

Funding Terrorism: Decades of Destruction

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Abstract

The world is locked in two battles that affect many nations. One is the global battle against the effects of the recession that is buffeting global markets and national economies. The other is a more sinister and far lethal conflict that is raging on the doorstep of every nation, and that is the fight against the specter of terrorism. This paper intends to discover how funds are being sourced and used by terrorist and extremist organizations, the methods that governments are attempting to discover and halt the flow of such funds to these groups, and compare the funding of these groups as far as three decades back.

Funding Terrorism: Decades of Destruction

In the book of Jonathan White, *Terrorism and Homeland Security* (2011), White (2011) avers that the interpretation of the term 'terrorism' can be understood in many ways. In essence, when different people hear of the term, they will have different images that they will associate it with. In the definition of the Federal Bureau of Investigation of the term given in 2002, it simply states that:

Domestic terrorism refers to activities that involve dangerous acts to human life that are a violation of the criminal laws of the United States or of any state... influence the policy of the government by mass destruction, assassination, or kidnapping, and occur primarily within the territorial jurisdiction of the United States. (p.4).

White (2011) further defines the act of global terrorism as:

Violent acts or acts dangerous to human life that are a violation of the criminal laws of the United States or any state, or that would be a criminal violation if committed within the jurisdiction of the United States or of any state. (p.4)

The news of terrorist organizations have employed sophisticated methods of sourcing their financial needs and the trail of documents leading to the terrorist attack on the United States on that fateful day on the 11th of September has been churned out in the last few years. And from the reports that have been released by the media, it was seen that many wealthy individuals and groups from nations in the Persian Gulf, particularly from oil producer Saudi Arabia, have sent “donations” to charitable institutions but actually have been sent to terrorist groups such as the Osama bin Laden led Al Qaeda terror network. In the report released by the Council On Foreign Relations on October of 2002 on the investigations conducted by an independent commission on terrorist financing, bin Laden and his associates have been able to amass millions of dollars in financing by laundering the money in banks, charities, Islamic religious facilities, and other financial establishments to source, raise and transport these monies all over the globe (Institute for the Analysis of Global Security, 2004). In the case of the brutal 9/11 attacks, experts have estimated the costs of the mission to reach at

least \$500,000 (Gurule, 2008).

Where did such a large sum come from, and where did it go? As to the disbursement of the monies, the funds were utilized for the recruitment of the personnel, the training for the terrorists to fly the hijacked aircraft, transportation expenditures, communications and other expenses. The Federal Bureau of Investigation calculated that the Al-Qaeda terror group had an operating budget estimated at \$ 30 to \$ 50 million in 2001. The finances that the group had accumulated were also given as bribes to some local officials in the countries they were operating in, gaining safe refuges, paying for the expenses of training camps, armaments, travel, falsified identification papers, and the printing and dissemination of propaganda literature, and to subsidize the operating expenses of other groups with the same mission and mindset of the group (Gurule, 2008).

As to the source of the funds, we can take the example of oil rich Saudi Arabia, one of the more wealthy nations in the Persian Gulf. The nation can be classified as a rentier state, where there is no need for individuals to pay any form of taxes. Instead, the Saudis pay *zakat*, which is equivalent to two and half percent of the annual income of all citizens of the state to be paid to charitable institutions and groups. Though there are many organizations in the kingdom that are indeed committed to good advocacies, there are those that merely serve as conduits with the purpose of laundering the money to finance the activities of terrorist groups and other terrorist organizations. Many Saudis give their *zakat* in good faith, knowing that their contributions will be used to fund a good cause or a worthwhile endeavor, but there those that deliberately channel these funds to terrorist groups (Institute, 2004).

What makes the infiltration and the monitoring of these financial transactions in the Arab regions particularly arduous is the practice of the *Hawala* system, which is the informal method of transferring money and is considered to be one of the critical factors in the financing of global terror acts. Being deeply ingrained in Arab cultural practice, this

mechanism has been ongoing for centuries, and based on trust, they are verbally agreed upon, leaving no documentation for authorities to follow. The Saudi government cannot deny the fact that it is knowledgeable of the instances that the charitable donations of its citizens has been siphoned off to terror groups. Also, *madrassas*, religious schools, inculcate the rhetoric against the United States, and this has generated the radical sentiment where the seeds of terrorism is sown. In the words of the former Director of the Central Intelligence Agency, James Woosley, the sponsorship of the Saudis of Wahhabism and Islamic extremism is the ground where Al-Qaeda and other Islamic fundamental groups are flourishing (Institute, 2004).

As earlier stated, the United States and the global community, prior to the 9/11 terrorist attacks, did not engage in any active intervention to pursue the assets of these groups. Before those attacks, it was not stated on the agenda of the United States Department of Justice to focus and conduct interdiction actions on the financial aid of these groups, nor to accost the donors, mediums and other personalities related to the transfer of funds to these terrorist groups. Apart from the Justice Department, the Treasury Department as well failed to comprehend the significance of strongly going after assets linked to terror groups. Though former United States Bill Clinton enacted into law Executive Order 12947, designed to freeze the assets of the individuals and groups that are accountable for the disruption of the peace initiatives in the Middle East, few personalities were actually included in the listing for the purposes of interdicting the transfer of funds for these organizations. Also in this regard, there was no executive policy that specifically addressed the freezing of the assets of the Al-Qaeda, the Taliban rebel movement and the personalities or groups that have been proven to be allied with them (Gurule, 2008).

Legislative pieces at the time, such as the 1970 Bank Secrecy law, were focused on the disruption of money laundering activities, and not on the flow, identification and

interdiction of the monies that were targeted for terrorist actions. Financial establishments such as banks were under no compunction to discover anomalies in the accounts of their clients for the possibility that these transactions were of the intention of providing financing for terrorist activities. Though banks were directed to report anomalous transactions to the Financial Crimes Enforcement Network (FinCEN), the employees of the banks and financial entities were on the lookout for the possibility of money laundering activities rather than the possibility of terrorist linkages to the money. In summation, governments were unaware of the significance of the possible transfer of the monies to terrorist organizations, or had failed to fully understand the importance of stymieing the flow of funds to these groups such as the Al Qaeda and the Taliban (Gurule, 2008).

The Financial Action Task Force, in October 2001, adopted the Eight Special Recommendations on Terrorist Financing, designed to lay down the important legislative and monitoring steps that nations must enact to abet the activity of terrorist financing. Since that time, the FATF has become the global barometer in the fight against terrorist financing activities. In Section XIV of the recommendations, a call has been issued to all nations, be they members or non members, to cooperate with the task force and to coordinate efforts with the goal of permanently abetting the source of funds for terrorist organizations (Financial Action Task Force, 2004).

Though terrorism was not the main agenda of the United States foreign policy initiatives in the Middle East, the years after the 9/11 terrorist attacks has increased the focus of America on the issue of terrorism and the granting of anti terrorism aid to countries in the form of treaties and international agreements to address this threat. Though the United Nations has enacted Resolutions 1267 in 1999 and 1333 the following year, with the resolutions castigating the acts of global terrorist acts and mandated that member States institute appropriate measures to stem the flow of funds to terrorist organizations, many of

the efforts could be considered as non committal and half hearted (Gurule, 2008).

Methods of Financing Carnage

Like the acts of money laundering and corruption, financing terrorism can be accomplished with the use of a variety of methods that tend to abuse the global financial sector. Securing the transparency of the flows of the monies of both formal and informal sector values transfers is a crucial factor to break up the instances of money laundering and financing of terrorism. Safeguarding the global financial systems by efficaciously applying the global policies to counter the act of terrorism funding and money laundering remain as the top agenda of the FATC. What lies at the heart of the FATC's strategy is the improvement of the transparency and monitoring of payments and the attendant systems to incite the identification and aggressive prosecution of illicit financial transactions which happen outside the parameters of the monitored financial markets (FATC, 2004).

Investigators in the United States, uncovering the layers of the financial systems and mechanisms that was behind the attacks of the World Trade Center, discovered restaurants that were also functioning as collection establishments, millions of dollars being transferred run as clandestine shipments of honey, reduced to as small as transfers of \$1,000 to avoid detection and the arousal of suspicion of monetary and financial regulators. After strengthening the facts unearthed in the investigations, the United States government undertook legal steps to interdict approximately \$10 million that were in the possession of at least half a dozen charity groups that is being investigated for claims on diverting their monies to the Al-Qaeda, Hamas and various extremist groups. In this light, one of the dilemmas being faced by many governments in their conflict with terrorism is the global spread of obscure, illegitimate money remittance businesses (FATF, 2004).

For the majority of migrant workers, unable to afford the expensive fees with more established and regulated remittance companies, these underground remittance schemes

afford an inexpensive and economical means of sending money to their native homelands. The fact that these schemes are in the informal sector that these avenues of sending monies and unregulated open these avenues to abuse by those sending funds to terrorist organizations. In one example, workers from Somalia availed of various remittance schemes that remitted the earnings of at least 750,000 overseas immigrants to their families back home. The workers are part of the hundreds of thousands that have been displaced to the raging decade old tribal and civil conflict in the country. Two of these services, Al Barakaat and Dahabishii, afforded these marginalized individuals that are considered too poor to gain access to the established global banking structure (FATF, 2004).

In the aftermath of the September 11 attacks, investigators in the United States identified one of these services, Al Barakaat, as a channel for the funding of the terror group Al-Qaeda, and successfully led to the prosecution of Barakaat officials for their acts in illegally transferring more than \$10 million. In Europe, police monitoring the German allies of the Al-Qaeda discovered a global network of bank accounts operating out of the offices of Dahabishii in various locations throughout the world, inclusive of locations in Canada, Italy, Denmark, New Zealand, Saudi Arabia, The United States, the United Kingdom and Germany. The challenge laid before the global community engaged in the fight against terrorism is to craft policies and programs designed to interdict these underground avenues and at the same time appropriating programs that will allow the migrant workers to still be able to send their remittances inexpensively and efficiently (FATF, 2004).

Terrorism: Funding 30 Years Ago

In the early part of the 1970's, the cost of oil dramatically increased, resulting in a huge monetary windfall for Saudi Arabia and other nations in the Persian Gulf region. In the report of the Washington think tank Center for Security Policy (CSP), in 2003, it was estimated that between the years of 1975 and 2002, Saudi Arabia spent more than \$70 billion

in aid programs to other countries, with more than two thirds of that amount going to the construction of religious, educational facilities and other Islamic linked activities. Also, a significant amount goes to the support of activities related to Wahhabism, a fundamental type of Islam largely observed in Saudi Arabia but less accepted in other Islamic states. Apart from the aid coming from the coffers of the Saudi Government, many private Saudis also give donations to charities that advocate the spread of Wahhabism across the globe. Large charity organizations, such as the Muslim World League and the International Islamic Relief Organization, are chaired by Saudi officials with close ties to the Saudi government (History Commons).

Is the spread of Wahhabism inimical to the interests of the United States and the global community? In the report, it was reported that the IIRO, the affiliate arm of the Muslim World League, funded close to 600 mosques in Indonesia. But in the accompanying report of US News and World Report in 2003, the funds were accompanied with a large amount of Wahhabist literature, that on the extreme side, preach a mistrust of all who do not follow the tenets of Islam, regarding other sects of the Islamic religion as heretics, and the sect's emphasis on violent conduct of jihad, had sown the seeds of terrorism across the world (History Commons).

In the statement of Michael Scheuer, the head of the initial unit of the Central Intelligence Agency (CIA), around \$600 million was transferred to charities organizations linked to Al-Qaeda leader Osama bin Laden between 1980-1989. Majority of the funds pass through the Maktab al Khidamat (MAK) charity organization, coming from individuals in Saudi Arabia and Persian Gulf states. This money was allegedly used to fund the needs for arms and supplies for the mujahedeen fighting in Afghanistan (History Commons). In Afghanistan, the illegal drug trade was linked to the funding for terrorists. According to Antonio Maria Costa, Executive Director of the United Nations on Drugs and Crime

(UNODC), warned of the fact that there is an extensive amount of evidence that points to the fact the illegal narcotics trade is fueling the funding for terrorism across the globe (Chouvy, 2002).

During the administration of former United States President Ronald Reagan, spoke of the instance of what is termed as “narco-terrorism”, alluding to a term used by former Peruvian leader Belaunde Terry in 1983 to characterize attacks by Shining Path rebels against his country's anti-narcotics police. In the case of Afghanistan, the terrorists in the country were once those that fought for the freedom of the country from the occupation of the Soviet Union in the 1980's. These present day terrorists were already heavily involved in blossoming opium trade in the country before the country became a haven for Al-Qaeda and the Taliban. The leaders of the Afghan “freedom fighters” then and the terrorist now aver that their involvement with the illegal drug trade began when the United States stopped their funding for arms and supplies against the Soviet Union. These groups use the funds derived from the opium trade to fund terrorist activities (Chouvy, 2002).

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