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## Exclusive Reports

➤ From the October 26, 2001 print edition

# FIU study: Honey trade launders Al Qaeda cash

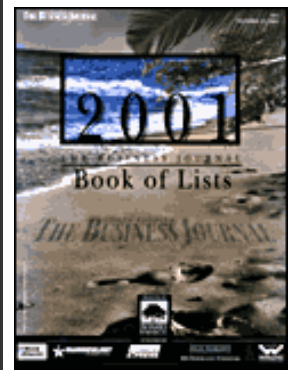
**Jim Freer**

U.S. officials who believe that terrorists may have used the honey trade to move money between the United States and the Middle East might find clues in a new report by two Florida International University professors.

An analysis of U.S. trade data for 2000 by John Zdanowicz and Simon Pak shows that prices for honey exports to Yemen, the United Arab Emirates, Kuwait and Saudi Arabia were considerably above the average price paid for honey exports elsewhere.

In previous studies of U.S. Department of Commerce data, the two FIU College of Business Administration professors discovered patterns of high prices that indicate possible attempts to launder money from drug trafficking or other illegal operations, or efforts to transfer cash to countries with low tax rates.

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Basically, their research suggests that in such transactions, a seller can pocket the money that is above the "normal price" for producing and shipping a product - perhaps shielding that cash from authorities.

After release of the study, commissioned by Miami-based newsletter Money Laundering Alert, Zdanowicz said, "U.S. honey exports to these Middle Eastern countries were far enough above the average world price to raise suspicions. It definitely warrants further investigation."

## Cash gets stuck at JFK

The FIU professors released their report on Oct. 23, three days after federal authorities arrested two men at John F. Kennedy International Airport in New York on charges of trying to smuggle more than \$100,000 in cash to Yemen in boxes of honey.

On Oct. 16, the U.S. Department of Treasury ordered U.S. financial institutions to freeze assets of three companies that sell honey in Yemen, based on reports that they might be part of Osama bin Laden's Al Qaeda network.

"Simon and I have no way of knowing about the individuals and firms involved in these transactions," Zdanowicz said.

But he added that their report indicates there was "abnormal pricing" in the U.S.-Middle Eastern honey shipments last year.

For example, the FIU professors found that in 12 shipments of honey from Charleston, S.C., to Yemen, the average price was \$2.63 a kilogram. That price was 38 percent above the average world price of \$1.91 a kilogram for U.S.-exported honey.

The total value of honey shipped from Charleston to Yemen was \$479,473. That was \$130,881 above the average world cost for that volume of shipments.

The FIU professors' report said the excess "could have been laundered funds surreptitiously transferred to U.S.-based terrorists."

## Trade key to investigation

The current issue of Money Laundering Alert cites other examples from the FIU study.

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Zdanowicz said the data on honey trade with Yemen provides support for his view that the U.S. government should focus on trade, as well as banking activity, as it attempts to combat money laundering.

"For years, the government has focused on the financial services industry," he said. "That is important. But it is like watching the back door, so that money is not leaving. The front door is international trade, and we should also be looking at how money is coming in."

Zdanowicz and Pak began their study of trade data in 1990. They have done several reports for the U.S. Customs Service, and they have been called by the Internal Revenue Service as expert witnesses in a tax evasion trial.

In addition to their work for FIU, Zdanowicz and Pak track trade data for their own company, Trade Research Institute.

That company is developing a Web site with trade data on which member banks can check prices of goods in transactions for which they provide trade financing. Banks must pay to be clients.

"This will help them identify situations in which there are abnormal prices," Zdanowicz said. "They know the laws and regulations, but they need a way of knowing what the price should be for a product."

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Case study no. 8 : A construction subcontractor launders the proceeds of undeclared work and tax evasion by joining a large-scale European money laundering scheme. "Company X", based in the northern suburbs of Paris, is a subcontractor in the construction sector. It works in all building and masonry trades. Lastly, Tracfin received information from the FIU of the country in which Companies 1 and 2 were registered, indicating that two individuals had been stopped by customs officers in possession of €260,000 in cash. These individuals reported that this cash was to be used to buy vehicles from "Company 1".

Case study no. 18: Laundering the proceeds of insider trading and misuse of company assets. 5. €200,000. The honey trade also includes less senior Al Qaeda members. Officials said one is Khalil al-Deek, a Palestinian-American who had been jailed in Jordan in connection with plots to blow up sites in the United States and Jordan around the millennium but who was released earlier this year for lack of evidence. The administration is considering adding the names of some of the stores under investigation to a list of people and entities whose assets the United States wants frozen by allies around the world. Officials said intelligence officials had finished a study on the role of honey stores in Al Qaeda earlier this year but have been aware of the importance of these stores and attempting to monitor them for almost two years. It is said that the Yemeni honey trade was. Money Laundering and Terrorism used to raise funds and also serve as a cover for transporting drugs, weapons and operatives for Al-Qaeda. Al-Qaeda also smuggles precious metals, gems, and large amounts of cash across borders. Around September 11, 2001 the Al-Qaeda terror networks operatives had spent about \$ 20 million and bought over the diamond trade in two West African countries to fund their activities. The international dimension of money laundering was evident in a study of Canadian money laundering police files. They revealed that over 80 per cent of all laundering schemes had an international dimension. There are currently 53 operational FIU units worldwide, with many others in various stages of development.