

Targeting Terrorists' Financial Networks

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Articles & Testimony

Despite being under geographic siege and financial sanction, Hamas was still able to smuggle some 80 tons of explosives, roadside bombs and longer-range rockets into Gaza over the course of the past cease-fire.

Were it not for that success, Hamas would not have been able to continue firing rockets at the South, let alone effectively control Gaza. Denied access to regular trade routes and international banking, Hamas developed alternative mechanisms such as an extensive network of smuggling tunnels, taxes and custom fees, and increased reliance on charitable front organizations.

It is ironic, then, that one of the most effective counterterrorism tools since 9/11 has been targeting terrorists' finances. Disrupting terrorists' means of financial support frustrates their ability to operate, while following the money trail up and down the financial pipeline can reveal to investigators otherwise covert terrorist networks.

As the current conflict illustrates, these tools face multiple challenges, the most pressing being the ability to be flexible enough to keep up with a constantly moving target. And therein lies the fundamental catch-22: In response to each successful disruption of illicit financing, be it of a terrorist, proliferation or other illegal nature, our adversaries change the way they raise, move and store.

For example, crackdowns on terrorist organizations' use of banks have led groups to turn to far less sophisticated methods of moving money. This includes the growing use of cash couriers, bulk cash smuggling and informal remittance brokers such as hawala dealers.

International sanctions targeting Iran have led Teheran to employ increasingly deceptive financial measures to finance its illicit nuclear weapons program.

This phenomenon is particularly evident when it comes to charities infiltrated or exploited by terrorists. Banned or exposed charities tied to terrorism often shut down one day only to reopen the next under new names. For example, five years after shutting down the Holy Land Foundation, the Treasury shut another charity, Kindhearts, describing it as the progeny of HLF. According to Treasury, HLF official Muhammad el-Mezain, among the HLF defendants convicted in November, transferred his fund-raising skills to Kindhearts after the closure of HLF.

In December, the UN publicly identified additional aliases for two charities tied to Lashkar e-Taiba, the group suspected of carrying out the attacks in Mumbai, years after these charities were first designated. At the same time, the UN added another alias for LET itself, Jamaat u-Dawa, explaining that the group began operating under this new name after it was formally banned by Pakistan in 2002.

Globalization and technology have also had a major impact on terrorist financing. For example, the Internet has made it easier for terrorist cells to raise funds anonymously and securely without the need for an established terrorist organization. According to a US government assessment, "Groups of all stripes will increasingly use the Internet to obtain logistical and financial support."

Terrorists today are increasingly involved in criminal activities, especially drugs. US law enforcement officials warn that up to 60 percent of terrorist organizations are connected in some fashion with the lucrative international drug trade. The UN estimates that the international drug trade generates \$322 billion per year in revenue, making drugs by far the world's most lucrative illicit activity. In Afghanistan, a ledger seized during a raid showed 10 months of transactions, which yielded \$169 million from the sale of heroin. In the US, a probe into a pseudoephedrine-smuggling scam led investigators across the Middle East and to bank accounts tied to Hizbullah and Hamas.

As for Hamas, the editor-in-chief of Al-Sharq al-Awsat put it best this past September when he wrote, "It is clear that Hamas's priority is to look after its militants, at the expense of Gaza's people and their suffering!"

Even under siege, Hamas continues to have access to funds while the Strip's residents do not. To disrupt Hamas financing further, the international community must crack down on the group's fraudulent fund-raising and press Egypt to do more to shut the smuggling tunnels that funnel funds and goods to Hamas.

Terrorist groups like Hamas will continue to adapt the way they raise and move funds to evade scrutiny, forcing governments to closely monitor evolving trends in terrorist financing and develop effective strategies to respond quickly.

While these are difficult challenges, the potential rewards of both denying terrorists access to money and following the money trail as an intelligence tool are well worth the effort.

Just consider this: The 9/11 Commission concluded that al-Qaida's cash flow on the eve of the September 11 attacks was "steady and secure." Compare that with the comment earlier this year by the director of National Intelligence noting that over the previous 12-18 months al-Qaida had difficulty raising funds and sustaining itself.

For this trend to continue, the US, Israel and others will need to double-down on efforts to engage allies in a coordinated effort across the global marketplace to combat terror financing.

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