

## The Nexus Between Terrorism and U.S. Product Counterfeiting

Brandon A. Sullivan  
Steve M. Chermak  
Jeremy M. Wilson  
Joshua D. Freilich  
*A-CAPP Background*  
July 2014

*Terrorists have increasingly been linked to product counterfeiting, but evidence for this connection has been mostly anecdotal and speculative. We use the Extremist Financial Crime Database (EFCDB) and the Michigan State University Center for Anti-Counterfeiting and Product Protection's (A-CAPP) Incident Database to provide an overview of ten product-counterfeiting schemes and individual suspects linked to terrorism in the U.S. The vast majority of suspects involved in these product counterfeiting schemes are non-extremist collaborators motivated by profit, not extremist ideology. These findings indicate the need to focus on criminal networks broadly, beyond restrictive efforts only targeting terrorists.*

Terrorists, like other individuals, groups, and syndicates involved in crime, may rely on product counterfeiting for several reasons. First, there are few entry barriers to product counterfeiting. Second, terrorist groups are well aware of the demand for counterfeit products and potential profits—profits that can exceed even those of the illegal drug trade. Third, terrorists know product counterfeiting is unlikely to be detected, as product counterfeiting is a low-priority offense for law enforcement, and, even if caught, usually results in minimal sanctions. Fourth, because product counterfeiting is generally a cash-only business, it offers some degree of anonymity.

Many reports point to the involvement of terrorist organizations in the manufacture, sale, and distribution of counterfeit products in networks of criminal enterprises. Yet very little empirical work has been conducted on this nexus. Product counterfeiting has received minimal attention from scholars, and virtually no empirical studies examine the nexus between terrorism and product counterfeiting.

### Research Methods

To explore the nexus between terrorism and product counterfeiting in the United States, researchers at the Michigan State University (MSU) Center for Anti-Counterfeiting and Product Protection (A-CAPP) identified relevant cases from the Extremist Financial Crime Database (EFCDB) as well as incidents from their own Incident

Database. The EFCDB assembles open-source information on financial crimes, such as tax avoidance, money laundering and dirtying, and terrorist financing, committed by political and religious extremists in the United States. The A-CAPP Incident Database assembles open-source information on crimes involving counterfeit products committed in the United States.

### Findings: Schemes

Altogether, the researchers uncovered ten (10) product counterfeiting schemes involving 89 individual suspects related to Jihadi or far-right extremism in the United States from 1990 to 2013. Characteristics of these schemes included:

*Extremist Group Connection.* Hezbollah was linked to six of these schemes, JamaatulFuqra with two, and Hamas and a neo-Nazi organization one each. Put another way, nine of these ten schemes had Jihadi associations, and only one involved a single far-right extremist.

*Product Type.* Cigarettes were the most common product in these schemes, including two schemes involving trafficking in counterfeit cigarettes by a Charlotte (N.C.) Hezbollah cell. Other counterfeit products included apparel, compact discs or digital video discs, luxury items, and Viagra.

*Scheme length and revenue.* The schemes lasted from one to eight years, with an average length of three years. Illicit revenue ranged from \$5 million to \$55

million and totaled nearly \$100 million, with revenue from half of the ten schemes unknown.

*Scheme purpose and suspect extremist association.* Terrorism financing was the primary purpose of only three of the ten schemes. Five of the schemes engaged in product counterfeiting for both ideological purposes and personal profit, while two of the schemes were primarily driven by profit.

### Findings: Suspects

Three-fourths (67) of the 89 suspects involved in these product counterfeiting schemes were non-ideological, i.e. no direct link to an extremist ideology or terrorist group was identified. They collaborated with extremists in these schemes for personal greed rather than purely ideological or even mixed ideological and greed motives. Of the 22 extremist suspects, only 4 engaged in product counterfeiting primarily with an ideological motive, while the remaining extremists had both ideological and profit motives.

Other characteristics of the suspects were perhaps more predictable, given the prevalence of Jihadi extremist links in these schemes. The suspects were 92 percent male, 91 percent foreign-born (typically from Lebanon or Pakistan), and 75 percent Arab. Most suspects were smugglers, buyers, or intermediaries in the counterfeiting network.

### Conclusions and Implications

This study supports prior research demonstrating

For more information, please refer to our full study: Sullivan, B.A., Chermak, S.M., Wilson, J.M., and Freilich, J.D. (2014). "The Nexus Between Terrorism and Product Counterfeiting in the United States", *Global Crime*, first published online May 23, 2014.

the collaboration between terrorists and non-ideological collaborators is motivated by the desire for financial gain, rather than politics or religion. These findings have implications for strategies to disrupt criminal enterprises. Focusing only on suspects with known links to terrorism ignores the profit motive involved in each of these schemes. While many product counterfeiting schemes saw some money funneled to terrorist groups, most suspects involved had no apparent links to these movements and appeared to operate similarly to other profit-motivated criminal enterprises. This demonstrates the need to focus on financial schemes like product counterfeiting generally, as opposed to exclusively focusing on links to terrorism.

By targeting those in different areas of a product-counterfeit networks not linked to terrorism, officials may obtain information useful for further identifying and exploring parts with potential links to terrorist organizations. Those involved in product counterfeiting only for monetary gain may be more willing to provide information on suspected terrorists involved in their schemes in an attempt to maintain their illicit activities or to bargain for lenient punishment.

Alternatively, given the greater attention in the United States to terrorist organizations, terrorist suspects involved in product-counterfeiting schemes may be more readily identified by law enforcement officials involved in counterterrorism. Once a terror link is established in a product-counterfeiting scheme, resources can be devoted to targeting the remaining network connections.



The Michigan State University Center for Anti-Counterfeiting and Product Protection (A-CAPP) is the first and preeminent academic body focusing on the complex global issues of anti-counterfeiting and protection of all products, across all industries, and in all markets, and on strategies to effectively detect, deter, and respond to the crime. Linking industry, government, academic, and other stakeholders through interdisciplinary and translational research, education, and outreach, the A-CAPP serves as an international hub for evidence-based anti-counterfeit strategy. For more information and opportunities to partner, contact Dr. Jeremy Wilson, Director of the A-CAPP, at (517)432-2204 or [jwilson@msu.edu](mailto:jwilson@msu.edu). Additional information can also be found at <http://a-capp.msu.edu>.