



**Investigations Council**  
November 2009

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**Chairman's Comments**

Thank you for showing an interest in an area that I believe is garnering more attention, especially in our current economic condition. The Investigations Council's priority is to provide you with relevant information that can help in coping with investigations and timely legislative insight as it pertains to this field.

Over the past couple of years, I have had the opportunity of leading a group of professionals who are considered experts in their field. Each Investigation Council member offers a unique perspective in handling investigations in private and public venues. It is now time to step aside and welcome our new Chairman, Steve Wager. Steve will commence his term on January 1, 2010, and I have no doubt he will be successful in the further development of Council initiatives and programs to meet our membership.

I would like to thank each Council member for their support and dedication.

**Counterfeiting of Goods: The Risks and Links to Terrorist Funding**

On July 16, 2003, in a statement before the House Committee on International Relations in U.S., Mr. Ronald K. Noble, Secretary General for Interpol, advised that the link between organized crime groups and counterfeit goods is well established. However, he also sounded the alarm that Intellectual Property Crime (IPC) is becoming the preferred method of funding for a number of terrorist groups.

"And there's evidence that it's increasing," said Noble, adding "it was almost inevitable that terrorists would follow organized crime into the counterfeiting business. It's a low-risk, high-profit crime area that, for most governments and most police forces, is not a high priority. And, therefore, criminals are more likely to want to get involved in this area rather than drug trafficking."

"Right now we're at the tip of the iceberg," Noble told The Associated Press in an interview at the First Global Congress on Combating Counterfeiting. "If law enforcement and governments focused on it more, we'd find more evidence of it."

Mr. Noble goes on to define IPC as the counterfeiting or pirating of goods for sale, where the consent of the rights holder has not been obtained. He defines terrorist financing as the generation of funds via licit or illicit means that are then remitted to a terrorist organization or its front organization through either formal or informal financial channels. Ultimately, these funds may be used to either support a terrorist organization or to help carry out a terrorist attack.

Approximately 90% of the funding is used to maintain the network infrastructure support groups, and the remaining 10% is used for operational support. Some payments can be used to guarantee the group's protection in Afghanistan and the Sudan and to increase al-Qaeda's influence throughout the Middle East and the rest of the world. However, terrorist funding is difficult to investigate due to the complex flows of money, often in cash form and often laundered. This process is facilitated by complicated associations of the individuals and the groups through which the money passes.

The links between IPC and terrorism can be categorized as follows:

**Direct involvement**--where the relevant terrorist group is implicated in the production, distribution or sale of counterfeit goods and utilizes a significant proportion of those funds to support the group.

**Indirect involvement**-- where sympathizers or militants are involved in IPC and remit some of the funds, knowingly to terrorist groups via third parties.

According to Kathleen Millar's "Financing Terror, Profits from Counterfeit Goods Pay for Attacks," in order to survive, a terrorist organization must first develop and maintain reliable and low key sources of funding. Behind the suicide bombers, hijackers and gunmen stand "criminal entrepreneurs and financiers in suits who understand that the best way to bankroll Armageddon is through the capitalist system." Terrorist organizations are attracted to counterfeiting and piracy because it is a lucrative business, but also because it allows terrorists to remain relatively anonymous. Counterfeiting and piracy rings often operate as cash enterprises. They lease manufacturing equipment from third parties and generally do not maintain reliable paperwork or business records. Upon suspicion of detection, terrorist counterfeiters can move merchandise, hide assets and equipment, switch manufacturing locations, destroy evidence, or simply disappear without leaving a paper trail. And, most importantly, any profits made in this type of underground market are obviously difficult to trace.

Trade in counterfeit or pirated goods over the past 20 years has grown exponentially. In 1982, the counterfeiting industry drained an estimated \$5.5 billion dollars from the global economy. In 1996, this figure jumped to an estimated \$200 billion. Today, the FBI and the U.S. Customs and Border Agents estimate the figure to range between \$450 – 500 billion per year. The Business Software Alliance and the U.S. automobile industry are each losing close to \$15 billion dollars annually. According to Carrutu International PLC, a leading intellectual property rights investigative firm based in the U.K., the global counterfeit market accounts for 9% of world trade and likely will double in the next two to three years. (Bank robberies in the United States, by contrast, involve less than \$70 million per year, but seem to garner more public attention and more law enforcement resources).

In general, law enforcement does not treat IPC as a high-priority crime, and it does not always investigate IPC cases. Investigations, when initiated, often tend to be seizure-based and do not extend to following forward flows of money. Even if law enforcement

were to follow onward flows of money, given the high level of cash-based transactions involved, it is difficult to establish with precision the end destination of the financial flows. For private industry enforcement bodies, a number of who conduct intelligence gathering operations, money trails are not of interest as the primary task is to eradicate counterfeit production and seize counterfeit goods.

Nonetheless, Interpol does not believe an investigation into Intellectual Property Crime is over when there is a seizure of counterfeit or pirated goods. They believe that further work needs to be done to trace the proceeds and to establish links, if possible, with groups benefiting from these funds. Law enforcement agencies have to recognize that Intellectual Property Crime is not a victimless crime. Because of the growing evidence that terrorist groups sometimes fund their activities using the proceeds, it must be seen as a very serious crime with important implications for public safety and security.

Mr. James Moody, former Chief of the Federal Bureau of Investigation's Organized Crime Division, declared, in 2001, that counterfeiting would become "the crime of the 21<sup>st</sup> century." The counterfeit traders, with whom most people come into contact, are small-scale operators or street vendors. However, such vendors are only the front end of much wider and more sophisticated networks. Although the term "organized crime" should be used with caution in describing the counterfeiting industry, Interpol states that "extensive evidence" is now available which demonstrates that "organized crime syndicates, and, to a lesser extent, a number of terrorist groups are involved in planning and committing intellectual property related crimes."

Carrutu International PLC has repeatedly warned that the innocent purchases from internet sites and street markets of counterfeit products ranging from knockoffs of Nike and Tommy Hilfiger merchandise to electrical parts are funding terrorist and criminal organizations, including al-Qaeda, the Mafia and the Irish Republican Army. Mr. Noble (Interpol) agrees and further identifies Hezbollah, the Basque ETA, Chinese Triad gangs, the Japanese Yakuza crime syndicate, the Russian Mafia and drug cartels as additional recipients of profits from counterfeiting. The International Anti-Counterfeiting Coalition (IACC) website advises that terrorist organizations are using the sale of counterfeit goods to raise and subsequently launder money. The IACC specifically states that, "recovered al-Qaeda terrorist training manuals have revealed that the organization recommends the sale of fake goods as one means to raise funds to support terrorist operations."

In general, al-Qaeda and affiliated groups benefit from funds raised by sympathizers. This may include funds originating in either licit or illicit activities. One estimate is that over a ten-year period, al-Qaeda received between US\$300 million and US\$500 million, averaging US\$30 to US\$50 million a year. The September 11 attacks have been estimated as costing less than US\$500,000 to fund – a little more than US\$26,000 per terrorist and certainly not a large or unattainable amount of money. Based on the aforementioned figures, one successful large-scale intellectual property crime could potentially fund multiple terrorist attacks. Sources for funds depend on the needs of the group and its capacity to generate funds. A group like the FARC in Colombia obviously needs to generate large amounts of money in order to support a large and relatively expensive infrastructure. In contrast, some paramilitary groups in Northern Ireland have financial requirements under US\$ 1 million per annum.

Mr. Noble cited the seizure of US\$1.2 million worth of counterfeit German brake pads and shock absorbers in Lebanon several years ago. A subsequent inquiry found that profits were destined for supporters of Hezbollah, considered a terrorist organization by the U.S. government. Noble added that some supporters of al-Qaeda have been found with huge amounts of counterfeit items. "If you find one al-Qaeda operative with significant amounts of counterfeit goods, it's like finding one roach or one rat in your house," he said. "It should be enough to draw your attention to it."

The L.A. Times reported that a Norwegian plane crash in 1989 that killed 55 people resulted, in part, from substandard (counterfeit) shear bolts and sleeves of an unknown origin. The operational life of counterfeit bearing seal spacers removed from a United Airlines plane were found to be 600 hours, while the genuine parts had an operational life of 20,000 hours. The fake parts came complete with fake boxes, labels and paperwork and were only discovered because of a vigilant airline mechanic.

In August 1997, then-Inspector General of the U.S. Department of Transportation, Mary Schiavo, admitted that counterfeit aircraft parts had been found on Air Force One (the plane used by the President of the United States). The Federal Aviation Authority, or FAA, estimates that 2% of the 26 million airline parts installed each year are counterfeit (that equals 520,000 parts!)

Following the bombing of the World Trade Center in 1993, the Federal Bureau of Investigation (FBI) found links to IPC and sentenced Sheik Omar Abdul Rahman to 240 years in prison for plotting to bomb the World Trade Center. The FBI believes that the operation was partly financed by the sale of counterfeit clothing. In 1996, the FBI confiscated 100,000 T-shirts bearing fake and unauthorized Nike "swoosh" and/or Olympic logos that were intended to be sold at the 1996 summer Olympic Games in Atlanta. The operation generated millions of dollars and was run by the followers of Sheik Rahman.

To summarize, the linkage between intellectual property crime and terrorist financing are numerous and increasing on a daily basis. Currently, the examples of the association between these two elements are too extensive to cover here, but they could serve as the grist for a subsequent article.

Jeff Williams  
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Member of ASIS Investigations Council

## Legislative Update

The Investigations Council is pleased to announce that there now is a specific entity that has been created to monitor and lobby for the investigative profession on both the state and national levels. It is called the Investigative and Security Professionals for Legislative Action (ISPLA). This group has one mission and one mission only.....*legislation that impacts investigators and security professionals*. This is an excellent compliment with other great industry associations such as ASIS International, who advocate for our profession every day. The Council encourages each of you to go to [www.ispla.org](http://www.ispla.org) and see what ISPLA is all about and to use the resources that are there for you. One particular resource that you should not overlook when at the website is the Live Legislative Tracking system. This system will allow you to see legislation specific to investigative and security professionals in each state and at the national level by just a click of the mouse. It is updated daily.

Below is a look at some of the bills being watched and worked on in Washington, DC that could have a direct impact on investigators in the United States. Stay updated on the status of each bill by visiting Investigative & Security Professionals for Legislative Action at [www.ispla.org](http://www.ispla.org).

## Investigations Council Mission

Promotes ethical and thorough investigations by private, corporate, and government investigators by providing analyses of emerging investigative technology and techniques in the global investigative arena.

## Interested In Joining the Investigations Council?

The Investigations Council seeks qualified ASIS members with a professional investigative background to expand its membership to a full complement of fifteen professional investigators. If you would like information about the Investigations Council or if you would like to be considered for membership on the Investigations Council as vacancies occur, please contact Council Vice Chair and Membership Committee Chair Steve Wager, CPP at [steve.wager@control-risks.com](mailto:steve.wager@control-risks.com). We are a working Council and all members are expected to remain actively engaged to maintain membership.



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