



Testimony of Steven Emerson

Before the

United States Senate

Committee of Banking, Housing, and Urban Affairs

"Money Laundering and Terror Financing Issues in the Middle East."

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I. Overview and Introduction: Money Laundering and Terror Financing Issues in the Middle East

Chairman Shelby, Ranking Member Sarbanes and distinguished Members of the Committee: thank you for holding this hearing today about developments and trends in Money Laundering and Terror Financing Issues in the Middle East. In light of the terrorist attacks that have occurred in London last week and the determination that they were carried out by local subjects, this hearing is a timely reminder that the war on Islamic and Middle Eastern terrorism needs to be constantly fine tuned and improved. Tracking the financiers of terrorism and the collection of reliable intelligence are probably the most reliable ways of identifying terrorist cells.

The United States government has been a worldwide leader in tracking the money of terrorist financiers and entities due to the heroic dedication of so many who serve our government without credit or public recognition. But since the earlier achievements following 9-11, it is my belief that we are now behind the curve in the financial war on terrorism relative to the potential range of achievements we could achieve. That problem is a function of the system in place today that hinders, obstructs and impedes the abilities and capabilities of our government agencies and officials tasked with tracking terrorist assets.

The unsung heroes in the war on terrorism are those public servants—from FBI and DHS agents to Treasury analysts, from state law enforcement agencies to IRS accountants—who work out of the glare of publicity and who have tracked hidden terrorist assets around the world. But we are in constant need of self-improvement and must be intellectually honest about the war we are fighting. All of the ingredients for a more vastly successful war on terrorism are present but underutilized or artificially compartmented from one another—talented agents, analysts and prosecutors; a vast amount of data and open source intelligence; forensic expertise and unrelenting dedication. Yet, in the end, there is no rational allocation of resources nor is an integrated methodology that would insure that proper involvement of all agencies involved in tracking terrorist financing.

To the extent that Islamic terrorists have been able to learn from their “mistakes” and evade detection, as has been the case so far in London, the United States needs to be at the forefront of trying to pre-empt terrorists by anticipating the new ways in which terrorists will finance their operations. It has been often stated that an army is only as good as its last war. But in this war, we cannot afford to be fighting the last war. We have to be able not only to fight the present war but the future war. In this regard, our successes will depend much on our ability to digest on a timely basis current open source information and intelligence which is available in abundant form. In certain respects, our inability to get ahead of the terror financing curve is an unforgivable self-inflicted wound; the information needed to fight this war is widely and instantly available but because of bureaucratic rivalries and continued compartmentalization of U.S. law enforcement and intelligence, there has been a spectacular failure to distill data on a real time basis. Yes, the amount of data can be daunting, but make no mistake: our own provincial bureaucratic culture of not sharing information, coupled with parochial self-justifying bureaucratic funding imperatives have, for the past two years, driven our counter-terrorism finance policies more than what should have been driving them: our national security interests.

To the extent we do not update our repertoire of available legal options alongside the intelligence, we are undermining our own war on terrorism. The only way to properly understand where we are in this critical component on the war on terrorism is to examine our successes and failures in the nearly four years since 9-11 and to analyze trends and developments that are pivotal in how we adjust our strategy.

As you know, in the immediate months following the September 11th attacks on the World Trade Center and the Pentagon, the federal government seized the assets of several major U.S.-based Muslim charities, which had been funneling money and resources to various terrorist groups overseas.

The U.S. government shut down the Holy Land Foundation, based in Richardson, Texas, and the Illinois-based Global Relief Foundation and Benevolence International Foundation. Various officials from these organizations have been arrested, indicted and even deported in an attempt to stop the flow of funds earmarked for terror. Additionally, the federal government shut down another Richardson, Texas-based for-profit corporation, the web-development firm Infocom, Inc., for violating sanctions against dealing with state sponsors of terrorism and money laundering in support of the terrorist group Hamas. Other charities serving as fronts for suspected terrorist activities have also been shut down, including the U.S. branch of the Al Haramain Foundation and Islamic African Relief Agency. In another example, the Department of Justice indicted officers of CARE, an Islamic charity in Boston, for lying about the true agenda of their organization, among other charges, on their application to the IRS for non-profit status. Rather than actually existing to support humanitarian causes, evidence shows that CARE, an offshoot of the Al Kifah Refugee Center which spawned Al Qaeda, was deeply involved in promoting Islamic terrorism. And finally, the US has listed scores of terrorist entities abroad in an effort to isolate them, freeze their assets, and empower the host governments to take legal action against them.

Aside from direct law-enforcement action on the part of the government, Congressional legislation has given rise to a civil cause of action against U.S.-based organizations linked to foreign terrorist groups, on the part of American victims of terrorism overseas, and their family members. This legal avenue allows victims to attach the assets of terrorist front groups, and thereby further hampers the ability of U.S.-based extremist organizations from supporting terrorist groups abroad.

While these developments have dealt a severe blow to the ability of terrorist organizations to raise funds within the United States, various individuals involved with these organizations have formed new ones, reconstituting their ability to provide support to terrorist groups under the veneer of legitimate charitable and business enterprises.

Additionally, U.S.-based operatives of terrorist groups have increasingly turned to standard criminal endeavors such as drug trafficking, organized retail theft and black market smuggling, the production and sale of counterfeit name-brand goods, and car theft rings in order to raise money to fund their training and operations.

An added impediment to successfully put a full court brace on terrorist groups has been the refusal of Western allies to list known terrorist groups as officially designated terrorist organizations. This craven attitude has deep consequences. Not only has Europe indirectly

allowed terrorist groups to continue their murderous attacks on Israeli civilians, but these European policies of appeasement have also endangered the United States.

Finally, the role of Saudi Arabia in continuing to finance, subsidize and sponsor militant Islamic causes needs to be highlighted. Unless and until the Saudi regime is forced to scale back the export of its radical Wahhabi ideology, the problem of militant Islam and therefore of Islamic terrorism will continue to grow.

II. Regeneration of Terror-Linked Entities

a. Charities

A number of former officers and representatives of charities that have been closed down by the Treasury Department are currently associated with other charitable organizations in the U.S. and are involved in their fundraising activities. This is a particularly troublesome development since it shows that those involved with terrorist fronts have been able to successfully reconstitute new charities that, upon closer scrutiny, have maintained the same ties to terrorist fronts and militant Islamic leaders, and have engaged in activities that belie the stated nature of their organizations. This new development will require the IRS to be more resourceful and for Congress to allocate new resources to new Treasury and IRS units whose mission should be to exclusively focus on the hunt for reconstituted charitable fronts for terrorism.

i. KindHearts for Charitable Humanitarian Development

According to its website, KindHearts "is a non-profit charitable organization providing immediate disaster relief and establishing programs to improve the quality of life and foster future independence for those in need." The organization claims that its "program emphasis" is emergency relief; water and general sanitation; sheltering refugees; sponsorship of orphans, widows, and poor families; medical and health care; rehabilitation and renovation; vocational training and education; and independent income generation and economic growth.¹

There is evidence, however, that KindHearts may possibly be filling the void created by the closure of the Holy Land Foundation (HLF). In early 1994, Hamas leader Musa Abu Marzook, who had given the Holy Land Foundation (HLF) \$210,000 in initial funding,² decided that the

¹ "Mission Statement and Objectives," Kind Hearts Website. http://www.kind-hearts.org/ramadhan/KH_mission.htm.

² "1993 Holy Land Foundation Form 990." Internal Revenue Service (IRS). *See Also* "Action Memorandum, Holy Land Foundation for Relief and Development International Emergency Economic Powers Act." From Dale Watson, Assistant Director FBI Counterterrorism Division to Richard Newcomb, Director of the Office of Foreign Assets Control, Department of Treasury. November 5, 2001 at p. 15.

charity would serve as the primary fundraising arm of HAMAS in the US.³ The HLF was in operation until the Treasury Department froze its assets in December 2001.⁴

KindHearts was incorporated in Toledo, Ohio in 2002,⁵ and is registered in a number of other states, including Oklahoma,⁶ Nevada,⁷ Indiana,⁸ Colorado⁹, while awaiting renewal in Pennsylvania.¹⁰ An assessment of its operations indicates a close business relationship with the Holy Land Foundation network as well as with other charities that have been designated for being conduits for terrorist financing.

KindHearts Founder & CEO: links to Global Relief Foundation (GRF) and NAIF

Khalid Smaili, founder¹¹ and CEO¹² of KindHearts, also served as the Public Relations representative for the Global Relief Foundation (GRF).¹³ The U.S. government shut down GRF on December 14, 2001 for financially supporting HAMAS and Al Qaeda.¹⁴ Notably, in 2000, HLF had provided \$18,521 to GRF.¹⁵

Smaili also donated \$15,000 in July 2000 to a program created and managed by Imam Ismaa'eel H. Hackett, the director for the Wilmington, Delaware-based North American Islamic Foundation (NAIF).¹⁶ Hackett was the spiritual advisor to Abdullah Hameen, a convicted murderer on death row. Prior to Hameen's execution, Hackett and the NAIF filed a motion in court to postpone the execution, arguing that Hameen's rights were being violated. Hackett claimed that, "God states that a Muslim cannot be put to death for killing a disbeliever [non-

³ "Action Memorandum, Holy Land Foundation for Relief and Development International Emergency Economic Powers Act." From Dale Watson, Assistant Director FBI Counterterrorism Division to Richard Newcomb, Director of the Office of Foreign Assets Control, Department of Treasury. November 5, 2001 at p. 13.

⁴ "Shutting Down the Terrorist Financial Network," U.S. Department of Treasury. December 4, 2001. <http://www.ustreas.gov/press/releases/po841.htm>.

⁵ "KindHearts for Charitable Humanitarian Development Articles of Incorporation." Ohio Secretary of State. Filed January 22, 2002.

⁶ "KindHearts for Charitable Humanitarian Development Articles of Incorporation." Oklahoma Secretary of State. Filed September 29, 2003.

⁷ "KindHearts for Charitable Humanitarian Development Articles of Incorporation." Nevada Secretary of State. Filed August 18, 2003.

⁸ "KindHearts for Charitable Humanitarian Development Articles of Incorporation." Indiana Secretary of State. Filed October 17, 2003.

⁹ "KindHearts for Charitable Humanitarian Development Articles of Incorporation." Colorado Secretary of State. Filed September 29, 2003.

¹⁰ "KindHearts for Charitable Humanitarian Development Unified Registration Statement for Charitable Organizations." Filed September 9, 2002.

¹¹ "KindHearts for Charitable Humanitarian Development Articles of Incorporation." Ohio Secretary of State. Filed January 22, 2002.

¹² "KindHearts Newsletter." Kind Hearts. Issue 2, No. 2, Fall 2003. <http://www.kind-hearts.org/publications/Fall-03.pdf>

¹³ "Global News." Global Relief Foundation. Winter 2000 at p. 10.

¹⁴ "Recent OFAC Actions: Designation of Benevolence International Foundation and Global Relief Foundation." U.S. Department of Treasury. Office of Foreign Assets Control. December 14, 2001. <http://www.ustreas.gov/offices/eotf/c/ofac/actions/20011214a.html>

¹⁵ "2000 Global Relief Foundation Form 990." Internal Revenue Service (IRS).

¹⁶ Nelson, Crystal. "Youth Project Starts Up." The News Journal. August 3, 2000.

Muslim]. Based on those premises, we have to say that Abdullah Hameen should not be put to death.”¹⁷

KindHearts, the Islamic Association for Palestine (IAP) and the Holy Land Foundation (HLF)

The IAP has a long history of links to Middle East terrorism and its financial support. A 2001 INS memo extensively documented IAP’s support for HAMAS and noted that the “facts strongly suggest” that IAP is “part of HAMAS’ propaganda apparatus.”¹⁸ Indicted HAMAS leader Musa Abu Marzook served on the IAP Board of Directors in 1989,¹⁹ and just as he had arranged for the HLF, Marzook provided IAP with funds -- notably \$490,000.²⁰ In August 2002, a federal judge ruled that there was evidence that “the Islamic Association for Palestine has acted in support of HAMAS.”²¹ And most significantly, in November 2004, a federal magistrate judge held the IAP civilly liable for \$156 million in the 1996 shooting of an American citizen by a HAMAS member in the West Bank.²² Further, in November 2004, an immigration judge labeled IAP a “terrorist organization” and noted its “propensity for violence.”²³

Annual conferences allowed IAP to promote and financially support the HAMAS agenda. As the October 1988 edition of IAP’s Arabic language publication, *Ila Filastin*, noted, “[t]he Islamic Association for Palestine held conferences and activities to celebrate [the] one year anniversary of the blessed Intifada and...the inception of the HAMAS movement.”²⁴ HAMAS members made frequent appearances at IAP’s conferences.²⁵ At these conferences, IAP raised significant amounts of money for HLF. In fact, all of the money IAP raised during its *Intifada* celebrations in the late 1980’s and early 1990’s went to HLF, or the Occupied Land Fund as it was then known.²⁶ Additionally, all the proceeds from IAP’s 1996 convention went to HLF.²⁷

Following the HLF shutdown, KindHearts appears to have assumed the close relationship with the Islamic Association for Palestine (IAP) that was previously held by HLF. Notably, each group uses the other to assist in raising funds: KindHearts lists the Islamic Association for Palestine as its “Fundraiser Organizer” in its tax exemption filings,²⁸ while IAP has prominently

¹⁷ Chase, Randall. “Death Row Inmate Loses Last-Minute Bid for Commutation.” The Associated Press. May 24, 2001.

¹⁸ In the matter of Hasan Faisal Yousef Sabri, Notice of Revocation of Petition for Amerasian, Widow, or Special Immigrant (Form I-360), Attachment.

¹⁹ “Ila Filastin.” February 1989 at p. 27.

²⁰ In the matter of Hasan Faisal Yousef Sabri, Notice of Revocation of Petition for Amerasian, Widow, or Special Immigrant (Form I-360), Attachment.

²¹ Holy Land Foundation for Relief and Development v. Ashcroft, 219 F. Supp. 2d 57, 70 (D.D.C. 2002).

²² Boim v. Quranic Literacy Institute, et al. NDIL 00-CV-2905 “Memorandum and Order.” November 10, 2004.

²³ In the matter of Abdel Jabbar Hamdan. United States Department of Justice, Executive Office for Immigration Review, Immigration Court, San Pedro, California, November 22, 2004.

²⁴ “Ila Filastin” October 1988.

²⁵ Videotape, Islamic Association for Palestine Annual Conference, Kansas City, Missouri, December 27-30, 1989.

²⁶ Boim v. Quranic Literacy Institute, et al. NDIL 00-CV-2905 “Deposition of Rafeeq Jaber.” July 28, 2003 at pp. 77-78.

²⁷ Boim v. Quranic Literacy Institute, et al. NDIL 00-CV-2905 “Deposition of Rafeeq Jaber.” July 28, 2003 at pp. 253-55.

²⁸ “2003 KindHearts Form 990.” Internal Revenue Service (IRS).

featured a clickable advertisement for KindHearts on its website. Kindhearts was the only charity advertised for on IAP's homepage.²⁹ IAP used its list serve to distribute KindHearts messages.³⁰ In one such instance, IAP's list serve distributed an email from KindHearts CEO Khaled Smaili that stated:

"It is also with great satisfaction that I am able to report that just prior to the start of Ramadan, we received our 501-C(3) Tax exemption status from the U.S. government; therefore, all of your contributions are now tax exempt. Please rush your Zakat and Sadaqa in the return envelope today, or donate online at www.kind-hearts.org."³¹

Additionally, Abdelbaset Hemayel – who has served as the IAP's Director and Secretary General³² – is listed as KindHearts' representative in Illinois and Wisconsin, according to a business card produced in April 2004.³³

KindHearts and Al-Nojoum

Additionally, as was commonplace at IAP and HLF events, Kindhearts fundraisers have featured "entertainment" by the Al-Nojoum band.³⁴ Al-Nojoum, which was previously known as the Al-Sakhra band, frequently performed at IAP conventions. According to the HLF indictment, Al-Sakhra's "skits and songs...advocated the destruction of the State of Israel and glorified the killing of Jewish people." Mufid Abdulqader, who is a half-brother of HAMAS leader Khalid Mishal, was a member of the Al-Sakhra band. Abdulqader, an HLF fundraiser, was indicted with HLF in July 2004 on material support charges.³⁵

KindHearts and the Mosque Foundation

Additionally, KindHearts has received funds from a controversial organization, the Mosque Foundation. The Mosque Foundation (MF) is intimately linked to Hamas. Hamas operatives Mohammad Salah and Mohammad Jarad attended the mosque, while IAP President³⁶ Rafeeq Jaber has served as a Mosque Foundation officer.³⁷ Former IAP Chairman³⁸ Sabri Samirah has

²⁹ Web Archive of The Islamic Association for Palestine Website. <http://web.archive.org/web/20021201230251/www.iap.org/index2.html> and <http://web.archive.org/web/20030602045953/www.iap.org/index2.html>.

³⁰ See also "Eid Cards from KindHearts." Web Archive of The Islamic Association for Palestine Website. February 10, 2003. <http://web.archive.org/web/20030407163035/http://www.iap.org/febmonth2003headlines.htm>.

³¹ "Message from KindHearts." KindHearts. November 18, 2002. Distributed through iapinfo@iap.org.

³² "IAP Board of Directors/Shura Council." Web Archive of The Islamic Association for Palestine Website. <http://web.archive.org/web/20030803052043/http://www.iap.org/contactus.htm>.

³³ Business Card of Abdelbaset Hemayel. http://www.sakkal.com/Graphics/logos/kindheart/kindhearts_bc03.html.

³⁴ "KindHearts Benefit Dinner for Palestine." Orlando, Florida/ October 19, 2002. Flyer available at http://www.sakkal.com/Graphics/logos/kindheart/kindheart_orlando_flyer.html See Also "KindHearts Benefit Dinner for Palestine." Fort Lauderdale, Florida October 20, 2002. Flyer available at http://www.sakkal.com/Graphics/logos/kindheart/kindheart_lauderdale_flyer.html.

³⁵ USA v. HLF RD et al. NDTX 04-CR-240. "Indictment." July 26, 2004.

³⁶ "IAP Board of Directors/Shura Council," <http://web.archive.org/web/20030803052043/http://www.iap.org/contactus.htm>.

³⁷ Boim v. Quranic Literacy Institute, et al. NDIL 00-CV-2905 "Deposition of Rafeeq Jaber." April 9, 2003 at pp. 23-24.

also headed the Mosque Foundation. And, the MF's imam and registered agent, Jamal Said³⁹, served as the Treasurer of the Al Aqsa Educational Fund,⁴⁰ an entity identified by the FBI as a Hamas charitable front.⁴¹ The MF has also employed Kifah Mustapha, the head of HLF's Chicago office,⁴² and donated thousands of dollars to HLF.

According to its spring 2004 newsletter, KindHearts honored the Mosque Foundation with its "Mosque of the Year in recognition of their members' tremendous support." The newsletter noted that "this community as a whole donated \$195,000 for KH to fund its relief efforts for the innocent victims of home demolitions in Rafah Refugee Camp, Gaza." KindHearts President Khaled Smaili presented the award to Mosque Foundation President Osama Jammal.⁴³

Federal authorities are reportedly investigating the Mosque Foundation and associated individuals for suspected involvement in money laundering related to terror fronts. MF made sizable donations to other organizations later shut down by the US government for funding terrorism, including Benevolence International Foundation⁴⁴ and Islamic American Relief Agency (IARA), Al Qaeda fronts; and Global Relief Foundation (GRF)⁴⁵. Furthermore, MF has raised over thousands of dollars for Sami al-Arian who had been indicted for serving as the head of Palestinian Islamic Jihad in North America.

Other KindHearts representatives associated with radical Muslim groups in the U.S.: Omar Shahin and Khalifah Ramadan

Other KindHearts representatives have been linked with radical Muslim groups in the U.S. According to a business card produced in April 2004, Omar Shahin, a former Tucson imam, is a KindHearts representative.⁴⁶ Shahin served as the Imam at the Islamic Center of Tucson (ICT) for three years until he "left abruptly" in June 2003. The ICT – which has hosted IAP conferences and has an extensive history of terror links – raised thousands for HLF in 2001.

³⁸ "IAP Board of Directors/Shura Council." Web Archive of The Islamic Association for Palestine Website. <http://web.archive.org/web/20011017003533/http://www.iap.org/contactus.htm>.

³⁹ "Mosque Foundation Corporation File Detail Report." Illinois Secretary of State.

⁴⁰ "1995 Al Aqsa Educational Fund Form 990." Internal Revenue Service (IRS).

⁴¹ "Action Memorandum, Holy Land Foundation for Relief and Development International Emergency Economic Powers Act." From Dale Watson, Assistant Director FBI Counterterrorism Division to Richard Newcomb, Director of the Office of Foreign Assets Control, Department of Treasury, November 5, 2001 at p. 13

⁴² "In a beautifully decorated hall, dinner guests participated in a silent auction and fundraising event, graciously led by Sh. Jamal Said and Sh. Kifah Mustapha, both of the Mosque Foundation, Bridgeview." "From the Field - MAS Freedom Foundation - Chicago: Legendary Civil Rights Leader Addresses Annual MAS Chicago Fundraising Dinner." Muslim American Society. www.masnet.org/takeaction.asp?id=2455

⁴³ "KindHearts Newsletter." KindHearts. Issue 2, No. 1, Spring 2004, <http://www.kindhearts.org/publications/KHSpring04.pdf>

⁴⁴ "Benevolence International Foundation Form 990: Contributions of \$5,000 & More." Internal Revenue Service (IRS). See also "Benevolence International Foundation Form 990: Schedule of Contributor Donating \$5,000 or More in Money Securities or Other Property." Internal Revenue Service (IRS).

⁴⁵ "1997 Global Relief Foundation Form 990: Donation of Cash & Property Over 5,000." Internal Revenue Service (IRS). See Also "1999 Global Relief Foundation Form 990: Donation of Cash & Property Over 5,000." Internal Revenue Service (IRS). See Also "2000 Global Relief Foundation, Form 990: Statement of Donors in Excess of \$5,000 Each." Internal Revenue Service (IRS).

⁴⁶ Business Card of Omar Shahin. http://www.sakkal.com/Graphics/logos/kindheart/kindhearts_bc03.html.

In the mid-1980s, the ICT was one of the U.S. satellite offices of the Mektab al Khidmat (MAK) the precursor organization to al-Qaeda. MAK was founded by Wael Julaidan, Osama Bin Ladin, and Sheikh Abdullah Azzam, Bin Ladin's mentor.⁴⁷ Julaidan was ICT's President from 1983 to 1984.⁴⁸ ICT was one of the US offices listed on the masthead of *Al-Jihad* magazine, a publication edited by Al Qaeda co-founder Abdullah Azzam (the other US office listed was the MAK office in Brooklyn). In April 1988, Azzam penned an article titled "The Solid Base (al Qaeda), which in effect announced the formation of al Qaeda."⁴⁹ Other notable ICT attendees include Wadih El-Hage,⁵⁰ convicted for his role in the 1998 East Africa embassy bombings, and Ghassan Dahduli, the manager of the IAP information office in Tucson.

Additionally, Khalifah Ramadan, who has served as KindHearts' Director of Domestic Programs,⁵¹ has been a training and evaluation consultant for the Council on American Islamic Relations (CAIR) and the Islamic Society of North America (ISNA).⁵² There are a number of significant connections between CAIR and HLF, as well as other HAMAS front groups – the Islamic Association for Palestine, the United Association for Studies and Research, the Muslim Arab Youth Association, and the SAFA Group. For example, less than two months after CAIR filed its Articles of Incorporation, the organization received a \$5,000 wire transfer from HLF.⁵³ Moreover, CAIR assisted in raising funds for HLF throughout the 1990's and until the government shut down.⁵⁴ And Ghassan Elashi, a founding Board Member of CAIR-Texas,⁵⁵ was also Chairman⁵⁶ and Treasurer⁵⁷ of HLF.

Further evidence placing CAIR in the HAMAS US network is the fact that it is an offshoot of IAP. Both Omar Ahmad and Nihad Awad – two of CAIR's incorporators – held leadership positions with IAP prior to founding CAIR.⁵⁸

ISNA also has significant links to terrorism. Co-founded by Sami al-Arian⁵⁹ – indicted on criminal racketeering charges and for his alleged role as the head of Palestinian Islamic Jihad in

⁴⁷ "PO-3553: Treasury Department Statement Regarding the Designation of the Global Relief Foundation." U.S. Department of Treasury, Office of Public Affairs, October 18, 2002. <http://www.treas.gov/press/releases/po3553.htm>.

⁴⁸ "Islamic Center of Tucson Annual Reports." Arizona Secretary of State. Filed May 21, 1984 and Feb.12, 1985.

⁴⁹ Azzam, Dr. Abdullah. "Al-Qa'ida." Al-Jihad. No. 41, April 1988.

⁵⁰ USA v. Bin Laden, et al. SDNY 98-CR-1023. "Trial Transcripts: Day 6." February 15, 2001 at p. 789.

⁵¹ "KindHearts Newsletter." KindHearts. Issue 1, No. 2. Summer 2003. <http://www.kindhearts.org/publications/summer-03.pdf>.

⁵² "Biographical Sketch: Khalifah Ramadan," Web Archive of the Council on Islamic-American Relations Website. <http://web.archive.org/web/20031017201654/www.cair-nj.org/biokramadan.htm>.

⁵³ NationsBank Wire Transfer # 941031011157000, Federal Reference # 9410310014920824. October 31, 1994.

⁵⁴ See Also "CAIR Action Alert: American Muslims Asked to Pray for Palestinians" September 9, 1996.

⁵⁵ "CAIR Articles of Incorporation." Texas Secretary of State. Filed September 29, 1998.

⁵⁶ "1999 Holy Land Foundation Form 990." Internal Revenue Service (IRS).

⁵⁷ "1993 and 1998 Holy Land Foundation Form 990." Internal Revenue Service (IRS).

⁵⁸ Awad, Nihad. "Muslim-Americans in Mainstream America." The Link. February-March 2000.

⁵⁹ "Bio of Sami Al-Arian." American -Arab Anti-Discrimination Committee (ADC) program of Speakers, Moderators, and Award Recipients, 17th National Convention, Arlington, Virginia, June 8-11, 2000. See Also American Muslim Council (AMC) Program, 10th National Convention, Alexandria, VA, June 21-24, 2001, AND Mull, Yasmin. "A Shattered Dream." Egypt Today. December 10, 2003.

the U.S. – ISNA has employed an array of convicted or indicted terrorists, such as Abdulrahman Alamoudi⁶⁰ and former HLF head Shukri Abu Bakr.⁶¹

ISNA's funding is also highly suspect. ISNA provided \$170,000 in start-up capital to the Islamic African Relief Agency (IARA),⁶² which the U.S. government shut down in October 2004 for funding HAMAS and Al Qaeda.⁶³ And it has been reported that U.S. officials are aware of ISNA's receipt of funds from Saudi sources that are under investigation for terror links.

ii. KinderUSA

Like Kindhearts, KinderUSA, a Dallas-based Islamic charity, was formed by individuals who had high level positions at charities frozen by the U.S. government. Riad Abdelkarim served as HLF's Secretary in 2000 and was an HLF Board Member when the organization was shut down in December 2001.⁶⁴ Following the HLF shutdown, Abdelkarim formed KinderUSA⁶⁵ with former HLF fundraiser and spokeswoman Dallel Mohmed.⁶⁶ And KinderUSA received funds from KindHearts in 2002.⁶⁷

In December 2004, KinderUSA suspended operations and entered a "period of evaluation and review" in the face of an FBI investigation.⁶⁸

b. For-profit companies

As we have seen with charities, we have noted a trend of for-profit companies reconstituting themselves with individuals previously involved with the HAMAS fronts in the United States. One example is the Infocom-Synaptix entity.

Infocom- Synaptix Connection

Incorporated in Richardson, Texas, in 1992 and run by Ghassan Elashi and his four brothers, InfoCom sold computer systems and networking, telecommunications, and Internet services, and also exported computers to the Middle East. According to the U.S. government, in or around July 1992, Mousa Abu Marzook, a top Hamas official who is married to the Elashis' cousin Nadia, "sent, or caused to be sent, \$150,000" to InfoCom. The government alleges that in total,

⁶⁰ Resume of Abdulrahman Alamoudi.

⁶¹ Boim v. Quranic Literacy Institute, et al. NDIL 00-CV-2905 "Deposition of Shukri Abu Baker." January 30, 2003 at pp. 13-14.

⁶² "1989 Islamic African Relief Agency Form 1023.: Internal Revenue Service (IRS).

⁶³ "Treasury Designates Global Network, Senior Officials of IARA for Supporting bin Laden, Others." U.S. Department of the Treasury, Office of Public Affairs., October 13, 2004. <http://www.treas.gov/press/releases/js2025.htm>

⁶⁴ "2000 Holy Land Foundation Form 990." Internal Revenue Service (IRS).

⁶⁵ "202 Kinder USA Form 990." Internal Revenue Service (IRS).

⁶⁶ "S.H.A.R.E. Newsletter." Holy Land Foundation. August 1999.

⁶⁷ "2002 KindHearts Form 990." Internal Revenue Service (IRS). *See Also* "KindHearts Newsletter." KindHearts. Issue 1, No. 1, Fall 2002. <http://www.kind-hearts.org/publications/Fall-02.pdf>.

⁶⁸ KinderUSA response to Dallas Morning News, Letter from KinderUSA Board Members." KinderUSA Website. http://www.kinderusa.org/index.php?option=com_content&task=view&id=44&Itemid=2

InfoCom received at least \$250,000 in investment capital from accounts controlled by Marzook.⁶⁹

In September 2001, federal agents raided InfoCom's Richardson offices. The investigation into the business dealings of InfoCom culminated in the arrests of four Elashi brothers—Bayan, Ghassan, Basman, and Hazim—on December 17, 2002. The fifth Elashi brother, Ihsan ("Sammy"), was already in custody on an unrelated charge. Marzook and his wife, Nadia Elashi, were also indicted, along with InfoCom itself. The two-part trial was comprised of a thirty-three count indictment which included export violations involving Syria and Libya, money laundering, and conspiracy to deal in the property of a Specially Designated Terrorist.⁷⁰

In July 2004 Bayan Elashi, Ghassan Elashi, Basman Elashi, Hazim Elashi and Ihsan Elashi along with the Infocom Corporation were "convicted on charges they conspired to violate the Export Administration Regulations and the Libyan Sanctions Regulations. Specifically, each of the five brothers was also found guilty of conspiracy to file false Shipper's Export Declaration forms. All of the brothers were convicted of the false statements charges and all of the defendants except Ihsan Elashi were also convicted on money laundering charges."⁷¹

In addition to the Infocom conviction, Ghassan Elashi and his two brothers Basman and Bayan Elashi were each found "guilty of conspiracy to deal in the property of a Specially Designated Terrorist and conspiracy to commit money laundering."⁷²

Reconstitution of Infocom

Shortly after Infocom was shut down, another web-hosting company was opened in December 2002. This company is called Synaptix.Net (also referred to as Synaptix and Synaptix Corporation)⁷³ and it is run by several individuals including Majida Salem and Fadwa Elafranji.⁷⁴ Fadwa Elafranji was the former President of Infocom and coincidentally she is also the mother of the Elashi brothers.⁷⁵ According to a LEXIS reports, Majida Salem is also known as Majida Elashi, Ghassan Elashi's wife.⁷⁶ According to Ghassan Elashi's bail bond hearing from July 7, 2004, Elashi states that he is an employee of Synaptix and works in their sales division.⁷⁷

⁶⁹ USA v. Infocom et al. NDTX 02-CR-52. "Superceding Indictment." December 17, 2002.

⁷⁰ USA v. Infocom et al. NDTX 02-CR-52. "Superceding Indictment." December 17, 2002.

⁷¹ "More Federal Convictions for Elashi Brothers and Infocom Corporation at Second Trial." USDOJ United States Attorney Northern District of Texas. April 14, 2005.

http://www.usdoj.gov/usao/txn/PressRel05/elashi_conv_part2.pdf

⁷² "More Federal Convictions for Elashi Brothers and Infocom Corporation at Second Trial." USDOJ United States Attorney Northern District of Texas. April 14, 2005.

http://www.usdoj.gov/usao/txn/PressRel05/elashi_conv_part2.pdf

⁷³ USA v. Infocom et al. NDTX 02-CR-52. "Bail bond hearing of Ghassan Elashi." July 7, 2004 at p.23.

⁷⁴ USA v. Infocom et al. NDTX 02-CR-52. "Bail bond hearing of Ghassan Elashi." July 7, 2004 at p.23. According to a LEXIS/NEXIS business search, Fadwa Elafranji and Majida Salem (also known as Majida Elashi) are listed as the associated entities for the company.

⁷⁵ USA v. Infocom et al. NDTX 02-CR-52. "Bail bond hearing of Ghassan Elashi." July 7, 2004 at p.23.

⁷⁶ "Majida Elashi Person Summary Report." LEXIS/NEXIS. According to LEXIS/NEXIS Smartlinx Person Search of Majida Elashi, there are several name variations given for Majida Elashi including the following: Elashi, Majida;

One of the organizations that Synaptix.net hosted was KinderUSA (see section above on KinderUSA). It should be noted that when one retrieves the domain information of KinderUSA, Synaptix is not listed as the Internet hosting company or the technical contact. However, via an old version of KinderUSA's website, there is an option to join KinderUSA's mailing list. Upon receiving a confirmation e-mail to join Kinder USA's mailing list, subscribers are sent to a Synaptix.net link to confirm their subscription to the KinderUSA list serve as follows:

"Hello. This has been sent to you just to confirm that you want to be subscribed to: kinderusa-news to confirm, simply follow the link below: <http://www.synaptix.net/cgi-bin/mojo/mojo.cgi?f=n&l=kinderusa%2dnews&e=rivvam%40yahoo.com&p=5794>
(Click the link above or copy and paste the link into your browser)
Powered by Mojo Mail 2.8.9 <http://www.synaptix.net/cgi-bin/mojo/mojo.cgi?f=smtm>"⁷⁸

Synaptix Partnership with Donationform.com, linked to HLF

Synaptix not only provides Internet hosting and email services to its customers, but it is also partnered with a company called DonationForm.com which specializes in providing online donation portals for non-profit organizations.⁷⁹ According to Donationform.com's website, "Synaptix.net's DonationForm.com secure online donation form solution is developed specifically for non-profit organizations."⁸⁰ A LEXIS business report of Donationform.com showed that one of its associates is former Holy Land Foundation (see HLF section above) spokesperson⁸¹ and Infocom employee⁸², John Janney.⁸³ Under the contact information section on Donationform.com's website, Synaptix is listed as the contact address.⁸⁴

Although Infocom and Synaptix.net are not charities, the existence and reconstitution of Synaptix.net help explain the regeneration of groups and individuals who have acted as terrorist fronts in the United States.

Elashi, Mojida; Mousa, Majida; Salem, Majida; Salem, Majida M. USA v. Infocom et al. NDTX 02-CR-52. "Bail bond hearing of Ghassan Elashi." July 7, 2004.

⁷⁷ USA v. Infocom et al. NDTX 02-CR-52. "Bail bond hearing of Ghassan Elashi." July 7, 2004 at p. 23. According to a lexis business search, Fadwa Elafrangi and Majida Salem (also known as Majida Elashi) are listed as the associated entities for the company.

⁷⁸ "KinderUSA List Serve Email Invitation." KinderUSA, February 15, 2004. www.kinderusa.org

⁷⁹ Synaptix Website. <http://www.synaptix.net/> See Also Donationform Website. <http://www.donationform.com/>

⁸⁰ Donationform Website. <http://www.donationform.com/non-profit.php>.

⁸¹ "Letter to OFAC from Richard Alan Anderson regarding Application for License to Provide Legal Representation for Employees of the Holy Land Foundation." Dated March 14, 2002. HLF v Ashcroft DDC 02-442 HLF Binder #7 p.3017-3019.

⁸² "Janney and other employees at InfoCom, an Islamic-owned Richardson computer company, have designed a Web site, dallasNOTnews.com, that urges its readers to boycott the newspaper and cancel subscriptions--to do whatever is legally permissible to change what they contend is the paper's anti-Islamic bias...InfoCom allowed Janney, its employee, to create a protest Web site, dallasNOTnews.com, that mocked the News' own Web site. Oddly, in his original 1996 HLF article, McGonigle reported that the wife of Hamas leader Mousa Abu Marzook had invested \$250,000 in InfoCom." See Donald, Mark. "War of Words; Morning News Reports of a Charity's Ties to Terrorism Spur Muslim Protests." The Dallas Observer. May 18, 2000.

⁸³ "Donationform.com Business Summary Report." LEXIS/NEXIS.

⁸⁴ Donationform Website. <http://www.donationform.com/contact.php> Address given is: Synaptix.net 401 International Pkwy, Ste 108 Richardson, TX 75081

III. Expansion of Non-traditional Methods of Terror Financing

Another area of concern is the explosion of non-traditional methods of terror financing. While organizations use traditional methods of financing such as charities and donation boxes, terrorist fronts have implemented more non-traditional methods for moving funds.

a. Organized Retail Theft: A Major Conduit for Terrorist Financing

Organized retail theft (ORT) has links to money laundering and financing of Middle Eastern terrorism. It targets everyday household commodities and consumer items affecting a variety of retail enterprises, including supermarkets, chain drug stores, independent pharmacies, mass merchandisers, convenience stores, and discount businesses. The supermarket industry alone loses \$15 billion annually from ORT while the loss is estimated to run as high as \$34 billion throughout all retail operations.⁸⁵ Strong evidence indicates that profits from this chain of illegal activity are funneled to terrorist groups in the Middle East, posing a serious threat to national and international security.

Because state laws have few teeth and there is a lack of federal law addressing the issue, retail theft is becoming increasingly attractive as a high-profit, low-risk avenue of crime for criminal organizations and terrorist groups. ORT rings operate in almost every region of the United States and several of these rings are led by foreign nationals, many of whom are illegal immigrants.

This black market trade employs two groups of individuals. The first group consists of professional shoplifters, or boosters [often illegal immigrants from Central American countries such as Honduras and El Salvador], who steal consumer merchandise through a variety of techniques that include organized shoplifting, armed robbery, cargo theft, and hijackings. Products targeted for theft by these groups include infant formula, cigarettes and smokeless tobacco, health and beauty aids, diabetes test strips, over-the-counter medications, and colognes and perfumes.³⁶

The second group of individuals is comprised of fences, or low-level buyers [mostly immigrants from various Middle Eastern and East Asian countries such as Egypt, Jordan, Lebanon, and Pakistan] who purchase the stolen merchandise and distribute it back to retail outlets. This group owns a variety of businesses such as convenience stores, grocery stores, gas stations, grocery wholesale businesses, travel agencies, used car dealerships, shipping companies, book keeping firms, and night clubs. While the main activity of this group focuses on the theft and resale of stolen merchandise, members also engage in a number of side activities that include narcotics trafficking, prostitution, extortion, alien smuggling, organized auto-theft, currency smuggling,

⁸⁵ Food Marketing Institute Website, <http://www.fmi.org/loss/ORT/>

⁸⁶ Testimony of Randy A. Merritt before the United States House of Representatives Committee on Government Reform, Subcommittee on Criminal Justice, Drug Policy and Human Resources titled "National and International Consumer Products Fencing Operation Suspected of Providing Support to Terrorist Organizations" on November, 10, 2003.

credit fraud, bank fraud, and welfare fraud. Proceeds from the aforementioned illegal businesses are frequently used in financing terror-related activities.⁸⁷

In his February 2005 Congressional testimony, FBI Director Robert Mueller highlights the strong linkages between organized criminal enterprises operating in the U.S. and terrorist groups:

Middle Eastern Criminal Enterprises involved in the organized theft and resale of infant formula pose not only an economic threat, but a public health threat to infants, and a potential source of material support to a terrorist organization.⁸⁸

Recent federal investigations of retail theft rings have resulted in indictments and subsequent arrests of Arab and Muslim criminal enterprises throughout the country. The Ghali Family organization is a particularly chilling example in its size, impact and ability to continue its illicit operations, despite incarceration of leaders.

The Ghali Family Organization – Incarceration of Leaders Is No Obstacle

In February 2005, Mohammed Khalil Ghali was sentenced to 14 years imprisonment, following his conviction in April 2004 on 15 counts of a superseding indictment charging him and seven other individuals with various federal felony violations linked to organized retail theft in North Texas.⁸⁹ According to the indictment, Ghali was the organizer and leader of a Palestinian gang known as the “Ghali” organization, which ran one of the nation’s most notorious retail theft rings from Fort Worth, Texas. At the direction of Mohammed Ghali, members of his organization purchased stolen property that was being held at various metroplex convenience stores by store owners/operators who served as “fences” for the Ghali organization. Stolen property, including infant formula, pharmaceuticals, cigarettes, health and beauty aids, medicinal products, glucose test strips, nicotine gum and transdermal patches, razors and razor blades, were then delivered to warehouses where price tags and anti-theft devices were removed and the merchandise repackaged and shipped to customers throughout the United States.⁹⁰

Despite incarceration of its top leaders, the “Ghali crime family” continues to operate its illegal business from behind bars with the aid of unjailed associates. Testimony at the sentencing hearing accused Ghali of making inquiries as to how much it would cost to have the Texas prosecutor and federal agent killed by gang members.⁹¹ According to court transcripts, jailed family leader Mohamed Ghali attempted to hire Crip gang members to arrange the hits for

⁸⁷Testimony of Randy A. Merritt before the United States House of Representatives Committee on Government Reform, Subcommittee on Criminal Justice, Drug Policy and Human Resources titled “National and International Consumer Products Fencing Operation Suspected of Providing Support to Terrorist Organizations” on November, 10, 2003.

⁸⁸ Testimony of Robert S. Mueller, III, Director of the Federal Bureau of Investigation before the United States Senate Committee on Intelligence on February 16, 2005.

⁸⁹ “Leader of Organized Infant Formula Theft Ring Sentenced to 14 Years in Federal Prison.” USDOJ Press Release. Feb. 2, 2005.

⁹⁰ USA v. Ghali, et al. 03-CR-212. “Superseding Indictment.” Dec. 17, 2003.

⁹¹ “Leaders of Organized Retail Theft Ring Sentenced to 14 Years in Federal Prison.” USDOJ United States Attorney Northern District of Texas. February 2, 2005.
http://www.usdoj.gov/usao/txn/PressRel05/Ghali_sen1_amd.pdf

\$500.⁹² Members of the Ghali family also made attempts to bribe U.S. Immigration and Customs Enforcement (ICE) supervisors to get the charges against Ghali dismissed.⁹³ More recently, federal authorities unraveled a plot targeting Fort Worth Police Detective Scott Campbell, his family, and ICE agent Scott Springer.⁹⁴ It has been reported that profits generated from the sale of goods were wired to banks in the Middle East.

Huge profits from thefts of infant formula

The Jamal Trading Company case demonstrates the huge amount of money that is generated through the theft of infant formula. A wholesaler in infant formula, the Tempe-based company owned and operated by Samih Fadl Jamal, was the center of a fencing operation for stolen or fraudulently obtained infant formula, which generated more than \$11 million dollars in profits.⁹⁵ Stolen infant formula was repackaged at the JTC warehouse and distributed and sold to various retail and wholesale businesses.⁹⁶ Most of the defendants indicted in the case were from Iraq, Jordan, or Lebanon. Of the 27 defendants indicted, 22 were located and arrested, 17 have pleaded guilty and four have been sentenced and deported. Jamal, a naturalized US citizen born in Lebanon, was convicted in April 2005 on 20 counts of conspiracy to traffic in stolen infant formula, money laundering, and other related charges. All counts carried a fine of \$250,000. Sentencing is set for September 12, 2005.⁹⁷

Similarly, a June 8, 2005 indictment charged Carlos Javier Medina-Castellanos, Mahmoud Bassar and Jose Francisco of organized theft of baby formula, over-the-counter medicines, and other items related to personal health and hygiene. According to the indictment, the stolen items would be collected from different locations in North Carolina and Georgia and delivered to various depositories that included private residences or temporary storage facilities. The stolen merchandise would then be transported by passenger vehicles and rented trucks to commercial trucking firms where it was loaded onto larger trucks. The merchandise would then be shipped to various destinations across the country. The retail value of particular shipments of the stolen merchandise shipments in some instances exceeded \$50,000.⁹⁸

The use of mosques, bookkeepers and law firms in ORT

The organized retail theft ring is not only sophisticated in its operations, but also in its exploitation of resources. Investigators of various organized retail theft rings have reported that often mosques are used by the criminals as meeting places to discuss logistics for burglaries or

⁹² Benson, Todd and Robert Riggs. "Feds Uncover Alleged Plot to Assassinate Fort Worth Cop, Federal Agent." CBS-11 News, May 11, 2005.

⁹³ "Leaders of Organized Retail Theft Ring Sentenced to 14 Years in Federal Prison." USDOJ United States Attorney Northern District of Texas, February 2, 2005.

⁹⁴ Benson, Todd and Robert Riggs. "Feds Uncover Alleged Plot to Assassinate Fort Worth Cop, Federal Agent." CBS-11 News, May 11, 2005.

⁹⁵ USA v. Jamal, et al. DAZ 03-CR-261. "Indictment." March 13, 2003.

⁹⁶ USA v. Jamal, et al. DAZ 03-CR-261. "Indictment." March 13, 2003.

⁹⁷ "Stolen Infant Formula Ringleader Convicted of Twenty Counts." USDOJ United States Attorney District of Arizona, April 26, 2005. <http://www.usdoj.gov/usao/az/azpress/2005/2005-080.pdf>

⁹⁸ USA v. Medina-Castellanos, et al. EDNC 05-CR-155. "Indictment." June 8, 2005.

shoplifting operations.⁹⁹ Surveillance of mosques has proven to be difficult not only because mosques are places of worship but also because of the arduous process involved in obtaining a warrant to surveil in the first place.

In addition to using the same mosques for planning operations, many of the different rings, which often work in concert, use the same bookkeeping firms. Of these firms, certain ones have been known to represent individuals suspected of criminal activity and in some cases, the firms themselves are actually involved as investors in the schemes. Moreover, many of the individuals involved in ORT operations use the same law firm for their defense, creating conflicts of interest that make it more difficult, if not impossible, for law enforcement to approach individual defendants to become cooperating witnesses. Examples of this tactic have been reported in Texas where the same law firm represented "high profile defendants" over several years and thereby "appear[ed] to be acting as an organizational firm for the criminal enterprise Texas operations."¹⁰⁰

b. Increase of Illegal Drug Operations by Terrorist Organizations

Illegal drug trafficking continues to be a source of income for various terrorist organizations, including Al Qaeda and Hizballah. Most recently, this past June, the Ecuadorian government broke up a drug ring run by a local Lebanese restaurant owner. The bust resulted in multiple arrests, including individuals in the United States. Ecuadorian authorities report that at least 70% of the profits from the drug trafficking operation went to help finance Hizballah.¹⁰¹

A growing area of concern is the involvement of Hizballah financiers in large-scale drug operations involving methamphetamine in North and South America. The first case that documented the direct flow of illegal drug sales money to the Middle East involved a massive drug trafficking ring that smuggled tractor-trailer loads of pseudoephedrine from Canada to Detroit, and then from Detroit to California. Once in California, the Mexican-run criminal organizations would use the pseudoephedrine to produce large quantities of methamphetamine.¹⁰² Organized Crime Drug Enforcement Task Force (OCDETF) investigators from the Drug Enforcement Agency, Customs, the Internal Revenue Service, and the Royal Canadian Mounted Police launched Operation Mountain Express III to unravel the drug ring. In doing so they discovered that the drug traffickers had been funneling profits to Middle Eastern terrorist groups, including Hizballah.¹⁰³

⁹⁹ Testimony of Randy A. Merritt before the United States House of Representatives Committee on Government Reform, Subcommittee on Criminal Justice, Drug Policy and Human Resources titled "National and International Consumer Products Fencing Operation Suspected of Providing Support to Terrorist Organizations" on November, 10, 2003.

¹⁰⁰ Testimony of Randy A. Merritt before the United States House of Representatives Committee on Government Reform, Subcommittee on Criminal Justice, Drug Policy and Human Resources titled "National and International Consumer Products Fencing Operation Suspected of Providing Support to Terrorist Organizations" on November, 10, 2003.

¹⁰¹ "Hezbollah drugs ring' broken up." BBC News, June 22, 2005.

¹⁰² "Budget of the United States Government, Fiscal Year 2004—Appendix: Department of Justice." Office of Management and Budget (OMB).

¹⁰³ "Budget of the United States Government, Fiscal Year 2004—Appendix: Department of Justice." Office of Management and Budget (OMB).

Although it is not known how much of the profits went specifically to Hizballah, former DEA chief, Asa Hutchinson, confirmed to the press when announcing the arrests that “a significant portion of some of the sales are sent to the Middle East to benefit terrorist organizations.”¹⁰⁴ The Mountain Express III investigation resulted in the arrest of defendants in twelve cities across the United States and Canada, along with the seizure of more than 35 tons of pseudoephedrine (which could be used to produce 30,000 pounds of methamphetamine), 179 pounds of finished methamphetamine, six clandestine drug laboratories, and \$4.5 million in U.S. currency.¹⁰⁵

Other cases have documented Hizballah connection to drug money.¹⁰⁶

Similarly, Al Qaeda cells have, in certain instances relied on drug sales to finance its operations. For example, the Moroccan terrorist who financed the 3/11 attacks in Madrid not only was a drug dealer of Hashish but also purchased the explosives used in the attacks with the drug.

Pseudoephedrine and Methamphetamines

While drugs such as heroin, hashish and marijuana have been traditionally used by some terrorist organizations to help supplement the financing of their operations, the United States is facing a larger problem with methamphetamines, now considered the top drug in most counties across the country.¹⁰⁷ “The DEA has documented the involvement of ethnic Middle Eastern crime groups in the smuggling of precursor chemicals used in methamphetamine production in both the United States and Canada.”¹⁰⁸ While most of the illegal sales and distribution of methamphetamine is not conducted by Middle Eastern individuals, Middle Eastern men have been involved in the acquisition and distribution of pseudoephedrine, the precursor drug required for methamphetamine production. According to the website of the Drug Enforcement Administration (DEA), “domestic labs that produce methamphetamine are dependent on supplies

¹⁰⁴ “DEA probe links first illegal drug profits in U.S. to Middle Eastern terrorists.” The Associated Press, September 2, 2002.

¹⁰⁵ “Budget of the United States Government, Fiscal Year 2004—Appendix: Department of Justice.” Office of Management and Budget (OMB). Hizballah’s ties to the drug trade were also verified by the now-defunct Operation Green Quest, a multi-agency task force on terrorist financing created in 2001 after the 9/11 attacks. Though not directly aimed at Hizballah, Green Quest exposed laundered drug money for the group. Testimony of Kenneth W. Dam, Deputy Secretary, Department of the Treasury before the Senate Committee on Banking, Housing, and Urban Affairs, Subcommittee on International Trade and Finance on August 1, 2002. Under a May 13, 2003 agreement between the FBI and the Department of Homeland Security, “ICE shut down its successful ‘Operation Green Quest’ program that had yielded 38 arrests, 26 indictments and nearly \$7 million in seized terrorist assets during the first nine months of its existence -- handing over jurisdiction in terrorist cases to the FBI.” Seper, Jerry. “Senator Questions FBI Probe.” The Washington Times, June 6, 2005.

¹⁰⁶ For example, Ohio resident Mohammad Shabib was involved in a sprawling drug enterprise used to finance Hizballah. Beginning in the early 1990s, Shabib hauled about 3 tons of pseudoephedrine from Canada to California, where his colleagues sold the medicine to Mexican gangs that would turn it into the street drug methamphetamine. It is unclear exactly how much of this money went to finance terrorism, but Shabib’s drug trade did contribute to Hizballah’s financing. Garrett, Amanda. “Terrorists’ Money Takes Convoluted Path in U.S.” The Cleveland Plain Dealer, January 18, 2004: A1.

¹⁰⁷ Leinwand, Donna. “Meth is Top Drug Problem, Survey Says.” The Chicago Sun Times, July 6, 2005.

¹⁰⁸ “Chemical Diversion and Synthetic Drug Manufacture.” Drug Enforcement Administration (DEA), September 2001. <http://www.usdoj.gov/dea/pubs/intel/intel010621.html>

of the precursor chemical pseudoephedrine, which is sometimes diverted from legitimate sources.¹⁰⁹

One of the largest drug rings to be busted in the United States was the Esawi organization out of Chicago. In May 2002, twin brothers, Khaldon Esawi and Khaled Obeid were indicted on charges for possessing a drug with the knowledge that the drug would be used to manufacture a controlled substance, specifically methamphetamine.¹¹⁰ The drug trafficking operation began in Canada and moved from Chicago to California, involving 13 defendants. Although there were no explicit terrorist financing accusations, the possibility that the monies that were transferred to the Middle East by the defendants to be used for terrorist financing operations has been suspected by investigators on the case.

Drug Trafficking and the Palestinian Islamic Jihad

Of similar note, connections between indicted drug trafficker Tariq Isa and two of the defendants in the Palestinian Islamic Jihad (PIJ) case, currently in progress in Tampa, Florida, were uncovered. In May 2004, Isa, the Imam of the Al-Qassam Mosque in Chicago, was indicted for conspiracy to possess a controlled substance, conspiracy to possess narcotics and illegal transfer of firearms.¹¹¹ In February 2003, two other officials from the same mosque officials, Ghassan Ballut¹¹² and Hatem Fariz, had been indicted in Florida along with Sami al-Arian for their involvement with PIJ, a federally designated terrorist organization responsible for the deaths of two Americans and over 100 Israelis.¹¹³ In seeking Isa's detention, an AUSA from the Northern District of Illinois stated in court on August 10, 2004 that Isa had been photographed with Ramadan Shallah, the Secretary General of the PIJ.¹¹⁴ Isa, Ballut and Fariz were identified both as officers of the Chicago mosque and the only three individuals to hold signatory authority over its bank account.¹¹⁵

c. Dual Use: Counterfeit Drugs for Funds and as a Means of Terror Attack?

The manufacture and distribution of counterfeit pharmaceuticals is yet another criminal endeavor, which is being used as a direct conduit for financing terrorist attacks. Several examples of counterfeit drug operations have been uncovered throughout the country. This scenario is especially troubling as terrorist groups could use these methods for both financial gain and to further their violent schemes by simply adding toxins or infectious agents to them.¹¹⁶ Experts have documented the fact that Hizballah has manufactured and exported counterfeit

¹⁰⁹ "Methamphetamine & Amphetamines." Drug Enforcement Administration (DEA).
http://www.dea.gov/concern/meth_factsheet.html

¹¹⁰ USA v. Esawi, et al. NDIL 02-CR-38 "Indictment." May 07, 2002.

¹¹¹ USA v Isa. NDIL 04-CR-473 "Superseding Indictment." September 7, 2004.

¹¹² "Al-Qassam Mosque Business Summary Report." LEXIS/NEXIS, July 6, 2005. The business summary report lists Ghassan Ballut, Hatem Fariz, and Tariq Issa on the property transfer record for the mosque.

¹¹³ USA v. Al-Arian, et al. MDFL 03-CR-77. "Indictment." February 19, 2003.

¹¹⁴ O'Connor, Matt. "Mosque Official's Release Denied." The Chicago Tribune, August 11, 2004.

¹¹⁵ USA v. Al-Arian, et al. MDFL 03-CR-77. "Trial Exhibits: Al-Qassam Mosque Corporation Filings"

¹¹⁶ Testimony of Timothy Trainer before the House International Relations Committee titled "International/Global Intellectual Property Theft: Links to Terrorism and Terrorist Organizations" on July 16, 2003.

pharmaceutical products. While terror groups have raised funds from counterfeit sales for years,¹¹⁷ this is a new twist on an old problem, with even greater consequences.

d. Stored Value Cards

According to the United States Department of Treasury, "stored-value cards (SVCs) are smart cards with electronic value...The technology eliminates coin, currency, scrip, vouchers, money orders, and other labor-intensive payment mechanisms."¹¹⁸ While it is often difficult to move large sums of cash across international borders, stored value cards make it easy to transfer large amounts of money without a trace. The stored value cards operate as gift cards and can be obtained in a variety of different places. The cards are able to be obtained without real identification using, fake names and can be recharged at a number of different places. Experiments have been conducted showing the ease of obtaining and using these stored-value cards without divulging personal information. Although we have no evidence that stored value cards have been used in any terrorist financing schemes, SVCs do raise suspicion in terms of money-laundering.

A core requirement of the financial industry when dealing with international financial transactions such as the movement of funds overseas includes the careful monitoring of the Department of Treasury's Office of Foreign Assets Control (OFAC) Financial Operations and Designations lists. The Industry must perform due diligence on all clients in order to ensure that funds are not reaching individuals or nations, which have been "specially designated" by United States agencies. In terms of money-moving conduits such as stored value cards, enforcement of such regulations prove to be challenging.

Although the sole purpose of this card is to replace currency, and until now it has rarely been used for Internet purchases, there are new methods being developed to use SVCs to make payments over the web.

Stored-value cards while otherwise a convenient invention, have the potential to facilitate and abridge anti-money laundering efforts, depending on the amount of money that can be retained per card. Due to their portability and the fact that they can change hands a dozen times in one day without leaving a trace, stored-valued cards eliminate intermediaries such as financial institutions, allowing for virtually undetected global movement of funds. The implications of this

¹¹⁷ Hizballah has also made use of counterfeit goods, particularly in the South American tri-border region of Paraguay, Brazil, and Argentina. There, in February 2000, Ali Khalil Mehri was arrested for selling millions of dollars worth of counterfeit Sega, Sony, and Nintendo software and funneling the money to Hizballah. In his home, authorities found videos and CDs of known suicide bombers rallying others to the cause. Faiola, Anthony. "U.S. Terrorist Search Reaches Paraguay." The Washington Post. October 13, 2001. In July 2003, while searching the offices of suspected Hizballah financiers in Paraguay, police discovered boxes of counterfeit goods. "Document Seized in Ciudad Del Este from Alleged Hizballah Financier Offices." Agence France Presse. July 4, 2003. In October 2003, authorities in Beirut intercepted counterfeit brake pads and shock absorbers valued at \$1.2 million. Interpol Secretary General Ronald Noble told European and American legislators meeting in Dublin in April 2004 that "subsequent enquiries revealed that profits from these consignments, had they not been intercepted, were destined for supporters of Hizballah." "'Terror' Groups Cashing in on Fake Goods—Interpol." Reuters. April 7, 2004.

¹¹⁸ "Stored-Value Cards." U.S. Department of Treasury, Financial Management Service. <http://www.fms.treas.gov/storedvalue/>

development in terms of terror financing and our government's ability to combat it are simply daunting.

e. Multiple use: Vehicle Theft for Funds, for Laundering and as a Means of Attack?

Vehicle theft is playing a burgeoning role in the financing of terrorist organizations. According to Greg Terp, chairman of the North American Export Committee (NAEC), an organization whose mission is to stem the export of stolen vehicles, auto theft "remains a staple of organized crime groups" and recent investigations have shown a "direct link" between these organized crime groups and the funding for terrorist organizations.¹¹⁹ In a recent summit, the North American Export Committee (NAEC), and Arizona law enforcement officials came together to discuss how best to combat the exportation of stolen vehicles.¹²⁰ Arizona plays a significant role because it has the highest number of auto thefts per capita in the United States estimated to be more than 56, 000 a year.¹²¹

More alarming, however, is the use of stolen vehicles, not only in the financing of terrorism, but as part of future terrorist acts. Stolen cars in Arizona have been tracked to seaports outside of Los Angeles, Seattle, and Houston.¹²² It is entirely conceivable that a number of shipping companies, in turn, would ship these stolen vehicles to places in the Middle East, where they would be prepped for future suicide attacks and car bombings. Thousands of cheap, second hand cars from Europe, the Persian Gulf and Asia, for example, flooded into Iraq after the U.S.-led occupation two years ago through parts of the Middle East.¹²³ And In a raid conducted last year by U.S. troops in Fallujah, soldiers discovered a bomb making workshop where an SUV registered in Texas was being converted into a car bomb.¹²⁴

Money Laundering through Automobiles

While law enforcement officials have noted the sale of stolen vehicles by organized crime groups for the purpose of financing terrorist organizations, it is important to note that seemingly legitimate auto dealers have also been involved in laundering large amounts of cash through the sale of automobiles. In an ongoing investigation in Chicago, Illinois, four men were arrested for allegedly selling automobiles from their car dealership to drug dealers and gang members in exchange for cash proceeds of drug trafficking.¹²⁵ In turn, the defendants deposited the tainted cash in amounts under \$10,000, to avoid reporting rules, in separate branches of local banks.¹²⁶ Although authorities have made no public statements about connections to terrorist organizations, one of the defendants, Amir Hosseini, who is of Iranian descent, is accused of

¹¹⁹ North American Export Committee Website, <http://www.naec.ws/>

¹²⁰ North American Export Committee Website: Scheduled Meetings, <http://www.naec.ws/meetings.asp>

¹²¹ "Fiscal Year 2006 JLBC Budget: Automobile Theft Authority Report." Arizona State Legislature,

<http://www.azleg.state.az.us/jlbc/06recbk/ata.pdf>

¹²² "Lupita Murillo Reports: Arizona Auto Thefts Linked to Terrorism." Eyewitness News KVOA Tucson, May 18, 2005.

¹²³ Quinn, Patrick. "Iraq Car Bombings Kill 586 Since April." The Associated Press, June 24, 2005.

¹²⁴ Michael, Maggie. "U.S. Troops Find Suspected al Zargawi Command Center: Fallujah Toll Put 51 U.S. Troops Dead, 425 Injured." The Associated Press, November 18, 2004.

¹²⁵ USA v. Amir Hosseini, et al. NDIL 05-CR-0254. "Criminal Complaint". Mar. 21, 2005 at p. 9.

¹²⁶ USA v. Amir Hosseini, et al. NDIL 05-CR-0254. "Criminal Complaint". Mar. 21, 2005 at p. 9.

funneling money back to Iran. It should also be noted that the defendant was previously arrested on INS violations for lying about his country of origin. Arresting officers also noted that Hosseini's residence was "covered with documents supporting the Ayatollah and his policies."¹²⁷

IV. Cases of Terrorist Victims

Terror Cases filed by Victims: The David Boim case

A federal court in Illinois struck an important blow in the domestic War on Terror on December 9, 2004, against several Islamic groups that operated in support of the terrorist organization Hamas.

Federal Magistrate Judge Arlander Keys held three American Muslim organizations, the Islamic Association for Palestine (IAP), the Holy Land Foundation (HLF) and the Quranic Literacy Institute (QLI), along with high-level Hamas operative Mohammed Salah, liable for \$156 million in damages in the 1996 death of David Boim, a seventeen year-old New York native who was murdered by a Hamas gunman while waiting at a bus stop in the West Bank town of Beit El. The jury returned a verdict in the amount of \$52 million, which Judge Keys immediately tripled pursuant to U.S. anti-terrorism laws. This was the first time that the IAP was labeled part of Hamas' terrorist enterprise—a designation that the US government should have made years ago but did not for a variety of reasons, including the stringent pre-Patriot Act compartmentalization of intelligence versus criminal prosecutions.

HLF's assets had already been frozen by the federal government in the wake of September 11th, and several HLF officials were indicted by the Department of Justice this past July.

The Boim case represents the first successful use of the federal Anti-Terrorism Act of 1990, which allows American victims of violence overseas to sue domestic groups for terrorist acts committed outside the United States, and provides for treble damages. While this victory sets a precedent which could serve to shut down other domestic institutions which act to support foreign terrorist organizations, through fundraising and dissemination of propaganda, the Boim Family has been unable to collect a dime because the defendants disposed of all traceable assets and denied that they possessed any assets, thus denying payment of the judgment to the Boim family. Congress ought to consider some remedial legislation designed to assist plaintiffs in such actions to collect damages that are awarded. New laws could ensure that defendants in terrorist civil trials are not allowed to legally dispose of their assets in order to evade a court judgment. Additionally, Congress should consider allowing collection from the assets frozen by the U.S. government and those that are held under personal control by officers in terrorist fronts.

V. The Need for Consistency of action by European Authorities: Designation of Terrorists

¹²⁷ USA v. Amir Hosseini, et al. NDIL 05-CR-254. "Government Memorandum in Support of Revoking the Release of Amir Hosseini." June 27, 2005 at pp. 1-2.

As the United States and the Western world braces itself for a renewed hatred against them, the United States and European Union must form a strong alliance in response to the worldwide terror attacks. The United Kingdom has joined the United States and Spain as victims of the most recent terrorist attack. Although the U.S., the E.U., and United Kingdom all see eye-to-eye on Al Qaeda, Europe has, for the most part, refused to designate other terrorist groups such as Hizballah. Although the E.U. and the U.K. have designated Hamas as a terrorist organization, only a few of the numerous branches of Hamas, constituted as front groups in Europe, have been shut down by European authorities. The U.K. has studiously avoided shutting down its Hamas branch. Moreover, the E.U. has recently initiated a "dialogue" with officials of Hamas and Hizballah, a course of action that has only served to reward both terrorist groups for their murderous terrorist acts.

The Shiite extremist group Hizballah has a long and bloody history of violence in the Middle East against Israel, its citizens and the United States. Less reported is its continuing public declarations of violent intent against American interests, its covert criminal activity in America to raise funds and its ominous partnership with Al Qaeda.

Hizballah has also launched organizational meetings with other terrorist groups that share its view of the need for the Islamic Caliphate or a global Islamic state. It opened its training facilities to Al Qaeda, even after 9/11, providing a critical liaison and resources for Al Qaeda. As the working relationship between Hizballah and Al Qaeda grows, so too does the concern that the result may be increased attacks against American targets.

The U.S. Department of State, Office of Counterterrorism officially designated Hizballah as a foreign terrorist organization (FTO)¹²⁸ in 1997. On November 2, 2001, President Bush amended Executive Order 13224 of September 23, 2001,¹²⁹ to include the freezing of the assets of organizations and individuals linked to Hizballah in the United States.¹³⁰

Despite these facts, the European Union has still not designated Hizballah as a terrorist group. I would like to thank both houses of Congress for passing bills earlier this year, urging the European Union to add Hizballah to its list of terrorist organizations. Interestingly, the European Union has designated the Al Aqsa Martyrs Brigade, the terrorist wing of the Palestinian Fatah party, yet they do not list Hizballah on their designation lists.¹³¹ Taking one positive step, the E.U. has attempted to show that it is against Hizballah's anti-Western and anti-Semitic propaganda by banning Hizballah's television station, Al-Manar, from being broadcast in Europe. Al-Manar condemned the move, stating that it "represents a flagrant aggression against the freedom of the press and contradicts the simplest principles of the human rights charter and the principles that Europe claims to promote."¹³² And while the E.U. has included several Hizballah officials on its designation list, it still does not include the terrorist organization itself.

¹²⁸ "Foreign Terrorist Organizations." U.S. Department of State, Office of Counterterrorism. October 23, 2002.

¹²⁹ "What You Need to Know About U.S. Sanctions." U.S. Department of Treasury, Office of Foreign Assets Control. September 23, 2001. <http://www.ustreas.gov/offices/enforcement/ofac/sanctions/terrorism.html>

¹³⁰ "Comprehensive List of Terrorists and Groups Identified under Executive Order 13224." U.S. Department of State, Office of the Coordinator for Counterterrorism. October 23, 2002.

¹³¹ "Council Decision." Office Journal of the European Union. April 2, 2004. <http://www.statewatch.org/news/2004/apr/eu-terr-list1.pdf>

¹³² "Al-Manar Flays EU Broadcast Ban." Al-Jazeera. March 19, 2005.

The E.U.'s list of designated terrorist groups is much smaller than that of the US. More importantly, the E.U.'s list does not mean much in practical terms. It entails an obligation for every single member country to take action against the designated group, but there is no mechanism to really enforce it. Therefore it is not much more than a "suggestion." It is up to the individual country to act. Moreover, designating Hamas on a list does not mean all that much in practical terms as Hamas charities and bank accounts are held under various names.

There are several reasons E.U. countries have not done much. First, the governments have not put in place the resources needed to track terrorist finances. OFAC in the U.S. has more than 100 people tracking down terrorist finances. In contrast, the corresponding offices in European countries that do the same type of work are overwhelmingly understaffed; by comparison, the Bank of England has four, Germany has one and France has two. That situation is a consequence of the lack of political will to act on the part of European governments. In 2003 U.S. authorities designated a group of Hamas-linked charities based in several European countries: some countries (Denmark) decided to follow suit and designated them too, while others (France, Austria) said they saw no evidence of terrorism-links and decided to let them operate on their territory.

Saudi Arabia's Role

Any discussion of terrorist financing trends and developments would not be complete unless there was a frank analysis of whether Saudi Arabia has truly changed its policies on terror financing as it claims to have done. Close scrutiny of continued Saudi funding of Islamic charities worldwide and the behavior of Saudi charities such as the Muslim World League (MWL) and the World Assembly of Muslim Youth (WAMY) show that despite making claims to the contrary, Saudi money continues to be pumped into radical Islamic entities and mosques around the world by Saudi charities.

The Investigative Project on Terrorism has examined tens of thousands of reports, publications, internal records and statements of MWL and WAMY and their officials in prior years and conclusively found that chapters of both organizations, numerous officials and employees of the organizations and designated grants and publications of both groups have been linked or tied to Al Qaeda, Hamas and other terrorist groups. The evidence in this study is overwhelming, and much of the evidence is from open source materials.

Even after being confronted by U.S. officials about the operations of both "charitable" conduits, Saudi officials continue to deny that either group has been tethered to terrorist organizations or that the Saudi regime has imposed strict rules to ensure that no Saudi charity can be exploited by terrorists. In fact, the rules allegedly imposed by the Saudis are illusory. With great ceremony, Saudi officials announced that charities including WAMY and MWL would be officially subsumed under a new umbrella organization with tight government controls to ensure that no monies were diverted to terrorism. In fact, this new Saudi charitable oversight group does precious little. Saudi Arabia funds continue to be channeled to Hamas and other Islamic fundamentalist groups while MWL and WAMY have continued their primal agenda of promoting, subsidizing and sponsoring Islamic extremist ideology.

In response to U.S. pressure to regulate its charities, Saudi Arabia set up, together with the US, the Joint Terror Financing Task Force. Has it been effective? I would submit to you that based on the declared objectives of insuring transparency and regulating the activities of charities in the Kingdom, there is still a lot of work to do on the part of the Saudis. There have been some positive steps taken by the Saudis, but in the larger mix of things, the Joint Task Force has been a relative failure. This is due in large part to the fact that in order for the Joint Task Force to succeed, Saudi Arabia would have to effectively renounce its Wahhabist religious ideology. Its ideology drives its religious institutions, which in turn drive its funding of radical Islam. In the United States, Wahhabist Saudi tracts and publications continue to be exported here to mosques, Islamic centers, prisons, the US military, and radical Islamic groups that operate under false veneer as "civil rights" and "charitable" organizations. Accused terror financiers Wael Jalaidan and Yassin Al Qadi continue to operate with total impunity despite (false) assurances by Saudi officials that their terrorist careers had had been shut down, or that they had been put under house arrest.

Conclusion

1). Too often, comprehensive counter-terrorist financial investigations are undermined by a series of factors including the refusal to share intelligence between the FBI, CIA and Treasury; the shortage of highly skilled forensic accountants attached to different field offices; the fact that FBI priorities, understandably, are to stop the next terrorist attack and thus leave little extra time or resources for long range financial investigations; the failure to exploit open source intelligence, thus circumventing the restrictions on agency dissemination of sensitive source-collected intelligence; and the numerous competitive divisions of labor on counter-terrorist financing at Treasury preventing a horizontal integration of assets and resources.

Let me suggest several steps that might be considered to improve the process:

1. Create dedicated teams of forensic accountants who could be attached to roving federal teams much like the old Organized Crime Strike Forces.
2. Mandate more formal exchanges of information between myriad government units and agencies which participate in the war on terrorism, especially those that collect financial intelligence
3. Create and standardize the expertise and knowledge base needed to graduate new classes of counter-terrorism financial experts and forensic auditors.
4. Authorize additional funds to create new counter-terrorism financial intelligence positions at Treasury, the Department of Justice, DHS and the FBI.
5. Streamline decision making between the federal agencies on asset forfeiture, asset freezing, terrorist designation and terrorist prosecution.
6. Create an Open Source Directorate at each of the federal agencies whose mission is only to mine, collect and disseminate open source intelligence and data.
7. Develop a cross agency standardized link analysis intelligence base that can be exploited by numerous agencies.
8. Create special link-analyst positions at respective agencies.

9. Digitize the vast amount of evidence and documentation submitted into evidence at the more than 300 prosecutions, indictments, deportations and other legal procedures initiated against suspected terrorists and terrorist fronts since 9-11.
10. Create a special unit that tracks charities and foundations supporting terrorism that operate out of the Middle East. This unit should collect and distribute intelligence, both classified and open source, about the operations, funding flows, meetings and activities of these groups.
11. Create a cross agency database on known terrorist financiers, entities, links and affiliations.
12. Appoint prosecutors with substantive authority and oversight at the FBI in order to help insure the efficacy of investigations and prosecutions.
13. Implementing legislation to ensure payment to families of terror victims.
14. Create a new streamlined process of exchanging information—both ways--between federal agencies and state agencies.
15. Insure that the government empowers genuine, not ersatz, Islamic moderates who convey to their communities that they should cooperate with the FBI, that the US is NOT engaged in a war against Islam (a message that has been deliberately disseminated by numerous “mainstream” Islamic groups designed to estrange Muslim populations against their own country), that Islamic extremist groups must be denounced by name, and who acknowledge rather than deny the existence of radical Islamic fundamentalism.
16. Utilize existing statutory authority to designate or freeze Saudi “charities” such as MWL and WAMY.
17. Begin systematically tracking the massive influx of Saudi and other money that comes into the United States for Wahhabist “dawah” (proselytization).
18. Create incentives for career paths within government agencies for specialized counter-terrorism financial experts.