A high price – the funding of Al Qaeda

The September 11, 2001 attacks on the US resulted in a raft of regulations to curb terrorist financing, but seven years on Al Qaeda is still at large, writes ***Paul Cochrane*** *(from London and Beirut), has adapted to the new regulatory environment in its fund-raising, and morphed into an international terrorist Hydra.*

9/11 impact

Prior to 2001, Al Qaeda was like a business conglomerate, owning ships, aircraft, construction companies, travel agents and businesses, including Blessed Fruits, a honey company in Sudan, and the Khartoum Tannery, according to Rohan Kumar Gunaratna, an expert on Al Qaeda and Director of the International Centre for Political Violence and Terrorism Research in Singapore. But the financial backbone of the terrorist organisation, founded in 1988 by Osama bin Laden, was the sizeable donations from Islamic charities and individuals, primarily in the Arabian peninsula, to meet an annual budget estimated by various reports (and Gunaratna) at US$30 million in 2000.

Following the 9/11 attacks on the United States, counter terrorist financing (CTF) assumed paramount importance in the fight against Al Qaeda. In the words of one senior central bank official in the Middle East, financial regulators were cast "into the eye of the storm" with "anti money laundering (AML) and counter terrorist financing (CTF) suddenly becoming buzz words, and an area of major concern."

The raft of regulations and legislation passed by the US, Europe and the United Nations, and the Financial Action Task Force (FATF) addition of 9 Special Recommendations on Terrorist Financing to its 40 Recommendations on Money Laundering were all squarely aimed at choking off funds to Al Qaeda and its allies.

The *USA's Patriot Act*, its related *International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001* and the Office of Foreign Actions Control (OFAC) Sanctions regime were all used to strengthen controls, both at home and internationally, through the impact on the US$ clearing system.

The flurry of activity to curb Al Qaeda's finances had dramatic effects in the immediate aftermath of the 9/11 attacks, with funds frozen and financiers arrested, further compounded by the US-led invasion of Afghanistan to overthrow the Taliban, who were giving safe haven to Al Qaeda.

"Before 9/11 there was a very significant amount of money that Al Qaeda could raise in the Arab world, and that rose after 9/11 until the arrest of Sheikh Mohammad, the mastermind of the 9/11 attacks, in 2003," said Gunaratna. "Pakistan also arrested the chief accountant of the attack, Mustafa Ahmed Hawsawi, who wired most of the money through Dubai." Their arrests seriously interrupted the flow of money from the Arabian peninsula to Al Qaeda," he added. Citing anecdotal evidence, Gunaratna said several million dollars a month had come from a group of businessmen in Jeddah, Saudi Arabia.

The businesses Al Qaeda had built up in Sudan, Afghanistan and parts of the Middle East also ceased to function. "After Afghanistan was lost in 2001, Al Qaeda was on the run and no longer had the luxury of retaining [presence in] a business environment," said Gunaratna.

But while the western financial sector was coming to grips with AML and CTF legislation, teaching staff Know Your Customer (KYC) procedures and how to file Suspicious Transactions Reports (STRs), Al Qaeda's financiers were also starting to adapt to the new environment.

The organisation mutated from what some call "Al Qaeda classic," led by Osama bin Laden, into affiliated and/or ideologically inspired groups around the world, from Europe to the Middle East and North Africa (MENA) to Central Asia, the Far East and Xinjiang in China, which could not be stopped even as its main centres of operations were neutralised.

"Al Qaeda classic, the bin Laden-led group, transformed from an operational organisation into an ideological and training organization," said Gunaratna.

But how connected such groups are with Al Qaeda is not fully understood. "I'm sceptical of the links between Al Qaeda and its affiliates, when you compare groups in say Algeria and Lebanon. It's more real with the Libyans, but at the end of day they are only concerned about Libya," said Nigel Inkster, former Deputy Head of MI6 and Director of Transnational Threats and Political Risk at the International Institute for Strategic Studies (IISS). "It's more sensible to look at Al Qaeda as a movement that provides a common front for takfiri Jihadists," he added, referring to fundamentalist Muslims that advocate the use of violence to achieve political ends.

Dennis Lormel, managing director of IPSA International, an investigative consulting firm, and former head of the FBI's terrorist financing operations section, said it was hard to know the extent of the relationship between Al Qaeda and such affiliates, as although Al Qaeda may approve of a group's activities, there may be no actual communication between the two groups.

"In today's world Al Qaeda is so fragmented it is difficult to look at Al Qaeda as a single organisation, and they don't require as much money," said Lormel. This is a fundamental difference between how Al Qaeda classic operated, requiring significant funds to maintain a base of operations in Afghanistan and carry out operations internationally, and the new breed of more localised, ideologically inspired groups.

Indeed, compared to the estimated US$500,000 that Al Qaeda spent to carry out 9/11, the terrorist attacks that occurred in Madrid in 2004 and London a year later were very cheap.

"For small independent groups like the one that carried out the attacks in London, the whole operation had change from UK£5,000 – it was peanuts," said Inkster. "In Madrid, they were living off benefits, hired safe houses and bought TNT. You don't need much money for terrorism per se, but you do in places like Afghanistan to support families."

Such localised groups rely on funding from numerous sources. The Madrid cell for instance differed from other groups by utilising drugs to raise money, a fact attributed to their activities as drug dealers prior to turning to radical Islam, said Gunaratna.

"There is no evidence of Al Qaeda classic engaging in the drugs trade, but affiliates like the Madrid cell purchased explosives from a quarry in Spain by exchanging hashish," Inkster added, noting that 90% of all terrorist attacks cost less than US$10,000.

Donations to diamonds: the diverse sources of funds

To raise funds, Al Qaeda and affiliated groups are now using numerous techniques – ranging from diverting donations to charities and zakat (a requirement of Islam for Muslims to give money to needy causes), counterfeits, hiding behind front companies in offshore havens, and financial crime.

"Financial crime falls into three sub categories – bank, cheque and credit card fraud - as almost all banks have taken insurance, so if someone defrauds the bank, the insurance will pay," explained Gunaratna. "In fact, banks don't want negative publicity as they don't want an investigation and police to arrest suspects, so bank, cheque and credit card fraud is low risk."

Such techniques have been widely used in Europe. One of the London bombers defaulted on a loan from HSBC Bank, while a second bomber secured credit from a building supplies company. In Germany last December, three men were convicted on charges of attempting to raise US$6.3 million for Al Qaeda by faking a death to collect on nine life insurance policies.

Telecommunications are also being used, according to John Solomon, Global Head of Terrorism Research at World-Check, a British company that runs an intelligence database of known heightened-risk individuals and businesses.

In December 2007, Saudi authorities found a mobile phone SIM card on a suspect that contained a text message with a fundraising appeal from Ayman al-Zawahiri, a prominent Al Qaeda figure.

Solomon also pointed to the Internet as a means to raise funds. "On websites that [focus on] conflict zones that fall within the Jihadist narrative - Afghanistan, Palestine and Iraq – there is a bank account number to support the martyrs and martyrs' families," he said. (Some affiliated websites list bank account numbers that correspond to a number of these conflict zones.) The Internet is also being used to inform terrorists how to carry out cyberfraud and credit card fraud, said Lormel, citing a chapter in a book by Imam Samudra, who carried out the Bali bombing in Indonesia in 2002.

Offshore havens are cited as an area where Al Qaeda could have front companies, said Douglas Farah, a senior investigator with the Nine Eleven Finding Answers (NEFA) Foundation. "If you look at the banks shut down after 2001, they were all in places like the Bahamas and the Cayman Islands, while different groups have had companies registered in places like Liberia. I think these are the more dangerous elements, as front companies have a complete lack of transparency, but the Bush administration in its early days moved aggressively to make offshore havens even safer, especially in the Caribbean. Since then they have been more neutral, but the point being we like those things too, not just terrorists and bad guys, so they survive and that is a problem on the organised crime and terrorist financing front," he said.

Tracking down the sources of Al Qaeda's funds is about as easy as "finding a needle in a stack of needles," said Farah.

He added that commodities are a prime means of moving funds, citing Dubai as an area of concern for acquisition of gold and diamonds following heightened regulation in Antwerp.

Dubai, which is a major hub for money laundering, particularly through real estate, according to the Middle East central bank source, is also a route for smuggled diamonds from South Africa, and for financing for Al Qaeda and other groups in Somalia. The Emirate is equally flagged as a primary transit route for goods and money destined for Pakistan and Afghanistan through its free trade zones.

In Iraq, which became a hotbed of terrorism following the US-led invasion in 2003, Al Qaeda in Mesopotamia would raise funds from sympathisers in the Gulf, smuggling antiquities out of the country, kidnapping victims for ransom, and garnering donations from foreign fighters.

"When Jihadists were recruited in Europe and other places they were sent to Iraq - probably through Syria - with backpacks full of cash, so they cash couriered a lot of money. In one case in the US, a family couriered money to Jordan and then to Iraq," said Lormel.

According to a dossier found by the US Army on 600 fighters with the Islamic State of Iraq, a group associated with Al Qaeda, and reported in the Saudi-owned newspaper *Al Hayat* in January this year, donations "volunteers are forced to make in Syria range from 30 Syrian pounds (US$0.60) to huge sums that reach up to US$12,400… the small donations are made by those coming from Libya, the Arab Maghreb, and Syria, whereas volunteers from the Arabian peninsula come carrying large sums that reach thousands of dollars."

However, Al Qaeda's presence in Iraq has diminished over the last year, with General Michael Hayden, Director of the CIA saying in May that the organisation has suffered "near-strategic defeat" in Iraq. It is a view corroborated by counter terrorism experts, attributing the decline in Al Qaeda's fortunes in the country to tighter border controls in Syria, the troop "surge" and resistance from the US-backed Sunni Muslim "Sons of Iraq" militia taking on Al Qaeda rather than the US or Iraqi armed forces.

A number of significant developments have also curbed financing, with the US government shutting down several money exchangers in Mosul, a primary hub for funds wired from Syria and elsewhere. Last September, the US captured an Al Qaeda financier whose passport showed he had been to Syria 30 times. A second financier, captured by the Iraqi army, was responsible for negotiating the release of kidnap victims and found with cheques for US$600,000.

New techniques used by the US military, notably in a unit called the 'Iraq Threat Finance Cell', have also curbed Al Qaeda's funding in Iraq.

Iraq – the training ground

"For a long while Al Qaeda was making money in Iraq that also helped them in other places. But one of the problems Al Qaeda has had in the last few years is that money was has been cut down after the US embedded financial investigators with the military and went after the money," said Lormel.

A weakened Al Qaeda in Iraq prompted many of the foreign Jihadists to return home, to Yemen, North Africa and the Levant in particular, taking with them the techniques for carrying out terrorist attacks and how to generate income.

In Lebanon, the Jihadist group Fatah al Islam, which is linked to Al Qaeda, last year engaged in a three-month battle with the Lebanese Army in Nahr El Bared, just north of Tripoli. Funded predominantly by cash couriers and donations, according to the Lebanese Financial Intelligence Unit (FIU), the group's fighters were veterans of Iraq, wanting to take the battle to Israel but thwarted by Hizbullah, the Shiite militant group that controls Lebanon's border with Israel. Instead, the group entered into battle with the pro-Western Lebanese government.

Iraq veterans also returned to Libya and Algeria to wage war against the state and foreign interests. Over the past year, Al Qaeda Maghreb in Algeria has adopted suicide bombing as a technique, carrying out 11 attacks, as well as a devastating attack on UN offices. It is unclear how closely connected the group is to "Al Qaeda classic".

"Al Qaeda in the Land of the Islamic Maghreb is using Al Qaeda as a branding tool, if nothing else, to get more recruits and bolster their efforts in Algeria," said Solomon. "There is an argument that they did benefit materially from Al Qaeda in Iraq, which had been successful at profiting from the war-torn situation, with millions of dollars said to have been transferred out of Iraq to the Maghreb region through bulk cash smuggling."

Funds are also raised through sales of counterfeits, smuggling and drug running, according to Jaimie Burnell at Control Risks.

Al Qaeda 'classic': opium, minerals and robbery

While localised Al Qaeda groups generally require less funding to carry out terrorist attacks, Al Qaeda's bases in central Asia require significant amounts of funding to train recruits and carry out operations, as well as to feed, house and support fighters and their families.

Just as the invasion of Iraq had repercussions for the MENA region in terms of the spread of Al Qaeda and Jihadist groups, the invasion of Afghanistan had fallout for Pakistan, which has become the centre of operations for 'core', or 'classic' Al Qaeda.

Numbering between 200-300 Arab fighters, according to Gunaratna, and an estimated 1,000 to 8,000 foreign fighters, funding is estimated at up to US$100,000 a month. But the group that harbours Al Qaeda in the North Western Frontier Province (NWFP) and the Federally Administered Tribal Areas (FATA) in northern Pakistan, Tehrik-i-Taliban Pakistan (TTP), an umbrella group of Jihadist groups, is spending up to US$40 million a year to maintain bases and carry out attacks.

"It is not clear if Al Qaeda is receiving money from the TTP, but what is clear is that the TTP protects Al Qaeda and is under its influence, and at least one account has it that the group tried to carry out one operation internationally, in January in Barcelona," said Solomon. "So really, they are acting in concert, and although confusing with the names of different groups, it's safe to say they are acting in unison. As the TTP becomes more financially secure, Al Qaeda then has more resources to maintain a defensive posture in that safe haven and undertake operations in Pakistan and against NATO forces in Afghanistan."

According to Solomon, the TTP, which had been led by the late Baitullah Mehsud, is raising funds from three primary sources. The first is taxing the opium trade from Afghanistan, which accounts for 93% of the world's production and is valued at some US$2.2 billion. The Taliban is reportedly in control of three of the highest producing opium provinces.

While the TTP is not directly involved in cultivating opium, the group imposes a protection tax of up to 15% on heroin laboratories and distribution networks. The TTP is also taxing ordinary trade after it took control of the Khyber Agency, the corridor through the Khyber Pass into Afghanistan and the primary route for goods destined for Central Asia.

"It's been a big way to increase revenues over the past year, and they've also been able to loot trucks, including NATO material," said Solomon. "A Chinook, Blackhawk and a Cobra helicopter were recently stolen en route, and the Taliban took pictures and videos to prove it. Apparently they sold the Chinook for a few hundred thousand dollars on the black market in Afghanistan." An estimated 70% of NATO's supplies pass through the Khyber Pass to Afghanistan. In March, the Taliban blew up 42 trucks transporting fuel to the NATO forces.

The second method is robbery. "The TTP have a number of training camps to teach not only terrorist tactics but also criminal tradecraft, like how to rob a bank. They have dispersed members throughout Pakistan to get security positions at banks and money exchanges to case and later rob them," said Solomon. Over the past year there have been 21 robberies in Karachi, with several attributed to militants with links to Baitullah Mehsud. A recent heist netted some US$73,000.

The tactic serves two functions, to send funds to the base camps and threaten the Pakistani government through its network of sleeper cells. In 2007, the TTP and its allies carried out 50 suicide attacks in Pakistan, killing nearly 1,000 people, and is widely believed to have carried out the assassination of Benazir Bhutto last December.

A third source of funding is minerals, with the TTP recently brokering deals between tribes to get a marble quarry near Swat back in operation, as well as a coal mine 40 kilometres south of Peshawar. In addition to a hefty brokerage fee, the TTP taxes the trucks at the quarry and mine.

A further method is donations from Pashtuns, Afghanistan's largest single ethnic group and the dominant populace in Pakistan's North-West Frontier Province and Federally Administered Tribal Areas. There is also support from Pashtun businessmen in the Gulf, particularly Dubai.

"That is where the trade starts, with commodities going from Dubai to Karachi through Pashtun businessmen sympathetic to the TTP, and up through the tribal areas. That whole corridor has sympathisers, with funds going through commodities or hawala [alternative remittance system]," said Solomon.

Seven years after 9/11, Al Qaeda and affiliates clearly remains a thorn in the side of the West and numerous states despite a plethora of regulations and some successes in curbing financing.