

# Saudi Financial Counterterrorism Measures (Part I):

## The Impact in the Kingdom

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### Brief Analysis

Measures being taken by Saudi Arabia to stop terrorist financing have been welcomed by top U.S. officials. But the main test for the new rules announced on December 3 will be in Saudi Arabia itself, where zakat (giving to Islamic charities) is a religious duty and where measures that please Washington are increasingly regarded as objectionable. As often happens in the kingdom, the theory behind the new rules may well differ from how they are actually implemented.

### Implementing Counterterrorism Measures

The Saudi government's dissemination of information about its own counterterrorism policies is, at best, poor. Most of the points made by Crown Prince Abdullah's advisor, Adel al-Jubeir, in his December 3 Washington press conference had already been made in a twelve-page document released in September by the Saudi Arabian Monetary Agency (SAMA), the kingdom's central bank. Entitled "Initiatives and Actions Taken by the Authorities of the Kingdom of Saudi Arabia to Combat Financing of Terrorist Activities and Money-Laundering Activities," the document has not been made public but has had limited circulation in the diplomatic community in Riyadh. Moreover, news of a SAMA circular ordering Saudi banks to restrict bank transfers abroad (a key means of curbing terrorist funding) was carried in the Saudi press three weeks ago, but only after it was reported by the official news agency of the neighboring United Arab Emirates. Even then, unidentified Saudi bankers were quoted as saying that there was nothing new in the measures.

There are several possible explanations for this style of communicating counterterrorism measures. For example, Saudi officials often exhibit an inattention to the details of administration (the probable sin of Princess Haifa al-Faisal -- wife of the Saudi ambassador to the United States, Prince Bandar bin Sultan -- whose charity checks apparently ended up paying rent for two of the September 11 hijackers). Many of them are embarrassed that such measures are necessary, as well as reluctant to admit mistakes to U.S. officials trying to work with the kingdom on this issue (e.g., for months after the September 11 attacks, SAMA cooperation with Washington was reportedly hampered by pressure from Saudi interior minister Prince Nayef bin Abdulaziz, who vetoed requests to freeze accounts). They also appear to be worried that public announcements will provoke a political reaction.

Even a measure as limited as controlling transfers of zakat money is probably impossible in a country whose banking systems were almost nonexistent as recently as thirty years ago and whose citizens still prefer cash transactions. Another problem is that several Saudi businessmen are both fervently Islamic and incredibly wealthy, meaning their zakat donations can run up to tens of millions of dollars annually (the recommended donation level is one-fortieth of one's annual income; despite the obligatory nature of zakat, specific levels are not monitored). Washington has been discussing the activities of several such businessmen with the Saudis as well as with European allies. Moreover, the Saudi government supports the flow of money to Palestinian charities -- many of which are linked to Hamas -- declaring that "resisting Israeli occupation" is not terrorism. Indeed, Saudi royals (some of whom have been accused of paying protection money to Osama bin Laden in the past) often encourage contributions to Palestinian causes. For example, last month, Prince Salman bin Abdulaziz -- a senior figure touted as a future, moderate king by many foreign ambassadors -- coined the expression "a riyal you donate saves an Arab" in reply to what he claimed was a Zionist slogan: "a dollar you donate kills an Arab."

### Saudi Political Trends

The official Saudi line about the political concerns of the kingdom's 16 million citizens is, to quote the English-language Arab News, "anxiety over increasing Israeli aggression in the Palestinian territories, the prospects of a war on Iraq, and growing anti-Islamic sentiment in the West." Although the phrase "there are no politics in Saudi Arabia" seemed to hold true for decades, there are indications that the country is growing up quickly, albeit in a contradictory manner. On the one hand, the citizenry has shown signs of increased conservatism. For example, in January, the New York Times reported the existence of a Saudi intelligence survey conducted one month after September 11 which concluded that 95 percent of Saudis in the 25-to-41-year-old age group supported bin Laden.

On the other hand, Saudis tend to dislike increased religious restrictions even if they share growing antipathy towards the United States. Last year, 1,000 middle-class youths who were annoyed by social and religious restrictions rioted in Jeddah; the incident was quickly covered up. Indeed, the royal family tends to dash around fighting media fires in order to contain such frustration, even though the real stories often require reading between the lines of routine daily coverage. For example, just before the start of this year's Ramadan, Prince Nayef made a rare visit to the headquarters of the widely despised mutawa (religious police). The official report of the visit was headlined "Prince Nayef Hails Role of the Religious Commission [for the Promotion of Virtue and the Prevention of Vice]." But the report also shows that he pointedly told them to abide by the state's laws and regulations and not to invade the privacy of peoples' homes.

In another bid to keep the title "man of the people" away from bin Laden, Crown Prince Abdullah -- the de facto ruler in light of King Fahd's indisposition -- made his first tour of Riyadh's slum area in mid-November, thereby publicly admitting to a socioeconomic problem that many rich Saudis and members of the estimated 25,000-strong royal family would prefer not to acknowledge. Moreover, in early December, the Crown Prince publicly authorized emergency funds for the construction of a new dam to contain the toxic lake where much of the sewage of the port city of Jeddah ends up. Heavy rains had damaged the existing dike, flooding the road along which the city's 800 "honey trucks" dump loads of waste on a daily basis, just three miles from the suburbs.

Over the past few decades, the prevailing judgment by foreigners regarding Saudi Arabia's prospects has been that the kingdom can muddle through any crisis. The kingdom is not imperial Iran, run by one man. According to conventional wisdom, the royal family is more enlightened than the bulk of the Saudi population and has age-old mechanisms for coping with dissent. Yet, the historical coalition between the House of Saud and the leaders of the local wahhabi variant of Islam seems to be under great strain, and any meaningful crackdown on the flow of Islamic charitable donations might worsen this tension. Although a serious challenge to the ruling family is unlikely, the coincidence of religious and socioeconomic tensions is worrisome. The kingdom's role during any military action

against Iraq is already questionable, as is its readiness to intervene to support the oil market. Although the Washington Post reported in November that the kingdom has amassed a war-chest of around \$90-100 billion to weather any economic crisis caused by a period of low oil prices following Saddam Husayn's ouster, this claim is not supported by any published data. Those who view Saudi Arabia as a rock of stability and a reliable friend of the United States constitute an increasingly small minority among Western analysts.

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