Technological and Financial Responses to Terrorism

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Introduction

Since the attacks of 9-11, the Bush administration and its allies have struggled to develop an effective strategy to cut off the stream of financial assets to al Qaeda and other terrorist groups. The 9-11 Commission's Monograph on Terror Finance portrays a U.S. intelligence community that paid little attention to and had little understanding of terror finance before the attacks. The Monograph found that "Terrorist financing was not a priority for either domestic or foreign intelligence collection. As a result, intelligence reporting on the issue was episodic, insufficient and often inaccurate."[1] The Monograph is harshly critical of both the FBI[2] and the CIA for largely failing to "comprehend al Qaeda's methods of raising, moving and storing money."[3]

Therefore, the response came in the context of a vacuum of knowledge of who and what one needed to respond to. It was a distinct disadvantage because al Qaeda had closely studied Western financial systems and understood its points of weakness. Shortly after 9/11, bin Laden bragged to a Pakistani journalist that his men were "as aware of the cracks inside the Western financial system as they are aware of the lines in their hands."[4]

The Initial Response

The immediate response to the attacks was seek to freeze assets that could be associated with the funding of terrorism, including those of charities monitored by the CIA and FBI for years. The primary instrument was the Treasury Department's Office of Foreign Assets Control (OFAC), broadly charged with enforcing sanctions against individuals and countries hostile to the United States. OFAC has the authority, after extensive interagency review, to designate individuals and companies as Specially Designated Global Terrorists, and freeze the assets of that entity or person.

The asset freezing mechanism was, in a matter of weeks after 9-11, coordinated with the United Nations Security Council. The purpose was to facilitate getting individuals and entities designated by individual countries also listed on a U.N. list. That list, in theory, would then be enforced by all member states and assets would be frozen. Individuals on the list are also banned from international travel. As I will examine in more detail later, this mechanism has been largely ineffective. One small measure of the inefficiency of the travel ban is that no nation has reported stopping any designated individual seeking entry into or transiting its national territory.[5]

This initiative yielded a freezing of some $149 million in assets worldwide and the naming of about 400 people as Specially Designated Global Terrorists supporting terrorist efforts.[6] However, almost all the designations were made in the three months immediately following the 9-11 attacks, and the mechanisms have hardly been used in the past two years because the number of easily-identifiable targets has evaporated. It is also worth noting that the United States has proposed more than 390 of the designated individuals. In contrast, Saudi Arabia has only designated two people.[7] A United Nations report in August 2004 stated that "it would appear that the sanctions regime imposed by the Security Council has had a limited impact."[8]

Ongoing Efforts

The intermediate term efforts have sought primarily to remedy vulnerabilities in the formal financial sector, and this remains the focus today. This includes drafting new reporting requirements, seeking consensus in international forums on how to create effective multinational structures to identify the movement of terror finances, criminalizing the activity and punishing countries that do not comply. The actions are modeled on some of the tactics that proved somewhat effective in tracing money laundering operations of drug cartels.

This strategy is useful because it has raised the cost of doing business to terrorist organizations and has taken away their easiest and most easily-identifiable channels of moving money. It also utilized the legal mechanisms available to the United States and other nations, even though the instruments were blunt and somewhat crude in the face of the new situation. Slowly, some of these instruments are being honed to have a more precise effect.

But this strategy largely ignores the strong evidence some terrorist groups, particularly al Qaeda, have not been reliant on the formal financial sector for many years. In fact, al Qaeda had begun moving away from the formal financial system at least by 1998, in the aftermath of the attacks on the two U.S. Embassies in East Africa. [9]

The "freeze and seize" tactics and the "name and shame" campaigns aimed at targeting terrorist funding and those behind it is flawed for another underlying reason. The intelligence and law enforcement communities have spent decades developing an understanding of classic money laundering, where drug traffickers and other criminals take large amounts of illicit money and try to make it appear that the "dirty" money is, in fact, "clean." The flows of money are often tens of millions of dollars at a time, and schemes to launder the cash, while constantly changing, follow a few clearly identified patterns.

The funding for terrorism is, in many ways, the opposite of money laundering. Terrorist groups, especially al Qaeda, take money given to or generated by legitimate institutions such as charities and businesses, and divert it to illicit purposes. This "reverse money laundering" is much more difficult to trace because it often involves only a trickle of money from any given legitimate source at any given time. This makes imposing new requirements on financial institutions less effective than such measures were when authorities were trying to track tens of millions of dollars that flow through banks and have a significant, traceable effect on a local and national economy. As David Aufhauser, then General Counsel for the Treasury Department said in 2003, "We had been looking at the world (of terror financing) from the wrong end of the telescope."[10]

The new reporting requirements imposed on the formal financial sector and sectors of traditionally unregulated money remittance systems have had a foreseeable but unintended consequence: they created an enormous backlog of paperwork in the Treasury

Department. Because of the vast amount of new reports flowing into a largely pre-9-11 structure, most of the information does not get looked at for weeks after it is filed. Financial institutions, scared of being caught handling suspicious activities, file reports on anything and everything as a way to avoid charges of negligence. Yet regulators and investigators glean almost no useable information from the flood of data. This system overload has made it virtually impossible to detect suspicious transactions in time to act on them.[11]

The financial intelligence community, both in the United States and Europe, also suffers from a "relative paucity of Arabic and other key language translators…and from a general failure across the government to systematically manage the use of document exploitation technology," according to former senior National Security Council official.[12]

Efforts to implement international reporting requirements or to get individual countries to implement more uniform reporting requirements have also met with mixed success. While the United States has sponsored several conferences on regulating *hawalas* on the Arab peninsula, Pakistan and India, there has been little to date to indicate that new measures have been implemented, and that, if they were, they would not overwhelm the system as they have in the United States.[13]

In the field of commodity trade, the Treasury Department has issued draft regulations that would require dealers in precious metals, stones or jewels to establish anti-money laundering programs. The rationale was that "the characteristics of jewels, precious metals and precious stones that make them valuable also make them potentially vulnerable to those seeking to launder money."[14] In a $7 billion a year industry like diamonds, such requirements for trying to block transactions that at most total a few million dollars a year going to terrorist organizations strikes many in the diamond and jewelry trade as onerous and likely to create a backlog of information that will have no timely use.

Finally, a variety of factors, both internal and external to the law enforcement and intelligence communities, have made developing non-regulatory methods of tackling terror finance mechanisms outside of the formal financial structure a more difficult priority to pursue. These factors have also made tracing and understanding these methods a lower priority. This has had and will continue to have long-term consequences because that is where most of al Qaeda's money continues to flow.

Stuart Levey, the Treasury Department's Under Secretary for Terrorism and Financial Intelligence, said recently that "we are starting to see encouraging results" in fighting terror financing and that "terrorist groups like al Qaeda and Hamas are feeling the pinch and do not have the same easy access to funds they once did."[15]

But he admitted it was difficult to measure such progress, and said that "the most significant progress has been in bringing about a change in mind-set. There is now near-unanimous recognition among nations that terrorist finances and money laundering pose threats that cannot be ignored."[16] If it has taken four years to build that consensus following a massive terrorist attack, and it is the most significant achievement, it reflects tellingly on the amount of work that remains to be done in the field of terror finance.

As a United Nations study noted, “it will always be difficult to design, let alone enforce, sanctions against diverse groups of individuals who are not in one location, who can adopt different identities and who need no special equipment for their attacks.”[17]

Background

Al Qaeda has used several identified methods to raise and move money, including *hawalas*, commodities such as gemstones and gold, charities and the financial network of businesses and financial institutions owned and operated by leaders of the international Muslim Brotherhood. These often include offshore companies based in Liechtenstein, Panama, Isle of Man and other tax havens.[18] These methods have been successful over time, and are likely be used again because they are extremely difficult to combat and are not susceptible to quick policy fixes. While the specifics of the operations will and have already evolved into different forms, the general patterns are likely to remain the same until effectively countered.

This point was driven home in recent Congressional testimony that fundraising for al Qaeda’s allies in Iraq “follows similar patterns as fund raising for Sunni *jihadist* terrorist groups throughout the world, including deep-pocket donors and the abuse of charities. Indeed, there is reason to believe that extremist networks throughout the world that had been providing financial support to *jihadist* terrorist groups are directing portions of their funds to Iraqi insurgency groups.”[19]

Commodities such as gold, diamonds and tanzanite have played a vital role in the global terrorist infrastructure. Gemstones have played a particularly important role in al Qaeda’s financial architecture. Diamonds, in particular, have been used to raise money, launder funds and store financial value. Gold, for a variety of cultural and logistical reasons, has been used primarily as way to hold and transfer value. These commodities are not tangential to the terror financial structure, but a central part of it.[20]

The role of gemstones is the topic of some debate and analysis in the intelligence community. The role of gold is equally important and less understood. A measure of the importance of the commodity was that, in 1998, the Taliban government—with funds from Osama bin Laden—held $220 million in gold on deposit in Federal Reserve. This was frozen in the aftermath of the August 1998 U.S. Embassy bombing in East Africa, and helped precipitate the movement of al Qaeda and Taliban assets out of the formal banking system.[21]

The sophistication of al Qaeda’s financial network was due in part to its compartmentalization, the priority it gave to financial aspects of its operations and its management of its capital and investments. The result, according to al Qaeda expert

Rohan Gunaratna, is "the most complex, robust and resilient money-generating and money-moving network yet seen."[22]

The network is also difficult to detect because it flows, in part, through the river of money that traditionally has flown from Saudi Arabia and other Arab peninsula nations to the outside world to spread the *wahhabist* version of Islam. Indeed, the global propagation of *wahhabism* is a "core tenet" of Saudi foreign policy.[23]

The amount of money for missionary efforts to spread of *wahhabism* is staggering, and in some ways is indistinguishable from money that ends up aiding al Qaeda and other terrorist groups. This is particularly true in the case of charities, where small percentages of the money given to help *wahhabist* organizations were siphoned directly into the coffers of terrorist groups.

The Saudi government calculates its ministries and charities spent $87 billion on missionary efforts from 1973-2000, almost $2.5 billion a year. In contrast, the Soviet Union, at its peak, spent about $1 billion a year in external propaganda.[24] This massive effort is responsible for the rise in the appeal of al Qaeda and Islamic radicalism across the Muslim world. While the vast majority of the money does not go directly to support terrorist organizations, it helps drive the broad and growing *jihad* movement that is increasingly targeting U.S. interests and spreading in ideology that supports terrorism.

This, too, is a type of terrorist financing that must be dealt with on a broad level, rather than solely focusing on individual branches of individual charities that may be directly supplying funds and support to a particular al Qaeda cell. David Aufhauser, a senior official responsible for tracking terrorist financing, likened Saudi support for spreading *wahhabism* around the world while abdicating responsibility for the violence that might ensue to "lighting a match in a parched forest" and denying responsibility for the ensuing conflagration.[25]

Looking Ahead

Cutting off the flow of terrorist finances is a hard goal that will require constant creative thinking about how and where terrorists will move money. In the immediate aftermath of 9-11 the U.S. government targeted the individuals, charities and businesses that were the easiest to identify as suspected terrorist backers and froze their U.S.-based assets. While this was an effective short-term tactic, it has proven to be much more difficult to go after broader, systemic money flows. As has often been stated, 9-11 was not just an intelligence failure, but a failure of imagination. Pursuing terror finances has suffered and continues to suffer from the same lack of imagination.

The intelligence, law enforcement and policy establishment continue primarily look for piecemeal regulatory and legal remedies against traceable financial systems that they are familiar with such as bank accounts and wire transfers. But the overarching system of moving money through a variety of non-traditional means that are culturally and ethnically unfamiliar is only now beginning to be looked at, often in a haphazard fashion.

Groups like al Qaeda have shown that staying one step ahead of those moving the money by simply avoiding the roadblocks in the formal system is possible with minimal risk.

To begin to effectively deal with terrorist finance, there must be a paradigm shift in the underlying approach. This shift requires moving from viewing regulations—both national and multinational—as the primary instrument for cutting off the flow of terrorist money. Instead, the actions must be intelligence driven. The primary instrument must be targeted human intelligence, because the volume of money that terrorists need, while substantial in relative terms, is less than a drop in the bucket of the economies through which that money flows. Broad, sweeping regulations aimed at that tiny trickle serve a modest purpose. But they also divert scarce resources and time from perhaps more effective methods and carry a significant economic cost for the targeted industries.

Terror finances only intersect the formal banking system at a few points, and the money is moved so quickly even filing Suspicious Activity Reports is largely an exercise in futility. This means the traditional way of monitoring transactions that could trigger investigations is no longer especially useful. The day has also long passed when money was discussed by telecommunications that could be traced and intercepted. Couriers and Internet chat rooms have replaced sat phones and e-mail. Implementing new reporting requirements and regulations will often only slow the system down further, not make it more effective.

In addition, very few countries have the capacity to comply with the numerous new regulations, either in freezing assets or maintaining effective travel ban lists. Even if the political will exists to do it, the measures are seldom given a high priority.

The Need for a Cultural Revolution

Part of the paradigm shift in confronting terrorist finance must include a cultural revolution, perhaps one of the most difficult things to achieve in a government of bureaucracies and turf wars. The ability to look at different systems, imagine creative means of moving and raising resources, and a willingness to explore culturally different types of behavior is imperative.

Intelligence officers and military officers on the ground in Pakistan, West Africa and elsewhere are continually frustrated by the ongoing inability of their superiors to think outside the cultural paradigms that are familiar. The use of gold, *hawalas*, and gemstones are not part of the traditional Western mix.

There are many examples of where there has been little thinking outside the box on terror finance issues, from understanding the use of commodities to an almost complete ignorance of *hawala* structures before 9-11. Here are two ongoing examples that illustrate some of the shortcomings of the regulatory approach in dealing with mechanisms that could be better dealt with through human intelligence gathering.

There has been little serious work done on the network of ethnic Lebanese businessmen that dominate West African trade—including diamonds and gold--from Mali to Cameroon. Obviously, not everyone of this ethnic origin is engaged in criminal activity and illegal businesses, but certain types of activities are dominated by this ethnic group. The clans operating in West Africa are often related by blood to families operating out of Panama and the Tri-border in central-eastern South America.

For years members of these communities have raised money for Hezbollah, laundered money from organized crime and dumped products that are about to expire on the European or U.S. markets. (This includes chickens and other perishable goods whose expiration dates have passed). The businesses are tied together by interlocking family networks that have intermarried, and that retain strong ties to Lebanon.[26]

Two of the clans, related through marriage and operating in West Africa through a group of businesses in Antwerp with interlocking directorships, helped move at least $19 million of al Qaeda from late 1998 until just before 9-11.[27] Yet the communities remain little understood in terms of how they could relate to terrorist and criminal activities, largely because it is culturally distinct from what the intelligence and law enforcement communities are used to dealing with. Understanding such kinship and trade networks is vital to understanding how money flows in areas of the world where the regulation of the formal financial sector is meaningless and state control nonexistent.

No amount of regulation will give a government the ability and capacity to deal with these types of criminal networks. The only way to know and understand them is through concerted efforts to understand the community, the relationships within the community, and the commercial practices of the group.

A second example is the slow nature of the response to the crucial role that leaders of the Muslim Brotherhood have played in the radical Islamist financial infrastructure, including that of al Qaeda. The known areas of the Brotherhood's activities are through its web of offshore companies, particularly the Al Taqwa Bank and Bank Akita, both registered in Nassau, Bahamas. These two banks, run by Yousef Nada and Idriss Nasreddin, were the primary financial institutions of the Brotherhood. Nada and Nasreddin, along with the two banks, were designated as terrorist sponsors by both the United States and the United Nations for their support of al Qaeda.[28].

One former senior U.S. government official testified that the Brotherhood "has played a central role in providing both the ideological and technical capacities for supporting terrorist finance on a global basis…the Brotherhood spread both the ideology of militant pan-Islamicism and became the spine upon which funding operations for militant pan-Islamicism was built."[29] But it took several years for the broader intelligence community to identify and target specific Brotherhood organizations that were suspected of funding terrorism.

The biggest obstacle, according to sources inside the intelligence community, was a lack of understanding of what the Brotherhood is, its history, its central role in the training of most of al Qaeda's senior leadership, and its extensive financial empire that spans the globe. It was outside of the culturally familiar and traditional intelligence targets, and therefore remained a low priority.

A sign of the growing awareness of the complexities posed by the Brotherhood, in April NATO formed a "Coalition of the Willing," led by the United States and the Netherlands, to pool intelligence and information on the Muslim Brotherhood and its financial architecture.[30] But this is beginning after almost four years have passed since 9-11. Again, no regime of regulations can begin to stop transactions that go through largely-legal businesses and financial institutions. The only way to develop the capacity to trace funds flowing through those channels is to develop the intelligence to determine what avenues are most likely to be used for funding terrorists, then pursue those.

Weaknesses in the Sanctions Regimes

Even those nations that do have the capacity and resources are often failing to enforce the regulations. Despite the increased scrutiny of the United States and its European allies, the innate weaknesses of the international sanctions regime are evident in the cases of both Nada and Nasreddin.

Despite a travel ban and a supposed freeze on assets by European allies, the two men travel freely and have suffered little financial loss. A U.N. investigation found that some bank accounts had been frozen, but "nothing has been done with respect to any of their other physical or physical assets." The report went on to outline how Nada has traveled from Switzerland to Liechtenstein to liquidate his companies that were designated to have their assets frozen, had himself appointed liquidator, and, still in control of assets, used them to set up new companies that were not designated.[31]

Nasreddin's companies—from a luxury hotel in Italy to cookie factories in Nigeria--also continue to operate with little impediment.[32] This led the U.N investigators to conclude that the "Nada and Nasreddin examples reflect continued serious weaknesses regarding the control of business activities and assets other than bank accounts."[33]

One of the primary weaknesses is that any jointly-held company cannot be designated unless all of the owners of the company are also designated. This means that any person designated as a terrorist financier can simply register a company with a non-designated individual such as a family member, and escape the sanctions. Authorities argue that it is impossible to determine what assets of a jointly-held company should be frozen. While that may be true, and the rights of unaffiliated persons must be protected, there has been little creative thinking to deal with the most obvious loophole in the process.

The same weakness in the sanctions regime is evident with charities. While dozens of charities have been designated for their support of al Qaeda and other organizations, many were never closed down by the host country. Many more were simply closed and opened a short time later at the same address but under a different name. These include some of the best-known charities such as the al Rashid Trust and branches of al Haramain.[34]

Changing the Paradigm

Developing the necessary intelligence infrastructure to attack the nontraditional methods used by terrorist financiers would take years in the best case scenario, but this is not a high priority in most of the intelligence community. However, there are some interim steps that could improve the situation.

The primary tool available is to begin a serious and sustained outreach program to the private sector in areas of concern or potential concern, particularly in the less formal financial areas that are vulnerable to exploitation by terrorists. This includes those in the diamond, gold and other gemstone industries; *hawaladars*, money remitters, charity groups and others. Each of these groups is relatively small, where almost all the major people in the sector know each other.

Within these small communities, those who work on the illicit side are usually well-known to the rest. In the diamond trade, every dealer I spoke with in Africa and Antwerp could identify the same handful of buyers who sold to Hezbollah and were likely to deal with al Qaeda. In the gold market in Dubai and Karachi it was no secret among the dealers who dealt with the Taliban and al Qaeda. Yet this information was never accessed by the U.S. intelligence community.[35]

There are inherent difficulties to using this type of information, and it would likely be of little use in formal judicial proceedings. The trades are highly competitive, and it is likely one group would generate false information to damage a rival. However, there also methods of triangulating information and developing valuable leads. And there are many who would be willing to help for more honorable reasons. Many of those in the most vulnerable industries are anxious to avoid the stigma of being associated with terrorism. Others oppose terrorism and are concerned with helping end the money flows to terrorist operations. Whatever the mixture of motivating factors, the information generated could be of considerable use.

It is probable that much of this type of outreach would be more productive if carried out by U.S. Embassy staff, such as economics officers, rather than intelligence officers. There have been cases when industry insiders have offered information to U.S. intelligence services, but were told they could only speak if the person agreed to take a polygraph test and sign an agreement to become a confidential informant. This approach is likely to expose the potential sources to danger as well as drive them away.

These groups are also very knowledgeable about their markets and can detect anomalies that an outsider could not. For example, in the diamond sector in Antwerp, diamond dealers knew something was very wrong with the West African diamond market in the summer of 2001. One was so concerned that the diamonds were being used for nefarious purposes that he briefed the U.S. ambassador on the situation. A cable was written, but no action taken because no one could envision diamonds as a part of the al Qaeda financial structure.[36] One wonders what would happen today if someone came forward with the same information. Would there be someone to talk to in the U.S. government who would be able to begin to understand the importance of the information?

The Spread of Wahhabism and the Threat in Iraq

The flow of money from the Arab Peninsula to spread *wahhabism* must ultimately be addressed if progress is to be made in stemming the flow of money to al Qaeda and like-minded terrorist organizations. Policy options in dealing with Saudi Arabia, in particular, are limited, yet the relationship must be rethought to incorporate this issue as a high priority. Without serious governmental oversight of charities and other types of money flows, it will remain easy for terrorist groups to retain access to financial aid in many parts of the world.

The 9-11 Commission noted that the "war on terrorism" was not just a war against al Qaeda *per se*, but a war against Islamic radicalism. It noted that a second threat is "gathering and will menace Americans and American interests long after Usama bin Ladin and his cohorts are killed or captured. Thus our strategy must match our means to two ends: dismantling the al Qaeda network and prevailing in the longer term over the ideology that gives rise to Islamic terrorism."[37]

It could well be true, as the 9-11 Monograph states, that as al Qaeda becomes less centrally directed it could become "essentially indistinguishable from a larger global jihadist movement…Rather than the al Qaeda model of a single organization raising money that is then funneled through a central source, we may find we are contending with an array of loosely affiliated groups, each raising funds on its own initiative."[38]

That makes reining in money to spread *wahhabism* even more imperative, because more groups could be seeking access to the funds to foment terrorism. And, as the emerging pictures in sub-Saharan Africa and Iraq show, that global *jihadist* movement will almost certainly rely on the same structures that have served al Qaeda and other groups so well until now, with variations that will make it even more difficult to track the funds.

As noted earlier, senior U.S. officials now believe that Sunni *jihadists* in Iraq use "classic terrorist financing" techniques, including relying on donors from the Gulf states and the abuse of charities.[39] There are already indications that those financing the *jihadists* in Iraq are using variations that will make intelligence, rather than regulation, even more crucial.

The most notable is the ability of *jihadists* from the Arab Peninsula to find an individual sponsor for his efforts to reach Iraq and fight there. This type of "micro sponsorship," usually about $10,000 per *jihadist*, is a far cry from the large sums of money flowing through charities, and much more difficult to combat.[40]

There is another familiar refrain. Much of the money for the *jihadists* is delivered through Syria. While U.S. officials said there is no overt Saudi government support for the

Salafist arm of the insurgency, they have expressed their deep unhappiness to the Saudis over the level of the kingdom's efforts to block the flow of money.[41] Already, several charities with long-standing financial ties to al Qaeda have set up operations in Iraq, almost exclusively in areas where the *mujahadeen* are most active.[42]

As the participation of radical Islamists in the Iraq conflict grows, the nation is becoming "a training ground, a recruitment ground, the opportunity for enhancing technical skills," a senior CIA adviser said recently. "At the moment, Iraq is a magnet for international terrorist activity."[43] This trend will likely accelerate and spread to other areas of the Islamic world.[44] Growth means, by definition, rapidly increasing expenditures and a growing role for fundraisers.

With the increased expenditures will come the increased need to more fully understand how terror finances operate, and attack snot just individuals, but networks and structures, more efficiently. As long as the global structures to raise and move money exist, terrorists will have access to the money when they need it. And so far, despite optimistic statements and occasional triumphs, those structures endure.

[1] National Commission on Terrorist Attacks Upon the United States, Monograph on Terrorist Financing, 2004, p. 4.

[2] Ibid, p. 5

[3] Ibid, pp. 5-6, 36.

[4] Osama bin Laden interview with Karachi Umat, published Sept. 28, 2001.

[5] "The Second Report of the Monitoring Group on Sanctions Against al-Qaida, the Taliban and their Associates and Associated Entities," Report to the United Nations Security Council, Nov. 3, 2003, p. 3. Author interviews in July 2005 confirmed this was still the case.

[6] Treasury Department figures provided to author by Treasury Department Public Affairs Office, July 25, 2005. It is worth noting, however, that of the total amount listed as seized assets, about $130 million were frozen in the first three months after 9-11. It is also important to note that the figure refers to the total assets frozen of each entity. In almost every case, the amount of money from any organization was estimated to be less than 10 percent of the group's proceeds. The net effect, while removing some assets from the terrorist financial structure, was far less than the figure suggests.

[7] This information is drawn from author analysis of the U.S. Treasury Department's proposed designations, the United Nations Consolidated List of Designated Individuals and the designations announced by the government of Saudi Arabia.

[8] "First Report of the Analytical Support and Sanctions Monitoring Team Concerning al-Qaida and the Taliban and Associated Individuals and Entities," Report to the United Nations Security Council, S/2004/679 Aug. 25, 2004, paragraph 30.

[9] For a detailed look at this, see Farah, Douglas, Blood From Stones: The Secret Financial Network of Terror, Broadway Books, New York, 2004; Global Witness, *For a Few Dollars More,* London, 2003.

[10] Testimony of David Aufhauser before the Senate Committee on the Judiciary, Feb. 12, 2003.

[11] Author interviews with U.S. government officials.

[12] Myers, Joseph M., "The Silent Struggle Against Terrorist Financing," *The Georgetown Journal of International Affairs,"* Winter/Spring 2005, p. 6.

[13] There is not space to fully explain how *hawalas* and other informal financial transfer mechanisms work. For greater detail, see Passas, Nikos, "*Hawala* and other Informal Value Transfer Systems: How to Regulate Them?" U.S. National Institute of Justice, 2003, pp. 4-5; Jost, Patrick and Harjit Singh Sandhu, "The *Hawala* Alternative Remittance Systme and Its Role in Money Laundering," Interpol Report, January 2000.

[14] "Dealers in Precious Metals, Stones or Jewels Required to Establish Anti-Money Laundering Programs," Press release of the Financial Crimes Enforcement Network, June 3, 2005.

[15] Prepared Testimony of Stuart Levey before the Senate Committee on Banking, Housing and Urban Affairs, July 13, 2005.

[16] Ibid.

[17] "First Report of the Analytical Support and Sanctions Monitoring Team Concerning al-Qaida and the Taliban and Associated Individuals and Entities," op cit.

[18] For the names of the leaders of the Muslim Brotherhood who have been designated as terrorist financiers, see http://www.treasury.gov/offices/enforcement/ofac/sdn/ and Farah, op cit, pp.146-149. For a list of designated charities, see http://www.treasury.gov/offices/enforcement/key-issues/protecting/fto.shtml.

[19] Testimony of Daniel L. Glasser, Acting Assistant Secretary for the Office of Terrorist Financing and Financial Crimes, U.S. Department of Treasury before the House Financial Services Subcommittee on Oversight and Investigations and the House Armed Services Subcommittee on Terrorism, July 28, 2005.

[20] For a full discussion of the role of commodities in the al Qaeda financial structure, see Farah, op cit.

[21] Benjamin, Daniel, and Steven Simon, The Age of Sacred Terror, New York, Random House, 2002, p. 289; Farah, op cit, p. 5.

[22] Gunaratna, Rohan, Inside al Qaeda: Global Network of Terror, Columbia University Press, New York, p. 61.
[23] "Update on the Global Campaign Against Terrorist Financing," Second Report of an Independent Task Force on Terrorist Financing Sponsored by the Council on Foreign Relations, New York, June 2004, p. 18.
[24] Confronting Terrorism Financing, American Foreign Policy Council, University Press of America, 2005, p.38.
[25] Ibid, p. 142.
[26] Lansana Gberie, *War and Peace in Sierra Leone: Diamonds, Corruption and the Lebanese Connection,* The Diamond and Human Security Project, Occasional Paper 6, January 2003. Also, Harris, Edward, "Hezbollah Extorting Funds From West Africa's Diamond Merchants," The Associated Press, June 29, 2004
[27]Belgian Police Report, Case LIBI, Federal Police, GDA Antwerp-Diamonds Section, available at www.douglasfarah.com/materials.shtml; Unofficial translation of Public Prosecutor File 1/2002-Subsection General Examining Magistrate, Antwerp, "Conclusion 5: Information Regarding Washington Post Article Dated 2.11.2001, pg. 39.

[28] U.S. Treasury Statement on Terrorist Designations, Aug. 12, 2002.
[29] Winer, Jonathan, Testimony before the Senate Committee on Governmental Affairs, July 31, 2003. See also statement by Richard A. Clarke before the Senate Committee on Banking, Oct. 22, 2003.
[30] Author interviews with NATO officials, May 2005.
[31] "Update on the Global Campaign Against Terrorist Financing," op cit, paragraphs 74-82.
[32] Nasreddin's continued ability to operate was documented by a June 30, 2005 NBC Nightly News investigation, www.msnbc.msn.com/id/8421366/
[33] "Update on the Global Campaign Against Terrorist Financing," op cit, paragraph 81.
[34] Ibid, paragraphs 39-54.
[35] Author interviews with diamond dealers, gold merchants and U.S. intelligence officials from 2001-2005.
[36] Farah, op cit, pp. 100-104.
[37] Final Report of the National Commission on Terrorist Attacks Upon the United States, W.W. Norton Company, New York, p. 363.
[38] National Commission on Terrorist Attacks Upon the United States, Monograph on Terrorist Financing, op cit, p. 29.
[39] Testimony of Daniel L. Glasser, op cit.
[40] Author interviews with U.S. and Asian analysts following the Iraqi insurgency.
[41] Author interview with U.S. and European intelligence officials. See also Schmitt, Eric and Thom Shanker, "Estimates by U.S. See More Rebels with More Funds," *The New York Time,* Oct. 22, 2004, p. A1.
[42] Kohlmann, Evan, "Terrorist-linked Islamic Charities Responsible for Funneling more than $1 million in aid to Central Iraq," www.globalterroralert.com, Jan. 20, 2005.
[43] Priest, Dana, "Iraq New Terror Breeding Ground: War Created Haven, CIA Advisers Report," *The Washington Post*, Jan. 14, 2005, p. A1.
[44] Mapping the Global Future: Report of the National Intelligence Council's 2020 Project, Government Printing Office, December 2004.