



U.S. Immigration and Customs Enforcement

STATEMENT

OF

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BEFORE

**SENATE BANKING, HOUSING AND URBAN AFFAIRS
COMMITTEE**

on

“9/11 Commission Report: Terrorist Financing Issues”

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Good morning, Chairman Shelby, Senator Sarbanes and Distinguished Members of the Committee. It is a privilege to appear before you to discuss terrorist financing issues arising out of the 9/11 Commission Report. I am pleased to join my colleagues from the Federal Bureau of Investigation (FBI) and the Department of the Treasury to discuss the recommendations of the Commission, and specifically, to address how U.S. Immigration and Customs Enforcement (ICE) is using its border and interior enforcement authorities in the war on terror.

The 9/11 Report details how 19 terrorists exploited a number of vulnerabilities in order to bring their plot to fruition: traveling between countries to train and recruit; engaging in document fraud to cover their tracks and move freely from place to place; earning and transferring money in support of the plot; exploiting the U.S. immigration system; and defeating security measures in the transportation system.

The Department of Homeland Security (DHS) was created after the attacks of 9/11 to address these vulnerabilities. ICE is the largest investigative agency of DHS and is comprised of some of our Nation's oldest and most recognizable law enforcement agencies. Under the Homeland Security Act of 2002, ICE is responsible for enforcing customs and immigration laws (among other authorities), and is charged with using these authorities in new ways to protect the homeland.

Terrorist Financing: Interagency Cooperation

I am pleased to join my colleagues at this hearing today to talk about how our agencies are working together to ensure that we have the needed flexibility and creativity in our enforcement strategy to shut down vulnerabilities in our financial systems and disrupt terrorist attacks.

We work closely with and routinely exchange information among the federal agencies that investigate financial crime. Pursuant to a Memorandum of Agreement between the Department of Justice and the Department of Homeland Security, ICE vets all potential terrorist financing leads through the FBI. ICE and the FBI have established a Joint Vetted Unit staffed by senior personnel from each agency to identify financial investigations that may have a nexus to terrorism. ICE also has assigned a senior manager as the Deputy of the FBI Terrorist Financing Section (TFOS) to provide better coordination in terrorist financing investigations. The Deputy of TFOS has a fully integrated role in the evaluation and determination of ICE financial leads that are vetted through TFOS.

As a result, the agencies here today have worked together, cooperatively, on a number of cases that we believe have stemmed the flow of funds into the hands of terrorists. I would like to briefly mention three cases that illustrate the success of our cooperation.

The first case was developed out of leads from the ICE Cyber Crime Center, one of our key investigative tools that look at risks associated with the cyber border. Based on the information developed, ICE, through the Joint Terrorism Task Force (JTTF), developed a case against AZZAM.com and affiliated websites that promoted “jihad”

against the United States and provided instructions on how to evade U.S. currency reporting requirements and deliver funds to “jihadists” in Chechnya and Afghanistan through Pakistan. The investigation resulted in the recent arrest in the United Kingdom of Babar Ahmad. Ahmad’s websites provided explicit instructions on how to raise and illegally move funds to the Taliban through hawalas and other methods, and also instructed individuals on how to obtain visas to travel to Afghanistan to fight for the Taliban.

The second case involved Abdurahman Alamoudi, who in July of this year pleaded guilty in the Eastern District of Virginia to conducting prohibited financial transactions with Libya, making false statements in his application for U.S. citizenship, and violating U.S. tax laws by concealing his foreign bank accounts, concealing his transactions with Libya, and omitting information from tax returns filed by his charities. The arrest and subsequent indictment of Alamoudi were the result of a long-term investigation by ICE, the FBI and the Internal Revenue Service (IRS).

The final example is a case in which ICE, the FBI and IRS worked to indict the Holy Land Foundation for Relief and Development (HLF), of Dallas, Texas. This foundation was created to provide financial and material support to the Hamas movement. It is estimated that since 1995, HLF and its members have illegally sent \$12.4 million to support Hamas.

Lessons of 9/11

These cases are examples of how the U.S. Government has pursued terrorist financing in the immediate aftermath of 9/11. But as the 9/11 Commission Report and other studies have found, going forward we must continually adapt our countermeasures

and use all of our enforcement tools and authorities to full effect. For ICE, that means addressing vulnerabilities that could be exploited by terrorists to raise money.

As an Assistant United States Attorney, I prosecuted the case against the terrorists who bombed the World Trade Center in 1993. From that experience and from my experience at DHS, I can tell you two things about terrorist financing. The first is that terrorism comes relatively cheap. The 9/11 Commission Report details the amount of money—approximately \$400,000 to 500,000—that the hijackers spent over the two years they were preparing for the attacks. I would estimate the cost for the 1993 World Trade Center bombing at only about \$50,000. These are relatively small amounts of money compared to the high cost to the United States in terms of not only the loss of loved ones and damage to property, but also the psychological damage inflicted on our nation.

The second is that terrorist funds are hard to trace, particularly when we are trying retroactively to piece together where the money was raised or how it was moved around the world. We tried to trace back the money in the 1993 World Trade Center bombing, and we were not particularly successful in that instance. The 9/11 Report states that “the origin of the funds remains unknown,” but the best estimate is that prior to 9/11 al Qaeda raised its roughly \$30 million operating budget through donations.¹

Moreover, past practice is not always indicative of future operations. What methods are terrorists using today, and what methods will they use in the future to earn or move money? We have ideas, and we can make assumptions based on these past practices, but above all we must assume that terrorists are creative and adaptable, as they have already shown themselves to be. That is why our enforcement approach must employ the same flexibility.

¹ The 9/11 Commission Report, p. 169-170.

Several of the 9/11 Commission's recommendations suggest steps that are already being taken by ICE to enhance the Nation's counterterrorism initiatives, restore integrity to the U.S. immigration system, enforce laws that protect U.S. financial systems from exploitation, and strengthen the nation's border security in the effort to prevent future terrorist attacks. These recommendations track with the findings of a recent Government Accountability Office (GAO) investigation which found that: "Terrorists earn assets through illicit trade in myriad commodities, such as drugs, weapons, cigarettes, and systems, such as charities, owing to their profitability. Like other criminals, terrorists can trade any commodity in an illegal fashion, as evidenced by their reported involvement in trading a variety of counterfeit goods." Many of the examples cited in the GAO report fall within the traditional law enforcement jurisdiction of ICE.

Cornerstone

ICE is targeting each of these areas of vulnerability as part of Cornerstone, an initiative that targets the alternative financing mechanisms that terrorist and other criminal organizations use to earn, move, and store funds. Our goal is to disrupt or dismantle these alternative funding mechanisms before these organizations can exploit them for their own purposes.

Through Cornerstone, ICE has made tremendous progress in the fight against financial crime and money laundering. In just over one year, ICE has seized nearly \$300 million in suspect currency and effected more than 1,800 arrests. Let me give you some examples of how we are doing this.

ICE targets the methods through which terrorist and criminal organizations *earn* their illicit funds through investigations of intellectual property rights (IPR) violations,

counterfeit pharmaceuticals, human smuggling and trafficking; narcotics, commercial fraud, export violations, and cyber crime. A recent IPR investigation conducted by ICE New York, “Operation Executive,” identified individuals and organizations that were responsible for the large-scale smuggling of counterfeit trademark merchandise into the United States from the People’s Republic of China. The deals were brokered through middlemen in Lebanon. This organization is suspected of being responsible for the importation of 100 containers of counterfeit goods with a retail price of \$400 million dollars. ICE agents arrested 14 subjects, seized containers valued at approximately \$24 million dollars, and seized nearly \$100,000 in currency.

Tobacco smuggling also provides a lucrative source of potential funding for terrorists. In January of this year, ICE dismantled the largest nationwide tobacco smuggling organization to date and arrested 15 defendants. The 92-count indictment charged the defendants with tobacco smuggling and money laundering, among other offenses. The organization was responsible for the movement of more than 10,000 cases of counterfeit and contraband cigarettes and over 100 cases of liquor worth approximately \$20 million dollars. As in Operation Executive, no link to terrorism was uncovered in this case, but the potential for reaping large profits by exploiting an area where there is a perception of lax enforcement and weak penalties must be addressed.

ICE targets the *movement* of funds derived from criminal activity into and out of the United States by identifying financial and trade systems that are vulnerable to exploitation by criminal organizations and terrorist financiers. These systems include bulk currency smuggling, trade based money laundering, courier hubs, money service businesses, alternate remittance systems and charities. Earlier this year in New York,

ICE and the IRS investigated an unlicensed money remitter and discovered the illegal transfer of \$105 million to Pakistan, and millions more to Europe and South Asia. While we could not prove a direct link to terrorism in this case, we do know that the money was going to a region of Pakistan where al Qaeda and others are active and that this is the type of alternative funding mechanism terrorist networks have turned to in order to avoid detection by law enforcement. Using our unique authorities, including new powers under the Patriot Act related to unlicensed money brokers, ICE shut down the brokers, made arrests and seized money.

Another Patriot Act provision, in this instance a provision that criminalizes bulk cash smuggling, has given ICE an effective tool to combat this vulnerability. Since July 2003, ICE and CBP have collectively seized \$40.5 million before it could be illegally exported and ICE has arrested more than 133 individuals for bulk cash smuggling violations as a result of follow-up investigations to these seizures. The majority of these cases were narcotics related, but some had elements of alien smuggling as well.

ICE targets commodities that are imported and exported from the United States and that can be used to *store* the proceeds of illegal activity. For example, criminal organizations have used commodities such as gold and precious metals to disguise their ill-gotten gains. In Operation Meltdown, ICE agents worked with the IRS to uncover a scheme in which jewelers were converting the proceeds of drug sales into the equivalent value in gold. They then melted the gold and fashioned it into items such as nuts, bolts and wrenches, and then shipped the items to Colombia where it was melted down and converted back to cash. Our investigation of this case resulted in 23 arrests.

Cornerstone and our work in the JTTFs with our partners illustrate the approach that ICE is taking to homeland security, and specifically to terrorist financing.

Terrorist Travel and the Border

Finally, let me briefly address an issue raised in the invitation letter for this hearing, namely, how prepared the U.S. immigration system is to meet the challenges of terrorist travel as well as comments on controlling the cross-border movement of people. Maintaining the integrity of the border—both in terms of cross-border movement of people and goods as well as interior enforcement of immigration laws—underpins our homeland security mission. Smuggling is a direct threat to our border security. In partnership with U.S. Customs and Border Protection (CBP), ICE focuses on the identification, disruption and dismantling of smuggling organizations because organizations that exploit our borders to bring in illegal aliens or drugs could, for the right amount of money, employ those same routes and networks to smuggle terrorists or weapons of mass destruction.

ICE's combined customs and immigration authorities allow us to match the smuggling organizations step-by-step as they move from one criminal enterprise to another. One example of how we are using our combined border and immigration authorities to shut down these smuggling organizations is Operation ICE Storm in Phoenix, Arizona. In ICE Storm, we are helping to stop the surge in violent crime in Phoenix through the identification and dismantling of organizations that are smuggling humans, drugs, currency and weapons; the prosecution of smugglers and the seizure of assets. Phoenix police are crediting ICE Storm with a dramatic decrease in violent crime as a result of this operation. In its first year of operation, ICE has arrested 256 people and

seized \$5.3 million in connection with these smuggling operations—a dollar amount that is unprecedented for seizures in cases of alien smuggling.

ICE's enforcement of immigration laws goes beyond the border and investigations of smuggling. As a 9/11 Commission Staff monograph on terrorist travel notes, at least three of the 19 hijackers violated the terms of their visa. If these three terrorists had somehow landed in the custody of U.S. law enforcement before 9/11, it is likely that the only charges that could have been brought against them at the time would have been immigration charges. One of the ways that we are addressing this vulnerability is through compliance enforcement of the US-VISIT program and the Student and Exchange Visitor Information System (SEVIS). Enforcement action against SEVIS violators gives us an important law enforcement tool to detect and deter those who seek to abuse the system. Such exploitation has led to serious harm to our national security in the past: Hani Hanjour, one of the 9/11 hijackers, as well as the driver of the van who blew up the World Trade Center in 1993 both exploited their student visa status to remain in the United States.

Conclusion

The 9/11 Commission Report contains a number of recommendations aimed at preventing the next terrorist attack that focus on shutting down terrorist financing. The Report also notes that targeting travel is at least as important as targeting the money. Our mandate under the Homeland Security Act of 2002 is to address vulnerabilities—vulnerabilities that expose our borders to infiltration and our financial systems to exploitation—through strong enforcement of customs and immigration laws. Through

Cornerstone and our other homeland security enforcement programs we are doing just that.

I would like to thank Chairman Shelby and the other distinguished Members of this Committee for the opportunity to testify before you today. I would be happy to answer any questions you may have at this time.