

## **Reasons Why Organized Retail Theft Has Grown – The FBI is Focused on Terrorism**

While organized retail theft rings have been operating in many regions of the United States for more than ten years, it has only been in recent years that the FBI and too few retail firms have come to understand the economic loss and threat the rings pose to business and America. Perhaps only three or four years ago retail security executives found it nearly impossible to interest an FBI field office in investigating an organized retail theft ring. Most city, county and state law enforcement agencies still today have little interest in or understanding of the rings. Unfortunately, many law enforcement agencies look at the crime rings as simple shoplifting operated by petty thieves.

Since September 11, 2001, the FBI has permanently realigned a substantial number of its field agents from traditional criminal investigative programs to work on counterterrorism and counterintelligence investigations. The Bureau's reprogrammings since 9/11 have permanently shifted 674 field agent positions from the drug, white collar and violent crime program areas to counterintelligence and counterterrorism. In fiscal year 2002, 24% of the FBI non-supervisory agents were assigned to investigating organized criminal enterprises and drugs. In fiscal year 2004, the figure dropped to 18%.<sup>1</sup> The FBI's criminal division has 5,000 agents compared with 6,500 agents prior to 9/11. The FBI does not investigate every bank robbery. "Note job" bank robberies are now investigated by local police.<sup>2</sup>

The FBI, however, at least at the headquarters, is fully aware and concerned about the organized retail theft rings. The Bureau knows that the rings earn billions of dollars annually; the majority of the rings are operated by Middle Easterners; and hundreds of millions of U.S. dollars are laundered and sent to countries that support terrorism. The FBI and others knowledgeable of the rings fear that laundered money gets to the hands of Hamas and Hezbollah.

Hamas is the Palestinians' largest and most influential Muslim fundamentalist movement. It has an extensive social network, as well as a terrorist wing that has carried out suicide bombings and attacks using mortars and short-range rockets in the Palestinian territories of the West Bank and Gaza Strip and inside the pre-1967 boundaries of Israel. It is the best organized Palestinian challenge to the political control of the Palestinian Authority (PA) – the autonomous government in the West Bank and Gaza – and a determined foe of Israeli-Palestinian peace.

Hezbollah is a Lebanese umbrella organization of radical Islamic Shiite groups and organizations. It opposes the West, seeks to create a Muslim fundamentalist state modeled on Iran, and is a bitter foe of Israel. Hezbollah, whose name means “party of God,” is a terrorist group believed responsible for nearly 200 attacks since 1982 that have killed more than 800 people.

In his testimony before the U.S. Senate on February 21, 2005, Robert S. Mueller III, Director Federal Bureau of Investigation, spoke on a number of FBI initiatives and concerns. His comments on criminal enterprises clearly reflect the Bureau’s concern about organized retail theft rings.<sup>3</sup>

“Organized criminal enterprises operating in the U.S. and throughout the world pose increasing concerns for the international law enforcement and intelligence communities. Their skill in using international monetary systems to conduct and conceal their criminal activity, their use of state of the art communications encryption to further safeguard illegal activity, and their transnational mobility increases the likelihood they will escape detection or otherwise cover their illegal activities with a cloak of legitimacy. Although the FBI prioritizes its efforts on criminal enterprises with possible connections to terrorists and counterintelligence activities, public corruption, human smuggling of special interest aliens and women and children, or violent and pervasive racketeering activity, the impact from just one criminal activity alone, theft, is staggering. Annual property losses from cargo/high tech/retail theft is estimated at \$30 billion, from vehicle theft \$8 billion, art/cultural heritage and artifact theft \$500 million, and from jewelry and gem theft \$135 million. *However, theft by criminal enterprises often represents a multifaceted threat. For example, Middle Eastern Criminal Enterprises involved in the organized theft and resale of infant formula pose not only an economic threat, but a public health threat to infants and a potential source of material support to a terrorist organization.*”

And in his speech to Town Hall Los Angeles on November 15, 2004, FBI Director Mueller mentioned the Bureau’s concern of organized retail theft rings (he dubbed them bands of thieves) dealing in stolen infant formula.

“We see organized criminal groups laundering money for drug organizations. We have drug groups selling weapons to terrorists and we have terrorists committing white collar fraud to raise money for their operations. By way of an example, let me tell you that we have a problem that we’ve seen in a number of our investigations relating to, if you can believe it, infant formula. Bands of

thieves steal infant formula, repackage it and sell it to stores where persons come in with coupons, making a substantial living off this theft of infant formula and the resale of it. In a number of cases when we've done these organizational investigations we find that the subjects of these investigations are providing financial support to terrorist organizations such as Hamas and Hezbollah. So as you can see, we often will start a criminal investigation expecting it to go one way only to find that it goes yet another way and ends up being a counterterrorism investigation. Confronting these diverse and symbiotic threats is not easy for us or for state and local law enforcement, or from our counterparts overseas, and it means intelligence is now more important than it ever has been in the past. One good piece of intelligence can give us the early warning we need to stop a stealthy, speedy and, with regard to international terrorists, deadly enemy."

The FBI does indeed now understand what many retail security executives have known for more than ten years; Organized Retail Theft Rings are causing devastating losses to retailers and law enforcement at every level, from the county deputy sheriff to the unit chiefs at FBI headquarters, must join with retailers to combat the problem.

- <sup>1</sup> FBI Transformation, August 2004, General Accounting Office. Report to the Chairman, Subcommittee on Commerce, Justice, State, and the Judiciary, and Related Agencies, Committee on Appropriations, House of Representatives.
- <sup>2</sup> *USA Today*, August 18, 2004, "Hunt for terrorism nexus changes how FBI handles crime," Toni Locy.
- <sup>3</sup> Federal Bureau of Investigation, [www.fbi.gov](http://www.fbi.gov).