



CONTRABAND CIGARETTE TRAFFICKING & INTERNET SALES AND TERRORIST ORGANIZATIONS

"The Bush administration is intensifying efforts to cut off funding to Hezbollah, the Shiite organization the U.S. believes is Iran's principal vehicle for conducting terrorist attacks globally. . . . The Justice Department last month indicted 19 men on charges of participating in a global smuggling network dealing in contraband cigarettes and pharmaceuticals that allegedly generates funding for Hezbollah. The arrests of nine of these men in Detroit last month marked the second time in the past five years that federal agents have disrupted what they say are fund-raising cells for Hezbollah inside the U.S. In 2002, the Justice Department successfully prosecuted two men in Charlotte, N.C., for running an interstate cigarette-smuggling ring and shifting some of the profits to Hezbollah."

Jay Solomon, "U.S. Targets Hezbollah Funds: Counterterror Efforts Are Heightened Against Iran-Linked Group," Wall Street Journal, April 24, 2006.

"Because of the immense profits in the illicit cigarette trade, as well as the potentially low penalties for getting caught, illicit cigarette trafficking now rivals drug trafficking as the method of choice to fill the bank accounts of terrorists, said William Billingslea of the federal Bureau of Alcohol, Tobacco, Firearms and Explosives."

Steve Geissinger, "Illicit Sales Worry Foes of Cigarette Health Tax," Oakland Tribune, December 14, 2005.

"[I]t is obvious that the terrorists are using cigarette smuggling in order to help finance their activities."
Rep. Sensenbrenner (R-WI), Chair of the House Judiciary Committee, House debate over Coble Amendment to Patriot Act, July 21, 2005.

"Criminal organizations, including terrorist groups, are using contraband cigarettes to fund their organizations. The scam is relatively easy and extremely lucrative. . . . We must do everything we can to choke off this source of funding for criminal organizations which, in turn, subsidize terrorist organizations."

Rep. Coble (R-NC), House debate over Coble Amendment to Patriot Act, July 21, 2005.

"We are working some Internet cases," said Jerry Bowerman, chief of the ATF's Diversion Branch, which investigates tobacco and alcohol cases. Bowerman said he couldn't discuss ongoing cases, but he added there were roughly 500 Web sites both domestically and internationally selling tobacco products, and there were concerns some of them might be linked to organized crime or terrorist organizations. "It's a top priority for us," Bowerman said.

Les Blumenthal, "Back Tax Asked on Cigarettes: \$4 million -- State sending out letters seeking payment," The News Tribune, March 29, 2004.

"Smugglers with ties to terrorist groups are acquiring millions of dollars from illegal cigarette sales and funneling the cash to organizations such as al Qaeda and Hezbollah, federal law enforcement officials say, prompting a nationwide crackdown on black market tobacco. The federal Bureau of Alcohol, Tobacco, Firearms and Explosives has more than 300 open cases of illicit cigarette trafficking -- including several with terrorist links -- up from only a handful five years ago, ATF sources said. 'This is a major priority for us,' said Michael Bouchard, assistant director of the ATF. 'The deeper we dig into these cases, the more ties to terrorism we're discovering.'"

Sari Horwitz, "Cigarette Smuggling Linked to Terrorism," The Washington Post, June 8, 2004, Page A1.

"This bill [the PACT Act] will reduce illegal cigarette sales -- a result that will disrupt terrorist funding while at the same time help states collect the revenue to which they are legally entitled."

*Senator Orrin Hatch (R-UT), Statement before the Senate Judiciary Committee Executive Business Meeting on "The Prevent All Cigarette Trafficking Act of 2003," July 31st, 2003.**

"It is clear that cigarette trafficking is becoming a method of terrorist financing. This legislation [the PACT Act] will comprehensively combat tobacco smuggling. In reducing cigarette smuggling, we will simultaneously help deny terrorists a needed source of funding and help our financially struggling states collect their revenue."

Senator Herb Kohl (D-WI), press release, "Hatch, Kohl Introduce Bill to Halt Contraband Cigarette Trafficking Linked to Terrorist Funding," June 3, 2003.

"Contraband cigarettes contribute heavily to the profits of organized crime syndicates, specifically global terrorist organizations. Furthermore, illegal cigarette trafficking has had a damaging impact on the economies of numerous states."

Senator Orrin Hatch (R-UT), press release, "Hatch, Kohl Introduce Bill to Halt Contraband Cigarette Trafficking Linked to Terrorist Funding," June 3, 2003.

"Terrorists have earned assets through the highly profitable illicit trade in cigarettes. According to officials from the ATF, Hizballah, HAMAS, and al Qaeda have earned assets through trafficking in contraband cigarettes or counterfeit cigarette tax stamps. ATF officials told us that as of August 20, 2003, they were investigating at least six such cases with ties to terrorist groups. ATF officials also believe that there are several other investigations under way that may produce evidence linking them to terrorist groups. In the one closed case example, during 2002, an ATF investigation revealed a conspiracy where the defendants were illegally trafficking cigarettes from 1996 to 2000 between North Carolina, a low tax state, and Michigan, a high tax state, and funneling some of the illegal proceeds back to the Hizballah. . . . The investigation resulted in at least two convictions, in June 2002, for cigarette trafficking, money laundering, and providing material support to a terrorist organization."[†]

U.S. General Accounting Office, Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists' Use of Alternative Financing Mechanisms, November 2003, <http://www.gao.gov/new.items/d04163.pdf>.

Enforcement Actions Against Contraband Traffickers Linked to Terrorists

DETROIT -- The U.S. Attorney's Office on Wednesday indicted 18 people it alleged took part in a multimillion-dollar international conspiracy to smuggle cigarettes, counterfeit Viagra and other goods to raise money for the Mideast terrorist group Hezbollah. The tobacco-smuggling operation was based in Dearborn and shipped up to \$500,000 a week worth of untaxed and low-tax cigarettes. . . . "The enterprise operated from Lebanon, Canada, Brazil, Paraguay, China, North Carolina, Florida and the Dearborn, Mich., area, perpetrating crimes in the states of Michigan, California, Florida, Georgia, Illinois, North Carolina and West Virginia (and points in between)," the indictment alleges. . . . The alleged scheme, operated from 1996 to 2004, also involved the manufacture and purchase of counterfeit stamps placed on cigarette packages to show taxes had been paid on them. . . . The smuggled cigarettes were sometimes subject to a "resistance tax," which customers said would be sent to Hezbollah, the indictment alleges.

Paul Egan, "18 charged in smuggling case: U.S. attorney says group illegally brought in cigarettes, fake Viagra to raise funds for Hezbollah," The Detroit News, March 30, 2006.

* The PACT Act passed the Senate unanimously in 2004, during the past session of Congress, but was not voted on by the full House. Similar legislation is expected to be reintroduced in the current session of Congress.

† A convenience store owner who pleaded guilty to transporting counterfeit cigarettes in the North Carolina case as part of a plea bargaining agreement was later charged with the separate firebombing of a competing Charlotte convenience store, with the 14-count indictment also including charges of conspiracy, extortion, conspiracy to commit arson, and aiding in the use of firearms in a crime. ["Witness in N.C. Smuggling Case Indicted in Firebombing," Greensboro News-Record, December 21, 2005.]

“Bronx District Attorney Robert T. Johnson and Police Commissioner Raymond Kelly announced on September 1, 2005 that 28 people have been indicted by a grand jury on charges of money laundering and other offenses stemming from the trafficking and sale of untaxed cigarettes obtained from Native American reservations on Long Island. It is alleged that an estimated half million dollars in profits from the illegal scheme were sent to Amman, Jordan by way of crew members for Royal Jordanian Airlines. Individuals believed to be Jordanian Air Marshals are also suspected of acting as couriers in the money laundering operation. . . . Mr. Johnson said: "A major concern is to determine for what purpose this money was being shipped out of the country. That will be one priority in this continuing investigation.”

Press Release, Bronx District Attorney Robert T. Johnson, "Money Laundering Charges Filed Against Jordanian Nationals Who Allegedly Sold Untaxed Cigarettes on the Black Market and Funneled the Profits to the Middle East," September 01, 2005.

“Federal authorities in Detroit say two women from the Seneca Nation of Indians' Cattaraugus reservation played a key role in a cigarette-smuggling ring that helped ship hundreds of thousands of dollars to Hezbollah, the Islamic militant group blamed for the 1983 suicide bombing that killed 241 U.S. Marines and sailors in Beirut, Lebanon. . . . One of the two Senecas, Brandy Jo Bowman, 24, is identified as the companion of alleged ringleader Elias Mohamad Akhdar. . . . Prosecutors say Akhdar used his relationship with Bowman . . . to ensure a steady supply of cigarettes from the Seneca reservation to his group. . . . [Prosecutors said that Akhdar] had taken part in military incursions in Lebanon on behalf of Hezbollah and had sent part of his contraband cigarette profits to help finance the militant group.”

Michael Beebe, "2 Linked with Cigarette Smuggling to Fund Hezbollah," Buffalo News, February 6, 2003.

“A rash of seizures, a proliferation of Internet sites and an increase in smoke shops that the government claims are fronts for smuggling have led to the formation of a new federal task force on cigarette smuggling in Western New York. . . . In the first six months of this year, local, state and federal authorities seized 17 shipments of what they claim are illegal cigarettes. Each of the seizures involved truckloads of cigarettes, with the total value estimated at more than \$1.5 million. Investigators say many of the cigarettes were destined for Native American smoke shops that are fronts for illegal Internet sales. They claim Western New York is home to more than 300 Web sites offering tax-free cigarettes. . . . The recent spate of seizures, the growth in Internet sales and the belief that proceeds may be going to organized crime and terrorist groups have prompted the federal government to form the new task force and step up its efforts at cracking down on cigarette smuggling.”

Phil Fairbanks, "Smugglers' Haven? Law Enforcers Say the Buffalo Niagra Region is a Hotbed of Cigarette Smuggling – Now a Federal Task Force Aims to Crack Down on the Crime," Buffalo News, Oct. 14, 2002.

“Agents from the Maryland Comptroller's Office, who earlier this month alerted the FBI of possible links between cigarette smugglers and terrorist organizations, have arrested two more suspected smugglers and say the problem is more widespread than initially thought. . . . Two weeks ago, [the Maryland Comptroller] turned over to the FBI the names of 212 persons suspected by his office of smuggling cigarettes to fund terrorist activities. Sixty-one of the 212 suspects have been arrested for smuggling cigarettes, according to documents released by the comptroller's office. All 61 have names that appear to be of Arabic or Middle Eastern origin.”

Guy Taylor, "Arrests hint at scope of cigarette smuggling," Washington Times, October 16, 2001.

Campaign for Tobacco-Free Kids, May 3, 2006