

Saudi Financial Counterterrorism Measures (Part II): Smokescreen or Substance?

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Brief Analysis

Last week, Adel al-Jubeir, foreign policy advisor to Crown Prince Abdullah of Saudi Arabia, presided over a Washington press conference and the release of a report, "Initiatives and Actions Taken by the Kingdom of Saudi Arabia in the Financial Area to Combat Terrorism." The press conference marked the first time that Saudi Arabia has publicly committed to formal cooperation with international bodies in the fight against terrorist financing and money laundering. Yet, the event also included a number of disturbing statements.

Action Plan

The new Saudi initiative includes three laudable and tangible commitments:

- Inviting the G-7 Financial Action Task Force on Money Laundering -- especially its Working Group on Terrorist Financing -- into the kingdom to conduct a "mutual evaluation" in April 2003;
- Establishing a Financial Intelligence Unit (FIU) to collect real-time intelligence on suspicious financial activity and to share such information with local authorities and the sixty-nine other FIUs operating internationally;
- Passing new banking regulations incorporating "know your customer" measures and the reporting of suspicious activity.

Saudi efforts to implement these initiatives will say much about how committed Riyadh is to halting the financing of terrorism. If implemented in full, they would signal a welcome departure from past practices.

Also welcome is the Saudi pledge to curb money laundering through a "Permanent Committee" and to regulate charities through a "High Commission," both newly established entities. Yet, this High Commission will need to be tougher than the Saudi government has been in the past regarding the distribution of charitable funds. At present, the Saudi minister of Islamic Affairs, Shaykh Saleh al-Shaykh, serves as president or secretary-general of many of the most egregious examples of Saudi charities that finance terrorism. Moreover, the International Islamic Relief Organization (IIRO) -- a proven financier of terrorism -- is funded through the Islamic affairs departments of local Saudi embassies in many countries, including the United States. Testifying in his own deportation hearing, IIRO employee Mahmoud Jaballah described the organization as the daughter of the Muslim World League, which he in

turn called "a fully government-funded organization." "In other words," he continued, "I work for the government of Saudi Arabia. I am an employee of that government." (For more information on IIRO, see PolicyWatch no. 673, "Combating Terrorist Financing, Despite the Saudis," November 1, 2002.)

Disturbing Statements

Last week's Saudi announcement also touted the seizure of \$5 million and the designation of two organizations and three individuals as terrorist financiers. Yet, these figures are woefully small in light of estimates by the Federal Bureau of Investigation and the Treasury Department that "as much as \$100 million has flowed from Saudi Arabia to terrorist organizations in recent years." The small Saudi seizure hardly supports the announcement's claim that the kingdom has been at the forefront of "chok[ing] the financing of al-Qaeda." Al-Jubeir also claimed that only three large Saudi-based nongovernmental organizations operate internationally. Analysts such as Zachary Abuza, however, have argued that among the approximately 200 private charities in the kingdom, 20 were "established by Saudi intelligence to fund the Mujiheddin," sending "some \$250 million a year to Islamic causes abroad."

Moreover, the Saudi announcement stuck to the empty theme that Riyadh has been "wrongly accused of being uncooperative or ineffective in combating terrorism." As recently as December 3, however, German authorities noted Riyadh's refusal to cooperate with their investigation of links between a Saudi diplomat in Berlin and Mounir Motassadeq, who is charged with more than 3,000 counts of accessory to murder in the September 11 plot. Al-Jubeir also stressed the joint U.S.-Saudi actions against 1) the Somali and Bosnian offices of the al-Haramain Islamic Foundation, and 2) Saudi businessman and bin Laden financier Wael Jalaidan. Yet, the Bosnian office of al-Haramain has reportedly reopened, and the Saudis continue to turn a blind eye to the foundation's other links to international terrorism (e.g., its funding of the Southeast Asian Jama'a al-Islamiyya cells that perpetrated attacks such as the October 12 bombings in Bali). Moreover, Saudi Prince Nayef bin Abdulaziz disavowed Jalaidan's designation as a terrorist financier almost immediately after the White House announced it, prompting a senior U.S. official to say, "The Saudi public statements in [the Jalaidan] case were nothing short of schizophrenic. Saudi Arabia is one of the epicenters of terrorist financing."

Al-Jubeir also said that, as a consequence of being "naive in [their] giving," Saudis may have enabled "some" to "take advantage of [their] charity and generosity." This was an improvement over Prince Nayef's statement a week earlier characterizing allegations that Saudi officials had financed terrorism as "baseless fabrications." But al-Jubeir's announcement did not cover situations in which funds are donated with the express intention of financing terrorist groups. Take, for example, the cases of the Muwafaq and Benevolence International Foundations:

- The now defunct Muwafaq Foundation was run by Yassin al-Qadi, designated by both Washington and Riyadh as a terrorist financier. According to U.S. court documents, al-Qadi not only intentionally financed Hamas attacks through a U.S.-based front organization, he also established Muwafaq as a front organization through which wealthy Saudis forwarded millions of dollars to al-Qaeda. Muwafaq was endowed by Khalid bin Mahfouz, a former chief of the National Commercial Bank of Saudi Arabia and, like al-Qadi, a member of the Saudi elite close to the royal family. Most recently, a Boston area computer services company with sensitive U.S. government contracts was raided by U.S. authorities on December 6 after it was determined the firm was financed in large part by al-Qadi and bin Mahfouz.
- The Benevolence International Foundation was originally established by Saudi Shaykh Adil Abdul Galil Betargy, with offices in Saudi Arabia and Pakistan. When the foundation's Sarajevo offices were raided in March 2002, officials seized weapons, booby traps, false passports, plans for making bombs, and a list of the foundation's Saudi Arabian sponsors.

Conclusion

Despite extensive public evidence to the contrary, al-Jubeir asserted, "we have not found a direct link or support from the Saudi charities to terrorist groups." Yet, the United States and other governments have provided Saudi officials with many such links, including those described above. Still, the measures announced by the Saudis last week provide the international community with tangible benchmarks to which Riyadh can and must be held accountable. An early test would be to see if the Saudis cooperate with U.S. and European authorities in their efforts to freeze the global assets of several Saudi terror financiers -- to date, an effort that the Saudis have hampered.

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