigarettes across state lines, between North Carolina and Michigan, where they would be sold for a substantial profit in states with higher tobacco tax rates. Interestingly, Hammoud applied for a fraudulent \$1.6 million loan from the Small Business Administration to build a gasoline station that was to be used to distribute the contraband cigarettes and to way to launder illegal profits (Shelley and Melzer, 2008).

For example, in the Hammoud case, by avoiding Michigan's tobacco tax, which is one of the highest in the nation, it is estimated that these individuals were able to make anywhere from \$3,000 to \$10,000 on each trip (Lafaive *et al.*, 2008). According to court documents, the conspiracy involved a quantity of cigarettes valued at roughly \$7.5 million and that the state of Michigan was deprived of \$3 million in tax revenues

(Shelley and Melzer, 2008). Hammoud transferred funds generated by the cigarette trafficking scheme, as well as money raised from other sources, back to Lebanon to support Hezbollah, a designated foreign terrorist organization (Horowitz, 2004). That support included cash and dual use equipment, such as night vision goggles, high-end computers, ultrasonic dog repellents, and global positioning systems, drilling and blasting equipment, advanced aircraft analysis and surveying equipment to name a few of the items (Lafaive *et al.*, 2008).

In September 2003, Hassan Moussa Makki plead guilty to charges of cigarette smuggling, racketeering, and providing material support to a foreign terrorist organization. From 1996 to 2002, Makki and his co-conspirators would obtain low-tax cigarettes from the Cattaraugus Indian Reservation in New York and North Carolina and sell them for a substantial profit in Detroit. Hassan Makki admitted to trafficking between \$36,000 and \$72,000 of contraband cigarettes per month between 1997 and 1999 (Collins, 2003). It was later discovered that one of Makki's sources for cheap cigarettes was Hammoud's North Carolina smuggling ring and like Hammoud, Makki would then remit the proceeds from these illegal tobacco sales to Hezbollah (Collins, 2003). It has been reported that cigarette smuggling investigations have been linked to Hamas, Hezbollah, Al Qaeda, the Taliban and other designated foreign terrorist organizations such as the Irish Republican Army and its splinter groups in recent years (Wilson, 2009).

Terrorist financing through cigarette smuggling is "huge," says Louise Shelley, stating: "Worldwide – it's no exaggeration [. . .] No one thinks cigarette smuggling is too serious, so law enforcement doesn't spend resources to go after it (Wilson, 2009, para. 6)." "Cigarettes are easy to smuggle, easy to buy, and they have a pretty good return on the investment," adds David Cid, a Former FBI Counterterrorism Agent and Deputy Director of the Memorial Institute for the Prevention of Terrorism in Oklahoma City [. . .] "Drug dogs don't alert on your car if it's full of Camels (Wilson, 2009, para. 7)." To end the flow of criminal money to terrorist groups and insurgencies, experts say, will mean cutting off the flow of contraband – whether narcotics or tobacco. Terrorism and criminal finance investigator Larry Johnson notes that it is much easier to crack down on the flow of legal products like tobacco:

You need to ensure that the products are being sold through legitimate channels through legitimate distributors – that they're not committing willful blindness. The contraband is fairly easy to deal with because it's in the power of the distributors and producers to control the process. This is actually one of those few problems that is fixable (Wilson, 2009, para. 19).

Hezbollah

The Iran-backed Lebanese group has long been involved in narcotics and human trafficking in South America's tri-border region of Paraguay, Argentina, and Brazil. Increasingly, however, it is relying on Mexican narcotics syndicates that control access to transit routes into the USA; Hezbollah relies on "the same criminal weapons smugglers, document traffickers and transportation experts as the drug cartels," said Michael Braun, who just retired as Assistant Administrator and Chief of Operations at the US Drug Enforcement Administration (Carter, 2009, para. 3). In addition Mr Braun stated:

They work together, they rely on the same shadow facilitators. One way or another, they are all connected. They'll leverage those relationships to their benefit, to smuggle contraband and humans into the USA (Carter, 2009, para. 5).

For example, US and Colombian law enforcement agencies dismantled a Hezbollah drug trafficking ring that was funneling profits to markets in Europe, the USA, and militias in Lebanon, according to Department of Justice reports. The ring's director was Shukri Mahmoud Harb, a money launderer, who was arrested with 130 Hezbollah operatives (Sale, 2009). While Hezbollah appears to view the US primarily as a source of cash and there have been no confirmed Hezbollah attacks within the USA, the group's growing ties with Mexican drug cartels are particularly worrisome at a time when a war against and among Mexican narco-traffickers has killed thousands of people in the past year and is destabilizing Mexico along the US border.

Two US law enforcement officers, familiar with counterterrorism operations in the USA and Latin America, said that "it was no surprise" that Hezbollah members have entered the US border through drug cartel transit routes. "The Mexican cartels have no loyalty to anyone [. . .] They will willingly or unknowingly aid other nefarious groups into the US through the routes they control" (Gedalyahu, 2009, para. 7). A senior US defense official, who spoke on the condition of anonymity because of ongoing operations in Latin America, warned that Al Qaeda also could use trafficking routes to infiltrate operatives into the USA:

If I have the money to do it [. . .] I want to get somebody across the border – that's a way to do it [. . .] Especially, foot soldiers [. . .] somebody who's willing to come and blow themselves up according to the defense official (Carter, 2009, para. 20).

Hezbollah smuggles weapons, document traffickers, narcotics, alien and human contraband along routes used by drug cartels enlisting Lebanese Shiite expatriates to negotiate contracts with Mexican crime bosses.

The black hole syndrome

Terrorists are happy to seize any opportunity to call what they are doing as political (Ehrenfeld, 1990). Although some terrorist groups maintain the public façade that their goals are political, the evidence no longer supports their statements. No longer just driven by political agendas, but by the quest for profit, groups that were solely terrorist groups use terror tactics for several reasons. First of all the terror tactics keep governments and law enforcement focused on political issues as opposed to initiating criminal investigations and second, terror tactics continue as a tool for these groups to assert themselves against rival criminal groups. Groups that illustrate their evolving from just a terrorist organization into a group that primarily is engaged in criminal activity include Abu Sayyaf of the Islamic Movement of Uzbekistan and the Revolutionary Armed Forces of Colombia (FARC). For example, in 2000 alone, Abu Sayyaf's kidnapping deals have brought in about \$20 million; there is little indication that the group remains driven by its original political motive which was to establish an independent Islamic republic in the territory comprising Mindanao, surrounding islands and the Sulu Archipelago (Makarenko, 2004). FARC appears to have lost some of its revolutionary zeal and has applied their terrorist methods for the development of criminal cartels; it is believed that FARC controls 40 percent of the Colombian territory.

The inability to distinguish the two groups, because of their hybrid complexion, may lead to what Makarenko (2004) refers to as the "black hole" syndrome. The "black hole" syndrome encompasses two situations: first, where the primary motivations of the group engaged in a civil war evolves from a focus on the political aims to a focus on

the criminal aims and second it refers to the emergence of a “black hole” state – a state that has been successfully taken over by a crime-terror group. Although this position reveals the extreme consequence of the crime-terror nexus ultimately blending into an indistinguishable entity, what is born is a scenario of constant civil or regional wars to secure economic and political power. These “failed states” as defined by the patterns of governmental collapse within a nation create scenarios which threaten the security of their surrounding states are considered incapable of sustaining itself as a member of the international community (Helman and Ratner, 2010) and depends on steady streams of foreign assistance as witnessed in Afghanistan.

Wars that were originally fought for ideological and religious reasons have morphed into wars that are fought to advance criminal interests secured by terrorist tactics; today ideological, political, and religious rhetoric is the guise used to secure public legitimacy and as a recruiting tool. The Taliban, for example, once an organization of seminary students seeking to establish a caliphate, the Islamic form of government representing the Muslims, embraces Mafia-like activities that feed on insecurity for financial gain (Kunduz, 2009). Together, with poor governance, ineffective policing and a weak justice system:

[. . .] the nexus between the Taliban and crime is becoming dangerously entrenched in Afghan society [. . .] the Taliban are acting like a broad network of criminal gangs that enables them to utilize different sources of income (Kunduz, 2009, para. 5).

The authors agree with Makarenko (2004) that the country of Afghanistan has the characteristics of a “black hole” state. An obstacle in reversing Afghanistan’s “black hole” condition is the fact that Afghanistan supplies the world’s opium with the assistance of transnational organized crime groups facilitating its distribution coupled with the assistance of terrorists within the country who create the type of political destabilization that creates weak states; a perfect recipe for the birth of a “black hole” country. The authors would extrapolate the concept of the “black hole” syndrome to the current crime-terror war that is being waged in Northern Mexico on the border with the USA that was not as pronounced when Makarenko published her article in 2004. Although Mexico cannot be considered a “failed state” in technical terms, the narcotics war in Northern Mexico where thousands of people have died in the last three years appears to have the qualities of an emerging “black hole” region similar to Pakistan’s Northwest Frontier Province. There is evidence that the war in Mexico is spilling over in the USA as evidence by recent murders of innocent individuals and those involved in the smuggling trade in the Southwest USA (Bricker, 2009).

It is premature to conclude whether the Mexican Government can restore a sense of order to this region of the country that borders the USA or whether the USA will have its own “black hole” region referred to as the Southwest Frontier Province that overlaps Northern Mexico and the Southwest region of the USA because of a porous border that facilitates illicit activity that is similar to the Pakistani-Afghanistan border in terms of its borderless characteristic. The recent diplomatic talks between the USA and Mexico on how to address this issue cannot have come soon enough. In addition to continued murder of innocents, police officers, government personnel, beheadings and torture appear to be favorite fear tactics organized crime has borrowed from terrorists.

The fraud-terror nexus

“Financing is required not just to fund specific terrorist operations, but to meet the broader organizational costs of developing and maintaining a terrorist organization and to create an enabling environment necessary to sustain their activities. The direct costs of mounting individual attacks have been low relative to the damage they can yield; part of the problem is that it takes so little to finance an operation,” says Gary LaFree, Director of the University of Maryland’s National Consortium for the Study of Terrorism and Responses to Terrorism (Wilson, 2009, para. 34). For example, the 2005 London bombings cost around \$15,600 (FATF, 2008). The 2000 bombing of the USS Cole is estimated to have cost between \$5,000 and \$10,000 (Farah, 2005).

Al Qaeda’s entire 9/11 operation cost between \$400,000 and \$500,000, according to the final report of the National Commission on Terrorist Attacks upon the USA (Farah, 2005). Organizations require significant funds to create and maintain an infrastructure of organizational support, to sustain an ideology of terrorism through propaganda, and to finance the ostensibly legitimate activities needed to provide a veil of legitimacy for terrorist organizations (FATF, 2008). However, one should not be tempted to believe that large organizations are needed to carry out attacks; small semi-autonomous cells in many countries have discovered that they capable of conducting disruptive activities without extensive outside financial help by conducting smaller scale frauds (Rollins and Wyler, 2010).

A. Mortgage fraud

Financial experts state that mortgage fraud has become the fastest growing type of white-collar crime, and terrorist organizations have been quick to jump on the trend (Poole, 2007). It is the ease by which terrorists and their supporters can raise hundreds of thousands of dollars in a short period of time that makes mortgage fraud so attractive compared to the high-risk world of drug distribution, or the low returns from other known petty crimes that have previously been used to finance terrorism. In the past year, several high-profile mortgage fraud arrests have been tied to federal terrorism investigations. In 2006, Nemr Ali Rahal from Michigan pled guilty to mortgage fraud in order to prevent being charged additionally with terrorist activities.

At the time of his arrest, federal authorities found books, posters and recruitment videos for the Hezbollah terrorist organization inside the home of the defendant. Rahal had fraudulently obtained more than \$500,000 by falsifying information on a mortgage application (Poole, 2007). In another Michigan case, two men, Mohammed Krayem and Youssef Kourani transferred more than \$200,000 obtained through real estate fraud and cigarette smuggling to the Hezbollah Chief of Military Security for Southern Lebanon (Poole, 2007). In June 2005, Ahmad and Musa Jebri, were convicted of mortgage fraud charges after defrauding six banks for \$250,000 and dozens of people of up to \$400,000 (Poole, 2007).

The Jebri, were active supporters of Hamas, and federal authorities said that Ahmad Jebri was training a cell of local men to wage jihad against the USA. Subsequent to their conviction of mortgage fraud, the Jebri and one of their associates were additionally charged by the federal government with trying to bribe a juror during their fraud trial (Poole, 2007). Fortunately, the mortgage industry, which has already taken action in response to the rapid rise of mortgage fraud, is becoming more aware of the involvement of terrorist organizations in some cases. In 2007, experts from the

mortgage lending industry gathered together with law enforcement and banking regulatory officials at a conference sponsored by the Appraisal Foundation. Connie Wilson of Interthinx, one of the leading mortgage fraud prevention firms, briefed attendees on how Hezbollah, Islamic Jihad, and even the Taliban, had established mortgage fraud rings in the USA (Poole, 2007). While money is not as readily available as it once was, it may take years to find other mortgage fraud rings that prospered during the US housing boom.

B. Charitable fraud

Many thousands of legitimate charitable organizations exist all over the world that serve the interests of all societies, and often transmit funds to and from highly distressed parts of the globe. They enjoy the public trust, have access to considerable sources of funds, and their activities are often cash-intensive. Furthermore, some charities have a global presence that provides a framework for national and international operations and financial transactions, often in or near areas most exposed to terrorist activity. Yet, charities or non-profit organizations possess characteristics that make them particularly attractive to terrorists or vulnerable to misuse for terrorist financing. The sheer volume of funds and other assets held by the charitable sector means that the diversion of even a very small percentage of these funds to support terrorism constitutes a grave problem (FATF, 2008). In developing the key financial standards to combat terrorism, “the misuse of non-profit organizations for financing of terrorism is recognized as a crucial weak point in the global struggle to stop such funding at its source” (FATF, 2008, p. 11).

Charities represent a perfect cover for collecting large amounts of money for terrorist activities and according to internationally recognized terrorist expert Steven Emerson, “charities played a key role in the September 11 attacks” (Emerson, 2002, p. 8). Charities are subject to significantly lighter regulatory requirements than financial institutions or publicly-held corporate entities for issues pertaining to starting capital, professional certification or background checks for staff and trustees at registration, or for ongoing record keeping, reporting and monitoring (Emerson, 2002). For example, in 2008, in the Northern District of Texas, all defendants in *USA v Holy Land Foundation* were found guilty of terrorist financing that involved money laundering and tax fraud. Holy Land Foundation raised millions of dollars for Hamas over a 13-year period (Emerson, 2002). These charities are able to disguise their true purpose and appear to be completely legitimate and functioning for the advertised purpose. However, donors must do their own research before donating because it becomes easy to be deceived by a convincing name and the affinity one might harbor for the charities members.

C. Identity fraud

According to identity fraud expert Judith Collins from the Michigan State University Identity Theft Crime and Research Lab., “All acts of terrorism enacted against the United States have been facilitated with the use of a fake or stolen identity (Koerner, 2005, para. 1).” Collins indicates that 5 percent of all identity thieves are connected to terrorism and 2 percent, specifically to Al-Qaida (Koerner, 2005). In fact, the Al-Qaida terrorist involved in the September 11, 2001 attacks had opened 14 bank accounts using several different names, all of which were fake or stolen (Koerner, 2005). Terrorists often use stolen or fabricated Social Security numbers, credit cards and

passports to create false identities and pay for their operations (Scott, 2003). Identity theft is possibly one of the most lucrative enterprises which terrorists have engaged in and they get much more than money from this crime; identity theft facilitates terrorist goals of avoiding watch lists, obscures their whereabouts, assist in terrorist funding activities and gaining unauthorized access to entry points such as airline gates, border crossings, or other facilities (Gartenstein and Dabruzzo, 2007).

One critical aspect of identity theft, according to Denis Lormel, formerly of the FBI's Terrorism Review Group, is the "cloak of anonymity" that it provides; identities are often stolen in order to carry out such violations of federal law as bank fraud, credit card fraud, wire fraud, mail fraud, bankruptcy fraud, and computer crimes (Lormel, 2002, para. 2). Moreover, this cloak of anonymity means that "[t]he use of a stolen identity enhances the chances of success in the commission of almost all financial crimes" which again enhances the importance of forensic examiners to unravel identity mysteries (Lormel, 2002, para. 2). The 9/11 Commission Report established that terrorists have committed identity fraud noting that travel documents are as important as weapons (Commission Report of 9/11, 2004). Terrorists must travel clandestinely to meet, train, plan, case targets, and gain access to attack (Poole, 2007). Furthermore, despite the passage of the Identity Theft and Assumption Deterrence Act of 1998, identity theft remains a crime that is fairly simple to commit and for which no solution to prevention currently exists. Terrorists continue to take advantage of the situation and attempts to develop methods to combat identity theft (e.g. biometrics) have met with strong resistance in the USA from civil liberties organizations.

D. Insurance fraud

Other examples of terrorists using a variety of fraud schemes to raise funds include insurance and benefits fraud. A 2006 case in the USA involved Karim Koubriti and his codefendant 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 (O'Neil, 2007). In this case, Koubriti and Hannon 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 medical bills, lost wages as well as mileage and services accrued due to the purported injuries. Koubriti's motivation was twofold – to commit fraud in order to both support terrorist activities and to cause economic harm to US businesses.

According to media reports, a 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 (O'Neil, 2007). In 2005, Dr Matthew Levitt, and during this time Senior Fellow and Director of Terrorism Studies at the Washington Institute for Near East Policy testified before the Senate Committee on Homeland Security and Governmental Affairs stating that terrorist elements have funded activities through credit card fraud, welfare fraud, coupon fraud, stealing and reselling baby formula, and food stamps fraud (Levitt, 2005). In addition, Dr Levitt believes 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 (O'Neil, 2007). As with other areas of fraud, limited resources to fight these crimes create an environment where detection is highly unlikely.

E. Immigration fraud

Immigration fraud facilitates the entry of terrorists into a country. Several kinds of document fraud can occur during the immigration process through forgery, lying, false statements, or the misuse of visas. For many terrorists, immigration fraud is one of the first acts taken in a long line of criminal activities. Michael Cutler, a fellow at the Center for Immigration Studies, has written that when an alien acquires immigration benefits through fraud and deception, the security of the system is breached and it leaves the door open to criminal and terrorists to game the system (Cutler, 2006). Individuals who have planned acts of terror against the USA or raised money for terrorist organizations have engaged in immigration violations such as Ramzi Yousef, the mastermind of the first World Trade Center attack in 1993, used an altered passport and fraudulent documents (Elderidge, 2004). Kephart (2005), Former Counsel to the 9/11 Commission, authored a report titled *Immigration and Terrorism* (2005) that examines the histories of 94 foreign born terrorists who operated in the USA between the early 1990s and 2004 and concluded that about two-thirds (59) committed immigration fraud prior to or in conjunction with taking part in terrorist activity. Terrorist, including some of those involved in the 9/11 attacks, have been and continue to take advantage of weaknesses in the US immigration system not only to enter, but to remain indefinitely until their nefarious acts are fulfilled.

Conclusion

Although terrorism and organized crime are different phenomena, the important fact is that terrorists and criminal networks overlap and cooperate in some situation. Unfortunately, the synergy of terrorism and organized crime is growing because similar conditions give rise to both and because terrorists and organized criminals use similar approaches to promote their operations. Unfortunately, their adaptation of incorporating fraud into their larger criminal goals is lethal. Just as terrorists pool their abilities and resources to achieve synergistic outcomes, government agencies and all those who are directly or indirectly involved in the fight against fraud and its link to terror must pool their talents to counter their inhumane goals.

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