

**How Counterfeit Goods Provide Easy Cash for Criminals and Terrorists**  
**HSGAC Hearing**  
**Senator Joe Lieberman**  
**As Prepared For Delivery**  
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Madame Chairman, thank you for calling this hearing today on a topic that deserves far greater recognition than it has yet received. Over the years, we have heard much and tried to do much about the production of counterfeit goods and the economic losses suffered by manufacturers, whose popular CDs or designer jeans are counterfeited for mass sale around the globe. But today we will look at counterfeit goods from a different perspective – from the national security perspective - which, I think adds a whole new dimension to this illicit activity.

As I understand it, the experts estimate that as much as five to seven percent of world trade may be in the sale of counterfeit goods. This amounts to hundreds of billions of dollars a year that eat away at the income of U.S. manufacturers and workers. It has become a major source of income for organized crime and terrorist organizations.

What makes this activity so popular among criminals – and, it appears, attractive to terrorists as well - are its low risks and high rewards. In other words, the penalties and the risk of getting caught are minimal, while the potential for making money is maximal.

A recently published book entitled “Lightning out of Lebanon” details a North Carolina case that implicates Hezbollah, the terrorist outfit which is now successfully mainstreaming itself into Lebanese politics. One of our witnesses here today, former FBI analyst Mathew Levitt worked with the authors of the book, and I look forward to hearing about his investigations in that area.

Additionally, the Terrorist Financing Operations Section of the FBI provided an unclassified document to our Committee three years ago – in the context of another investigation - that listed the sale of counterfeit goods among various criminal activities the terrorist organization Hezbollah uses to raise cash in the United States.

This evidence puts the lie to what I think is a commonly held belief that the trade of counterfeit goods is a victimless crime: if anyone suffers, it’s only a few people at the top of big corporations. That is not true. If, in fact, profits from counterfeit sales are used

to finance terrorist activities, then it is anything but a victimless crime. This is a crime that contributes to mass and random murder around the world, including, needless to say, that of Americans.

We are fortunate to have two witnesses from Los Angeles today, and I anticipate vivid descriptions from them about the counterfeit trade and their discovery of potential terrorist connections. All three witnesses, I hope, will help us discover whether the terrorist/counterfeit goods nexus is receiving the resources, coordination, and investigatory and prosecutorial clout from the federal government that it deserves. Local leads regarding counterfeit goods and possible terrorist connections are extremely important since the federal government has strong financial tracking capabilities, which were further improved by the intelligence reform legislation signed into law last year by the President. That legislation authorized additional funding for the Treasury Department's Financial Crimes Enforcement Network (FinCEN) and its technical tracking capabilities to strengthen the Department's anti-money laundering and anti-terrorist financing efforts.

This is a very important hearing that I hope will bring to this subject attention it hasn't received before, and generate appropriate prosecutorial action. Thank you, Madame Chairman.