

The Mirage of Terrorist Financing: The Case of Islamic Charities

Strategic Insights, Volume V, Issue 3 (March 2006)

by [Robert Looney](#)

Strategic Insights is a monthly electronic journal produced by the [Center for Contemporary Conflict](#) at the [Naval Postgraduate School](#) in Monterey, California. The views expressed here are those of the author(s) and do not necessarily represent the views of NPS, the Department of Defense, or the U.S. Government.

For a PDF version of this article, click [here](#).

“We operate every day with the knowledge that our enemies are changing based on how we change.”—Tom Ridge, Secretary of Homeland Security, March 31, 2004^[1]

“Bin Laden understood better than most of the volunteers the extent to which the continuation and eventual success of the jihad in Afghanistan depended on an increasingly complex, almost worldwide organization. This organization included a financial support network that came to be known as the 'Golden Chain' put together mainly by financiers in Saudi Arabia and the Persian Gulf States. Donations flowed through charities or other nongovernmental organizations (NGOs).”
—*The 9/11 Commission Report*^[2]

Introduction

Despite the concerted efforts of Western intelligence agencies, considerable mystery and intrigue cloaks the financing of contemporary terrorist organizations, especially those originating in the Middle East. The case of al Qaeda is typical. We know more today than we did three years ago about that organization's financial methods and structure, but we have not identified much about its sources of supply and funding. Similarly, much of what we think we know may only be conjecture, or as the quotation from Tom Ridge above suggests—obsolete. The same gap in our knowledge applied to an even greater extent to many of the lesser known but equally violent terrorist groups throughout the region.

An often cited estimate places al Qaeda spending at around \$30 million per year to sustain itself in the period preceding 9/11.^[3] “But it is even less clear what al Qaeda needs or expends today. And we still do not know with any precision just how much money al Qaeda raises, or how its funds are allocated.”^[4] What we do know with some degree of certainty is that terrorist groups such as al Qaeda have traditionally relied on Islamic charities for much of their funding.” The same is true for many like-minded terrorist groups throughout the Middle East.

The crux of the matter in combating the exploitation of Islamic charities by terrorist organizations comes down to the fact that the act of charity forms a very important part of Muslim law and tradition. There is a recognized religious duty in the Muslim world to donate a set portion of one's earnings or assets to religious or charitable purposes (*Zakat*), and additionally, to support charitable works through voluntary deeds or contributions (*Sadaqah*).

In countries having no established income tax system (for example, Saudi Arabia or the United Arab Emirates), the *Zakat* substitutes as the principal source of funding for religious, social and humanitarian organizations. Funds are collected by the government, local mosques or religious centers. *Sadaqah* contributions are made directly to established Islamic charities. Because both *Zakat* and *Sadaqah* are viewed as personal religious responsibilities, there has traditionally been little or no government oversight of these activities. Donations in large measure remain anonymous. Both conditions combined with the often opaque financial and operating structure of Islamic charities provide an ideal environment for exploitation by terrorist groups.

Charitable organizations are also attractive targets for terrorist organizations because of the reluctance on the part of many countries to rigorously scrutinize their activities. Often with limited information, authorities are put in the awkward position of being pressured to discern between legitimate charity organizations and activities, those organizations that are unknowingly used by terrorists to divert funds, and others deliberately engaged in supporting terrorist groups. Leaders of the latter organizations often raise funds both from individuals purposely seeking to fund terrorist groups as well as from innocent contributors unwitting of the group's links to terrorists.[5]

The sections below examine the exploitation of charities by terrorist groups. In what ways do terrorist groups exploit these organizations? Is this exploitation likely to increase? If so what forms might it take? Are existing policies sufficient to combat these developments? If not, how might the United States and other like-minded countries counter the evolving methods terrorists use to advance their cause through the exploitation of charities?

Issues Surrounding Islamic Charities

The primary function of Islamic charities is to provide basic goods and services to communities in a manner deemed consistent with the values and teachings of Islam. This includes medical services through local clinics and hospitals, K-12 schools, universities and colleges, orphanages, vocational training centers, subsidies for poor families, and other grassroots activities. Islamic charities also collect donations to help Muslims outside their own country in places such as the Palestinian territories, Bosnia, Chechnya, and Kashmir.

Donations of this type have created problems for law enforcement in the war on terrorism because of the difficulty of determining whether money collected for a particular cause (helping the Palestinians rebuild their cities after the recent Israeli incursions, for example) is actually used for the originally specified purpose. In this sense diverting money through charities to terrorist organizations differs fundamentally from that of money laundering:[6]

The criminal phenomenon of money laundering can be described in practical terms. In the case of terrorist financing through the exploitation of charities, however, only the theory is clear: it is the reverse of money laundering. While money laundering is concerned with laundering assets of illegal origin and bringing them back into legal economic circulation, charity-based financing of terrorism is concerned with using legal assets for an illegal activity, namely terrorist attacks. In other words, with money laundering the illegal activity can be located at the beginning of the process whereas in terrorism financing the entire process is reversed.

Governments in the Middle East have shown great creativity and resourcefulness at preventing charities from raising money to overthrow them, but they are far less effective in making sure that money is not "redirected" once it leaves the country.

In some cases, Islamic charities have explicitly raised money for causes that threaten current U.S. government policy. Many Muslims, for example, especially those in the Middle East, view movements such as Hamas and Hizballah as national liberation movements, not terrorist

organizations. As a result, Islamic charities have solicited funds for what they term "resistance to the Israeli occupation."

But Hamas and Hizballah are fundamentally different from al-Qaeda. They are nationalist Islamic movements that operate hospitals and schools, oversee charities, and run in local elections. Al-Qaeda, on the other hand, is a transnational revolutionary movement. Few Islamic charities publicly call for donations to groups like al-Qaeda. Even al-Qaeda fronts do not openly request money for violent activities. Instead, they seek donations for general charitable calls and only later siphon the money to terrorist operations.

The vast majority of Islamic charities, however, represents moderate Islamic interests and seeks to implement the Quranic injunction to help others in need. In a sense, Islamic charities provide Muslims with an opportunity to put into practice the commands of God and fulfill their duties as Muslims. In this sense they are central in demonstrating that "Islam is the solution" (a common Islamist campaign slogan) to a myriad of widespread social ills. Islamic charities provide a visible example of how Islam can be put to work to improve society and alleviate socioeconomic stagnation in the Muslim world.

Charity Exploitation by Terrorist Groups

Following the September 11 attacks, U.S. and allied counterterrorism agencies turned their scrutiny to Muslim charities—resulting in the eventual closures of several. For some of the reasons noted above, these have been difficult cases for the government. In large part this stems from the fact that the Islamic charities fall into two categories: those that have had their funds unknowingly diverted and those that have been corrupted and act as fronts.^[7]

Several conceptual problems arise in assessing the extent to which Islamic charities have been exploited by terrorist groups. Clearly the direct financial support of terrorist groups and their operations are clear-cut cases. On the other hand money is quiet fungible and some charity organizers are adept at creating gray areas.

A good example of this gray area is the Muslim World League (MWL) founded by Saudi Arabia in Mecca in 1962. The Saudi government provided the MWL with generous funding and charged it with the support and propagation of Wahhabi Islam. In turn the MWL supported institutions outside of Saudi Arabia, especially in Afghanistan, Pakistan, Southeast Asia and the Middle East. The organization also became active in Europe—including countries of the former Soviet Union—and North America.

Saudi public and private support for these activities has been estimated at over \$75 billion during the last four decades.^[8] Many experts have drawn a link between this conversion effort and the rise in appeal of al Qaeda throughout the Muslim world. The line from Wahhabism to jihadism is a very thin one that is easily crossed, both religiously and intellectually.^[9]

A not so gray area, but still one not falling in the category of direct support to terrorist groups is illustrated by the Holy Land Foundation for Relief and Development. This charity based in Texas raised \$13 million in the United States in 2000 claiming that the money it solicited went to care for needy Palestinians, although evidence shows that Hamas used some of the money that the Foundation raised to support suicide bombers and their families.^[10]

It is usually difficult to prove that a charity actually was founded with the intention of supporting terrorist groups, or that officials knowingly did so. As a result, counterterrorism officials and many Muslim donors are left virtually grasping at straws and seeking novel ways at overcoming the fungibility problem—halting the flow of money to the direct or indirect support of terrorist groups.^[11]

Investigators have few tools to help them distinguish between legitimate and illegitimate organizations, but some clues—such as the charity's national origins—can be helpful. Though certainly not fool-proof, another possible starting point for identifying unscrupulous charities is to search for those that are issues-based, rather than more general, charitable organizations. For example, a group whose ideological purpose is to donate monies to the plight of the Palestinian people is far more likely to funnel money to Hamas, simply on the strength of its more intimate relationship with the region and groups involved with the same issue, than a group with a more global focus—such as the Islamic Circle of North America, which has provided relief to people in Sudan, Bangladesh, Ethiopia and to victims of Hurricane Francis. That is not to say that issues-based groups are corrupt and general charities are not, but it is one possible indicator that law enforcement agencies can monitor.^[12]

Accountants and financial investigators also can watch for anomalies. For instance, if an issue-specific charity donates a disproportionate amount to a seemingly unrelated issue or group, it likely would raise red flags for an investigator. Other anomalies in giving patterns could include new areas of concern for a general-purpose charity, signs that a U.S.-based charity is ignoring local causes in favor of funding trans-national relief efforts, or an organization that is recruiting volunteers to act on its behalf outside the group's traditional—either geographic and ideological—area of responsibility. This method of monitoring—recommended by the Financial Action Task Force on Money Laundering and adopted by the United Nations—has resulted in several arrests.

Clearly, however, clues are not proof of any illegal behavior. When it comes to charities suspected of terrorist involvement, at what point can a series of independent actions be said to indicate coordinated and malevolent intent? And if they do in fact indicate such intent, what should be done about it? In all cases, further investigation would be needed in order to support the case for an arrest warrant or subpoena that eventually could be used to put the charity out of business.

As a way of organization, the main sources of terrorist funding are outlined in [Figure 1](#). Here charities are assumed to play a key role, with funds also derived from legitimate businesses and fraudulent/criminal activities.

Al-Qaeda has no doubt been the most successful of the terrorist organizations at exploiting Islamic charities and non governmental organizations. NGOs. The organization has penetrated several hundred madrassas (Islamic schools), mosques, and NGOs engaged in Islamic education, promotion of human rights, and health and relief projects. These Islamic NGOS form a visible part of a much larger invisible network. As the sections above show, the infiltration of these groups by al-Qaeda and its associates poses both a significant threat to Islamic NGOs and at the same time one of the main challenges facing the security and intelligence community in combating terrorism. Before coming under increased scrutiny prior to 9/11, al-Qaeda either established or infiltrated Islamic NGOs for four principal reasons:^[13]

- One-fifth of all NGOs conducting humanitarian work world-wide are Islamic. Such charities have established an active presence in every country in the world with a sizeable Muslim population. In addition to providing excellent cover and global reach, Islamic NGOs enable al-Qaeda to radicalize and mobilize Muslim communities to support its aims.
- These organizations receive and disburse several billion dollars per year. According to the U.S. Embassy in Riyadh Saudi donations to Islamic NGOs for relief in Bosnia alone in 1994 amounted to 150 million dollars .Aiding Muslims in distress is a religious duty, while the idea of helping the needy and defending Muslims from perceived or actual persecution appeals to the vast majority of Muslims.

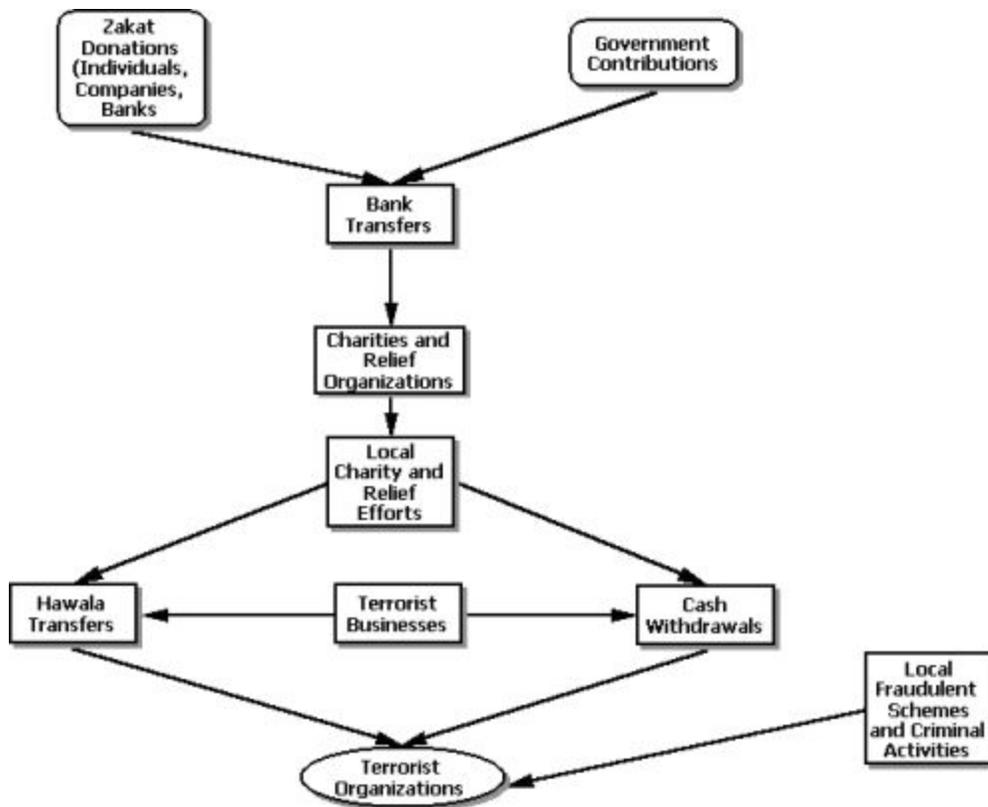
- Most Muslims make donations on the basis that their charity of choice is funding relief, education, health or development objectives. However, an unusually high proportion of Islamic NGOs include military aid as part of a humanitarian package. The CIA estimates that one-third “support terrorist groups or employ individuals who are suspected of having terrorist connections.”
- Neither the authorities nor donors are able to determine or control the ultimate beneficiaries of contributions, especially if they are overseas. For instance, Saudi Arabia monitors NGOs in the kingdom closely but the ultimate destination of the funds they raised cannot be established by the local authorities alone. However unless there is a direct and immediate threat to domestic stability or to important overseas relationships, governments are unlikely to develop a framework for closer monitoring.

Factors Affecting the Growth in Islamic Charity Funding

In part the adaptability of terrorist organizations in exploiting charities has been encouraged by the inability of the United States, the European Union, and international financial institutions to adopt a common set of anti-terrorist policies, including similar regulatory frameworks, scope of groups targeted, and responses and penalties. No doubt this encourages jurisdiction shopping by terrorists and their financial supporters. If U.S. counter-terrorism legislation is tougher than Europe's post 9/11, then the incentive is for groups to migrate to the less stringent jurisdiction. Similarly, the failure to achieve a common response at the global level may encourage terrorists to structure their financial support activities to exploit jurisdiction-specific advantages, such as the network of Gulf charities in the Middle East, and weak financial regulation in key states in Africa and Southeast Asia.^[14]

As for the future, there are many variables that will determine the role and nature of Islamic charities in assisting terrorism. Clearly the manner in which terrorist organizations themselves evolve will largely define the role of Islamic charities. In this regard the 9/11 Commission notes^[15]

Figure 1: Summary—Charities and the Terrorist Money Trail



Though progress apparently has been made, terrorists have shown considerable creativity in their methods of moving money. If al-Qaeda is replaced by smaller, decentralized terrorist groups, the premise behind the government's efforts—that terrorists need a financial support network—may be outdated. Moreover, some terrorist operations do not rely on outside sources of money and may now be self-funding either through legitimate employment or low-level criminal activity.

Realistically, terrorist organizations will not be self-financing in the foreseeable future. In this case, both the supply of funds to Islamic charities and terrorist organization demand for external funding will determine the extent to which Islamic charities facilitate terrorist acts, and recruitment. The more important supply-demand elements are summarized in [Figure 2](#).

Conceptually, one can break these factors into two components: those that result in the overall growth of Islamic charities, and a second set that affects the share of these resources diverted to terrorist activities. In actual practice this distinction may not be so sharp. In part this stems from the simple fact that Islamic charities are hardly homogenous. In many cases charities are a mere sham that exists simply to funnel money to terrorists. However, often the abuse of charity has occurred without the knowledge of donors, or even of members of the management and staff of the charity itself.

Everything else equal, the growth of charities not under the direct control of terrorists should be higher, the more wealth occurring to contributors, and the charitable needs. Those charities under control by terrorist organizations should grow more rapidly with increased difficulty of shifting funds through the conventional financial system—i.e. the success of FATIF surveillance. Within this framework, several points are of particular interest.

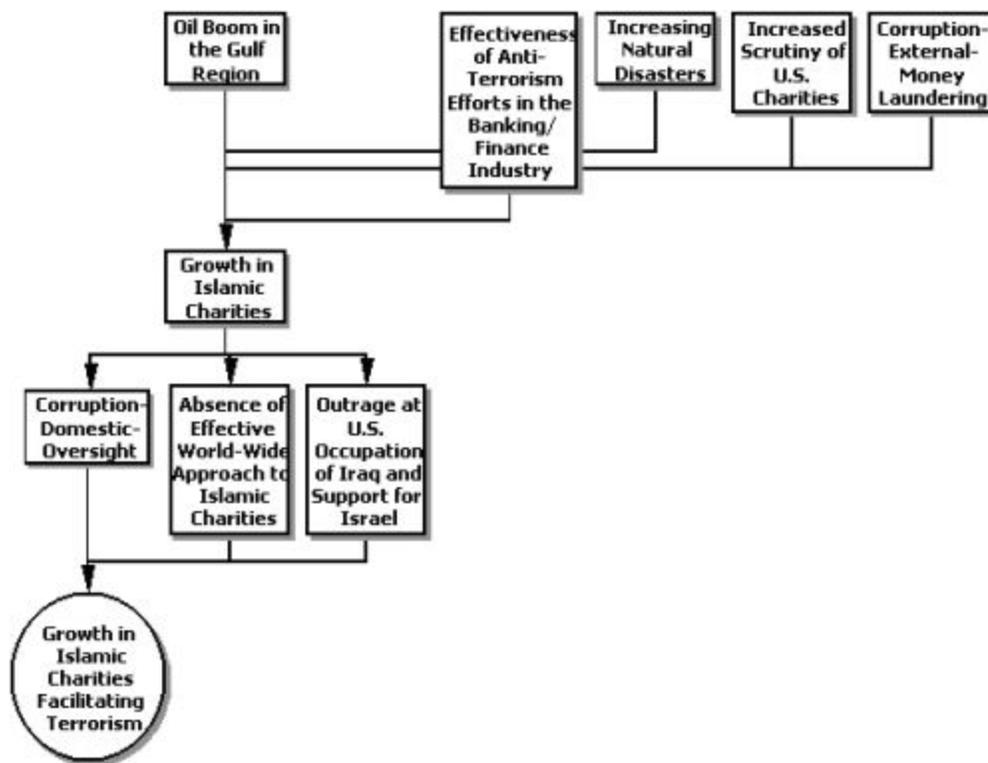
First, the extent to which the oil boom in the Gulf region continues will have the greatest effect on the influx of funds to Islamic charities. The U.S. Department of Energy notes^[16] that for Saudi

Arabia the combination of relatively high oil prices and exports led to a surge in oil revenues. For the year as a whole, Saudi Arabia earned about \$116 billion in net oil export revenues, up 35 percent from 2003 revenue levels.

Saudi net oil export revenues are forecast to increase in 2005 and 2006, to \$150 billion and \$154 billion, respectively, mainly due to higher oil prices. This is important for Saudi Arabia, given that oil export revenues account for nearly 90 percent of the country's total export earnings. Increased oil prices—and revenues—since the price collapse of 1998 have significantly improved Saudi Arabia's economic situation, with real GDP growth of 7.2 percent in 2003, 5.5 percent in 2004, and forecasts of 5.6 percent and 4.7 percent growth for 2005 and 2006, respectively.[17]

To get a rough idea of the vast amounts of money flowing out of the Middle East with the current oil boom, net official outflows of capital in 2002 were only \$5.5 billion. These increased to \$44.6 billion in 2003, further to \$49.2 billion in 2004, and are expected to increase to \$61.6 billion in 2005 with little sign of a sharp fall-off over the next several years. These figures largely reflect the affluence in the Gulf Region. A similar pattern characterizes private capital outflows. These were in the \$2 to 4 billion range in 2003 and 2004, but have increased to \$21 billion in 2004 and were projected at \$31.2 billion in 2005.[18] Again, these are expected to stabilize in this range over the next several years.

Figure 2: Factors Affecting Future Charity Funding of Terrorism



The surge in government revenues and personal incomes in Saudi Arabia and other Gulf countries should result in a corresponding influx of funds, both public and private into Islamic charities. As Cordesman notes:

Individuals in Saudi Arabia, and many other Arab and Islamic countries, will continue to support such organizations or their fronts, and regional governments can only do so much to limit such funding. Merrill Lynch estimates that the capital controlled by wealthy individuals in the Middle

East rose by 29 percent during 2003-2004, to a level of approximately \$1 trillion dollars raises serious questions about how much governments can do. Much of this capital is in private accounts outside the region, terrorist operations are only moderately expensive, and Merrill Lynch projects a further 9 percent annual rise in such holdings from 2004 to 2009.[19]

Second, increasing natural disasters in the Middle East/South Asia region in 2005 saw a massive flow of funds into charities to help with the humanitarian crisis associated with the Asian Tsunami and then the devastating Pakistan earthquake. While there are no comprehensive estimates on the exact amount of additional funds placed in charities following these events, there is no doubt the amounts were considerable, with antidotal accounts suggesting many Islamic charities awash with funds.

Third increasing effectiveness against money laundering through commercial banks is likely to result in increased use of charities as a conduit to terrorist groups. On the other hand the effectiveness of U.S. efforts at identifying links between Islamic charities in the United States and terrorist groups has reduced flows to charities linked to terrorist groups as well as the ability of other compliant U.S.-based charities to attract donations. However there is no reason to suppose that this action in the United States has reduced the actual amount of funds reaching terrorist groups from Islamic charities in the Middle East. In fact, one can easily design scenarios whereby these actions cause more money to flow to Islamic charities in the Middle East where the United States has much less oversight.

Given the large pool of funds in Islamic Charities potentially available for diversion to terrorist groups, several key factors are likely to affect the actual amounts received by those groups.

Rachel Ehrenfeld[20] contends corruption is a critical variable in effecting the flows of funds to terrorist groups. Unfortunately Saudi Arabia and many of the key countries in the region have some of the highest rates of corruption in the world as measured by Transparency International[21], a leading authority on identifying corruption. Saudi Arabia ranked 71st in 2004 (that is, there are 70 countries less corrupt) and was 70th in 2005. Other key countries in the region are even more corrupt: Egypt 77, Iran 87 and Libya 108th. Significantly these same countries have shown little improvement over the years. As will be discussed in more detail below, Iraq has one of the highest levels of corruption in the world, falling to 137th in 2005 from 129th in 2004.

In terms of political will, there is also little to be encouraged about. As noted, in response to U.S. pressure to regulate its charities, Saudi Arabia set up, together with the United States, the Joint Terror Financing Task Force. As one observer has noted:

Has it been effective? I would submit to you that based on the declared objectives of insuring transparency and regulating the activities of charities in the Kingdom, there is still a lot of work to do on the part of the Saudis. There have been some positive steps taken by the Saudis, but in the larger mix of things, the Joint Task Force has been a relative failure. This is due in large part to the fact that in order for the Joint Task Force to succeed, Saudi Arabia would have to effectively renounce its Wahhabist religious ideology. Its ideology drives its religious institutions, which in turn drive its funding of radical Islam. In the United States, Wahhabist Saudi tracts and publications continue to be exported here to mosques, Islamic centers, prisons, the U.S. military, and radical Islamic groups that operate under false veneer as "civil rights" and "charitable" organizations. Accused terror financiers Wael Jalaidan and Yassim Al Qadi continue to operate with total impunity despite (false) assurances by Saudi officials that their terrorist careers had been shut down, or that they had been put under house arrest.

A recent statement[22] by Saudi Arabia's Minister of Islamic Affairs, Endowments, Dawa and Guidance, Saleh ibn Abdul Aziz Al-Sheikh provides added cause for concern over Saudi Arabia's

resolve to close charities aiding terrorism. Toward the end of 2004 the Minister told an audience in Jeddah that al Haramain was closed under U.S. pressure and not because the Saudi government had any "suspicions surrounding its activities." It was closed, he said "to serve the general interest." The ministry, he said, was not aware of any misconduct from the Saudi charity and had not received any documented information to this effect from any side. He re-assured the audience that the Saudi government had no plans to act against any further charities, or to take any additional action against al Haramain employees. They would be free, he said, to find employment in other charities. In the meantime, al Haramain international operations and assets, he said, would be folded into a new body named the Saudi National Commission for Charitable Works Abroad.

Second, outrage at the United States and/or Israel is a key, but intangible factor in effecting the supply of funds to terrorist organizations and diverting charitable funds towards terrorist groups. Much of the investigation and research related to al Qaeda has dealt with its funding mechanisms and not with the motivation and dedication that has generated the donations. After four decades of fundamentalist Islamic expansion, a good part of this dedication comes from radical Islamic conviction and its associated absence of tolerance towards other ethnic or religious customs and beliefs. It has generated a growing resentment and alienation toward Western cultural influence in the Muslim world.

The stagnant Israeli-Palestinian situation and the war in Iraq have also served as motivations for recruitment and support of a new generation of al Qaeda-related jihadists. As more and more of these individuals infiltrate the Islamic charities, rising to managerial positions, the likelihood of diversion of funds to terrorist activities is likely to significantly increase.

Finally, the United States, the European Union, and international financial institutions have failed to adopt common CTF policies, including similar regulatory frameworks, scope of groups targeted, and responses and penalties. There is some evidence that this may encourage jurisdiction shopping by terrorists and their financial supporters. If U.S. counter-terrorism legislation is tougher than Europe's post 9/11, then the incentive is for groups to migrate to the less stringent jurisdiction. Similarly, the failure to achieve a common response at the global level may encourage terrorists to structure their financial support activities to exploit jurisdiction-specific advantages, such as the network of Gulf charities in the Middle East, and weak financial regulation in key states in Africa and Southeast Asia.[\[23\]](#)

The main implication of the factors summarized above is that the current U.S. policies towards Islamic charities will very likely have only a marginal impact at best in reducing the flow of funds toward terrorist organizations. Looking at the bigger picture, there are few bright spots—the charities are likely to have more funds and there are increasing forces and mechanisms to divert these funds to terrorist organizations. There have been some successes at identifying and shutting down some charities, but most of these successes were early-on in the war on terrorism when the charities themselves or those in the charities diverting funds were perhaps careless or unsuspecting that they would come under scrutiny.

Summary and Implications

While it is difficult to sum up our knowledge on Islamic charities, the above discussion leads to several very broad generalizations:

1. Most of the unclassified information we have concerning the relationship between Islamic charities and terrorist groups comes from evidence presented at the trials in the United States of these charities. Often this information is very rough and the figures difficult to confirm. This has led to a series of conventional wisdoms and min-sets that may be out of date or simply incorrect.

2. Money is very fungible—especially if one is determined. The one pot theory of finance stresses the fact that money contributed for a specific purpose—say humanitarian programs, simply frees up funds for other objectives. Trying to follow a money trail of certain contributors to Islamic charities may be futile at best and potentially extremely misleading.
3. The vast quantities of money flowing into Islamic charities, together with the large number of these organizations with links to terrorist organizations suggest that this is a long-term problem. While the current anti-terrorist finance strategies should be maintained, they should also be broadened and shifted to focus on longer term issues.
4. The problem of aggressively confronting Islamic charities is that terrorist financing is a hydra—if one head gets cut off, two more appear—leaving policy makers always behind the power curve. Are there other indirect measures in addition to those noted above that might be effective in combating charity based terrorist/insurgency funding? One option is to focus not only on money, but on the demand driving the money. Within such an expanded policy framework, funding for terror is viewed as a product of an ideology which must be countered.[24]

Inherent in the points above is the assumption that as long as there is a desire for people to donate to radical Islamist causes, they will find a way to do so, even if under the guise of charitable contributions. In this line of reasoning, the struggle over terrorism finance boils down to a struggle of ideology, and an increasing number of analysts advise that until nations recognize and come to terms with this, they will not substantially impact terrorist financing and will not win the war on terror.[25]

Undermining the effectiveness of U.S. policies designed to combat terror financing is a perception that they are contrary or hostile to a central tenet of Islam, *Zakat*, which requires financial contribution to Islamic causes. To counter this problem, one approach might be to facilitate the channeling of charitable donations to non-jihadist causes; this approach would necessitate the identification of organizations and charities which are terrorist connected or terrorist fronts. On the other hand, donors need to be able to identify legitimate charities without terrorist connections.[26]

Central to such efforts are better communication and greater government understanding of the cultural basis and operational dynamics of Islamic charities. For example, under a recently created Treasury Department/FBI joint outreach program, agency representatives are conducting seminars in the Arab-American community to increase awareness of agency concerns and of potential pitfalls with regard to charitable donations. There is a similar need internationally.[27]

Within this general area of indirect approaches toward combating Islamic support of terrorist organizations a number of promising alternatives have been suggested:[28]

- Expand policy to include a supply/demand framework aimed at reducing the pool of potential contributors to terrorist causes. In conjunction, encourage those who offer alternatives to radical Islam.
- Adopt an approach that views money as a tool of terrorism and a source of information to be studied, not just seized.
- Place more emphasis on international coalition building with added focus on diplomacy, rather than seizing assets.
- Focus more on the state sponsorship of terrorism. To what degree is the current focus on al Qaeda-type networks drawing attention away for Saudi Arabia, Iran, and Syria?

- Develop more active policies. How might we assure the legal right of contributors to demand an accounting of how charitable contributions are used?
- How might the funding of militant madrassas throughout the world be better discouraged?

A longer term solution lies in giving anti-corruption efforts a high priority. Not only would an improved corruption situation aid in enforcing restrictions on charity activity and money laundering, improved control of corruption appears critical for inducing follow on improvements in other areas of governance, especially voice and accountability, political stability, government effectiveness, and regulatory quality.[29]

For more insights into contemporary international security issues, see our [Strategic Insights](#) home page.

To have new issues of *Strategic Insights* delivered to your Inbox at the beginning of each month, email ccc@nps.edu with subject line "Subscribe." There is no charge, and your address will be used for no other purpose.

References

1. [Remarks by Secretary Tom Ridge](#), U.S. Secretary of Homeland Security, at the Center for Homeland Security's 2004 Homeland and Global Security Summit, March 31, 2004.
2. [The 9/11 Commission Report](#), 55.
3. See [The 9/11 Commission Report](#) and [National Commission on Terrorist Attacks Upon the United States: Monograph on Terrorist Financing](#), 9.
4. Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," in Jeanne K. Giraldo and Harold A. Trinkunas, eds., *The Political Economy of Terrorism Finance and State Responses: A Comparative Perspective* (Stanford: Stanford University Press, Forthcoming 2006).
5. Matthew A. Levitt, "The Political Economy of Middle East Terrorism," *Middle East Review of International Affairs* 6:4 (December 2002), 54.
6. Michael Lauber, "Financing Terror: An Overview," *Terrorism Monitor* 2:20 (October 21, 2004).
7. See [The 9/11 Commission Report](#); also see Maurice R. Greenberg, chair, *Terrorist Financing: Report of an Independent Task Force*, (New York: Council on Foreign Relations, 2003); and Matthew A. Levitt, "The Political Economy of Middle East Terrorism," *Middle East Review of International Affairs* 6, no. 4, 49-65; Matthew D Levitt, "[Combating Terrorist Financing, Despite the Saudis](#)," *Policywatch*, no. 673, November 1, 2002.
8. Statement of David D. Aufhauser, former U.S. Treasury Department General Counsel, before the Senate Committee on Governmental Affairs, "[An Assessment of Current Efforts to Combat Terrorism Financing](#)," June 15, 2004.
9. Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," in Jeanne K. Giraldo and Harold A. Trinkunas, eds., *The Political Economy of Terrorism Finance and State Responses: A Comparative Perspective* (Stanford: Stanford University Press, Forthcoming 2006).

10. [Terrorist Financing: On Deterring Terrorist Operations in the United States](#) (U.S. GAO, 2005), 14.
11. Jeremy Lippart and Karan Bokhari, "The Finances of Terrorism," [Stratfor](#), October 22, 2004.
12. [Ibid.](#)
13. "Al-Qaida Finances Lubricate Islamic NGOs," *Oxford Analytica*, January 16, 2002.
14. Jeanne K. Giraldo and Harold A. Trinkunas, "The Political Economy of Terrorist Finance and State Responses," in Jeanne K. Giraldo and Harold A. Trinkunas eds., *The Political Economy of Terrorism Finance and State Responses: A Comparative Perspective* (Stanford: Stanford University Press, Forthcoming 2006).
15. [The 9/11 Commission Report](#), 383.
16. "[Saudi Arabia](#)," *OPEC Revenues: Country Details*, Energy Information Agency, June 2005.
17. Saudi Arabian Monetary Agency, *Forty-First Annual Report 1426H (2005G)* (Riyadh: SAMA, 2005).
18. Saudi Arabian Monetary Agency, *Forty-First Annual Report 1426H (2005G)* (Riyadh: SAMA, 2005), 25.
19. Anthony Cordesman, "[Saudi Arabia: Friend or Foe in the War on Terror](#)," *Saudi-U.S. Relations Information Service*, November 8, 2005, 8.
20. Rachel Ehrenfeld, *Funding Evil: How Terrorism is Financed—and How to Stop It* (Chicago: Bonus Books, 2003). To be discussed in more detail in the section below on Iraq
21. Transparency International, [Corruption Perceptions Index 2004](#).
22. Abdul Wahab Bashir, "[Kingdom Has No Plans to Close Down Charities](#)," *Arab News*, January 1, 2005.
23. Jeanne K. Giraldo and Harold A. Trinkunas, "The Political Economy of Terrorist Finance and State Responses," in Jeanne K. Giraldo and Harold A. Trinkunas, eds., *The Political Economy of Terrorism Finance and State Responses: A Comparative Perspective* (Stanford: Stanford University Press, Forthcoming 2006).
24. Raphael Perl, "Anti-Terror Strategy, The 9/11 Commission Report, and Terrorism Financing: Implications for U.S. Policymakers," in Jeanne K. Giraldo and Harold A. Trinkunas, eds., *The Political Economy of Terrorism Finance and State Responses: A Comparative Perspective* (Stanford: Stanford University Press, Forthcoming 2006).
25. [Ibid.](#)
26. Wayne Parry, "[U.S. Rejects Muslims' Plea for 'Approved' Charities](#)," *Associated Press*, October 14, 2004.
27. Raphael Perl, *Op. Cit.*

28. *Ibid.*

29. Cf. Robert Looney, "Profiles of Corruption in the Middle East," *Journal of South Asian and Middle Eastern Studies* XXVII: 4 (Summer 2005).

[CCC Home](#)

[Naval Postgraduate School](#)

Rev. 03/03/2006 by [CCC](#)
[Webmaster](#)