

# Combating Terrorist Financing:

## Where the War on Terror Intersects the 'Road Map'

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### ABOUT THE AUTHORS



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Articles & Testimony

**C**ombating terrorist financing is one of the most critical fronts in both the war on terror and the implementation of the roadmap to peace. In both cases, cutting off the flow of funds to terrorists hinges on focusing on logistical and financial support networks.

Too often security, intelligence, and law enforcement services -- and certainly politicians and diplomats -- make distinctions between terrorist "operatives" and terrorist "supporters." Yet financial and logistical support networks are central to the conduct of international terrorism. Those who fund or facilitate acts of terror are equally as guilty of committing acts of terror as those who pull the triggers, detonate the bombs, or crash the airplanes.

The main effort in combating terror financing must be to shut down the key nodes through which terrorists raise, launder, and transfer funds.

Since there is significant overlap between terrorist groups in the area of financing, failure to deal with the financing of groups like Hamas undermines efforts to stem the flow of funds to al-Qaeda.

Pundits and politicians alike tend to think of the war on terror against al-Qaeda and the terrorist groups threatening the Arab-Israeli peace process as completely separate phenomena. This is, in part, a logical supposition, as neither Hamas nor Hizballah belong to the family of al-Qaeda-associated terrorist groups. Hizballah and Palestinian terrorist groups do not conduct joint operational activity with al-Qaeda and, despite some ad hoc cooperation and personal relationships, they have no official or institutional links. There have been a few cases of Hamas operatives who attended al-Qaeda training camps or had other links to al-Qaeda personnel and were dispatched to conduct attacks in Israel. Far more significant, however, are the longstanding links between al-Qaeda and groups like Hamas at the level of their international logistical and financial support networks.

Networks and relationships best describe the current state of international terrorism. This matrix of relationships among terrorists of various groups is what makes the threat of international terrorism so dangerous today. For example, while there are no known organizational links between al-Qaeda and Hizballah, the two groups have held senior level meetings over the past decade and there have been ad hoc, person-to-person ties in the areas of training and logistical support.

Too often people insist on pigeonholing terrorists as members of one group or another, as if such operatives carry membership cards in their wallets. In reality, much of the "network of networks" that characterizes today's terrorist threat is informal and unstructured. Not every al-Qaeda operative has pledged an oath of allegiance to Osama bin Laden, while many terrorists maintain affiliations with members of other terrorist groups and facilitate one another's activities. This applies to Palestinian terrorist groups as well. In the area of terrorist financing and logistical support there is significant overlap between terrorist groups.

#### Both Logistical and Financial Supporters of Terrorism are Terrorists

September 11 taught several painful lessons, not the least of which is that those who conduct such support activities are terrorists of the same caliber as those who carry out attacks. Indeed, the key ingredient that enabled September 11 to happen was the fact that so many individuals and organizations were able to provide the kind of financial and logistical support for an operation of that magnitude. This is able to occur when security, intelligence, and law enforcement services -- and certainly politicians and diplomats -- make distinctions between terrorist "operatives" and terrorist "supporters." Several of the September 11 plotters had been defined prior to September 11 as merely terrorist "supporters," not "operatives." Thus it is critical that intelligence agencies focus on the logistical and financial supporters of terrorism, not only because they facilitate acts of terror, but because distinguishing between "supporters" and "operatives" assures that the plotters of the next terrorist attack -- today's "supporters" -- will only be identified after they conduct their terrorist attack -- and are thus transformed into "operatives." Those who fund or facilitate acts of terrorism are no less terrorists than those who carry out the operation by pulling the trigger, detonating the bomb, or crashing the airplane. September 11 should have taught us how financial and logistical support networks are central to the conduct of international terrorism. Any serious effort to crack down on terrorist financing, so critical to disrupt terrorist activity, demands paying special attention to these support networks.

A close examination of these networks reveals that there are key nodes in this matrix that have become the preferred conduits used by terrorists from multiple terrorist groups to fund and facilitate attacks. Shutting down these organizations, front companies, and charities will go a long way toward stemming the flow of funds to and among terrorist groups.

#### Shut Down the Key Nodes of Funding

Many critics of the economic war on terrorism suggest that because the amount of money that has been frozen internationally is in the low millions, very little has actually been accomplished. I suggest that the dollar amount frozen is not the issue; the issue is shutting down the key nodes through which terrorists raise, launder, and transfer funds.

Counterterrorism is not about defeating terrorism; it is about constricting the operating environment -- making it harder for them to do what they want to do at every level: conducting operations, procuring and transferring false documents, ferrying fugitives from one place to another; financing, raising, and laundering funds. It is about making it more difficult for terrorists to conduct their operational, logistical, and financial activities.

To constrict the terrorists' operating environment and crack down on terrorist financing, let us consider a few examples of key nodes in the network of terrorist logistical support groups. Many of these organizations are not particular to one terrorist group:

Bank al Taqwa: One of the first financial institutions shut down by the United States after September 11 was a family of financial institutions known as Bank al Taqwa. Announcing the seizure of al Taqwa's funds, President Bush noted that al Taqwa and its various affiliates in the United States and abroad were not only being used to raise funds for al-Qaeda, but as a key means for transferring and laundering those funds and even for transferring military and other equipment to al-Qaeda operatives internationally.

Bank al Taqwa provided similar services to many other terrorist groups. In 1997 Hamas used Bank al Taqwa to transfer as much as \$60 million that it raised internationally to the West Bank and Gaza. The Italians subsequently came forward with information that Bank al Taqwa was servicing several North African groups that now play a more central role in al-Qaeda.

IIRO: One of the chief Saudi Arabian charities definitively linked to financing a variety of international terrorist groups is the International Islamic Relief Organization (IIRO). The IIRO has funded al-Qaeda directly, as well as several of its satellite groups from Kashmir to the Philippines. Bin Laden's brother-in-law, Mohammed Jamal Khalifa, headed the organization's office in the Philippines, and the organization's office in northern Virginia shared office space with about 50 other financial shell organizations that are now the subject of a massive counterterrorism investigation. Israeli forces found a large collection of documents in the West Bank with the IIRO logo including several lists of aid recipients with the names of families of suicide bombers highlighted. The IIRO has sent at least \$280,000 to Hamas-affiliated organizations in the West Bank.

Saudis authorities like to talk about bad apples that have fallen off good trees and, in fact, that is sometimes the case. For many months the Saudis maintained this argument regarding the al Haramain Islamic Foundation. Each time the United States approach the Saudis about another branch of al Haramain that had been definitively linked to financing not only terrorism in general but specific terror operations the Saudis would write the office off as another bad apple off an otherwise good tree. But sometimes the tree itself is bad, and every so often the forest is rotten.

The Madrid Cell: Perhaps the most significant al-Qaeda cell to be broken up since 9/11 is not the Hamburg cell but the one in Madrid, Spain. A member of the Madrid cell provided pre-operational surveillance of the Twin Towers, several bridges in New York and California, and other sites during a supposed tourist visit to the U.S. in the late 1990s. The Madrid cell also provided much of the financing for key members of the Hamburg cell directly, even as it funded other cells and other groups. For example, the leader of the Madrid cell sent money to a charity committee in Hebron that American and Israeli officials both linked to Hamas, and provided money to an imam in Madrid with known ties to Hamas.

Al Aqsa International Foundation: After significant pressure and lobbying by both Israeli and American authorities, several individual European countries (but not the European Union) have joined the United States in banning the al Aqsa International Foundation, a Hamas front organization which is also suspected of sending money to Hizballah. The head of the foundation's office in Yemen was arrested in Germany -- not for fundraising on behalf of Hamas but for sending weapons and millions of dollars to al-Qaeda operatives well after September 11.

Indeed, a careful look at the relationships between terrorists from various groups reveals that most of the overlap between groups occurs at key nodes within a matrix of financial and logistical support networks.

Recently disclosed Italian telephone wiretaps reveal that al-Qaeda associates in Italy and elsewhere in Europe were radicalizing and recruiting local Muslim youth to engage in terrorist training at the Ansar al-Islam training camp in the Kurdish areas of northern Iraq near the Iranian border. Recruits were sent via Syria, where the European operatives' al-Qaeda commanders were located -- likely with the knowledge of the Syrian government.

In one conversation, a senior individual in Syria offers his lieutenant in Italy a series of instructions on how to evade the counterterrorism measures put in place since 9-11. He gave very specific advice on how long to stay on the phone, what type of phone to use, not to use the Internet, where to hold meetings, and where not to hold meetings. The commander in Syria added that they need not worry about money "because Saudi Arabia's money is your money."

These examples show that terrorist support networks are very often intertwined. Operationally, failure to crack down on the financing of Hamas or Palestinian Islamic Jihad and Hizballah will only undermine the larger war on terror.

## The Majority of Hamas Funding Comes from Saudi Arabia

The fact that Hamas is the only organization providing Palestinians with critical social services does not excuse the group's terrorist activity. Hamas uses the same institutions to finance suicide bombings and help the needy. In the schools it funds, the classrooms are decorated with posters of suicide bombers and slogans inciting the children to violence.

It costs a tremendous amount of money to maintain the Hamas dawa, the social welfare infrastructure which Hamas utilizes to facilitate terror attacks, as well as to build grassroots support among the Palestinian population. Frequently, Hamas dawa operatives are the ones who ferry the suicide bomber and the explosives to the point of departure for the mission. Numerous Hamas members with terrorist track records are officials of Hamas charity committees.

Recent assessments indicate that the majority of Hamas funding currently comes from sources within Saudi Arabia. Sources like the International Islamic Relief Organization are just one step removed from the Saudi government as subsidiaries of the Muslim World League -- a pseudo-governmental agency. Hamas also gets money from Iran and elsewhere in the Muslim world, as well as from North America and Europe.

Islamic Jihad is practically a wholly-owned subsidiary of Iran, serving Iranian foreign policy. Iran used to fund Islamic Jihad through its budget for Hizballah, which is said to receive at least \$100 million a year. However, about a year into the latest intifada, Iran separated Islamic Jihad's budget from Hizballah, and increased it by 75 percent.

Neither al-Qaeda, Hamas, nor Islamic Jihad currently lack for money, and this situation will continue until we do something about it. In the context of both the war on terror and the roadmap to peace, failure to effectively combat the financing of terrorist groups will translate into nothing less than our failure to combat terror and secure peace in the Middle East. ❖

Jerusalem Issue Brief (Jerusalem Center for Public Affairs)

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