

Tackling the Financing of Terrorism in Saudi Arabia

by [Matthew Levitt \(/experts/matthew-levitt\)](/experts/matthew-levitt)

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ABOUT THE AUTHORS



[Matthew Levitt \(/experts/matthew-levitt\)](/experts/matthew-levitt)

Matthew Levitt is the Fromer-Wexler Fellow and director of the Reinhard Program on Counterterrorism and Intelligence at The Washington Institute.



Brief Analysis

While publicly stressing Saudi Arabia's cooperation and shared concern regarding terrorist financing, U.S. treasury secretary Paul O'Neill held private consultations this past week in Riyadh with Saudi officials and businessmen regarding specific Saudi organizations and individuals suspected of financing terrorist activities. Promising to find clear-cut cases, O'Neill reassured his hosts that the United States is both fine-tuning the procedure of targeting charitable institutions and fast-tracking the processing of individuals and institutions already placed on terrorism lists and subject to financial blocking orders.

Funding Terror through Charity

Last October, NATO forces raided the Saudi High Commission for Aid to Bosnia, founded by Prince Selman bin Abdul-Aziz and supported by King Fahd. Among the items found at the Saudi charity were before-and-after photographs of the World Trade Center, U.S. embassies in Kenya and Tanzania, and the USS Cole; maps of government buildings in Washington; materials for forging U.S. State Department badges; files on the use of crop duster aircraft; and anti-Semitic and anti-American material geared toward children. Six Algerians are now incarcerated at Guantanamo Bay's Camp X-Ray for plotting an attack on the U.S. embassy in Sarajevo, including an employee of the Saudi High Commission for Aid to Bosnia and another cell member who was in telephone contact with Osama bin Laden and al-Qaeda operational commander Abu Zubayda. Authorities are now trying to track down \$41 million of the commission's missing operating funds. While there is no information suggesting the involvement or knowledge of senior Saudi officials, this is not the only Saudi charity linked to terrorist activity.

Saudi-sponsored humanitarian organizations such as the Mercy International Relief Organization (Mercy) played central roles in the 1998 U.S. embassy bombings. At the New York trial of four men convicted of involvement in the embassy attacks, a former al-Qaeda member named several charities as fronts for the terrorist group, including Mercy. Documents presented at the trial demonstrated that Mercy smuggled weapons from Somalia into Kenya, and Abdullah Mohammad, one of the Nairobi bombers, delivered eight boxes of convicted al-Qaeda operative Wadi el-Hage's belongings -- including false documents and passports -- to Mercy's Kenya office.

Along with Mercy, the Kenyan government also banned the International Islamic Relief Organization (IIRO) after the embassy bombings. From 1986 to 1994, bin Laden's brother-in-law, Muhammad Jamal Khalifa, headed the IIRO's Philippine office, through which he channeled funds to terrorist groups affiliated with al-Qaeda, including Abu

Sayyaf. In January 1999, Indian police foiled a plot to bomb the U.S. consulates in Calcutta and Madras. The mastermind behind the plot was Sayed Abu Nasir, an IIRO employee who received terrorist training in Afghanistan. In 2001, Canadian authorities detained Mahmoud Jaballah based on an Interpol warrant charging him with being an Egyptian Islamic Jihad terrorist. In 1999, Canadian officials attempted to deport Jaballah based on his work for IIRO and what they described as IIRO's involvement in terrorism and fraud. Finally, September 11 hijacker Faye Ahmed reportedly told his father he was going abroad to work for IIRO when he left for the suicide mission.

Like many other Saudi humanitarian organizations, IIRO is part of the Muslim World League, which is funded and supported by the Saudi government (in fact, the Muslim World League and IIRO share offices in many locations worldwide). The Treasury Department has frozen the assets of other Muslim World League member organizations suspected of funding terrorism, including the Rabita Trust. A senior League official in Pakistan, Wael Hamza al-Jlaidan, is listed on the Treasury's terrorist financial blocking order list.

Another key Saudi charity linked to terrorist financing is the al-Wafa Humanitarian Organization. U.S. officials have described al-Wafa as a key component of bin Laden's organization. One official was quoted as saying that al-Wafa and other groups listed "do a small amount of legitimate humanitarian work and raise a lot of money for equipment and weapons."

In December, U.S. authorities raided the Chicago offices of a Saudi-based charity, Benevolence International Foundation. The foundation's videos and literature glorify martyrdom, and, according to the charity's newsletter, seven of its officers were killed in battle last year in Chechnya and Bosnia. U.S. officials suspect the foundation of financing terrorist activity, and at least one former employee has been subpoenaed to appear before a grand jury.

Other charities, such as the World Assembly of Muslim Youth and al-Haramain, are also of particular interest to the United States, but so are a growing number of Saudi individuals. Mustafa Ahmed al-Hasnawi, a Saudi national and bin Laden money man, sent the September 11 hijackers operational funds and received at least \$15,000 in unspent funds before leaving the UAE for Pakistan on September 11. According to U.S. officials, Yasin al-Qadi, a prominent Jeddah businessman and the head of the Muwafaq Foundation, has supported a variety of terrorist groups from al-Qaeda to Hamas. According to U.S. court documents, in 1992 al-Qadi provided \$27,000 to U.S.-based Hamas leader Muhammad Saleh and lent \$820,000 to a Hamas front organization in Chicago, the Quranic Literacy Institute (QLI). Based on their connection to Hamas, the U.S. government has frozen the assets of both Saleh and QLI. Similarly, U.S. officials maintain that the Muwafaq Foundation is a front organization through which wealthy Saudis forward millions of dollars to al-Qaeda.

O'Neill's Saudi interlocutors warned that continued escalation of the Israeli-Palestinian conflict would likely result in increased Arab funding for Palestinian groups such as Hamas and Palestinian Islamic Jihad. Asked in Saudi Arabia why the United States classifies these groups as terrorists, O'Neill answered, "You can tell a terrorist by the acts they commit -- . . . innocent people being killed on the street." O'Neill reaffirmed that "knowingly giving money to terrorists . . . is a terrorist act." In fact, Palestinian terrorist groups receive significant funding from Saudis. For example, in December Israeli authorities arrested a Hamas operative crossing into Egypt en route to Saudi Arabia. His mission -- the second of its kind -- was to brief unidentified persons on the development of Qassam rockets and obtain further funding for the project.

Gaining Saudi Support

Saudi officials have at minimum a clear pattern of looking the other way when funds are known to support extremist purposes. According to former State Department official Jonathan Winer, "a number of Saudi charities either provided funds to terrorists or failed to prevent their funds from being diverted to terrorist use." Prince Bandar bin Sultan, the Saudi ambassador to the United States, acknowledged the problem of tracking the money trail in a New

York Times/Frontline interview. Bandar stated that Saudi officials "found money leaves Saudi Arabia, goes to Europe and we can follow it, goes to the United States, America, and we lose contact with it."

The Saudis have taken steps to battle money laundering and freeze accounts related to the September 11 conspirators, and recently passed new regulations governing private fundraising. Saudis are now encouraged to donate funds in fulfillment of their zakat obligations only through established groups operating under the direct patronage of a member of the royal family. However, as the recent case in Bosnia attests, many of these groups are themselves suspected of financing terrorism.

Although the decision to freeze an organization's funds is not taken lightly, the current U.S. tactic of quietly broaching concerns regarding specific humanitarian organizations with Saudi officials before putting them on U.S. terrorist lists fits the mold of traditional U.S.-Saudi diplomacy. It may prove more fruitful than a heavy-handed, unilateral approach, but only if at the end of the day U.S. and Saudi authorities have the fortitude to freeze the accounts of organizations and individuals found to be financing terror -- wherever the buck stops.

Matthew Levitt is a senior fellow at The Washington Institute.

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