

Saudi Efforts to Combat Terrorist Financing

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Brief Analysis

This past week, Treasury secretary Timothy Geithner traveled to Saudi Arabia and the United Arab Emirates for his first official visit to the Middle East since assuming his current position. Although in many respects the Obama administration is off to a bumpy start with Saudi Arabia, Geithner praised Saudi efforts in combating terrorist financing, which is a significant departure from statements made by senior Treasury officials in recent years. His remarks in Riyadh were more than just empty praise, reflecting the broader view in Washington that the Saudis are finally beginning to make progress on this important front. Despite improved Saudi efforts, however, the kingdom remains one of the major sources of terrorist financing throughout the world, with significant funds continuing to go to al-Qaeda, the Taliban, and Laskhar-e Taiba (LET), among other groups.

Targeting Operatives, Not Financiers

Al-Qaeda's May 2003 attacks in Riyadh have been described as a watershed event in Saudi Arabia, awakening the Saudi government to the terrorist group's threat to the kingdom's survival. In the wake of that attack, Saudi Arabia aggressively took on Usama bin Laden's networks in the kingdom, arresting and killing numerous operatives, and effectively dismantling al-Qaeda's Saudi-based operational infrastructure. The Saudis however, did not bring that same aggressiveness to their efforts to combat terrorist financing, particularly when it came to money exiting the kingdom for terrorist groups abroad.

Although many U.S. government officials began to laud Saudi Arabia's counterterrorism efforts publicly in the years after the Riyadh attack, Treasury officials continued to heavily criticize Riyadh's handling of terrorist-financing-related issues. In a widely quoted September 11, 2007, appearance on ABC, Treasury undersecretary Stuart Levey stated: "If I could somehow snap my fingers and cut off the funding from one country [for terrorism], it would be Saudi Arabia." Levey also criticized the Saudis for failing to prosecute terrorist financiers and called on Saudi officials to treat the financing of terrorism as real terrorism. Former Treasury secretary Henry Paulson had offered similar sentiments in a speech several months earlier, cautioning that although the Saudis are "very effective at dealing with terrorists within the kingdom," the Saudis "need to do a better job holding people accountable who finance terrorism around the world."

Major Steps Forward

Over the past several years, Saudi Arabia has made significant improvements to its counterterrorism-financing efforts. In the week prior to Geithner's visit, the Saudis announced that 330 individuals had been convicted of terrorism charges in the first trials involving the kingdom's new specialized terrorism court. Although the Saudis provided few details about these cases, it was notable that the charges included terrorist-finance-related offenses, an indication that Riyadh may have begun to consider terrorist financing as "real terrorism," as Levey put it. Saudi Arabia no longer appears to be focused solely on al-Qaeda; the kingdom has expanded its efforts to crack down on Taliban fundraising activities as well.

Saudi Arabia was recently admitted to the Egmont Group, the international network of Financial Intelligence Units, and is reportedly cooperating and sharing information actively with their Egmont counterparts. In addition, the kingdom's financial regulatory agency, the Saudi Arabian Monetary Agency (SAMA), maintains fairly strong oversight over banks operating in the country, and bank executives are now more aware than in the past of their counterterrorist financing obligations. Bankers throughout the region also regard SAMA as the most serious and professional banking-sector regulator in the Gulf.

The first sign that Saudi Arabia finally may have understood the importance of combating terrorist financing was in late 2007, when Sheikh Abdulaziz al-Sheikh -- the most senior Wahhabi cleric in the kingdom -- released a rather surprising religious edict. In his fatwa, al-Sheikh addressed potential donors to terrorism for the first time, urging them "to be careful about where [their money is] spent so it does not damage young Muslims." After years of refusing to acknowledge that Saudi Arabia is a source of terrorist financing, or that Saudi counterterrorism efforts were inadequate, this statement proved to be a major step forward.

Saudi Arabia Remains Major Source

Despite its improved efforts, Saudi Arabia remains a major source of financing for terrorist groups, largely from private donors. Ambassador Richard Holbrooke, the U.S. special envoy to Pakistan and Afghanistan, has repeatedly and publicly expressed his frustration about the funding emanating from the Gulf -- specifically Saudi Arabia -- for the Taliban. Holbrooke stated that "while in the past, there was a feeling that the money all came from drugs in Afghanistan. That is simply not true. . . [the Taliban] get a lot more money out of the Gulf, according to our intelligence sources." Given estimates that the Taliban raises hundreds of millions annually through the drug trade, Holbrooke's concern raises alarms about the volume of money coming from the Gulf.

LET, the group accused of executing the 2008 attacks in Mumbai, India, also continues to operate in Saudi Arabia. Muhammad Omar Madni, head of LET's Nepal operations and a close associate of the group's chief, was recently arrested by Indian authorities. Reports indicate that Madni recently traveled to Saudi Arabia and the Gulf region to raise funds for LET and to build its logistical networks throughout the region. LET's ties to the kingdom also emerged during the Indian government's investigation into the 2006 bombing of a Mumbai commuter train. During a raid of the LET chief's house in Mumbai, Indian government investigators discovered thirty-seven thousand Saudi Riyals, which apparently were sent from Saudi Arabia through the hawala network.

The extent of this terrorist activity illustrates the difficulty that the Saudis face in tackling these issues. While the Saudi government is now more focused on terrorist financing, the scale and volume make it an uphill battle. In Saudi Arabia's conservative society, some support for al-Qaeda -- and undoubtedly more support for Hamas -- still exists. Furthermore, because Saudi Arabia remains a wealthy, cash-based society where carrying or transferring large sums of money is not unusual, it is far more difficult for governments to trace and detect illicit transactions.

Continued Pressure on the Saudis

Treasury secretary Geithner was right to publicly recognize Saudi Arabia's progress over the past several years. Washington, however, should continue to press the Saudis to move forward and make further improvements, given both the serious problems that remain and the risk of backsliding on this issue by the political leadership. The United States should also encourage the kingdom to further increase the transparency of its counterterrorism efforts, particularly when it comes to prosecuting terrorist financiers. This will not only demonstrate to critics the seriousness of Riyadh's efforts, but may also help deter other potential donors who will realize that support for terrorism is no longer tolerated. Putting a stop to Saudi terrorist financing would not only benefit the United States, but would, as the Grand Mufti al-Sheikh recognized in his 2007 statement, also benefit Saudi Arabia in the long term.

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