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THE ROLE OF CHARITIES AND NGO'S IN THE FINANCING OF TERRORIST ACTIVITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON
INTERNATIONAL TRADE AND FINANCE

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

EXAMINING THE SCOPE OF THE CURRENT PROBLEM; STEPS THE ADMINISTRATION HAS TAKEN TO CURB THE DIVERSION OF CHARITABLE FUNDS TO TERRORIST ORGANIZATIONS; WAYS TO CURTAIL THE FLOW OF MONEY FROM FOREIGN AND U.S.-BASED ISLAMIC CHARITIES TO TERRORIST ORGANIZATIONS; AND WHAT ADDITIONAL TOOLS ARE NECESSARY FOR LAW ENFORCEMENT TO IDENTIFY AND CUT OFF TERRORIST FINANCING NETWORKS

AUGUST 1, 2002

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THE ROLE OF CHARITIES AND NGO'S IN THE FINANCING OF TERRORIST ACTIVITIES

THURSDAY, AUGUST 1, 2002

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE,
Washington, DC.

The Subcommittee met at 2:35 p.m. in room SD–538 of the Dirksen Senate Office Building, Senator Evan Bayh (Chairman of the Subcommittee) presiding.

STATEMENT OF SENATOR EVAN BAYH

Senator BAYH. I would like to call this hearing of the Subcommittee on International Trade and Finance of the Senate Banking Committee to order. And I would like to thank all of you for being here. I know that there are other things that you could be doing this afternoon and we appreciate your time and interest in this subject matter.

I would also like to thank Senator Hagel. As so often happens in the Senate, we are still working on figuring out a way to be two places at the same time. He has an important hearing on the subject of Iraq, Mr. Secretary, and is required to be there for the Foreign Relations Committee, but I know he would want to extend to you his warmest regards.

He and I have a very good bipartisan working relationship on this Subcommittee and on a variety of other areas, particularly when it comes to things like cracking down on financing for terrorist organizations. There are no Republicans or Democrats here. Just Americans who want to do the right thing. So, I know that he would extend to you his regards and I want to extend to him my thanks in absentia.

Senator Enzi, I thank you for your interest as well. It has been a pleasure working with you on this and other matters, and I look forward to hearing your remarks in just a couple of minute after I have offered an opening statement. So thank you for your time in the midst of your busy schedule.

Cutting off the financing of terrorist organizations is a critically important component of the war against terror and to protect America. But it is often an invisible part of that war. When we cut off the finances of these organizations, we in many cases are literally taking weapons out of their hands. But it is not as obvious

as a bombing run or a capture mission. Unfortunately, charities are an important part of the financing picture.

Al Qaeda has five principal sources of funding—the personal wealth of Osama bin Laden, other wealthy individuals, principally located in the Persian Gulf area, front companies operated for profit, illegal activities, such as money-laundering or smuggling, and finally, charities, where inadvertent or intentional diversion of funds finances terror, not benevolent activities.

The problem appears to be unfortunately pervasive. I was sharing with the Deputy Secretary just a few moments before we came out, a visit I had yesterday from the U.S. Attorney in the Northern District of my State, and he was not visiting me on this subject. I just asked him as a general matter of curiosity the kinds of things he was working on. And without prompting, he volunteered that he was working on a couple of open investigations involving the misuse of charities in the Northern District and the siphoning of funds from those charities to assist al Qaeda.

And my response is that if it is going on in smaller counties in northern Indiana, it must be going on in a lot of places in addition to that, not just the large metropolitan areas. That may give you some indication of just the extent of the challenge that we face.

It is particularly galling and outrageous when funds generated in the United States by what I assume are predominantly legal and patriotic U.S. citizens, are being diverted to assisting attacks upon America and harming or, in some cases, as we have tragically learned, killing Americans.

This hearing has been called to send a very clear signal that those who use the cover of humanitarian and charitable efforts to hide their support for the murderous acts of terrorism should have no safe harbor in our country or anywhere else on the globe, and that we will do everything humanly possible to stop this illicit financial activity, and that we will expect our allies to do the same.

Last fall, this Subcommittee held a hearing on Hawala, an informal remittance system used by al Qaeda to move money around the world in order to finance terrorist activities. We included two provisions in the USA PATRIOT Act regarding terrorist financing.

The first proposal required the Department of the Treasury to extend registration and suspicious activity-reporting requirements to Hawala and other informal remittance systems, and required the Department to begin immediate onsite inspections of registered Hawala.

I understand the Administration is undertaking this effort and although this hearing is not intended to focus upon this, I would like to ask for an update at the appropriate time. Mr. Secretary, I think I indicated that to you a few minutes ago.

We also recently saw the 2002 Money Laundering Strategy that the report on Hawala, which I requested, is being developed. I would also like an update on that report, perhaps during the questioning period, or if the update is not currently available, then as soon as possible after the hearing is concluded.

The second proposal that we included in the USA PATRIOT Act authorizes each U.S. executive director of the international financial institutions to use both the voice and the vote of the United States to require an audit of disbursements to make sure that aid

is not being inadvertently diverted to terrorists. Unfortunately, I did not see any mention of this provision in the 2002 Strategy and I would appreciate an update on this at the appropriate time as well, Mr. Secretary.

Islamic charities collect millions of dollars every year, and millions more are granted to development projects by the World Bank, U.S. AID, and other United States and international funds through nongovernmental organizations. While the majority of this funding is used for benevolent causes, some of it, unfortunately, is diverted to terrorists, either by design or through the exploitation of otherwise legitimate organizations.

Since September 11, the United States has designated seven foreign charitable organizations as having ties to al Qaeda and has shut down two prominent U.S.-based charities with alleged ties to Osama bin Laden and the Taliban.

The assets of the largest U.S.-based Islamic charity, Holy Land Foundation, have been frozen, based upon information linking it as a funding vehicle to Hamas. At least $2.4 million in U.S. charitable funds have been seized and an undisclosed amount has been frozen in Bosnia and Somalia.

The 2002 National Money Laundering Strategy, released on July 25, lists as one of its priorities the, "Investigation of nongovernmental organizations used to raise, collect, and distribute funds to terrorist groups." According to the Strategy, information yielded through investigations by the law enforcement and intelligence communities shows that terrorist organizations use charities and NGO's to facilitate funding and to funnel money.

Additionally, legitimate charities have been exploited when their field operations have been infiltrated by terrorist elements, particularly in the areas of conflict. It is clear that this is an area that demands further attention from our Government.

Today's hearing will examine how terrorist groups exploit charities and NGO's and the ways to curtail the flow of money to these organizations, while preserving humanitarian aid.

Our first witness will be the Deputy Secretary of the Treasury, Kenneth Dam. Deputy Secretary Dam is the point person for the Treasury Department in the financial war on terror.

Mr. Deputy Secretary, I want to thank you for being present and for your leadership in this important area, and I look forward to your testimony.

Also testifying today are: Dr. Quintan Wiktorowicz—I hope that I pronounced that correctly, Doctor. Where is the Doctor? Did I pronounce that correctly?

Dr. WIKTOROWICZ. Yes.

Senator BAYH. Very good. My last name is very commonly mispronounced. So, I hope that I am not doing the same in your case.

Also, Matthew Levitt, and Dr. Peter Gubser—Doctor, did I pronounce that correctly?

Dr. GUBSER. Gub-ser.

Senator BAYH. Gubser. Thank you, Doctor.

Dr. Wiktorowicz, invited at the request of Senator Hagel, is an acknowledged expert on Islamic culture, including charities, and will discuss the scope of the problem and the importance of charity in the Muslim community.

Matthew Levitt, a Fellow at the Washington Institute for Near East Policy, will explain how and why terrorists use charities to further their goals.

And Dr. Gubser, President of the American Near East Refugee Aid, will describe the types of work that—and I hope I am pronouncing that correctly, also—ANERA does, how the organization coordinates its efforts with other local groups on the ground, and how charities can avoid being exploited while working in areas with a heightened risk of terrorist influence.

ANERA is a member of InterAction, an alliance of U.S.-based international development and humanitarian NGO's operating in over 100 countries.

One of the challenges in investigating terrorist financing through charities and NGO's is distinguishing terrorist financing from legitimate charitable fundraising. As the testimony will show, the line is often blurred. The persons donating money to charitable organizations often believe the money is being used solely for charitable and humanitarian purposes, and usually a portion of the money will go for that purpose. However, there are a number of charitable organizations which siphon off a percentage of these funds, either directly to terrorist groups or to provide logistical support to terrorists. They must be stopped.

We must continue to seek every angle that terrorists use to finance their operations. We must make sure that every penny in U.S. aid and charity is going to people who need it the most, not to terrorists for training and arms.

Let me reiterate once again, the war against terrorism demands that we strengthen our resolve, sharpen our skills, and redouble our efforts to cut off the flow of funds to terrorists and those who support them.

I want to thank all of you who are here to testify today. I look forward to hearing from you.

Now, Senator Enzi, I look forward to hearing your comments. Thank you for coming.

STATEMENT OF SENATOR MICHAEL B. ENZI

Senator ENZI. Thank you, Mr. Chairman.

First of all, I want to thank you for holding this hearing and for continuing to lead this Subcommittee on closing down money laundering, particularly those that are directing funds toward terrorist organizations. I also want to thank the witnesses for agreeing to testify today and for their work on curbing these efforts.

Since September 11, the Congress and the Administration have taken a number of important steps to curb money laundering and I am proud to say that this Subcommittee acted immediately after the attacks. We doubled our efforts to find problems with the current reporting system and bring to a halt the corruption which allowed groups to fund terrorists attempting to harm our country and our citizens.

I am proud to say that on October 26 of last year, President Bush signed into law the USA PATRIOT Act, which was the first step to stopping this transfer of funds.

However, we have more work to do. We cannot allow charitable organizations to paint themselves as tools of goodwill when they are nothing more than facilitators of evil.

Federal law enforcement authorities must have a clear understanding of what these organizations are funding. That is why we are giving both domestic and international agencies more authority to investigate these organizations.

A good example is the work being done by the United Nations Security Council Counter-Terrorism Committee, or CTC. The CTC was created by Security Council Resolution 1373 after the attacks of last September and with full support of the United States.

With the exemplary leadership of Sir Jeremy Greenstock, British Ambassador to the United Nations, the CTC has gathered reports from over 170 individual nations, some of whom are not even members of the United Nations.

The Committee has made suggestions on how these nations can continue to improve their financial monitoring systems in the fight against terrorism. Although not all the reports to the CTC have shown effective action being made by nations, the knowledge garnered by the international community can be used to find links between charities, NGO's, and terrorist organizations.

I have worked with Ambassador Greenstock and am very pleased with his leadership of the CTC. I was also pleased to hear of his support for regional organizations taking a larger role in the fight against terrorism. Regional organizations such as the Organization of American States or the Association of Southeast Asian Nations can use the experiences of larger nations to help the smaller nations who may not have the resources to effectively find corrupt charities or NGO's operating within their borders.

Unfortunately, the good support that can be found from some nations is negated when cooperation is lost. For example, the European Union has refused to freeze assets of groups that the United States considers terrorist organizations. This lack of coordinated effort gives terrorist-supporting organizations the ability to subvert U.S. attempts to stop their destructive actions.

Stopping money laundering through international charities and international NGO's must be done through the international community with coordinated efforts.

Again, Mr. Chairman, I think you are to be applauded for your diligence on this issue. I hope to continue to work with you, the other Members of the Subcommittee, and our law enforcement officials to continue to work against these organizations.

I look forward to hearing from the witnesses. Thank you, Mr. Chairman.

Senator BAYH. Thank you, Senator. And I do not believe I have had an opportunity to personally congratulate you yet on a different subject the Full Committee has worked on, and that is, of course, the accounting reform issue. I want to thank you for your really historic effort in that regard. So, I take this opportunity, the first I have had.

Senator ENZI. I enjoyed working with you on that one, too.

Senator BAYH. Likewise.

Mr. Secretary, thank you for your presence today. We look forward to hearing from you.

STATEMENT OF KENNETH W. DAM
DEPUTY SECRETARY, U.S. DEPARTMENT OF THE TREASURY

Mr. DAM. Thank you, Chairman Bayh and Senator Enzi, for inviting me to testify today about the misuse of charities by terrorist organizations to raise and move money. This is an important and complex issue. I applaud the Subcommittee for focusing on it. And I appreciate the leadership that you have provided, Mr. Chairman, on this important issue.

We, in the Executive Branch, are addressing this problem at several levels. We are stopping the flow of funds by freezing the assets of charities that are supporting terrorist groups, as well as aggressively investigating suspected abuses of charities. We also work with countries around the world to help raise standards of oversight and accountability for charities. In this work we are guided always by two principles: First, preventing the abuse of charities for terrorist purposes; and second, preserving the important role that charities play throughout the world.

I have written testimony which I would like to put into the record which goes into this in detail and provides an update. Now, I would like to just focus on a few key points.

Senator BAYH. Without objection, we will include your entire statement in the record.

Mr. DAM. Thank you.

We believe al Qaeda and other terrorist organizations are suffering financially as a result of our actions. We also believe that potential donors are being more cautious about giving money to organizations where they fear the money might end up in the hands of terrorists. In addition, greater regulatory scrutiny in financial systems around the world is further marginalizing those who would support terrorist groups and activities.

At the same time, I must tell you that we have much to do. Al Qaeda's financial needs, after all, are greatly reduced. They no longer bear the expenses of supporting the Taliban government or of running training camps in Afghanistan, for example. We have no reason to believe that al Qaeda, however, does not have the financing it needs to conduct at least a substantial number of additional attacks. In short, a great deal remains to be done.

Your invitation letter requested my thoughts about the scope of the problem of terrorist abuse of charities and of nonprofits. Unfortunately, this is not an issue on which its precise measurement is possible, at least not yet. We do know that the mechanism of charitable giving has been used to provide a cover for the financing of terror and that it has been a significant source of funds. As an example, consider the case of al Haramain.

Al Haramain is a Saudi Arabian-based charity with offices in many countries. Prior to designation, we compiled evidence showing clear links demonstrating that the Somali and Bosnian branch offices were supporting al Qaeda. For example, we uncovered a history of ties between al Haramain Somalia and al Qaeda and the designated organization known as AIAI, or al Itihaad al Islamiya, and other associated entities and individuals. Over the past few years, al Haramain Somalia has provided a means of funneling money to AIAI by disguising funds allegedly intended to be used for orphanage projects or for the construction of Islamic schools and

mosques. Based on this and other information, the United States and Saudi Arabia jointly designated the Somali and Bosnian offices of al Haramain.

Now as I stated at the outset, our goal is to guard charities against abuse without chilling legitimate charitable works. Our strategic approach involves domestic and international efforts to ensure that there is proper oversight of charitable activities, as well as transparency in the administration and the functioning of the charities. It also involves greater coordination with the private sector to develop partnerships that include mechanisms for self-policing by the charitable and nongovernmental organization sectors.

Here at home, we are working to stem the flow of funds to terrorists through all channels. As I mentioned, we have issued blocking orders against charities and branches of charities providing support to terrorists. As an example, and you yourself, Mr. Chairman, mentioned Holy Land Foundation, we blocked the assets of that foundation on December 4 of last year. Holy Land describes itself as the largest Islamic charity in the United States. It operates as a U.S. fundraising arm of the Palestinian terrorist organization Hamas. We have also designated as terrorist supporters the Makhtab al Khimamat/al Kifah, which is a clearinghouse for Islamic charities financed directly by Osama bin Laden, and was a party to the 1993 World Trade Center attack. We have also designated the al Rashid Trust, the Wafa Humanitarian Organization, and the Rabita trust. They are all Pakistan-based al Qaeda financier organizations, as well as the Ummah Tameer E-Nau, a Pakistani NGO which provided nuclear, biological, and chemical weapons expertise to al Qaeda.

In addition, we have blocked the assets of the Global Relief Foundation and the Benevolence International Foundation, under the provisions of the USA PATRIOT Act to assist the ongoing investigation of alleged links to terrorism. And we would not have had the power to do that, but for the action of the Congress in the USA PATRIOT Act.

Another aspect of our domestic strategy is to work within the U.S. regulatory system to ensure that charities are transparent to the maximum extent practical. In the United States, the transparency of the charitable sector is a concern of both Federal and State officials, as well as, and this I would like to emphasize, of private organizations representing donors and charitable organizations. As this Committee well knows, the IRS is the primary Federal agency with oversight responsibility for charities. The IRS's responsibilities have expanded as the tax law has changed to keep up with the growth of the nonprofit sector, which now consists of more than 1.5 million tax-exempt organizations, including nearly 800,000 charities and 350,000 religiously affiliated organizations controlling $2 trillion in assets.

While the IRS's primary functions in this sphere are to recognize and regulate tax-exempt status, and to implement those provisions of the tax code that derive from that status, the IRS also performs a crucial role in the development and dissemination of information about those charities that fall under its jurisdiction. Most 501(c)(3) organizations, as they are referred to, except for the churches and certain small organizations, are required to file annual information

returns showing the income, expenses, assets, and liabilities of the organization, as well as information about its programs. And 501(c)(3) organizations must make their returns available to anyone who asks—the only thing they do not have to make available are the names of their contributors—by publishing them in readily accessible electronic and hard-copy forms. The availability of information about charities' operations helps stimulate oversight by donors, as well as by the media, academia, and private organizations.

Also, State Attorneys General have statutory jurisdiction over the charitable assets of those organizations and over fundraising activities of charities. Oversight responsibilities and practices vary from State to State, but most States exercise regulatory oversight over all of the organizations that raise money in their State, excluding churches, synagogues, and mosques, regardless of where the charity is domiciled.

The United States also has private, nonprofit organizations that work to safeguard our tradition of charitable giving. One such organization is the Council on Foundations, which focuses on issues affecting private foundations. The Evangelical Council for Financial Accountability serves a major segment of the religious community as an accreditation organization that either grants or withholds membership based on an examination of the financial practices and accomplishments of charitable organizations that apply. It provides public disclosure of its more than 900 members' financial practices and accomplishments, including on its website, *www.ecfa.org*. The ECFA is also the United States member of the International Committee for Fundraising Organizations, ICFO, an umbrella group that links the accreditation organization of 10 countries. We are looking at ways to encourage the same kind of accreditation for Islamic charities.

Now, turning to our international efforts, we must have international cooperation and support in this effort. As I have stated many times before, we cannot bomb foreign bank accounts and, equally, we need the cooperation of foreign governments in the charities area. Indeed, each of the blocking actions that we have taken to combat the abuse of charities, with the exception of the blocking in aid of investigations, as I mentioned before, each of these blocking actions has been backed by our allies.

Moreover, we are working with other countries to strengthen their own internal charitable regulation regimes so that they can feel confident that their charitable communities are not being abused. We have pursued these discussions both bilaterally and multilaterally in the Arab world, Southeast Asia, and Europe, as well as in the G7 and G8 processes, and especially through an organization known as the Financial Action Task Force, or FATF, as it is popularly referred to. Secretary O'Neill has raised this issue directly with his counterparts on his visits to the Persian Gulf and Europe. Other countries, especially those whose cultures incorporate, encourage, and require charitable giving, are as concerned as we are that the good deeds of well-intentioned donors should not be hijacked by terrorists.

They are making progress, as a review of the foreign press indicates. To cite just two examples, and I have more in my written testimony, on March 21, the Saudi press reported that the Saudi

government had issued a regulatory decision requiring charitable societies to submit to the Saudi Foreign Ministry the details of projects they intend to finance abroad. That is to say, outside of Saudi Arabia. And in June, the Egyptian press reported that a draft law expanding Government oversight of nongovernmental and charitable organizations had been submitted to parliament.

Mr. Chairman, your invitation letter inquires whether we need additional authorities to prevent the abuse of charities. Now, as you know, in December of last year, Congress passed the Victims of Terrorism Tax Relief Act of 2001, which expanded the availability of tax returns and return information under Section 6103 for purposes of investigating terrorist incidents, threats, or activities, and for analyzing intelligence concerning such incidents, threats, or activities. The ability to access and consolidate all relevant financial information in order to uncover terrorist networks and support cells is crucial to our overall efforts. In this context, this ability is important to our efforts to ensure that charities are not being abused by terrorist groups and supporters.

Though we are exploring ways to make our efforts more efficient and effective, we do not see at this time a particularized need for new legislation. But we look forward to working with you when we identify such need or discussing this matter with you at any time in the future.

Mr. Chairman, that concludes my formal testimony. I would be pleased to answer questions and to hear your comments.

Senator BAYH. Thank you, Mr. Secretary.

Mr. Secretary, I apologize on behalf of the Subcommittee. We have one of those scheduling problems that we occasionally run up against. They have called a vote on the Defense Appropriations Bill, and I have 4 minutes to get over there to vote.

If it would not be an undue imposition, if you would allow me to do that, I will return immediately and we will have a round of questioning.

Mr. DAM. Absolutely, Mr. Chairman.

Senator BAYH. I appreciate your forbearance. I will be back as quickly as my legs will allow. Thank you.

We are in temporary recess.

[Recess.]

Senator BAYH. We are back in session.

I apologize, it turned out that we had not only the Defense Appropriations bill, but also the judicial nomination. As a matter of fact, we have another vote on another judicial nomination.

Mr. Secretary, I have five or six questions for you. I hope we can fit that in before the next vote is out. I apologize to the next panel, but this is the last vote of the day. So, I can run back, vote, and then come back and we will have the rest of the hearing.

Mr. Secretary, I think you mentioned in your oral testimony that al Qaeda had suffered, I think was the word that you had used, financially. And I know that some of this perhaps involves classified information, not appropriate for a discussion here. But can you give us any idea of how difficult it is for them now? Is the suffering significant? You mentioned that they still have the ability to finance and carry out operations. Have we made it substantially harder for them to operate?

Mr. DAM. I believe so. Certainly, nobody, no terrorist in his right mind is going to put or leave money in a major international bank today, for example, so they have to use other means.

We know a lot of money is carried by hand. When that occurs, there is the possibility that the person will be arrested. I think it was in the newspapers that a man flew from Indonesia to Detroit and he had $12 million in fake cashier's checks. Now that wouldn't have been necessary, probably, even though that was a fraud. But also, that was an example of people being caught simply because they have to carry things physically.

We also know that during the period in Afghanistan that there were urgent efforts by the al Qaeda fighting in Afghanistan to get more money. It was not coming just naturally any more. So those are some kinds of examples.

Senator BAYH. I have heard in some other quarters that one of the motivations for al Qaeda trying to engage in another operation sooner rather than later is that some of their financial backers need some reassurance that they are still in operation, still capable of carrying out these acts. Is there some evidence that donors are getting a little cold-footed, for lack of a better term, some indication that donors are drawing back a bit, or being a little more tentative?

Mr. DAM. Yes, Senator, we do have indications that it is harder for some of these charities to raise money.

Now that is good, but it is also bad. This is one of the problems that I wanted to emphasize. We are not opposed to charitable activities. Quite the contrary. Charity is one of the principal tenets of Islam. So it is important for us to get this sorted out for the very benefits that the Islamic charities that have not been corrupted have promised and have been carried out.

Senator BAYH. I would like to ask you two questions about the level of Saudi cooperation.

First, in some other quarters, I have heard their cooperation described as spotty and uneven. There have even been some published reports indicating some in the Administration's concern about the level of Saudi cooperation, when it comes to the financial aspect of the war on terror. Can you share with us your opinion about the level of Saudi cooperation? That is my first question.

And second, you mentioned some steps that they have outlined that they are going to take to try and have better oversight of the functioning of charities in Saudi Arabia. What is your level of confidence that those initiatives will not only be announced, but also actually implemented?

Mr. DAM. That is a sensitive question and my answer would be sensitive.

All I can say is that we are pleased with Saudi cooperation. We have had many conversations at many different levels with them. We have had visits by leading members of the Administration in which these questions have been discussed. Of course, we have to understand that the Saudi Arabian government has its own sensitivities with regard to activities carried on by its citizens. And so, I would say that we are pleased with the cooperation that we have received.

Senator BAYH. Is it your impression that they understand the gravity of this issue?

In other words, even if they are cooperating with us on a governmental level, there are individuals in Saudi who, for lack of a better term, are trying to have it both ways—working with us, but covering their bets by assisting some on the other side at the same time surreptitiously. Do they understand that it is really not possible, given what has happened, to have it both ways and that we take seriously not only the cooperation of their government, but also their attempting to do something about their citizens who would engage in this kind of activity?

Mr. DAM. I am confident that they know that we are quite serious about this.

At the same time, as I pointed out in my statement, we depend on cooperation in order to stamp out the financing of terror. And so, we have to cooperate with many different types of governments around the world, many different kinds of societies.

Some prefer public means of action. The United States always has a bias toward passing laws, having regulations, taking public actions, and announcing them. Other societies operate in completely different ways. So, we have to be sensitive to those cultural and political differences as well.

Senator BAYH. Publicly or privately, as long as the cooperation is effective, that it seems to me is what matters. And I hope that they understand our seriousness of purpose when it comes to this and the exact means that we can work out.

I am pleased to see that they have made this announcement and that they are taking these steps. I just hope that we follow up with them to try and ensure that it is carried out.

With regard to other countries other than Saudi Arabia, the UAE, for example, or others, are you satisfied with the level of cooperation that we are getting from other countries as well?

Mr. DAM. Well, yes. I think we, in general, have been receiving good cooperation.

Of course, in the case of the state sponsors of terrorism, that is another matter entirely that I am not addressing. But with regard to the normal charities, there has been a great deal of interest.

For example, there was a conference sponsored by Abu Dabi on Hawalas in May. We have had other kinds of international meetings, both bilateral and multilateral, involving countries in what is generally referred to as the Islamic world.

Here, again, we come at this in a situation in which countries have not been accustomed to worrying about problems like this, or regulating charities.

And I might say that I have a little personal experience in the United States. We have some issues in the United States, too.

Senator BAYH. We do.

Mr. DAM. I was thrust into a 6-month job at the United Way of America in 1992 because they had a big scandal because the board was not really paying attention to what was going on.

That was personally impressed on me then.

I think that, in general, the whole question of charitable governance is one that needs attention. That is why I hold out hope that we can work through national and international organizations involved in the promotion of charity. If you are really interested in

promoting charity, you want to make sure that donors can be confident that their wishes are being carried out.

Senator BAYH. Let me follow up on that for a moment.

I know that we are in the process of working with other governments to encourage best practices in terms of the governance of charities and the accountability for how the funds that are disbursed are actually used. Does it put us in a bit of an awkward position when we are urging practices on others that we may not be implementing here at home ourselves?

Mr. DAM. Well, I do not think that we can urge practices that we are not implementing. And when you consider that we have 1.5 million charitable organizations in the United States and we have hundreds of thousands of religious organizations in the United States, I think we need to keep that in mind and that is what are we willing to do ourselves?

But we are pushing forward. There are a lot of best practices that do not raise those kinds of problems. We are preparing a paper for the conference of the Financial Action Task Force, which will meet in October. We are taking a major lead in drafting the statement on best practices, which we hope will be adopted by that organization. And if that comes about, I think then there will be a basis for pressing other countries to follow these best practices.

That name-and-shame approach, for example, was used successfully in money laundering, and it would be along the same lines.

Senator BAYH. If I could ask you about the Europeans for a moment. I would like to get your reaction to something that was in *The Wall Street Journal*. This has been several months ago, talking about how European officials may not be as cooperative as they had been in the first months of our effort to crack down on the money laundering and the terrorist financing. It is a delicate balance between trying to provide them with the evidence necessary to assist us, on the one hand, without compromising intelligence sources on the other.

There is one individual quoted as saying with regard to us, he says, "But they provide little that can be used in court. We are still waiting for real information." and another official says, "We never really receive concrete information."

Is that what is going on there? It is difficult for us to provide them with information that reveals methods and sources that would be compromising the source of the intelligence, on the one hand. On the other hand, are they doing that because they are not entirely enthusiastic in terms of cooperating, using that basically as an excuse that we are not being more specific on the nature of the information that we are providing them? Or is that a legitimate problem that we have?

Mr. DAM. Well, let me suggest several different points here.

First of all, source and methods, absolutely. That is a problem. Under the USA PATRIOT Act, Congress gave the Executive Branch, the ability to present intelligence information on an *ex parte* basis to the court in so-called "in camera" proceedings. That was essential.

Senator BAYH. I am referring to the Europeans.

Mr. DAM. They do not have these provisions. So, because of that, we are not able to provide them that information.

Senator BAYH. I guess my question is, are they insisting on a level of detail that we simply cannot provide them because of our intelligence concerns before they will do everything that is necessary to help us get to the core of this problem?

Mr. DAM. The short answer is yes.

Senator BAYH. What do we do about it? It is a dilemma of sorts.

Mr. DAM. It certainly is. We are doing our very best to find declassified information that we can provide them. But beyond that, I think it is fair to say that there are two more problems, and that is only one kind of issue. Another problem is, in many countries, it is approached very much as a law enforcement matter, as opposed to a prevention matter.

What we are trying to do is to disrupt terrorists, and disrupt the financing of terrorism. We also, when we are able to do so, we prosecute people who violate the law. But that is not the fundamental point. I think the other point is the procedures of the European Union are such that they need unanimity of all the 15 member countries. If we had to, say, have unanimity of all 50 States, we would have a little problem, just to give you an analogy of how difficult that is.

Senator BAYH. Unanimity is never a problem in the Senate, Mr. Secretary, I want to assure you.

[Laughter.]

It is a challenge when you have a lowest-common-denominator approach to trying to pursue these matters. Their full cooperation, of course, is important.

Mr. DAM. Well, we have had joint designations. And they have designated many of the organizations that we have designated.

There is an underlying philosophical, diplomatic, or political issue that sometimes come up. They have a somewhat different view of Hamas in particular, and you mentioned Hamas in connection with the Holy Land Foundation.

Senator BAYH. Hezbollah, also.

Mr. DAM. Hezbollah, also. Correct.

Senator BAYH. Let me ask you. You mentioned the difference in perspectives that occasionally exists between our point of view and the Europeans'. It also exists within our own agencies. And you are in a coordination point of view. The intelligence services tend to be more proactive and analytical. The FBI and some of the law enforcement agencies tend to be more, naturally, law enforcement-oriented. Can you explain to us how we can coordinate and avoid unnecessary redundancy between entities sucha as GreenQuest, for example, or FinCEN, where you have Treasury. You have got, through the Financial Review Group, the FBI and Justice who have a part of this. You have the FTAT housed in the CIA.

So you have—just there, just mentioning those three—Treasury, Justice, CIA. There are others. How do we pull this together to ensure that everyone is speaking to each other, sharing information, that this is a coordinated effort, that we have common databases, things of that nature?

Mr. DAM. The coordination is working much better than it was immediately after September 11, because there were certain statutes on the books that prevented full intermingling of information from the FBI and the intelligence community, law enforcement in

general and the intelligence community. The USA PATRIOT Act facilitated that.

Now with regard to the particular organizations, the Financial Crimes Enforcement Network, FinCEN, is really a service organization. It is like a utility. All the information from the banks and other kinds of reports like that are funneled in there and people can receive it offline.

You mentioned Operation GreenQuest, which is a Treasury-based organization, and the FBI. We have looked at that situation very carefully and, Senator, I would like to give you a little report on that, if I could, perhaps in writing, about the steps that have been taken to make sure that the coordination there is very good.

In fact, coordination between, say, the Customs Bureau and the FBI, has been extremely good over the years in places like New York, where they work together in a joint task force on money laundering, particularly in the narcotics area. I think we are having some growing pains in the terrorist finance area, which we are getting over.

Senator BAYH. Well, this is important because not only is cracking down on the financing essential to limiting the ability of the terrorist organizations to carry out their activities, but also I think as we discussed briefly beforehand, very often, there are leads that financial information can develop that lead us to other individuals that can be equally important.

I think it was the FBI working with the Secret Service that very quickly, following September 11, was able to link the 19 hijackers, using primarily financial information.

Mr. DAM. That is correct.

Senator BAYH. So, going forward, if there is ever to be a recurrence of a situation where we had these two individuals, Mr. al Hamsi, and the other name escapes me momentarily, but they were using credit cards, if they had Social Security numbers, if they were engaging in bank transactions and we had to try and find them, we could do more than simply search a hotel room that had been listed as an address 10 or 11 months before.

This can be a very powerful preemption tool as well. But only if it is coordinated and everyone is talking to everyone, and so if they know where to go to find that kind of information on a very timely basis. That is why the coordination issue is particularly important.

You have a big job, trying to mesh different cultures, different lines of authority, budgetary and legal. I do not envy you that task. But I do think it is critically important.

Mr. DAM. You alluded to computer systems as well. They have to be able to exchange their information.

As a matter of fact, the Detroit case is a good example. The reason the man was stopped who was carrying the $12 million worth of fraudulent cashier's checks was because his name appeared on a list. It got on that list not from Customs or Immigration and Naturalization Service, but from the U.S. military.

Senator BAYH. I think Mr. al Mithar was the other name I was searching for.

So, we need a system where, when the intelligence services are able to identify people they have reason to believe may be involved in imminent threats to the country's security, we can trace them

not only physically, but through financial means as well and have a global approach to trying to track and apprehend dangerous potential terrorists.

Mr. Secretary, I want to thank you for your appearance. If we have other questions, I hope I can submit them to you in writing. And thank you for your patience as well. Putting up with the uncertain schedule in the U.S. Senate is always a challenge. But I thank you for your efforts and your staff, and I want to cooperate with you in making sure that we do the very best that we can in addressing this important area. Thank you for your time today.

I am going to go cast my final vote, then I will return. I want to thank the other panelists for your patience. Since there are no other votes, I should be able to just vote quickly and return very quickly.

Thank you, Mr. Secretary.

Mr. DAM. Thank you, Mr. Chairman.

Senator BAYH. We will be in temporary recess.

[Recess.]

Senator BAYH. The Subcommittee will come to order.

I very much appreciate your patience. It turned out that we had not one vote, but two, which in the workings in the Senate meant that things were not quite as simple or as expeditious as otherwise might have been the case. We had three votes on the same subject today to finally get the matter resolved.

So thank you. I look forward to hearing from you.

Doctor, why don't we begin with you.

STATEMENT OF QUINTAN WIKTOROWICZ, Ph.D.
ASSISTANT PROFESSOR, DEPARTMENT OF INTERNATIONAL STUDIES, RHODES COLLEGE

Dr. WIKTOROWICZ. I will try to keep it brief, which, for an academic, is saying quite a bit.

Senator BAYH. You have waited a long time. Please, feel free to take whatever time that you think is necessary to tell us what is important.

Dr. WIKTOROWICZ. Okay. I would like to make three major points about Islamic charities in general, not just in regard to the war on terrorism, but in terms of the relationship with the broader Muslim community.

The first one is just a simple statement and something that I think that needs to be said, especially at this hearing, which is that the vast majority of Islamic charities are not radical. The vast majority of these organizations, especially in the Middle East, which I am more familiar with, are created at the grassroots level by people who know one another. They want to help out people in need. They are looking to promote socioeconomic development, which is very important, especially in neighborhoods and communities where state infrastructure is lacking, where the state is unable financially or logistically to provide basic social services—medicine, education, et cetera. So many of these Islamic charities fulfill real need in their communities.

Now having said that there are Islamic charities that serves as al Qaeda fronts. But when you read off a very long list of different Islamic charities, I think we sometimes give the impression that

there is this big conspiracy out there in the Islamic charitable world that might not really exist. There are literally tens of thousands of Islamic charities globally, and only a very small portion of these are used to support what we would consider to be terrorist activities.

Those that do support al Qaeda obviously do support them rather indirectly. They either operate as fronts, so that the donors do not know where the money is going, or they advertise themselves as giving to some more general Islamic cause—let's help the Muslims in Kashmir, in Chechnya, and Dagistan, and places like this. And it is only later, during the end-use period, that this money is siphoned off for radical activities. And of course, that is the big question—how do we actually discern whether or not the money at the end-use level is going to be used for Islamic Jihad activities?

The second major point is that Islamic charities are not homogenous. There is a tendency to think that because the term "Islam" is used, that somehow, all of these are equally religious, when in fact they are not. Many people in the Middle East, and even more broadly, in the Muslim world, believe that if they use the term Islam, that it provides a sense of legitimacy, that it is culturally authentic, as opposed to western NGO's that come through the town and say, "We are going to provide you with all these solutions. We are going to help you. We are going to give you democracy, economic development."

Islamic charities are often formed as a culturally authentic alternative to the socioeconomic development models of the rest of the world. Some of these I have seen are very minimally religious. I have been to Islamic charities where people spent more time literally playing ping-pong than actually engaged in charitable activities or in any kind of religious activities.

Many of these are more for social purposes in the community under an Islamic or religious umbrella. There are, of course, others that are very religious, where people take it very seriously, where they study with one another and they are engaged in Islamic study circles, et cetera. And then there are still others that are affiliated with various Islamic movements. Examples include the Muslim Brotherhood of Jordan, which really operates a very large network of charitable societies, as well as Islah in Yemen.

I would say that in terms of trying to target our limited resources at the kinds of charities like Wahabe Salafe charities that are more likely, though certainly this is not anywhere close to universal, than other Islamic charities, to support the overall objectives of bin Laden.

Now, I qualify that very heavily by saying the vast majority of Salafe charities are not used to support bin Laden. But in terms of limited resources, there is much more ideological affinity between these types of charities and others.

I would also argue that most governments in the Middle East know the difference. There is a large surveillance society in most Middle Eastern countries. They tend to know who is and who is not aligned with people like bin Laden, people like the al Qaeda network. And that we should enlist their support.

I think part of the problem is they are not always forthcoming with that kind of information. Some countries, it is easier for them

to tell than others. But, for the most part, the government has maintained very strict regulations over these societies and oftentimes, these organizations get away with what they are doing while their governments just simply close their eyes to what is happening.

The third point I would like to make is to really stymie the argument that Islamic charities can help create infrastructure for terrorism, that they can create a network that terrorists can use, for example, to recruit the poor, from urban cities, and enlist them in the Jihadi cause.

For several reasons, I think that this is unlikely, although still possible.

First, there are very strict legal requirements and governments are not likely to allow charities to be formed to be utilized by Jihadi organizations, unless it suits state governmental interests in some manner or another. The Saudi case is a classic example of this, especially during the war by the Islamists and by Mujahadin against the Soviets in Afghanistan.

Second, states oftentimes provide money to Islamic charities. So, they are not always separate entities. Not only will they provide patronage to particularly moderate or apolitical Islamic charities, but also they will help provide space where they can hold events or they will cosponsor things or help with the publication of certain kinds of materials. Radicals have a real difficult time working with governments in this respect.

Third, charities tend to compete with one another over scarce resources. There is surprisingly little cooperation given the fact that these are supposed to be all under the umbrella of some general religious cause. There are exceptions to this, but I and other colleagues of mine who have actually gone out and done field work with these organizations, have always been really surprised at how little cooperation there is among these organizations. They are competing with one another for beneficiaries, for stands in their communities, as well as for donors.

Fourth, Islamic charities are based in the middle-class networks and they tend to serve middle-class interests. This derives from the operational needs of these organizations. They need to hire doctors. They need to hire teachers. They need money. They need donations. They need building materials and supplies that only the middle class can provide them with. The poor are too poor to do these kinds of things and the rich tend to go to private hospitals, and private schools. So, they do not really bother with these kinds of things, though, again, there are always exceptions to these.

Radicals have had very little success in terms of recruiting through the middle-class networks. There are people in the middle class—doctors, lawyers, et cetera—who have joined up, but usually, they are not the foot soldiers. They are typically the elites of the societies. The poor or less educated stratas of society who are more likely than others to join up or to at least be empathetic to the call, do not really frequent these charities as much as we might think.

They tend to frequent Islamic charities in their own communities. But these charities are limited in terms of their resources and in terms of their outreach programs.

I think this tells us four things in terms of the relationship between Islamic charities and terrorism.

First, the statement I made earlier, which is the vast majority of Islamic charities are not linked to terrorists, and it is very important to note that.

Second, because Islamic charities can vary widely in terms of their ideological perspectives, that in terms of limited resources, we need to determine whether or not certain categories of Islamic charities are more likely than others to actually support these kinds of agendas. We will never get 100 percent. That will never happen. But at least we can start to target resources.

Third, because of state regulations, governments are probably aware of which charities are more or less likely to support these kinds of causes and that we should enlist their support. I mean, we have discussed this a little bit earlier and some of the real difficulties in that.

And fourth, radicals are unlikely to be able to use charities in terms of a vast network for mobilizing support for al Qaeda. They will always be able to infiltrate one here, one there, to use certain ones for money laundering. But in terms of real deep institutional infrastructure, I think it is rather limited.

Thank you.

Senator BAYH. Thank you very much, Doctor.

Mr. Levitt.

STATEMENT OF MATTHEW A. LEVITT
SENIOR FELLOW IN TERRORISM STUDIES
THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY

Mr. LEVITT. Thank you, Mr. Chairman.

It is a pleasure and an honor to be here today. My remarks are a summary of my more detailed written testimony and therefore, before I begin, I would like to first request that my written statement be included in the official record.

Senator BAYH. It will be included in the record.

Mr. LEVITT. Thank you, sir.

The synchronized suicide attacks of September 11 highlighted the critical role financial and logistical support networks play in the operations of international terrorist organizations.

The al Qaeda suicide hijackings underscored the post-blast, investigative utility of tracking the money trail, but they also drove home the critical need to preemptively deny terrorists the funds they need to conduct their attacks.

Often, as was the case in the investigation of the September 11 attacks, financial transactions provide the first and most concrete leads for investigators seeking to flush out the full scope of a terrorist attack, including the identities of the perpetrators, their logistical and financial support networks, links to other terrorists, groups, and accomplices. Since September, the U.S. Government has spearheaded a groundbreaking and comprehensive disruption operation to stem the flow of funds to and among terrorist groups. Combined with the unprecedented law enforcement and intelligence effort to apprehend terrorist operatives worldwide, which constricts the space in which terrorists can operate, cracking down

on terrorist financing denies terrorists the means to travel, communicate, procure equipment, and conduct attacks.

The phenomenon of charitable and humanitarian organizations financing terrorism occurs within the larger context of a network of terrorist financing. Of course, cracking down on terrorist financing demands an all-encompassing approach to have any chance of successfully disrupting terrorist activity, targeting the full array of groups, individuals, businesses, banks, and other financial institutions, criminal enterprises, and charitable and humanitarian organizations to finance terrorism.

For the sake of brevity, I will go straight to the issue at hand and refer you to my written remarks for examples and analysis of other means of financing terrorism, such as criminal enterprises, official and unofficial banking systems, wealthy individuals, and otherwise legitimate commercial enterprises.

Each of these trends is significant in its own right, and all the more so when applied in tandem. Humanitarian organizations, however, have played a particularly disturbing role in terrorist financing, and present an especially sensitive challenge as authorities are faced with discerning between legitimate charity organizations, those unknowingly hijacked by terrorists who divert funds to finance terrorism, and others proactively engaged in supporting terrorist groups. A key challenge that arises in this regard, which we have discussed already today, is the Government's effort to balance the need to share information linking such organizations to terrorism against the cost of exposing intelligence sources and methods.

Long before September 11, officials were aware that financial networks of charitable and humanitarian organizations were financing terrorism. For example, investigators looking into the 1993 World Trade Center attack traced funding for the operation back to a company that imported Holy Water from Mecca to Pakistan.

Only now, however, is the trend receiving the full attention it deserves. The State Department's Coordinator for Counterterrorism recently noted that, "Any money can be diverted if you do not pay attention to it. And I believe that terrorist organizations, just like criminal enterprises, can bore into any legitimate enterprise to try to divert money for illegitimate purposes." While such manipulation is a tremendous concern, an even more disturbing trend has become evident in the efforts of some charitable and humanitarian organizations to knowingly and proactively raise funds for terrorist groups. Often, leaders of such organizations raise funds from both individuals seeking to fund terrorist groups, as well as innocent contributors unwitting of the groups' links to terrorists.

On December 14, 2001, Federal officials raided, for example, the offices of the Global Relief Foundation in Chicago and froze its assets. The group's offices in Kosovo were raided by NATO forces a few days later after NATO was provided with "credible intelligence information" that the group was "allegedly involved in planning attacks against targets in the United States and Europe." Ongoing international terrorism investigations have raised further concerns. For example, according to the information provided by the Spanish Interior Ministry, a senior bin Laden financier arrested in Spain, Mohammed Galeb Kalaje Zouaydi, transferred funds to several in-

dividuals linked to the bin Laden network, including over $205,000 to the head of the Global Relief office in Belgium.

While September 11 highlighted the al Qaeda terrorist network, bin Laden and his terrorist affiliates are by no means the only groups using humanitarian organizations to finance their terrorist activities.

On January 4, 2001, FBI agents and New York City police raided the Hatikva Center, a community center in Brooklyn run by followers of Rabbis Meir Kahane and Benjamin Kahane, father and son and founders of the Jewish terrorist groups Kach and Kahane Chai, respectively. Officials seized a trailer full of material searching for evidence the organization was providing material support to either Kach or Kahane Chai, both of which are designated Foreign Terrorist Organizations by the U.S. Department of State.

More recently, on December 4, 2001, the Bush Administration exposed the Holy Land Foundation as a front for Hamas. In a detailed 49-page FBI memorandum, the U.S. Government established that these funds were used by Hamas to recruit suicide bombers and to support their families. Five days before the September 11 attacks, the FBI raided the offices and froze the assets of Infocom, an Internet company that shares personnel, office space, and board members with the Holy Land Foundation. The Holy Land Foundation relied heavily on local "zakat" or charity committees in the West Bank and Gaza to funnel funds to Hamas. The FBI memorandum establishes that known Hamas activists ran the zakat committees in question, in whole or sometimes in part. For example, among the senior Hamas members affiliated with the Tulkarm zakat committee, which received over $70,000 from Holy Land between 1997 and 1999, are Mohmammed Hamed Qa'adan, head of the Tulkarm zakat committee, and Ibrahim Muhammad Salim Salim Nir al Shams, a member of both the Talkarm zakat committee and the Supreme Hamas leadership in Nur al Shams.

A key Saudi charity linked to terrorist financing is the al Wafa Humanitarian Organization. U.S. officials have described al Wafa as a key component of bin Laden's organization. One official was quoted as saying that al Wafa and other groups listed, "do a small amount of legitimate humanitarian work and raise a lot of money for equipment and weapons." For example, Abdul Aziz, a Saudi citizen, senior al Qaeda finance official, and Camp X–Ray prisoner, allegedly financed al Qaeda activities through al Wafa.

Several charitable and humanitarian organizations have not only financed groups, but actively facilitated terrorist operations. At the New York trial of four men convicted of involvement in the East Africa Embassy attacks, a former al Qaeda member named several charities as fronts for the terrorist group, including Mercy International Relief Organization. Documents presented at the trial demonstrated that Mercy smuggled weapons from Somalia into Kenya, and Abdullah Mohammad, one of the Nairobi bombers, delivered eight boxes of convicted al Qaeda operative Wadi el Hage's belongings—including false documents and passports—to Mercy's Kenya office.

Along with Mercy, the Kenyan government also banned the International Islamic Relief Organization after the embassy bombings. Bin Laden's brother-in-law, Muhammad Jamal Khalifa, has

been involved with IIRO in the Philippines. In November and December 2001, Philippine police arrested four Arabs associated with the Moro Islamic Liberation Front, describing them as an al Qaeda "sleeper cell." According to the Philippine police, Mohammad Sabri, one of the four men arrested, worked closely with Khalifa in running the IIRO office. Indian police, in January 1999, foiled a plot to bomb the U.S. consulates in Calcutta and Madras. The mastermind behind this plot was Sayed Abu Nasir, an IIRO employee who received terrorist training in Afghanistan.

Last October, NATO forces raided the Saudi High Commission for Aid to Bosnia, founded by Prince Selman bin Abdul Aziz and supported by King Fahd. This charity has also been linked to actual terrorist activity and my written statement goes into that in great detail.

Of particular interest to us is the Benevolence International Foundation, which was raided by U.S. authorities in December in Chicago. The Foundation's videos and literature glorify martyrdom and, according to the charity's newsletter, seven of its officers were killed in battle last year in Chechnya and Bosnia. Four months later, the U.S. Embassy in Bosnia was shut down for 4 days after Bosnian officials informed the Embassy of a possible threat. Al Qaeda terrorists reportedly met in Sofia, Bulgaria, where they decided, according to a Bosnian official, that, "in Sarajevo something will happen to Americans similar to New York last September."

More recently, in April, the foundation's executive director was arrested in the United States on perjury charges for making false statements in a lawsuit against the Government. It turns out that this individual had close affiliation to bin Laden and had been providing material support to al Qaeda.

So how do we go about disrupting the network? The phenomenon of terrorists funding their activities through charitable and humanitarian organizations, either as full-fledged front organizations or as unwitting accomplices, is clearly a critical problem. But it can be equally difficult to disrupt. Discriminating between legitimate and nefarious charities is extremely difficult, partly because front organizations do not hang a shingle on the door identifying themselves as terrorists and partly because they attempt to actively hide their financing of terrorism among some legitimate causes they fund as well.

There are, in fact, a number of things that can be done. As we have discussed earlier today, international cooperation is critical. Targeting a wide array of groups and organizations must be conducted as part of a well-coordinated attempt. This is a particularly sensitive issue, especially in the Middle East. In November 2001, for example, a senior U.S. delegation traveled to Saudi Arabia to solicit greater cooperation in the arena of tackling terrorist financing. Secretary of the Treasury O'Neill visited again 3 months later, agreeing to quietly broach concerns regarding specific humanitarian organizations. Very quickly, the United States and Saudi governments jointly froze the accounts of the al Haramain Humanitarian Organization, which was wonderful. Unfortunately, subsequent reports already indicate that U.S. authorities are concerned that Saudi authorities are glossing over the terrorist connections of other humanitarian organizations, including the al Wafa Humani-

tarian Organization, the International Islamic Relief Organization, and its parent, the Muslim World League.

It is critical to gain the Saudi support. The Saudis have, at a minimum, a clear pattern of looking the other way when funds are known to support extremist purposes. One Saudi official was quoted in the press as saying that a Saudi organization created to crack down on charities funding terrorism does little because "it doesn't want to discover top people giving to charities."

It is critical that we work with our allies in Europe, and we have already discussed in some detail the tensions we have in getting their cooperation and enabling ourselves to provide the kind of information they need. What is critical here is that some of the groups that have been listed or not listed on the European Union's terrorist lists have been the subject of a distinction to which we do not subscribe, and that is a distinction between political and military wings, which is critical because if you give credence to the political wing of an organization, you are very likely giving credence to the humanitarian organizations that are supporting that terrorist group.

Even within the American bureaucracy, we have tensions. There are competing bureaucracies within the Departments of Justice, the Treasury, and other agencies, as you have mentioned.

To conclude, terrorism is always going to exist. That is why there is no exit strategy for combatting terrorism. Counterterrorism is, in fact, a form of conflict management, not conflict resolution. And techniques must be as comprehensive, ongoing, and cooperative as possible. Cracking down on terrorist financing will only succeed in dismantling the groups' logistical and financial support networks and by extension preventing terrorist attacks, if the governments and agencies involved in the effort act in concert and, at a minimum, mirror the resolve, commitment, and dedication displayed by the terrorists.

Thank you.

Senator BAYH. Thank you, Mr. Levitt, both for your oral testimony and for your written testimony. It was very extensive and interesting.

Dr. Gubser.

STATEMENT OF PETER GUBSER, Ph.D.
PRESIDENT, AMERICAN NEAR EAST REFUGEE AID (ANERA)
ON BEHALF OF INTERACTION

Dr. GUBSER. Thank you very much, Senator.

It is a pleasure to appear before the Senate Subcommittee on International Trade and Finance. As mentioned, my name is Peter Gubser. I am the President of American Near East Refugee Aid, ANERA, a position that I have held since 1977.

ANERA's mission is to reduce poverty and relieve suffering, thereby improving the lives of people in the Middle East. In cooperation with local institutions—community nongovernmental organizations, NGO's, charities, municipalities, cooperatives, and branches of central governments—we formulate and implement social and economic development projects, and provide relief in response to emergency needs.

A nonprofit, charitable organization, ANERA is concerned with the long-term development needs of Palestinians, Israelis, Lebanese, and Jordanians. ANERA assists grassroots organizations to provide their communities with crucial health care and community services in addition to increasing employment and educational opportunities for deprived groups of people. Through an in-kind program, ANERA assists medical clinics and hospitals in meeting their annual requirements of pharmaceuticals and medical supplies, and sends emergency shipments in times of conflict. ANERA is also a pioneer in developing and supporting Arab-Israeli cooperative projects such as Friends of the Earth–Middle East, which is the association of Israeli, Jordanian, and Palestinian environmental NGO's.

Since 1968, ANERA has helped provide the basic necessities of life to people adversely affected by war and conflict. Through these efforts and increasing public understanding of the region, ANERA promotes peace.

During the past ANERA fiscal year, we provided over $12 million to projects in Israel, Jordan, Lebanon, and the Palestinian Territories. ANERA receives funding from 25,000 individuals across the United States, corporations, foundations, the U.S. Agency for International Development, and multilateral U.N. organizations.

As I first mentioned, ANERA implements its projects with and through local institutions. Overseas, we have a staff of 30 people based in Jerusalem and Gaza, two of whom are American, the balance being local citizens. I wish to emphasize the fact that our staff has broad and deep knowledge of the area. The staffers are not only technically very sound, they also well understand the society in which we work.

As I understand it, the Subcommittee wishes to know how ANERA operates in an environment where terrorist organizations operate, especially where some operate as charitable societies.

Our overriding policy is that we only supply assistance to legitimate and capable institutions. This also means that we do not assist charities that are part of terrorist organizations. Just as others, ANERA has received the State Department's list of terrorist organizations. Organizations on this list or their charities are not eligible for ANERA assistance.

The role of ANERA's able staff is to evaluate the capabilities and capacities of our local partners. The staff members assess accountability, governance, technical capacity, ability to reach intended beneficiaries and the like. During this process, we establish that the institution is legitimate, capable, and eligible to receive ANERA's assistance. Naturally, all relevant data about the local institution is collected in our files. In light of this assessment, the staff develops the implements the projects under senior leadership guidance.

As a project matures and is completed, extensive fiscal and programmatic reporting is generated for ANERA's purposes as well as for the purposes and requirements of ANERA's donors. These reports consist of detailed financial reports on how ANERA's funds were used, as well as the contribution by local institutions. Thus, we ensure accountability on the part of the local institution and ANERA. In like manner, we measure the impact of the project:

Was it completed? Does it produce the stream of benefits for the beneficiaries that was desired? Do the beneficiaries have access to these benefits? In this manner, we continually evaluate and assess the projects from a fiscal and impact standpoint.

In sum, ANERA's process of project development, assessment, and completion seeks to assure that the funds are used properly. As a complement to this function, the process also assures that the funds are not used improperly, for terrorist purposes that are the subject of this hearing, for corrupt purposes, or just for purposes other than those for which they were intended.

Looking at these issues from another level, ANERA is a founding member of InterAction, the association of American NGO's—or otherwise known as the PVO's—private voluntary organizations—that work overseas. InterAction has published standards to which ANERA subscribes. As a board member of InterAction, I would like to petition the Subcommittee to allow me to submit a prepared InterAction statement. And also with the permission of the Subcommittee, I will read a couple of the most salient portions of InterAction's statement. Naturally, I will be pleased to answer any questions the Subcommittee Members may have.

Senator BAYH. We would be happy to enter that document into the record.

Dr. GUBSER. Thank you.

Senator BAYH. If you would like to read some salient portions. I would only ask that they be reasonably concise.

Dr. GUBSER. Okay. They will be very brief.

InterAction is the largest alliance of U.S.-based international development and humanitarian nongovernmental organizations with 160 members. It was formed in 1984, and is based in Washington, DC.

Reflecting both the generosity of the American people and their strong support for international development and humanitarian assistance, InterAction's members receive more than $3 billion in annual contributions from private donors. Neither InterAction nor its members bear lightly the responsibility of the trust the American people place in InterAction and its members. As such, members ascribe to InterAction's Private Voluntary Organization Standards that help assure accountability in the critical areas of financial management, fundraising, governance, and program performance. The standards are found on InterAction's website. These standards define the financial, operational, and ethical code of conduct for InterAction and its members.

Given their fiduciary responsibility for the funds they receive, InterAction members have long-established procedures to prevent theft, embezzlement, and other diversions of funds and supplies. Increasing care is taken in vetting new employees, in their training, in their supervision, and in creating an environment that they will consider themselves genuine team members.

In the post-Cold War era, insecurity has become a growing menace to the operations of NGO's, especially those disaster response agencies trying to assist refugees, internally displaced persons and others exposed to death and injury in civil conflicts. Both governments and nonstate actors have ignored their obligations to permit humanitarian organizations to have access to the victims of war.

Indeed, NGO's, U.N. agencies and the Red Cross Movement have seen their personnel killed, injured, raped, taken hostage, and otherwise abused in increasing numbers. In this environment, humanitarian organizations have been compelled to pay increased attention to personal organizational security.

In that context, we have actually, through InterAction and through USAID funding, set up short courses that have been conducted all over the world for our personnel, InterAction's personnel, including ANERA's.

Senator BAYH. Dr. Gubser, is this part of the documents submitted into the record?

Dr. GUBSER. Yes.

Senator BAYH. Perhaps it would be best, given the hour, if we could do that, and then allow us to review it.

Dr. GUBSER. I have completed my statement.

Senator BAYH. Okay. Thank you very much. And I appreciate your patience.

Senator BAYH. I am going to ask just a few questions and I will try and be reasonably brief. And if I could ask all of us to try and follow that, I would be grateful.

The first two or three questions, Dr. Wiktorowicz and Mr. Levitt, I think are for both of you.

Do we have any rough estimate about the percentage of terrorist financing that is derived from charitable organizations? Or is it just impossible to even try and put a rough figure on it, versus the amount of money that they get from running front companies or wealthy individuals directly, as opposed to through charities? Do either of you care to hazard an estimate?

Mr. LEVITT. No, I do not think it can be done. I also think that there is a lot of overlap. A lot of these wealthy individuals are engaged together with some of these organizations. So there is going to be overlap. They bleed into one another.

Senator BAYH. I can understand the reluctance to try and quantify this under the circumstances. Is it your impression that it is a not insignificant amount?

Mr. LEVITT. Absolutely. In fact, according to the Department of the Treasury's recently released money laundering report, which included a 13-page section on international terrorist financing, it is the most important.

Senator BAYH. The most important. So rather than state a double-negative, in your opinion, it is a significant part.

Mr. LEVITT. Absolutely.

Senator BAYH. I said not insignificant. And at least one indication that it is the most important.

Mr. LEVITT. Yes.

Senator BAYH. Doctor, anything that you would like to follow up on that?

Dr. WIKTOROWICZ. Well, I would say that whatever numbers the Treasury Department has, you probably need to raise them a little bit because there is still informal charitable giving that goes on that oftentimes can be quite substantial.

I know at least in the Jordanian case, that informal zakat or alms-giving in Islam constituted about 50 percent of all charitable

giving. So it can be sizable. Now how sizable that is for the al Qaeda network, I would not be sure of.

Senator BAYH. What about this difficult dichotomy of distinguishing and when we are dealing with organizations that perform both legitimate and terrorist activities? We have, as Dr. Gubser mentioned, Hamas, Hezbollah perform some civic functions. But then they also have their terrorist wings.

When it comes to dealing with nation states, we tend to identify them as either terrorist or not. Those that engage in terrorist activities, we treat as such. Even if they perform a whole host of other services on behalf of their citizens.

How is it possible to differentiate between these kinds of activities? Isn't that a slippery slope that inevitably leads us to treating them as all or nothing?

Dr. WIKTOROWICZ. I think it is very difficult. I think it also gets down to the definition of terrorism. There is that universal adage that one person's terrorist is another's freedom fighter. And for most Muslims, especially in the Middle East, when they see Hamas, they see a legitimate national liberation movement.

Senator BAYH. Excuse me for interrupting. I am familiar with that line of thought, and I think many Americans would say that there is room for certain debate, even if they might disagree about whether an organization was a movement of national resistance or not. But that there are certain means that are beyond the pale, irrespective of what your political beliefs or national aspirations might be, one of which would be committing terrorist acts, particularly against civilians.

Dr. WIKTOROWICZ. I wasn't arguing about the distinction.

Senator BAYH. No, I understand.

Dr. WIKTOROWICZ. What I was trying to get at was the view of the donors that give to Hamas and give to these kinds of charities. It is viewed as part of the same package, taking care of the Palestinian people, for example.

Senator BAYH. So, from a religious point of view, there is no problem donating to a charity, even if you know ahead of time that a certain percentage of that is going to support terrorist activities?

Dr. WIKTOROWICZ. I am not going to generalize about all Islamic perspectives. There are so many different views in terms of the legitimacy of a group like Hamas, the legitimacy of suicide bombers, and the legitimacy of giving to particular kinds of charities. And there is definitely no universal consensus.

But I think that, in terms of theological lines of thought, there are scholars out there, including those in Saudi Arabia, who argue that there is no problem with that. And that certain tactics in warfare are permissible. For example, Hamas has made this argument, and there are others in Saudi Arabia, including in the religious body that helps run the country, that civilian targeting is permissible under certain kinds of conditions.

Senator BAYH. They would have no problem with their opponents doing the same?

Dr. WIKTOROWICZ. Well, there is a double standard, without a doubt. Look at Hamas' response to the use of a major bomb that blew up an entire city block. According to Jihadi theological arguments, that is a permissible action, given that you are targeting a

military individual, someone who is a legitimate target and there are civilians in the area.

The argument that has been made by some of these Jihadi scholars has been that that is still legitimate in Islam. So, you are right. There is a double standard there.

Senator BAYH. Mr. Levitt.

Mr. LEVITT. I think it is also fair to say, if I may, that there is a need for a public diplomacy campaign to address this point. There is a need for an international conference of Islamic scholars to address this point.

There is no shortage of Islamic scholars, including in Saudi Arabia, who have condemned suicide bombings. I think Secretary Paul O'Neill put it best in Saudi Arabia when he was asked by a local member of the media this exact question. He was told, many people here would say that Hamas and Islamic Jihad are not terrorists.

Senator BAYH. In fact, wasn't there an open letter among some leading Palestinians condemning suicide bombings?

Mr. LEVITT. There was in fact, yes. And Secretary O'Neill responded, at a certain level, this is very simplistic, but at a certain level, you just need to judge people by the actions they take. And if they are blowing up buses of civilians, it is a terrorist act. I do not mean to be simplistic, but at some point, it really just is.

There is a theological issue that they need to work through, and for others, they are simply using the theology to support an evil ideology that they subscribe to. The fact is that you have individuals who are supporting terrorist activity and they are using the guise of religion to support that. And we should not sit back and accept that just because they say that they are doing it under the veil of religion.

Senator BAYH. So how do we treat one of these charitable entities where—pick a figure—70, 80, 90 percent of their resources are going to legitimate purposes, but 10, 20, 30 percent are not?

Mr. LEVITT. There have been a number of U.S. Government officials who have recently articulated that perhaps our issues with Hezbollah, for example, should not be an issue with Hezbollah, but with Hezbollah actions. There can be actions by Hezbollah that we would not take issue with.

But when an organization officially and very publicly will admit to you that they are engaged in this type of activity and that type of activity, and that includes terrorist activity, then we in the United States will not make that distinction, and our legislation does not make that distinction, and we should not make that distinction. Hamas is a great example.

There are many examples of how the dawa, the social welfare infrastructure, the orphanages, the hospitals have been used to facilitate terrorist activity, whether it is hiding munitions or ferrying a bomber from one place to another, or hiding fugitives.

It is not always the case. Nor can you draw an imaginary line between these wings. And I put that in quotes. These are not wings. In fact, if you go to Hezbollah and you ask them, they will say that there are no wings.

Senator BAYH. Money being fungible, as a practical matter, I agree with you.

Let me ask about Saudi Arabia. I think, Mr. Levitt, you indicated that, if my stenography here, as rusty as it is, is accurate, "a clear pattern of looking the other way" has existed in Saudi Arabia when it comes to finances flowing to terrorist organizations. Why is that, and what should we do about it?

Mr. LEVITT. Well, there are many reasons. I think the critical reason that Saudi Arabia has to deal with wealthy individuals, powerful individuals who set up some of these organizations and back some of these organizations, and the nature of society in Saudi Arabia is that many of these powerful, wealthy individuals who are financing terrorism are very close to the royal family, and in some cases, part of the royal family. And that creates a very clear and difficult situation.

Senator BAYH. Do you hazard an opinion on that, Doctor?

Dr. WIKTOROWICZ. Sure. I think that Saudi power for a very long time, especially—

Senator BAYH. Can I ask you one other thing?

Dr. WIKTOROWICZ. Sure.

Senator BAYH. Excuse me for interrupting. You made an interesting point about how, in some of these societies, the government exert a much greater degree of oversight of charitable activities than do we.

So how can they have it both ways? How can they have a much better handle on what these charities are doing, but profess ignorance or noncomplicity when the charities are doing things like funding terrorist activities?

Dr. WIKTOROWICZ. Do you want my honest assessment of that?

I think that there is a bit of deception that is going on. A lot of these governments, and Saudi Arabia is a good case in point, generally know who is who. They are not going to know every single individual who is aligned with bin Laden. Otherwise, this would be a very short war on terrorism. But they do know generally which kinds of groups are more likely to utilize this than others.

And the reason why, to a large extent, in addition to what is already been stated, the Saudi government turns a blind eye is because it has relied on the Salifi establishment, this really fundamentalist community, in part for its right to rule, for its legitimacy. It has had a pact with the Ulamar, the religious scholars of Saudi Arabia, in which it would support not only the war in Afghanistan against the Soviets, but it also would support fundamentalism at home.

Now it is very difficult, given the elite nature of the Saudi royal family, beyond their tribal ties, to try to maintain that high level of legitimacy because they understand the sway the scholars of Islam in Saudi Arabia have gained over the general population over large segments of the masses. So it is a very difficult thing to try to extricate themselves from that relationship right now.

Mr. LEVITT. It is also a very practical matter. We heard earlier, for example, that Saudi Arabia has taken some positive measures.

One of those is an effort to say that individuals who want to fulfill their Islamic obligation of zakat should do it through government-sanctioned charities, which is wonderful. Except that a large number of those charities that are sanctioned by the government as being okay also appear on our terrorism lists.

Senator BAYH. Certainly an incongruity. Thank you. There are a lot of things that I could say in following up on that. But in the interest of time, I will move on.

Dr. Gubser, can you tell us, you operate side-by-side with some of these organizations, some of the same territories as Hamas and Hezbollah, as I understand it. Is that correct?

Dr. GUBSER. There are certainly Hamas organizations that are out there, or charitable organizations that have Hamas connections in the West Bank and Gaza and so forth.

We are in the same environment. And as I mentioned, we have a very talented staff that knows this society very well. The staff knows very well that among our other policies is that we will not support any organization that has to do with terrorism.

Senator BAYH. You and your organization have a good reputation. How do you go about ensuring that the groups that you are helping aren't in some way infiltrated by the elements that you do not want to support?

Dr. GUBSER. Basically, you look at their leadership and the two aspects of their leadership. One is the board and the other is the senior executive. And you make sure that those are not Hamas-related people. You do that.

Senator BAYH. Do they carry identification around labelling them as such? Or this is just generally known?

Dr. GUBSER. No. It is generally known. People will know it. And that is where we trust our staff. If there is an organization that somebody wants us to work with and we do not know it, I will actually call up the State Department and ask them if this organization is okay. I have done that on more than one occasion.

Senator BAYH. What kind of accountability measures do you have in place to ensure that the funds that you distribute are spent according to your wishes?

Dr. GUBSER. That is as I outlined in my statement, it is from the beginning to the end of the projects. We define what the project is, building a classroom, building an irrigation system, building a clinic, training people to run the clinic, whatever it may be. We have agreement with the local entity that is going to do it, and then we have oversight to make sure it happens as we had planned. There is great accountability on that.

Senator BAYH. Gentlemen, this is my last question. There is some difference of opinion, Doctor, between you and Mr. Levitt. You indicated that for a variety of reasons the charities being used to facilitate terror was unlikely.

Mr. Levitt, you outlined a couple of specific examples where that had, in fact, taken place. Is it your opinion that it is unlikely, or perhaps it is a little more widespread than Dr. Wiktorowicz has indicated in his testimony?

Mr. LEVITT. He made a very good point when he pointed out that there are so many Islamic charities. We are talking about a very small percentage. We agree on that.

Senator BAYH. And that's important to state again for the record.

Mr. LEVITT. It is extremely important. That is the case internationally. It is the case in this country. We do not want to stymie the effort to do good. We want to make sure that people are not doing bad under the guise of claiming to do good.

But even within that small percentage, there is an alarming number of organizations that are involved in the financing of facilitating terrorism. And by alarming number, it does not have to be hundreds. It can be just a few dozen. That is the nature of international terrorism. You do not need a lot of people or organizations.

Senator BAYH. I meant the facilitation through providing cover employment and logistical support, things of that nature, as opposed to the transfer of cash.

Mr. LEVITT. It is certainly more common to find organizations that are simply providing a financial role. We are seeing more and more cases—I do not know that the trend is increasing or just that we are looking harder—where organizations are providing all kinds of logistical support. And we have broken up a number of cells in Germany, for example, that were engaged, we only thought, of financial activity, that it now turns out they were procuring false documents and other types of more logistical support.

Senator BAYH. Doctor.

Dr. WIKTOROWICZ. I think he answered the question. I think that we do not have a difference at all. I wanted to articulate a warning. I think it is just an issue of scale. But he is correct in stating that it just takes a few to really do a lot of harm.

My fear, and I am not a Muslim and I do not claim to represent the Muslim community, is that there is going to be a backlash.

The more news articles report on this link between Islamic charities and terrorism, the more it is going to be associated within the American public. And that can be dangerous for Muslims in terms of discrimination, in terms of just being able to raise money for very legitimate and needed kinds of causes.

Senator BAYH. That is dangerous. The funding of terror through the inappropriate use is also dangerous.

Dr. WIKTOROWICZ. I would never argue otherwise. But it is not as though you want to stop every single Islamic charity, lock up all the Muslims, and say, we did it. We stopped terrorism.

Senator BAYH. Of course not. No one is suggesting anything close to that. On the contrary. It is one of our great strengths, that we respect diversity of religious belief and the important roles that charity play in our society.

My final question, in Islam, the obligation to give charitably, to help those who are less fortunate, does that only apply to fellow believers, or does that apply to individuals of other faiths as well? I am curious about that. And then, is most of the charity directed toward other nations or is a significant amount of the charity applied to helping less fortunate individuals, fellow Muslims who are not in this country?

Dr. WIKTOROWICZ. I think the general practice in terms of charitable giving, it is supposed to be about 2.5 percent of your annual income, if you have a certain level, has been to give to Muslim causes. I do not believe that that is a theological requirement, but that has just been the general practice.

In terms of giving, I think more frequently than not, Islamic charities are organized at community-based levels, which means that they are trying to give to their own community for local concerns. You still are going to get massive Islamic charities that give globally. And there is a lot of money in terms of those.

Senator BAYH. My original question, by the nature of the hearing, we focus on transfers of funds to other countries where they can be more likely used for illicit purposes. I was just curious if a lot of the charitable giving, in fact, goes to help less fortunate Muslims or others in the United States?

Dr. WIKTOROWICZ. Yes, there is a lot of money that is used domestically in the country where the charity is located.

Senator BAYH. Very good.

Dr. GUBSER. Mr. Chairman.

Senator BAYH. Dr. Gubser.

Dr. GUBSER. If I could just add to that. Whether it is in the United States or over in the Middle East or other parts, the bulk of the money would actually be used locally. And it would be used for running local schools, local soup kitchens, the mosque, whatever other types of activities. You will certainly find it in this country and you will find it in the Palestinian Territories, Jordan, or the United Arab Emirates.

Senator BAYH. Gentlemen, I want to thank you for your patience. I am very grateful for your testimony. I appreciate it. I know the Committee as a whole does as well.

Thank you very much.

Dr. GUBSER. Thank you.

Dr. WIKTOROWICZ. Thank you, Senator.

Mr. LEVITT. Thank you.

Senator BAYH. The hearing is adjourned.

[Whereupon, at 5:15 p.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF KENNETH W. DAM

DEPUTY SECRETARY, U.S. DEPARTMENT OF THE TREASURY

AUGUST 1, 2002

Chairman Bayh and distinguished Members of the Senate Subcommittee on International Trade and Finance, thank you for inviting me to testify about the misuse of charities by terrorist organizations to raise and move money. This is an important and complex issue. I applaud the Subcommittee for focusing on it. And I appreciate the leadership you have provided, Mr. Chairman, on this and related issues.

The financial front of the war on terror is a particularly important issue for the Treasury Department. Secretary Paul O'Neill is the Administration's principal spokesman for the financial front of the war. As his Deputy, I chair a high-level interagency committee that sets strategic priorities for the financial front. Our General Counsel, David Aufhauser, chairs the National Security Council's Interagency Policy Coordination Committee on Terrorist Finance. Our Under Secretary for Enforcement, Jimmy Gurulé, leads our enforcement bureaus including the U.S. Customs Service, the U.S. Secret Service, and FinCEN, as well as our Office of Foreign Assets Control as they fight terrorist financing. Our Under Secretary for International Affairs, John Taylor, works to build and maintain the international coalition against terrorist finances. Our Under Secretary for Domestic Finance, Peter Fisher, also works to help implement the USA PATRIOT Act, and to help protect our Nation's critical financial infrastructure. And, of course, we have many employees who are working hard and, in some cases, putting their lives at risk to fight the financing of terror.

Our first actions after the tragedy of September 11 were to identify known terrorists and terrorist entities, freeze their assets in the United States, and work with our allies to extend those freezes worldwide. As you know, we have obtained significant results in this effort, blocking over $112 million globally and forging a coalition of support that includes all but a handful of countries.

Since these first actions, our fight against the financing of terror has expanded to the abuse of charities. As Secretary O'Neill has said, few actions are more reprehensible than diverting money intended for charity and using it to support hatred and cruelty. Such abuse corrupts the sanctity of charitable giving, diverts funds and resources from those in need, betrays the trust and goodwill of donors, and is a danger to us all.

We are addressing this problem at several levels. We are stopping the flow of funds by freezing the assets of charities that are supporting terrorist groups as well as aggressively investigating suspected abuses of charities. We also work with countries around the world to help raise standards of oversight and accountability for charities. In this work we are guided always by two principles: (1) preventing the abuse of charities for terrorist purposes; and (2) preserving the important role that charities play throughout the world.

Before I detail these efforts and address the specific topics raised in your invitation letter, allow me to update you briefly on the efforts the Treasury Department has taken, in cooperation with our sister agencies and departments, to combat terrorist financing.

Achievements in Financial Aspects of U.S. Anti-Terrorism Initiatives

As you know, our priority is to prevent terrorist attacks by disrupting terrorist finances. As the President has said, we seek to "starve the terrorists of funding."

I just noted that, since September 11, the United States and other countries have frozen more than $112 million in terrorist-related assets. More importantly, we have cut the flow of terrorist money through funding pipelines, as in the case of Al Barakaat's worldwide network which was channeling as much as $15 to $20 million to al Qaeda a year. Where warranted, we have also unblocked funds. For example, $350 million in Afghan government assets that had been protectively frozen in connection with the Taliban sanctions, mostly before September 11, have now been returned to the legitimate Afghanistan government.

We have received strong international cooperation in this effort. All but a handful of countries and jurisdictions have pledged support for our efforts, over 160 countries have blocking orders in force, hundreds of accounts worth more than $70 million have been blocked abroad, and foreign law enforcement have acted swiftly to shut down terrorist financing networks. The United States has often led these efforts, but there have also been important independent and shared initiatives. On March 11, 2002, the United States and Saudi Arabia jointly designated two branches of a charity, and on April 19, 2002, the G7 jointly designated nine individuals and one entity. These efforts have been bolstered by actions from the European

Union which has issued three lists of designated terrorists and terrorist groups for blocking.

In addition to these efforts, we work with countries daily to get more information about their efforts and to ensure that the cooperation is as deep as it is broad. We are also providing technical assistance to a number of countries to help them develop the legal and enforcement infrastructure they need to find and freeze terrorist assets.

We have also had success pursuing international cooperation through multilateral forums including the UN, G7, G20, the Financial Action Task Force (FATF), the Egmont Group, and the international financial institutions to combat terrorist financing on a global scale. In particular, Treasury continues to play a strong leadership role in the FATF, a 31-member organization dedicated to the international fight against money laundering. As this Committee is aware, in late October 2001, the United States hosted an Extraordinary FATF Plenary Session, at which FATF established eight Special Recommendations on Terrorist Financing, including a recommendation regarding the need to regulate nonprofit organizations. These recommendations quickly became the international standard on how countries can ensure that their financial regimes are not being abused by terrorist financiers.

Our law enforcement efforts also have proven fruitful. Treasury's Operation GreenQuest, a multiagency terrorist financing task force, was established in October 2001, to identify, disrupt, and dismantle terrorist financing networks by bringing together the financial expertise from Treasury and other branches of the Government. Through their investigations, Operation GreenQuest agents have been targeting a wide variety of systems that may be used by terrorists to raise and move funds. These systems include illegal enterprises, as well as legitimate enterprises, and charity/relief organizations (in which donations may be diverted to terrorist groups). GreenQuest's work, in cooperation with the Department of Justice, has led to 38 arrests, 26 indictments, the seizure of approximately $6.8 million domestically, and seizures of over $16 million in outbound currency at the borders, including more than $7 million in bulk cash being smuggled illegally to Middle Eastern destinations. Recently, Customs, U.S. Secret Service, and FBI agents apprehended and subsequently indicted Jordanian-born Omar Shishani in Detroit for smuggling $12 million in forged cashier's checks into the United States. The detention and arrest of Shishani is highly significant as it resulted from the Customs Service's cross-indexing of various databases, including information obtained by the U.S. military in Afghanistan. That information was entered into Custom's "watch list," which, when cross-checked against inbound flight manifests, identified Shishani. In addition, GreenQuest agents, along with the FBI and other Government agencies, have traveled abroad to follow leads and examine documents.

We are confident that our efforts are having real-world effects. What I can tell you in open session is that we believe that al Qaeda and other terrorist organizations are suffering financially as a result of our actions. We also believe that potential donors are being more cautious about giving money to organizations where they fear that the money might wind up in the hands of terrorists. In addition, greater regulatory scrutiny in financial systems around the world is further marginalizing those who would support terrorist groups and activities. This deterrent effect, though perhaps not quantifiable, is an essential effect of our efforts.

At the same time, I must tell you that we have much to do. Although we believe that we have had a considerable impact on al Qaeda's finances, we also believe that al Qaeda's financial needs are greatly reduced. They no longer bear the expenses of supporting the Taliban government or of running training camps, for example. We have no reason to believe that al Qaeda does not have the financing it needs to conduct at least a substantial number of additional attacks. In short, a great deal remains to be done.

The Misuse of Charities and Non-Profit Organizations

Your invitation letter requested my thoughts about the scope of the problem of terrorist abuse of charities and nonprofits. Unfortunately, this is not an issue on which precise measurement is possible. We do know that the mechanism of charitable giving—for example, the collection of resources from willing donors and its redistribution to persons in need—has been used to provide a cover for the financing of terror and that it has been a significant source of funds. In certain instances the charity itself was a mere sham that existed simply to funnel money to terrorists. However, the abuse often occurred without the knowledge of donors, or even of some members of the management and staff of the charity itself. Allow me to provide some examples.

Examples of Abuse of Charities by Terrorist Groups

Example 1—Afghan Support Committee (ASC): On January 9, 2002, the United States designated the Afghan Support Committee (ASC), a purported charity, as an al Qaeda supporting entity. The ASC operated by soliciting donations from local charities in Arab countries, in addition to fundraising efforts conducted at its headquarters in Jalalabad, Afghanistan, and subsequently in Pakistan. The ASC falsely asserted that the funds collected were destined for widows and orphans. In fact, the financial chief of the ASC served as the head of organized fundraising for Osama bin Laden. Rather than providing support for widows and orphans, funds collected by the ASC were turned over to al Qaeda operatives. With our blocking action on January 9, 2002, we publicly identified the scheme being used by ASC and disrupted this flow of funds to al Qaeda.

Example 2—Revival of Islamic Heritage Society (RIHS): Also on January 9, 2002, we designated the Pakistani and Afghan offices of the Revival of Islamic Heritage Society (RIHS). The RIHS is an example of an entity whose charitable intentions were subverted by terrorist financiers. The RIHS was a Kuwaiti-based charity with offices in Pakistan and Afghanistan. The Peshawar, Pakistan Office, Director for RIHS also served as the ASC Manager in Peshawar. The RIHS Peshawar office defrauded donors to fund terrorism. In order to obtain additional funds from the Kuwait RIHS headquarters, the RIHS Peshawar office padded the number of orphans it claimed to care for by providing names of orphans that did not exist or who had died. Funds sent for the purpose of caring for the nonexistent or dead orphans were instead diverted to al Qaeda terrorists. In this instance, we do not currently have evidence that this financing was done with the knowledge of RIHS headquarters in Kuwait.

Example 3—Al Haramain Islamic Foundation: On March 11, 2002, the United States and Saudi Arabia jointly designated the Somali and Bosnian offices of the Saudi-based Al Haramain organization. Al Haramain is a Saudi Arabian-based charity with offices in many countries. Prior to designation, we compiled evidence showing clear links demonstrating that the Somali and Bosnian branch offices were supporting al Qaeda. For example, we uncovered a history of ties between al Haramain Somalia and al Qaeda, the designated organization al Itihaad al Islamiya (AIAI), and other associated entities and individuals. Over the past few years, al Haramain Somalia has provided a means of funneling money to AIAI by disguising funds allegedly intended to be used for orphanage projects or the construction of Islamic schools and mosques. The organization has also employed AIAI members. Al Haramain Somalia has continued to provide financial support to AIAI even after AIAI was designated as a terrorist organization by the United States and the United Nations. In late-December 2001, al Haramain was facilitating the travel of AIAI members in Somalia to Saudi Arabia. The joint action by the United States and Saudi Arabia exposed these operations.

Preserving and Safeguarding Charities and Charitable Giving

As I stated earlier, our goal is to guard charities against abuse without chilling legitimate charitable works. Our strategic approach, as set forth in the recently published 2002 National Money Laundering Strategy, involves domestic and international efforts to ensure that there is proper oversight of charitable activities, as well as transparency in the administration and functioning of the charities. It also involves greater coordination with the private sector to develop partnerships that include mechanisms for self-policing by the charitable and nongovernmental organization sectors.

Domestic Front

Here at home, we are working to stem the flow of funds to terrorists through all channels. As mentioned above, we have issued blocking orders against charities and branches of charities providing support to terrorists. The three examples I cited previously all represent such blocking actions. In addition, we have blocked the assets of several other charities or groups that claimed to be providing charitable services. For example, on December 4, 2001, we blocked the assets of the Holy Land Foundation for Relief and Development, which describes itself as the largest Islamic charity in the United States. It operates as a U.S. fundraising arm of the Palestinian terrorist organization Hamas. We have also designated as terrorist supporters the Makhtab al Khimamat/al Kifah, a clearinghouse for Islamic charities financed directly by Osama bin Laden and party to the 1993 World Trade Center attack; the Al Rashid Trust; the al Wafa Humanitarian Organization; and the Rabita Trust—all Pakistan based al Qaeda financier organizations; and the Ummah Tameer E-Nau, a Pakistani NGO which provided nuclear, biological, and chemical weapons expertise to al Qaeda.

In addition, we have blocked the assets of the Global Relief Foundation and the Benevolence International Foundation, under the provisions of the USA PATRIOT Act to assist the ongoing investigation of alleged links to terrorism.

Another aspect of our domestic strategy is to work within the U.S. regulatory system to ensure that charities are transparent to the maximum extent practical. In the United States, the transparency of the charitable sector is a concern of both Federal and State officials, as well as of private organizations representing donors and charitable organizations. As this Subcommittee well knows, the Internal Revenue Service is the primary Federal Agency with oversight responsibility for charities. The IRS's responsibilities have expanded as the tax law has changed to keep up with the growth of the nonprofit sector, which now consists of more than 1.5 million tax-exempt organizations, including nearly 800,000 charities and 350,000 religiously affiliated organizations that control $2 trillion in assets.

Under U.S. law, any person or group may establish an organization with charitable purposes, and the creators of the organization are free to choose any charitable endeavor they wish to pursue. If the organization applies to the IRS for recognition of tax-exempt status, and shows that it meets the requirements of Section 501(c)(3) of the Internal Revenue Code (IRC), it will be recognized exempt until it ceases to exist or until the IRS determines it no longer meets the requirements and revokes exempt status. A charity may have its Section 501(c)(3) application denied or its existing tax-exempt status revoked by the IRS if it does not comply with these standards. A "revocation" means that the organization becomes taxable and that donors will receive no tax benefits from contributions to the organization. Revocation may also cause the State in which the charity is organized to take action to ensure its assets are used for charitable purposes.

While its primary functions in this sphere are to recognize and to regulate tax-exempt status and to implement those provisions of the tax code that derive from that status, the IRS also performs a crucial role in the development and dissemination of information about those charities that fall under its jurisdiction. Most IRC 501(c)(3) organizations (except for churches and certain small organizations) are required to file annual information returns showing the income, expenses, assets, and liabilities of the organization, as well as information about its programs. IRC 501(c)(3) organizations must make their returns available to anyone who asks (except for the names of contributors) by publishing them in readily accessible electronic and hard-copy formats. The availability of information about charities' operations helps stimulate oversight by donors, the media, academia, and private organizations.

Also, State Attorneys General have statutory jurisdiction over the charitable assets of these organizations and over fundraising activities of charities. Oversight responsibilities and practices vary from State to State, but most States exercise regulatory oversight over all organizations that raise money in their State, excluding churches, synagogues, and mosques, regardless of where the charity is domiciled. State charities officials have formed a national-level organization, the National Association of State Charities Officials (NASCO—*www.nasconet.org*). Among other things, NASCO has promoted harmonization in registration requirements among the States, and has advanced a "Model Act Concerning the Solicitation of Funds for Charitable Purposes."

The United States also has private, nonprofit organizations that work to safeguard our tradition of charitable giving. One such organization is the Independent Sector, a coalition of more that 700 national organizations, foundations, and corporate philanthropy programs that collectively represent many thousands more organizations throughout the United States. Its many research activities include defining and addressing ways to improve accountability in the charitable sector. Other organizations focus on particular segments of the charitable sector. The Council on Foundations focuses on issues affecting private foundations. The Evangelical Council for Financial Accountability serves a major segment of the religious community as an accreditation organization that either grants or withholds membership based on an examination of the financial practices and accomplishments of charitable organizations that apply. It provides public disclosure of its more than 900 members' financial practices and accomplishments, including on its website, *www.ecfa.org*. ECFA is also the United States member of the International Committee for Fundraising Organizations (ICFO), an umbrella organization that links the accreditation organization of 10 countries (United States, United Kingdom, Canada, Norway, Sweden, France, Germany, Switzerland, Austria, and the Netherlands).

Other organizations promoting transparency include the Philanthropic Research Institute, whose Guidestar organization maintains a database containing IRS filings and other financial information of over 200,000 charities. Any interested individual can access the information through its *www.guidestar.org* website. Another donor-

information organization, the Better Business Bureau (BBB) Wise Giving Alliance, focuses on organizations that conduct broad-based fundraising appeals. It collects and distributes information about the programs, governance, fundraising practices and finances of hundreds of nationally soliciting charitable organizations that are the subject of donor inquiries. It asks the selected organizations for information about their programs, governance, fund raising practices, and finances, and measures the results against general guidelines and standards it has developed for measuring organizational efficiency and effectiveness. It publishes the results, including whether the selected organization refused to supply information, on its website at *www.give.org*. While we are continually assessing ways to attack terrorist finances, there is no current Treasury Department proposal under consideration to modify the Federal tax code for the purpose of blocking terrorist finance through charities. However, we are working with State charities officials and the private sector watchdog agencies to widen their horizons from the pursuit of fraud to the fight against terrorist finance.

International Efforts

As on all issues related to terrorist financing, our efforts to prevent the abuse of charities by terrorists can only be successful if we have international cooperation and support. As I have stated before, we cannot bomb foreign bank accounts. We need the cooperation of foreign governments to investigate and block them. The blocking actions we have taken to date were not isolated U.S. actions, as seen in the March 11, 2002, joint designation with Saudi Arabia. Each of the blocking actions we have taken to combat the abuse of charities—with the exception of the freezes in aid of U.S.-based investigations—have been backed and echoed by our allies. I am very proud of the work that has gone into building the international coalition against financial terrorism, and would like to take this opportunity to give credit to the other agencies of the U.S. Government—including the State Department, the intelligence community, the FBI, and the Department of Justice—that have helped us keep that coalition in place.

Moreover, we are working with other countries to strengthen their own internal charitable regulation regimes so that they can feel confident that their charitable communities are not being abused. We have pursued these discussions both bilaterally and multilaterally, in the Middle East, Southeast Asia, and Europe, as well as in the G7 and G8 processes and especially through the Financial Action Task Force (FATF). Secretary Paul O'Neill has raised this issue directly with his counterparts on his visits to the Persian Gulf and Europe. Other countries, especially those whose cultures incorporate, encourage, and require charitable giving, are as concerned as we are that the good deeds of well-intentioned donors should not be hijacked by terrorists.

They are making progress, as even a cursory review of foreign press reports indicates. For example, on March 21, the Saudi press reported that the Saudi government had issued a regulatory decision requiring charitable societies to submit to the Saudi Foreign Ministry the details of projects they intend to finance abroad. Also in March, the Pakistani press reported on the Pakistan Center for Philanthropy, an independent, nonprofit organization dedicated to improving philanthropic regulation. According to these reports, the Pakistani government asked the Center to develop recommendations for a new law governing charities, NGO's, and other civil society organizations. In May, the Azerbaijani press reported that the government had submitted to parliament a new law further regulating the funding of charities and other NGO's. And in June, the Egyptian press reported that a draft law expanding government oversight of nongovernmental and charitable organizations was submitted to parliament.

There is not a single correct approach to ensuring appropriate transparency and oversight of charitable organizations. Different countries attempt to do so using a variety of approaches. In some, independent charity commissions have an oversight role. In other countries, government ministries are directly involved. Moreover, in many jurisdictions, the focus of oversight has been combating fraud rather than terrorist financing. Many of the same regimes and mechanisms, however, can assist in the fight against terrorist finance as well.

We are attempting, bilaterally and multilaterally, to ensure that all jurisdictions treat the regulation of charitable institutions with the seriousness that that it deserves. As I mentioned earlier, one of the eight special counterterrorism recommendations adopted at the October 2001 plenary session of FATF specifically called on member countries to ensure that charities and other NGO's should not be abused for the furtherance of terror, and the United States is taking the lead within FATF to develop specific best practices to ensure transparency, accountability, and enforcement of regulations over charities.

Additional Authority to Prevent the Misuse of Charities

Mr. Chairman, your invitation letter inquires whether the Administration needs additional authorities to prevent the abuse of charities. As you know, on December 20, 2001, Congress passed the Victims of Terrorism Tax Relief Act of 2001 in which there were revisions of some elements of the tax code. An important change in the tax-related laws involved the expansion of the availability of tax returns and return information under Section 6103 for purposes of investigating terrorist incidents, threats, or activities, and for analyzing intelligence concerning terrorist incidents, threats, or activities. The ability to access and consolidate all relevant financial information in order to uncover terrorist networks and support cells is crucial to our overall efforts. In this context, it is important to our efforts to ensure that charities are not being abused by terrorist groups and supporters.

Though we are exploring ways to make our efforts more efficient and effective, we do not see a particularized need at this time to ask this Committee and Congress for additional authority. We look forward to working with you when we identify necessary changes to make our efforts most effective.

Conclusion

Mr. Chairman, this concludes my formal testimony. I would be pleased to answer any questions that you, or Members of the Subcommittee, may have regarding the Administration's goals and policies regarding the abuse of charities by terrorist organizations, as well as other issues related to terrorist financing.

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Introduction

This submitted statement is intended to provide a very brief overview of Islamic charities. It explains that while Islamic radicals have used specific charities to funnel money, they have had little success using these organizations for a broader revolutionary movement.

What Do Islamic Charities Do?

Islamic charities 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. These kinds of donations 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. Muslim governments are very good 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 Hezbollah 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 Hezbollah 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, represent moderate Islamic interests and seek 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. It is also seen as a way of 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.

What Is "Islamic" About An Islamic Charity?

Although there are thousands of charities that call themselves "Islamic," we need to be careful not to conceptualize all self-proclaimed Islamic charities as part of a shared vision of religious activism. In Muslim societies, usage of the term "Islamic" connotes certain positive characteristics, such as honesty, social justice, and righteousness. As a result, state and societal actors frequently appropriate it to foster a sense of legitimacy. Regimes in the Muslim world, for example, wrap themselves in the symbols of Islam in an attempt to augment their right to rule, while powerful social forces frequently use Islam as a means of demonstrating cultural authenticity. In both cases, the actual level of religiousness often falls short of the rhetoric and symbolism.

Using the term "Islamic" to describe a charitable organization brings several benefits to the organizer and sponsors. First, potential donors and beneficiaries often assume that because the institution is Islamic, it will treat them fairly, avoid corruption, and provide an effective remedy for social, economic, or medical distress. Simply calling a charity "Islamic" can thus bring immediate community support for the project and organization.

Second, an "Islamic" charity enjoys the benefits of broader religious networks. Other Islamic institutions will frequently refer people to Islamic, as opposed to secular, charitable societies, and certain donors are more likely to give to Islamic causes in general, including Islamic charitable operations. In addition, Islamic charities frequently, though not always, maintain relationships with local mosques, which function as central social institutions in communities and neighborhoods. In some cases, the charity is physically located in the mosque and therefore enjoys access to prime neighborhood real estate where heavy traffic and community centrality ensure a steady flow of financial support. In other instances, Islamic charities are located near a neighborhood mosque and draw some of the same benefits. At a minimum, most Islamic charities enjoy some kind of relationship with mosques by the very nature of their supposed religious qualities.

Third, calling a charity "Islamic" implies that it is rooted in the indigenous societies of the Muslim world and offers a model of socioeconomic development based on authentic, non-Western models. Up until about the mid-1900's, many charities in the Muslim world were run by non-Muslims, frequently foreign Christian missionaries. Given experiences of colonialism, there was impetus to establish charities run by the indigenous population, and Islamic charities fit these aspirations. Today, in a political climate where the West, particularly the United States, and its various global projects (economic neo-liberalism, democracy, human rights, the war on terrorism) are viewed with suspicion in the Muslim world, using the term Islamic to describe organizational activities is a way of establishing culturally accepted anti-imperialist credentials within a legitimate religious framework. It demonstrates that the charity is organically linked to the society it serves, in contradistinction to western nongovernmental organizations (NGO's), which are often seen as part of a western project of neocolonialism. The fact that many indigenous NGO leaders in the Middle East have cheered governmental attempts to limit foreign financial contributions to charities is indicative of an overall resentment of western interference in domestic affairs. Islamic charities thrive in such an environment.

The result of these incentives is that many people adopt an Islamic tenor because it is an effective mechanism to support charitable activities, which means that not all Islamic charities are equally Islamic. In some instances, individuals use the term "Islamic" like an advertising gimmick to attract attention and support. In one example, an organizer in Aqaba in southern Jordan formed an Islamic charity under dubious circumstances. He was a well known alcoholic whose personal behavior hardly emulated well accepted religious norms of propriety. There was nothing particularly religious about his organization.

Despite this less savory example, most Islamic charities are formed by groups of friends who share a common concern about local neighborhood conditions or helping the poor. The founders and volunteers at these organizations are not necessarily conservative religious Muslims; many are simply driven by a general concern with helping others and charity. Islamic charities formed by such groups are often as much spaces for social gatherings as centers for the distribution of charity. They provide an opportunity for friends and neighbors to reinvigorate social ties while providing a service to the community.

Still other Islamic charities are affiliated with organized Islamic movements. Movements such as the Muslim Brotherhood in Jordan and Islah in Yemen have extensive networks of charitable organizations. These are large scale, moderate,

nonviolent movements that operate schools, welfare centers, vocational training centers, orphanages, and an assortment of other grassroots activities. Whereas Islamic charities formed by ordinary groups of people from local neighborhoods are often charities with an Islamic face ("Islamic lite," if you will), charities formed by Islamic movements are tied to the mission of the movement. The Muslim Brotherhood in Jordan, for example, uses its charities to provide jobs and other patronage benefits for its members, mobilize support in society for elections, and propagate the movement message about the need to establish religious change in society and the state. (It is important to note that connections between Islamic movements and charities are not always formal, organizational linkages; in many instances the charities are run and staffed by movement members acting as individuals rather than as representatives of the movement. In such cases, there are separate administrative structures, but the spirit and mission generally remain the same.)

This indicates that Islamic charities are not homogenous and can differ dramatically. I have visited Islamic charities where the members dressed in blue jeans and T-shirts, did not have the traditional Islamic beard, played ping-pong, and rarely discussed religion. At other organizations, the members had well manicured, thick beards, wore traditional Islamic robes, and were deeply immersed in religious study. Islamic charities are characterized by an immense diversity that should be appreciated when investigating possible ties between charitable activities and terrorism.

To determine what makes Islamic charities particularly "Islamic," we need to also examine their actual activities. In point of fact, the charity work at most Islamic and secular organizations is basically the same. When asked what makes their activities Islamic, most organizers at Islamic charities answer in terms of the intentions of those who volunteer. They are inspired by the mores of Islam, which require that people help one another and provide charity to the community. While these are certainly noble reasons, they do not differ from the motives of those who volunteer at secular or non-Islamic charities. It is therefore typically the volunteers' own view of their actions and identity that defines them as engaged in particularly Islamic charity. The exception is Islamic cultural work, which tends to directly address Islamic beliefs, history, and sources. Purely charitable activities, however, do not have a unique Islamic character in most cases (there are always exceptions to this, especially at organizations operated by Islamic movements).

Could Islamic Charities Lead A Revolution?

Some scholars have argued that radical Islamists could use charitable organizations to inspire and lead a revolution. The typical argument posits that charities can be used as recruitment vehicles, fundraising devices, and centers for violence since they are socially situated to tap into the grievances and discontent of the poor. In other words, providing charity allows radicals to turn the "mobilization potential" of the disaffected, marginalized members of society (especially young men) into "actual mobilization." Certainly this is always a possibility, but it is unlikely for several reasons.

Established Islamic Charities Are Tightly Regulated By The State

All Muslim countries have very strict legal and bureaucratic requirements that, in essence, prevent Islamic charities from being used for revolutionary purposes. The government must approve the purpose of the movement, its activities, its memberships, the board of directors, and any changes. Charities are generally required to report all facets of their operations to the government, including all financial transactions (and there are supposed to be audits to ascertain how money is spent). Informants, routine inspections, and surprise visits are used to ensure that all regulations are followed. And the government reserves the right to dissolve the organization, change its leadership, expel particular members, and reorganize the charity if it believes the organization is being used for any kind of "antigovernment" or illegal activities. In other words, the government maintains tight control over registered Islamic charities.

Of course, regulation and oversight do break down. This is most likely to occur in large countries, such as Egypt, with thousands of Islamic charities. The sheer volume creates logistical difficulties, especially where the bureaucracy responsible for oversight is corrupt and inefficient. In smaller countries, such as Jordan, however, oversight is efficient and its strict, and the chances of radicals creating an Islamic charity are low. Although a small handful might slip through the bureaucratic net, a massive network of radical Islamic charities would be difficult to miss.

An additional problem for oversight, again especially in large countries, is the assortment of illegal Islamic charities that operate without permits. Radicals are much more likely to establish informal charitable organizations since they can avoid the eyes of the bureaucracy. But these are difficult to expand since accumulated

growth increases the probability of detection by state authorities. The more people you reach and involve, the greater the prospects that someone will inform the government.

A more likely scenario is that radicals will attempt to take over already established Islamic charities, rather than form their own. In a number of cases, radicals have launched campaigns to take over the board of directors at particular charitable societies. Most boards are elected democratically, but elections suffer from extremely low voter turn out. As a result, well organized, disciplined radicals have attempted to gain control through democratic means. In most cases that I am aware of, however, more moderate elements have succeeded in beating back the radical campaign. Governments, such as Egypt, have enacted laws requiring minimal voter turnout for board elections in an effort to prevent radicals from taking advantage of apathy. But the possibility still exists.

Some Islamic Charities Are Tied To The State

To call Islamic charities "nongovernmental organizations" (NGO's) is somewhat misleading. While Muslim governments might like to claim that the proliferation of Islamic charities is endemic of the freedom of association in society, these regimes maintain strong relationships with some of these organizations. In particular, governments at times provide funding for Islamic charities, which gives the regime certain prerogatives and influence in the affairs of the various organizations. In communities where resources are scarce, this government funding can be essential for survival. Organizations that do not receive government money must scrounge for themselves, and some are very likely to limit their activities or close for financial reasons. Government favoritism is directed toward moderate, nonpoliticized, Islamic charities; and radicals have very little opportunity to tap into this resource.

Governments also help Islamic charities through nonfinancial incentives. Some may provide physical space to hold charitable events. Others co-sponsor programs and activities of mutual interests. And in many cases, well-connected individuals serve on the board of directors at Islamic charities. Because of the horrendous red tape that is notorious in many Muslim countries, registration or any changes that require governmental approval can take years to address. Well-connected individuals with contacts in the bureaucracy and government can be essential for an Islamic charity to bypass this inefficiency. Government or former government officials are therefore an enormous asset to Islamic charities, which do not hesitate to utilize all connections possible. Government ties to Islamic charities obviously serve as an obstacle for radicals seeking to expand their influence through charitable activities.

Islamic Charities Compete With One Another

It is a misnomer that there is a vast, coordinated, network of Islamic charities that could be utilized by radicals as an organizational matrix for revolution. Because of scarce resources, Islamic charities are more likely to compete with one another than cooperate. They are concerned about attracting beneficiaries, raising funds in competitive donor environments, getting support from local communities with little disposable income, and presenting themselves as the most effective Islamic charity in the area. Under these conditions, the charities are frequently at odds with one another.

Where cooperation does take place, it is usually because a single Islamic movement controls several different Islamic charities. Such coordination simply represents the cooperation of different branches of the same movement or group. For Islamic charities with no Islamic movement affiliation, however, this kind of cooperation at the organizational level is rare (though it does occur). Any cooperation usually takes place at the individual, as opposed to organizational, level because individuals belong to more than one Islamic charity.

For these reasons, radicals would find it difficult to penetrate a critical mass of Islamic charities and create a large charity network that supports the cause of violence. Even if they succeed in penetrating a particular organization, this does not inevitably lead to broader access to other charities. And it would be difficult for radicals to take over the charitable organizations of moderate Islamic movements, which are frequently wary of cooperating with more radical fundamentalists, especially where this might endanger the movement's institutions because of state reprisals or crackdowns.

Islamic Charities Are Based In Middle-Class Networks

Because of the operational needs of Islamic charities as organizations, most are rooted in middle-class networks. To survive, Islamic charities need to raise funds and attract suitable employees, especially middle-class professional such as doctors and teachers. As a result, most Islamic charities are located not in poor neighborhoods, which one might expect given their charity mission, but rather in middle-

class communities. The middle class can provide donations and building materials to the charity, offer in-kind services, generate the needed professionals to work at an organization, and pay at least moderate fees for service usage. This means that there is an important distinction between Islamic charities designed to help the poor and Islamic charities that are directed to meet the needs of the middle class. The latter tend to predominate and are primarily directed toward providing employment opportunities, low-cost medical care, educational opportunities, and other services to the middle class.

Given that radicals have had little success in co-opting and recruiting the middle class en masse, its ability to penetrate middle-class networks remains limited. Certainly, professionals from the middle class have joined militant organizations, but they are a minority and usually constitute the elite of the radical corps. The rank and file tend to instead come from the less educated strata of society.

Where they do support Islamism, middle-class professionals typically prefer moderate Islamic groups and movements. Radicalism is usually not in their self-interest since the middle class would best benefit from a reform of the system rather than its overthrow. Middle-class professionals want access to employment, an end to corruption, and better social services for society. Reform, not revolution, would most likely achieve this.

In addition, middle-class professionals who work at Islamic charities often do so as secondary or tertiary jobs to augment their income from government employment. During the day, many work at the ministry of education, ministry of religion, or ministry of health, and later moonlight at Islamic charities. For some of these people, overthrowing the system would mean instant unemployment. They are, therefore, wary of the panacea offered by radicals.

Conclusion

This statement is meant to illustrate three basic points about Islamic charities: (1) while some Islamic charities do support violent Islamic groups or serve as fronts for al Qaeda, the vast majority simply seek to alleviate the dire socioeconomic conditions of local societies; (2) Islamic charities reflect varying levels of religious adherence and should be understood as a diverse organizational community; and (3) radicals would have difficulty using Islamic charities as the basis for revolutionary activism. The consequence of such an argument is that the war on terrorism should refrain from generalizing about Islamic charities based upon outlier cases.

Suggested Reading on Islamic Charities

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Introduction

The synchronized suicide attacks of September 11 highlighted the critical role financial and logistical support networks play in the operations of international terrorist organizations. According to financial profiles released by the FBI, the attacks cost an estimated $500,000.[1] Unfortunately, the network of international terrorist financing is both established and sophisticated.

The investigative value of following the trail of terrorist financing has long been known. Then-FBI Director Louis Freeh testified before Congress in 1999 that a

[1] Paul Beckett, "September 11 Attacks Cost $303,672; Plot Papers Lacking, FBI Says," *The Wall Street Journal,* May 15, 2002.

shortage of funds prevented the 1993 attack on the World Trade Center from being as devastating as it otherwise could have been. After his capture in 1995, Ramzi Yousef, the convicted mastermind behind the 1993 bombing and other attacks, admitted that the terrorists were unable purchase sufficient material to build as large a bomb as they had intended because they were strapped for cash. In fact, the operation itself was rushed and carried out earlier than planned because the cell simply ran out of money. In the end, the terrorists' attempt to reclaim the deposit fee on the rental truck used to transport the bomb provided a key break in the case.[2]

The al Qaeda suicide hijackings underscored the post-blast, investigative utility of tracking the money trail, but they also drove home the critical need to preemptively deny terrorists the funds they need to conduct their attacks. Early financial leads in the September 11 investigation established direct links between the hijackers of the four flights, identified co-conspirators, and led investigators to logistical and financial support cells in Germany and elsewhere in Europe, as well as in the Gulf. Financial leads led investigators to key al Qaeda operatives and money-men such as Ramzi bin al Shibh in Germany and Mustafa Ahmed al Hasnawi in the United Arab Emirates. Financial analysis provided some of the earliest evidence proving the synchronized suicide hijackings were an al Qaeda operation, and linked the German cell, the hijackers, and Zacarias Moussaoui. Wire transfers between Moussaoui and bin al Shibh played a crucial role leading to Moussaoui's indictment for his role in the attacks. Financial investigation also established links between Moussaoui and the members of the al Qaeda associated cell of Jama'ah al Islamiah terrorists arrested in Malaysia.[3]

Effective though it may be, stemming the flow of terrorist financing will not stamp out terrorism. In fact, unlike polio or small pox, terrorism cannot be eradicated. There will always be grievances, causes, conditions that, coupled with a healthy dose of evil, will lead people to target civilian noncombatants for political purposes or even as a means in itself. The primary responsibility of all states, however, is to protect their citizenry, and to that end it is incumbent upon all states to employ the full range of protective, deterrent, and preventive counterterrorism measures available in an effort to provide for the security of its populace. The fact that terrorism cannot be eliminated does not absolve states of the responsibility to fight it as vociferously as possible.

In this regard, tackling terrorist financing represents a critical and effective tool both in reacting to terrorist attacks and engaging in preemptive disruption efforts to prevent future attacks. Often, as was the case in the investigation of the September 11 attacks, financial transactions provide the first and most concrete leads for investigators seeking to flush out the full scope of a terrorist attack, including the identities of the perpetrators, their logistical and financial support networks, links to other terrorists, groups, and accomplices. Since September, the U.S. Government has spearheaded a groundbreaking and comprehensive disruption operation to stem the flow of funds to and among terrorist groups. Combined with the unprecedented law enforcement and intelligence effort to apprehend terrorist operatives worldwide, which constricts the space in which terrorists can operate, cracking down on terrorist financing denies terrorists the means to travel, communicate, procure equipment, and conduct attacks.

The Network of Terrorist Financing

Cracking down on terrorist financing demands an all-encompassing approach to have any chance of successfully disrupting terrorist activity, targeting the full array of groups, individuals, businesses, banks, criminal enterprises, and humanitarian organizations that finance terrorism.

At the most macro level, financial blocking orders must include the terrorist groups themselves in an effort to seize any funds they may have in their own name. Realistically, terrorist groups tend not to open bank accounts under their organization's name, especially in the West. Nonetheless, the message is important, and there are in fact cases, such as Hezbollah in Lebanon, where groups operate openly and have accounts in their own or other known names. More significantly, listing the groups themselves subjects other entities that support them to scrutiny as well. Should the Islamic Action Front in Jordan or the Muslim Brotherhood in Egypt openly state their financial support for Hamas, for example, they could be subject to financial penalties themselves despite the fact that they are not listed in any of the terrorist lists published by the United States or others.

Individuals who support terrorism play a critical role in financing terror, highly disproportionate to their numbers. Unfortunately, a few wealthy individuals are

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[2] *http://www.fbi.gov/congress99/freehct2.htm.*
[3] *http://www.fbi.gov/congress02/lormel021202.htm.*

able to sponsor much terror. For example, Mustafa Ahmed al Hasnawi, the Saudi national and bin Laden money man, sent the September 11 hijackers operational funds and had received at least $15,000 in unspent funds before leaving the UAE for Pakistan on September 11. According to U.S. officials, Yasin al Qadi, a prominent Jedda businessman and the head of the Muwafaq Foundation, has supported a variety of terrorist groups from al Qaeda to Hamas. According to U.S. court documents, in 1992 al Qadi provided $27,000 to U.S.-based Hamas leader Muhammad Salah and lent $820,000 to a Hamas front organization in Chicago, the Quranic Literacy Institute (QLI). Based on their connection to Hamas, the U.S. Government has frozen the assets of both Salah and QLI. Similarly, U.S. officials maintain that the Muwafaq Foundation is a front organization through which wealthy Saudis forward millions of dollars to al Qaeda. In another example, Israeli authorities arrested Osama Zohadi Hamed Karika, a Hamas operative, as he attempted to leave Gaza via the Rafah border crossing in December 2001. Karika was found with documents detailing the development of the Qassam rockets, and admitted under questioning that he was on his way to Saudi Arabia to brief unidentified persons on the development of the rockets and to obtain their funding for the project. Before his arrest, Karika had already made one successful trip to Saudi Arabia where he secured initial funding for Hamas' Qassam rocket program.[4]

Investigation into al Qaeda sleeper cells in Europe in the wake of September 11 revealed the widespread use of legitimate businesses and employment by al Qaeda operatives to derive income to support both themselves and their terrorist activities. According to Congressional testimony by a senior FBI official, a construction and plumbing company run by members of an al Qaeda cell in an unnamed European country hired mujahadin (holy warriors) arriving from places like Bosnia where they had fought what they considered a Jihad (holy war). Cell members ran another business buying, fixing, and reselling used cars, and in these and other examples cell members deposited their legitimate salaries, government subsidies, supplemental income from family members, and terrorist funds received by cash or wire transfer into the same one or two accounts.[5]

International and unofficial banking systems have also played a role in terrorist financing. For example, the Treasury Department froze the assets of 62 organizations and individuals associated with the al Barakat and al Taqwa financial networks in November 2001. Federal agents raided these groups' offices across the United States, and subsequently in Europe and the Bahamas as well. In his remarks at the time, President Bush stated that the two institutions provided fundraising, financial, communications, weapons-procurement, and shipping services for al Qaeda. A few months later, Deputy Assistant Secretary of the Treasury Department Jamie C. Zarate testified before Congress that "in 1997, it was reported that the $60 million collected annually for Hamas was moved to accounts with Bank al Taqwa."[6] Al Taqwa shareholders reportedly include known Hamas members and individuals associated with a variety of organizations linked to al Qaeda. A 1996 report by Italian intelligence reportedly further linked al Taqwa to Palestinian groups, the Algerian Armed Islamic Group (GIA) and the Egyptian Gama'at al Islamiyah.[7]

Criminal enterprises have also serviced the spread of terrorism, especially as central nodes in the matrix of terrorist financing. Ahmad Omar Sayed al Sheikh, now on trial for the abduction and murder of *Wall Street Journal* Reporter Daniel Pearl, linked up with Aftab Ansari, a prominent figure in the Indian mafia, to provide al Qaeda with recruits, false documents, safe houses and proceeds from kidnappings, drug trafficking, prostitution, and other crime.[8] Officials in the Balkans are equally concerned about developing links between terrorism and mafia activity in Chechnya and other parts of the Caucuses spreading to Albania, Bosnia, and beyond Southern Europe. Authorities in Belgium have issued an arrest warrant for Victor Bout, a notorious arms trafficker suspected of supplying weapons to the Taliban and al Qaeda as well as warring factions throughout the African continent in an elaborate guns-for-diamonds scheme.[9] Al Qaeda and The Revolutionary Armed Forces of Columbia

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[4] Amos Harel, "Saudis Help Hamas with Rocket Project," *Haaretz Daily,* January 3, 2002.

[5] *http://www.fbi.gov/congress/congress02/lormel021202.htm.*

[6] Testimony of Juan C. Zarate, Deputy Assistant Secretary, Terrorism and Violent Crime, U.S. Department of the Treasury, House Financial Subcommittee Oversight and Investigations, February 12, 2002.

[7] Lucy Komisar, "Shareholders in the Bank of Terror?" *Salon.com,* March 15, 2002; and Mark Hosenball, "Terror's Cash Flow," *Newsweek,* March 25, 2002.

[8] Paul Watson and Sidhartha Barua, "Worlds of Extremists and Crime Collide in Indian Jail," *Los Angeles Times,* February 8, 2002.

[9] Donald G. McNeil, Jr., "Belgium Seeks Arms Dealer with Suspected Qaeda Ties," *The New York Times,* February 27, 2002.

(FARC) each raised millions of dollars in drug money to support their operations. Smuggling, kidnapping, and extortion are also well-established techniques employed by various terrorist groups. For example, Mohammed and Chawki Hamoud are currently on trial in Charlotte, North Carolina, on a variety of charges including funding the activities of Hezbollah from the proceeds of an interstate cigarette smuggling ring. Seven other defendants have already pled guilty to a variety of charges stemming from this case, including conspiracy to provide material support to terrorists, cigarette smuggling, money laundering, and immigration violations.

Each of these trends is significant in its own right, and all the more so when applied in tandem. Humanitarian organizations, however, have played a particularly disturbing role in terrorist financing, and present a especially sensitive challenge as authorities are faced with discerning between legitimate charity organizations, those unknowingly hijacked by terrorists who then divert funds to finance terrorism, and others proactively engaged in supporting terrorist groups. A key challenge that arises in this regard as governments balance the need to share information linking such organizations to terrorism in against the cost of exposing intelligence sources and methods.

Charitable and Humanitarian Organizations

Long before September 11, officials were aware that financial networks of charitable and humanitarian organizations were financing terror. Investigators looking into the 1993 World Trade Center attack traced funding for the operation back to a company that imported Holy Water from Mecca to Pakistan.[10] In 1997, Canada cut all its government funding to Human Concern International, a Canada-based charity then under investigation in both Canada and the United States, for the group's "terrorist connections."[11]

Only now, however, is the trend receiving the attention it deserves. Ambassador Francis X. Taylor, the State Department's Coordinator for Counterterrorism, recently noted that "any money can be diverted if you do not pay attention to it. And I believe that terrorist organizations, just like criminal enterprises, can bore into any legitimate enterprise to try to divert money for illegitimate purposes."[12] While such manipulation is a tremendous concern, an even more disturbing trend has become evident in the efforts of some charitable and humanitarian organizations to knowingly and proactively raise funds for terrorist groups. Often, leaders of such organizations raise funds both from individuals seeking to fund terrorist groups, as well as innocent contributors unwitting of the groups' links to terrorists.

Financing Terrorism

On December 14, 2001, Federal officials raided the offices of the *Global Relief Foundation* in Chicago and froze its assets. The group's offices in Kosovo were also raided by NATO forces a few days later after NATO was provided "credible intelligence information" that the group was "allegedly involved in planning attacks against targets in the United States and Europe."[13] Global Relief raised more than $5 million in the United States last year. While much—perhaps most—of these funds likely went to legitimate causes, investigators maintain the organization served as an important front organization for al Qaeda. Ongoing international terrorism investigations have raised further reason for concern. For example, according to information provided by the Spanish Interior Ministry, a senior bin Laden financier arrested in Spain, Mohammed Galeb Kalaje Zouaydi, transferred to several individuals linked to the bin Laden network, including $205,853 to the head of the Global Relief office in Belgium, Nabil Sayadi (alias Abu Zeinab).[14]

While September 11 highlighted the al Qaeda terrorist network, bin Laden and his terrorist affiliates are by no means the only groups using humanitarian organizations to finance their terrorist activities.

On January 4, 2001, FBI agents and New York City police raided the *Hatikva Center,* a community center in Brooklyn run by followers of Rabbis Meir Kahane and Benjamin Kahane, father and son and founders of the Jewish terrorist groups Kach and Kahane Chai, respectively. The underlying affidavit supporting the search

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[10] Mark Huband, "Bankrolling bin Laden," *Financial Times,* November 29, 2002.

[11] Judith Miller, "Some Charities Suspected of Terrorist Role; U.S. Official See Muslim Groups Linked to bin Laden and Others," *The New York Times,* February 9, 2000.

[12] "State's Taylor Summarizes Annual Global Terrorism Report," *Washington File,* U.S. Department of State, International Information Programs, May 21, 2002, at *http://www.usinfo.state.gov/topical/pol/terror/0202105.htm.*

[13] Philip Shenon, "U.S.-Based Muslim Charity Raided by NATO in Kosovo," *The New York Times,* December 18, 2001.

[14] Carlta Vitzthum and Keith Johnson, "Spain Detains al Qaeda Financier in Flurry of Europe Terror Arrests," *The Wall Street Journal,* April 25, 2002.

warrant were sealed, but it is clear officials seized a trailer full of material searching for evidence the organization was providing material support to either Kach or Kahane Chai, both of which are designated Foreign Terrorist Organizations by the U.S. Department of State.[15]

More recently, on December 4, 2001, the Bush Administration exposed the *Holy Land Foundation for Relief and Development* as a front organization for Hamas. According to its year 2000 tax return, Holy Land Foundation (HLF) total revenue exceeded $13 million. In a detailed 49-page memorandum, the U.S. Government established that these funds were used by Hamas to support schools and indoctrinate children to grow up into suicide bombers. Money raised by the Holy Land Foundation was also used by Hamas to recruit suicide bombers and to support their families. Five days before the September 11 attacks, the FBI raided the offices and froze the assets of Infocom, an Internet company that shares personnel, office space, and board members with the Holy Land Foundation, officials said. The two organizations were formed in California around the same time, and both received seed money from Hamas leader and Specially Designated Terrorist Mousa Abu Marzook. The HLF relied heavily on local zakat (charity) committees in the West Bank and Gaza to funnel funds to Hamas. The FBI memorandum establishes that known Hamas activists ran the zakat committees in question, in whole or in part. For example, the memorandum reported that a financial analysis of HLF bank records indicated the foundation donated over $70,000 to the Tulkarm zakat committee from 1997 through 1999. Among the senior Hamas members affiliated with the Tulkarm zakat committee are Hamas Mohmammed Hamed Qa'adan, head of the Tulkarm zakat committee, and Ibrahim Muhammad Salim Salim Nir Al Shams, a member of both the Tulkarm zakat committee and the Supreme Hamas leadership in Nur Al Shams, among others. According to information provided by the Government of Israel, the Tulkarm zakat committee "exists to support Hamas activities."[16]

A key Saudi charity linked to terrorist financing is the *al Wafa Humanitarian Organization.* U.S. officials have described al Wafa as a key component of bin Laden's organization. One official was quoted as saying that al Wafa and other groups listed "do a small amount of legitimate humanitarian work and raise a lot of money for equipment and weapons."[17] For example, Abdul Aziz, a Saudi citizen, senior al Qaeda finance official, and Camp X–Ray prisoner, allegedly financed al Qaeda activities through Wafa.[18]

The U.S. offices of a number of Saudi organizations were raided in Northern Virginia in March 2002. Among others, the offices of the SAAR Foundation, the Safa Trust, and the International Institute for Islamic Thought (IIIT) were raided, most of which shared office space. The SAAR Foundation had recently closed, but was of particular concern because of the close links between the Saudi Royal family its founder, the Saudi banker Shiekh Suleiman Abdel Aziz al Rajhi (initials SAAR). Tarik Hamdi, an IIIT employee, personally provided bin Laden with the battery for the satellite phone prosecutors at the New York trial of the East Africa Embassy bombers described as "the phone bin Laden and others will use to carry out their war against the United States."[19] Both SAAR and IIIT are also suspected of financing HAMAS and Palestinian Islamic Jihad (PIJ), including the World and Islamic Studies Enterprise (WISE) and the Islamic Committee for Palestine (ICP), PIJ fronts since closed in Florida.[20]

The assets of both Ghaleb Himmat and the al Taqwa banking network of which he is an executive have been frozen for links to terrorism. Himmat, reported in a German intelligence report to have expressed "pleasure" over the news of the September 11 attacks, is also a Board Member of the Geneva section of the Kuwiat-

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[15] Dean A. Murphy, "FBI Raids Brooklyn Office of Kahane Followers," *The New York Times,* January 5, 2001.

[16] "Holy Land Foundation for Relief and Development, International Emergency Economic Powers Acts, Action Memorandum," FBI Memorandum from Mr. Dale L. Watson, Assistant Director for Counterterrorism, FBI, to Mr. R. Richard Newcomb, Director of the Office of Foreign Assets Control, U.S. Department of the Treasury, November 15, 2001.

[17] Laurie P. Cohen, Glenn Simpson, Mark Maremont, and Peter Fritsch, "Bush's Financial War on Terrorism Includes Strikes at Islamic Charities," *The Wall Street Journal,* September 25, 2001.

[18] John Mintz, "From Veil of Secrecy, Portraits of U.S. Prisoners Emerge," *The Washington Post,* March 15, 2002, p. A3.

[19] Judith Miller, "Raids Seek Evidence of Money Laundering," *The New York Times,* March 21, 2002.

[20] Christopher H. Schmitt, Joshua Kurlantzick, and Philip Smucker, "When Charity Goes Awry," *U.S. News & World Report,* October 29, 2001.

based International Islamic Charitable Organization (IICO).[21] The IICO's Palestine Charity Committee (PCC), headed by Nader al Nouri, sends its funds through "trusted zakat committees" in the Palestinian territories,[22] many of which are linked to Hamas.

Facilitating Terrorism

Several charitable and humanitarian organizations have not only financed terrorist groups, but actively facilitated terrorist operations. Several humanitarian organizations such as the *Mercy International Relief Organization (Mercy)* played central roles in the 1998 U.S. Embassy bombings. At the New York trial of four men convicted of involvement in the Embassy attacks, a former al Qaeda member named several charities as fronts for the terrorist group, including Mercy. Documents presented at the trial demonstrated that Mercy smuggled weapons from Somalia into Kenya, and Abdullah Mohammad, one of the Nairobi bombers, delivered eight boxes of convicted al Qaeda operative Wadi el Hage's belongings—including false documents and passports—to Mercy's Kenya office.

Along with Mercy, the Kenyan government also banned the *International Islamic Relief Organization (IIRO)* after the Embassy bombings.[23] From 1986 to 1994, bin Laden's brother-in-law, Muhammad Jamal Khalifa, headed the IIRO's Philippine office, through which he channeled funds to terrorist groups affiliated with al Qaeda, including Abu Sayyaf. In November and December 2001, Philippine police arrested four Arabs associated with the Moro Islamic Liberation Front (MILF) and described them as an al Qaeda "sleeper cell." Mohammad Sabri, one of the four men arrested, is a Palestinian who, according to Philippine police, worked closely with Khalifa in running the IIRO office.[24] In January 1999, Indian police foiled a plot to bomb the U.S. consulates in Calcutta and Madras. The mastermind behind the plot was Sayed Abu Nasir, an IIRO employee who received terrorist training in Afghanistan.[25] In 2001, Canadian authorities detained Mahmoud Jaballah based on an Interpol warrant charging him with being an Egyptian Islamic Jihad terrorist. In 1999, Canadian officials attempted to deport Jaballah based on his work for IIRO and what they described as IIRO's involvement in terrorism and fraud.[26] The IIRO came up in the investigation into the September 11 attacks as well: Hijacker Fayez Ahmed reportedly told his father he was going abroad to work for IIRO when he left for the suicide mission. Documents seized by Israeli forces during recent operations in the West Bank include records from the Tulkarm zakat committee, the same Hamas-controlled committee noted above, indicating that the IIRO donated at least $280,000 to the Tulkarm zakat committee and others Palestinian organizations linked to Hamas.[27]

Like many other Saudi humanitarian organizations, IIRO is part of the *Muslim World League,* which is funded and supported by the Saudi government (in fact, the Muslim World League and IIRO share offices in many locations worldwide).[28] A senior League official in Pakistan, Wael Hamza al Jlaidan, is listed on the Treasury's terrorist financial blocking order list.[29] In March 2002, the Northern Virginia offices of both the IIRO and Muslim World League were raided by a Treasury Department task force searching for evidence they were raising or laundering funds for al Qaeda, Hamas or PIJ.[30] Attempting to mask the League's radical agenda, League officials recently completed a U.S.-tour aimed at "improving the image of Muslims among

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[21] Mark Huband, "Bankrolling bin Laden," *Financial Times,* November 29, 2002.

[22] "All Forms of Suppression Rejected: Firm Support for Uprising," *Kuwait Times,* November 6, 2000.

[23] Dexter Filkins, "Attacks on U.S. Mission Foiled, Indian Police Say," *Los Angeles Times,* January 21, 1999, Page A4.

[24] Jay Solomon, "Manila Suspends Talks with Rebels After Allegations of al Qaeda Links," *The Wall Street Journal,* March 12, 2002.

[25] Dexter Filkins, "Attacks on U.S. Missions Foiled, Indian Police Say," *Los Angeles Times,* January 21, 1999.

[26] Laurie P. Cohen, Glenn Simpson, Mark Maremont, and Peter Fritsch, "Bush's Financial War on Terrorism Includes Strikes at Islamic Charities," *The Wall Street Journal,* September 25, 2001.

[27] Israeli report provided to the U.S. Government entitled "Large Sums of Money Transferred by Saudi Arabia to the Palestinians are Used for Financing Terror Organizations (particularly the Hamas) and Terrorist Activities (including Suicide Attacks Inside Israel)," May 3, 2002.

[28] Laurie P. Cohen, Glenn Simpson, Mark Maremont, and Peter Fritsch, "Bush's Financial War on Terrorism Included Strikes at Islamic Charities," *The Wall Street Journal,* September 25, 2001 and Stewart Bell, "Quebec Group Tied to al Qaeda Money Web: Virginia Office Raided," *National Post (Toronto),* March 21, 2002, p. A1.

[29] *http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html.*

[30] Judith Miller, "Raids Seek Evidence of Money Laundering," *The New York Times,* March 21, 2002.

Americans," an admirable objective if not for the group's established links to terrorist organizations and proactive terrorist financing.[31]

The Treasury Department has frozen the assets of other Muslim World League member organizations suspected of funding terrorism, including the *Rabita Trust.* Rabita, which U.S. officials says changed its name to the Aid Organization of the Ulema, is based in Pakistan and actively raised funds for the Taliban since 1999.[32]

The *Al Rashid Trust,* another group that funded al Qaeda and the Taliban, is closely associated with the al Qaeda associated Jaish Mohammed terrorist group. Al Rashid has been directly linked to the January 23, 2002, abduction and subsequent brutal murder of *Wall Street Journal* reporter Daniel Pearl in Pakistan. The attackers, linked to a motley crew of domestic Pakistani radical Islamic fundamentalist groups (including Jaish) operating in cooperation with, and on behalf of, al Qaeda, held Pearl in a two-room hut in the compound of a commercial nursery owned by al Rashid. Several madrassas, or Islamic schools, under construction dominate the immediate area around the nursery, the largest and closest of which is owned by al Rashid.[33] Pakistani investigators uncovered twelve telephone calls placed by one of the kidnappers, a rogue policeman named Sheikh Adil, to an unidentified al Rashid Trust employee.[34] A British Internet site called the Global Jihad Fund, which openly associates itself with bin Laden, provided the bank account information for al Rashid and other fronts and groups to "facilitate the growth of various Jihad movements around the world by supplying them with funds to purchase their weapons."[35]

Last October, NATO forces raided the *Saudi High Commission for Aid to Bosnia,* founded by Prince Selman bin Abdul Aziz and supported by King Fahd. Among the items found at the Saudi charity were before-and-after photographs of the World Trade Center, U.S. Embassies in Kenya and Tanzania, and the USS *Cole;* maps of Government buildings in Washington; materials for forging U.S. State Department badges; files on the use of crop duster aircraft; and anti-Semitic and anti-American material geared toward children. Six Algerians are now incarcerated at Guantanamo Bay's Camp X–Ray for plotting an attack on the U.S. Embassy in Sarajevo, including an employee of the Saudi High Commission for Aid to Bosnia and another cell member who was in telephone contact with Osama bin Laden aid and al Qaeda operational commander Abu Zubayda. Authorities are now trying to track down $41 million of the commission's missing operating funds.

In December, U.S. authorities raided the Chicago offices of another Saudi-based charity, the *Benevolence International Foundation.* The foundation's videos and literature glorify martyrdom, and, according to the charity's newsletter, seven of its officers were killed in battle last year in Chechnya and Bosnia. Four months later, the U.S. Embassy in Bosnia was shut down for 4 days on March 20, 2002, after Bosnian officials informed the Embassy of a possible threat. Al Qaeda terrorists reportedly met in Sofia, Bulgaria, where they decided that "in Sarajevo something will happen to Americans similar to New York last September," according to a Bosnian official.[36] The day before the Embassy closed its doors, Bosnian police raided the offices of an Islamic charity called Bosnian Ideal Future, which is the local name under which Benevolence International operated in Bosnia. Officials seized weapons, plans for making bombs, booby-traps, and false passports.[37] Two days before the Embassy reopened, Bosnian police arrested Munib Zahiragic, the head of the local Benevolence office and a former officer in the Bosnian Muslim secret police. Two weeks earlier, that Bosnian officials investigating foreign humanitarian organizations reported that funds were missing from the Bosnian office of Benevolence International.[38]

Most recently, on April 30, 2002, the foundation's executive director, Enaam M. Arnaout, was arrested in the United States on perjury charges for making false

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[31] "Saudi Group Claims Success in U.S. Tour," Middle East News Line/MENL, July 19, 2002.

[32] "Freeze Ordered by U.S. on Assets of Pakistan-based Group, 9 People," *The Associated Press,* April 20, 2002.

[33] Karl Vick and Kamran Khan, "Officials Say Body Probably is Pearl's; New Suspect Claims He Killed Reporter," *The Washington Post,* May, 18, 2002.

[34] Karl Vick and Kamran Khan, "Al Qaeda Tied to Attacks in Pakistan Cities; Militants Joining Forces Against Western Targets," *The Washington Post,* May 30, 2002.

[35] Chris Hastings and David Bamber, "British Cash and Fighters Still Flow to bin Laden," *London Sunday Telegraph,* January 27, 2001.

[36] "Al Qaeda Terrorists Planned Bosnia Attack, Officials Says," *Associated Press,* March 23, 2002.

[37] Alexandar S. Dragicevic, "U.S. Embassy in Bosnia Reopens," *Associated Press,* March 25, 2002.

[38] "Al Qaeda Terrorists Planned Bosnia Attack, Officials Says," *Associated Press,* March 23, 2002.

statements in a lawsuit against the government. Contrary to his and the foundation's statements, the documents and cooperating witnesses indicated that Arnaout had a personal relationship with both bin Laden "and many of his key associates dating back more than a decade." In fact, bin Laden trusted Arnaout enough to host one of bin Laden's wives at Arnaout's apartment in Pakistan where bin Laden later picked her up. Arnaout reportedly facilitated money and weapons transfers for bin Laden through the foundation. According to the government's affidavit, senior al Qaeda operative Mamhoud Salim traveled to Bosnia on documents signed by Arnaout listing Salim as a director of the foundation.[39] Mohamed Bayazid, a bin Laden operative involved in efforts to obtain nuclear and chemical weapons for al Qaeda, listed the foundation's address as his residence in his application for a driver's license. The foundation was established by a wealthy Saudi and bin Laden associate, Sheikh Adil Abdul Galil Betargy, who later transferred control to Arnaout.[40]

Disrupting the Flow of Terrorist Financing

The phenomenon of terrorists funding their activities through charitable and humanitarian organizations, either as full-fledged front organizations or as unwitting accomplices, is clearly critical problem. Unfortunately, it can be equally difficult to disrupt. Discriminating between legitimate and nefarious charities is extremely difficult, partly because front organizations do not hang a shingle on their door identifying themselves as terrorists and partly because they actively attempt to hide their financing of terrorism among some legitimate causes they fund as well. It is especially sad that the largest Islamic charity organization in the United States, the Holy Land Foundation, abused the trust of so many charitable Muslim-Americans seeking to do nothing more than relieve the hardships of their co-religionists and others suffering throughout the world.

While difficult, disrupting the flow of funds to terrorists is not impossible. Through analysis of the financial information collected on the September 11 hijackers and their accomplices in Europe and in the Gulf, the FBI quickly developed a financial profile from the hijackers' bank accounts and financial activity. This included profiles of the domestic accounts, financial transactions, international financial activity, and nonfinancial information gleaned from financial documents. Pattern analysis focused the direction of the ongoing international investigation toward specific countries, especially in Europe, and played a central role in the FBI's predictive effort to foil the terrorist attacks intelligence information indicated were still being planned.

Since September 11, the Bush Administration has issued a series of financial blocking orders targeting terrorist groups, including terrorist organizations, front companies, and individuals. In total, the U.S. Government has designated some 191 individuals, organizations, and financial supporters of terrorism as SDTG's from around the world, including over $34 million in terrorist assets. Other nations have reportedly followed the U.S. lead. The Secretary of the Treasury reported that 150 "countries and jurisdictions" have blocking orders in force, and have blocked more than $70 million in assets.[41] According to U.S. officials, intelligence information indicates that terrorist operatives are finding it increasingly difficult to gain access to funds needed to escape the international dragnet targeting them, communicate effectively between cells in different parts of the world, and conduct further operations.

International Cooperation

Targeting a wide array of groups and organizations funding and transferring terrorist funds is critical, but must be conducted as part of a well-coordinated international effort. Many nations have followed the U.S. lead in this regard, blocking millions of dollars in terrorists' assets. This is a particularly sensitive issue, especially in the Middle East. In November 2001, for example, a senior U.S. delegation went to Saudi Arabia to solicit greater cooperation in the arena of tackling terrorist financing. Secretary of the Treasury Paul O'Neill visited again 3 months later, agreeing to quietly broaching concerns regarding specific humanitarian organizations with Saudi officials before putting them on U.S. terrorist lists. The new tactic fits the mold of traditional U.S.-Saudi diplomacy, and quickly bore fruit: the U.S. and Saudi governments jointly froze the accounts of the Bosnian and Somali offices

[39] Salim severely wounded a prison guard while awaiting trial at the Metropolitan Correctional Center in New York for his role in the East Africa embassy bombings. He pled guilty to attempted murder in April 2002.

[40] *United States* v. *Benevolence International Foundation, Inc. and Enaam M. Arnaout, a/k/a "Abu Mahmoud," a/k/a/ "Abdel Samia"* Case Number 02CR0414, Northern District of Illinois, Eastern Division.

[41] *http://usinfo.state.gov/topical/pol/terror/01110711.htm.*

of the Saudi-based al Haramain Humanitarian Organization just days later.[42] Subsequent reports, however, already indicate that U.S. authorities are concerned that Saudi authorities are glossing over the terrorist connections of other humanitarian organizations, including the Wafa Humanitarian Organization, the International Islamic Relief Organization (IIRO) and its parent the Muslim World League.[43]

Gaining Saudi Support

Saudi officials have at minimum a clear pattern of looking the other way when funds are known to support extremist purposes. One Saudi official was quoted as saying that an organization created to crack down on charities funding terrorism does little because "it doesn't want to discover top people giving to charities."[44] Prince Bandar bin Sultan, the Saudi Ambassador to the United States, acknowledged the problem of tracking the money trail in a *New York Times/Frontline* interview. Bandar stated that Saudi officials "found money leaves Saudi Arabia, goes to Europe and we can follow it, goes to the United States, America, and we lose contact with it."[45]

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

Moreover, Saudi Arabia's calls for the United States to play a more engaged role in Middle East peacemaking appear to be self-serving in light of its funding of terrorist groups that seek to undermine Israeli-Palestinian peacemaking like Hamas. Documents made public by Israel indicate not only that the Saudi Ministry of the Interior funded Hamas, but also that it specifically highlighted the funding of families of "martyrs" who conducted "quality attacks" against Israeli civilians.[46]

Working With Europe

Nor are divisions over terrorist financing exclusive to the Middle East. U.S. officials complain that European allies have contributed few names to the list of alleged terrorist financiers subject to financial blocking orders, that they have yet to act on all the names already on the list, and that those names European allies have added to the list are primarily domestic groups such as Basque and Irish groups. Europeans, in return, have repeatedly expressed their frustration with U.S. requests to add people or groups to terrorist lists while supplying insufficient evidence, if any.

On May 3, 2002, the European Union (EU) added eleven organizations and seven individuals to its financial-blocking list of "persons, groups, and entities involved in terrorist acts." Unfortunately, while the list marks the first time the EU has frozen the assets of non-European terrorist groups, it adopts the fallacy of drawing a distinction between the nonviolent activities of terrorist groups and the terror attacks that they carry out. By distinguishing between the terrorist and welfare "wings" of Hamas, for example, the EU lent legitimacy to the activities of charitable organizations that fund and facilitate terrorist groups' activities and operations.

The American Bureaucracy

Even within the U.S. intelligence and law enforcement community the financial war on terrorism has been hamstrung by bitter turf wars between the Departments of Treasury and Justice. The Departments have reportedly launched parallel task forces that do not communicate or share information.

While disconcerting, operational inefficiency and territorialism between agencies pales in comparison to the more strategic gap in policymaking circles. Cracking down on terrorist financing, especially in the case of charitable and humanitarian organizations that camouflage their funding of terrorism by funding legitimate groups and causes as well, requires a political will that was markedly absent until September 11. Terrorist financing through charitable organizations is not unique to Islamic charities, *per se,* but the fact is that the majority of terrorist groups oper-

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[42] *http://www.treas.gov/press/releases/po1086.htm.*

[43] Eli J. Lake, "U.S. Demands Data on Islamic Charities," *UPI,* March 22, 2002.

[44] Christopher H. Schmitt, Joshua Kurlantzick, and Philip Smucker, "When Charity Goes Awry," *U.S. News & World Report,* October 29, 2001.

[45] *PBS/Frontline* interview with Prince Bandar bin Sultan, at *http://pbs.org/wgbh/pages/frontline/shows/terrorism/interviews/bandar.html.*

[46] Israeli report provided to the U.S. Government entitled "Large Sums of Money Transferred by Saudi Arabia to the Palestinians are Used for Financing Terror Organizations (particularly the Hamas) and Terrorist Activities (including Suicide Attacks inside Israel)," May 3, 2002.

ating in the world today and targeting the United States are of the radical Islamic variety. Radical Islamic terrorists dominate the U.S. Government's various terrorist lists, and it therefore stands to reason that the majority of charitable organizations engaged in terrorist financing are Islamic organizations. While these investigations should be conducted in a careful and judicious fashion, sensitive to the fact that while some organizations are front organizations for terrorist groups other are unwittingly hijacked by rogue individuals, they should not be confused with "Muslim bashing."

Conclusion

Terrorism will always exist, which is why there is no exit strategy to fighting terrorism. Counterterrorism is a form of conflict management, not conflict resolution. To bear any fruit, counterterrorism techniques must be as comprehensive, ongoing, and cooperative as possible. Cracking down on terrorist financing will only succeed in dismantling terrorist groups' logistical and financial support networks, and by extension preventing terrorist attacks, if the governments and agencies involved in the effort act in concert and, at a minimum, mirror the resolve, commitment, and dedicated displayed by the terrorists.

STATEMENT OF INTERACTION

AUGUST 1, 2002

InterAction appreciates the opportunity to present this statement to the Subcommittee on International Trade and Finance of the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

InterAction is the largest alliance of U.S.-based international development and humanitarian nongovernmental organizations. With more than 160 members operating in all developing countries, we work to overcome poverty, exclusion, and suffering by advancing social justice and basic dignity for all.

InterAction is greater than the sum of its parts, a force multiplier that gives each member the collective power of all members to speak and act on issues of common concern. InterAction convenes and coordinates its members so in unison they can influence policy and debate on issues affecting tens of millions of people worldwide and improve their own practices.

Formed in 1984, and based in Washington, DC, with a staff of thirty-five, InterAction includes members headquartered in 25 States. Both faith-based and secular, these organizations foster economic and social development; provide relief to those affected by disaster and war; assist refugees and internally displaced persons; advance human rights; support gender equality; protect the environment; address population concerns; and press for more equitable, just, and effective public policies.

Reflecting both the generosity of the American people and their strong support for international development and humanitarian assistance, our members receive more than $3 billion in annual contributions from private donors. Neither InterAction nor its members bear lightly the responsibility of the trust the American people place in us. As such, members ascribe to InterAction's Private Voluntary Organization Standards that help assure accountability in the critical areas of financial management, fundraising, governance, and program performance. Our PVO Standards are a public document, available on our website at *www.interaction.org.* The PVO Standards define the financial, operational, and ethical code of conduct for InterAction and its member agencies. The Standards are at the heart of members' commitment to accountability to their donors and to transparency in their operations. They assure appropriate use of funds.

Among the Standards are requirements for audited financial statements, annual filing of Form 990 with the U.S. Government, annual reports, board approval of operating budgets, accountability for use of funds from the moment they are received until they are used in a project or for services, truth in advertising (including no material omissions), control of all fundraising activities conducted on their behalf, and defined procedures for evaluating, both qualitatively and quantitatively, their programs and objectives. The guidelines, which are part of the Standards, recommend that member organizations meet the standards of the National Charities Information Bureau and the Philanthropic Advisory Service of the Council of Better Business Bureaus. Many members are among those charities rated by the Better Business Bureau.

Given their fiduciary responsibility for the funds they receive, InterAction members have long-established procedures to prevent theft, embezzlement, and other diversions of funds and supplies. Increasing care is taken in vetting new employees,

in their training, in their supervision, and in creating environments in which they will consider themselves genuine team members.

In the post-Cold War era insecurity has become a growing menace to the operations of NGO's, particularly those disaster response agencies trying to assist refugees, internally displaced persons and others exposed to death and injury in civil conflicts. Both governments and nonstate actors have ignored their obligations to permit humanitarian organizations to have access to the victims of war. Indeed NGO's, the United Nations agencies, and the Red Cross Movement have seen their personnel killed, injured, raped, taken hostage, and otherwise abused in growing numbers. In this environment humanitarian organizations have been compelled to pay increased attention to personal and organizational security.

With generous support from USAID's Office of Foreign Disaster Assistance or OFDA, InterAction developed the curriculum for a one-week course in NGO security, which has become the foundation for courses currently being offered by its members, as well as by unaffiliated NGO's and commercial firms. Thousands of NGO employees have taken part in these trainings. The courses put heavy emphasis on security awareness, threat assessment, and personal comportment. In addition, InterAction developed guidelines for development of individual agency and post security plans. This framework is incorporated in OFDA's own guidelines for those preparing project proposals. With further support from OFDA, a Security Seminar for CEO's was staged in September 2000 to encourage agency heads to institutionalize security awareness in their organizational cultures. At the request of the CEO's, InterAction researched good practices in the provision of security for national employees of InterAction members operating abroad, developing a set of Essential Steps on the Security of National Staff, which is now being incorporated in our PVO Standards.

InterAction members are well aware of their obligation to see that resources entrusted to their care are not stolen or diverted by anyone, including terrorists. The enhanced security measures they have adopted are intended in large measure to stiffen their defenses against misuse of their names, funds, and other property.

Disaster Response NGO's are obliged to remain neutral in conflict situations. Like the Red Cross movement, their employees are unarmed and often work in areas where substantial elements of the local population are suspicious, resentful, and violent. It is imperative that the NGO's avoid identification with belligerents. Most subscribe to the Code of Conduct developed by the International Federation of Red Cross and Red Crescent Societies together with leading NGO's engaged in disaster relief. The Code of Conduct requires humanitarian agencies to maintain high standards of independence.

Thank you once more for the opportunity to inform the Subcommittee about InterAction, its members, and our collective efforts to insure that resources provided by donors are not diverted or otherwise misused.

STATEMENT OF KHALIL E. JAHSHAN

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EXECUTIVE VICE PRESIDENT
THE AMERICAN-ARAB ANTI-DISCRIMINATION COMMITTEE (ADC)

JUNE 4, 2002

Thank you Mr. Chairman Bayh, and Members of this distinguished Subcommittee. It is a privilege to appear before the International Trade and Finance Subcommittee to testify about the role of charities and nongovernmental organizations in the financing of terrorist activities. I am grateful for this opportunity and I would like to commend the Subcommittee for initiating this hearing and seeking balanced representation on this panel of witnesses.

I am presenting this testimony, Mr. Chairman, on behalf of NAAA–ADC, the government affairs affiliate of the American-Arab Anti-Discrimination Committee (ADC). ADC is the largest Arab-American grassroots organization in the United States. Our agenda is focused primarily on civil rights and Middle East foreign policy. ADC is essentially a secular, nonpartisan organization—our membership includes Americans of all faiths and all walks of life who share our political platform on civil rights and foreign policy.

The issue of the relationship between charities and NGO's, on the one hand, and international terrorism, on the other, is a very important topic for the whole Nation as we continue to assess the political, social, and economic repercussions of the September 11 terrorist attacks on the United States. This matter is also a top priority

issue for the Arab and Muslim communities throughout the United States because it impacts directly on the function, reputation, and very survival of various charities serving the humanitarian and philanthropic efforts of approximately eight million Arab and Muslim Americans. More importantly, it is of serious consequence to the civil liberties and constitutionally protected rights of American citizens to contribute to and associate with humanitarian causes with which they have a strong moral and political affinity.

Much has been said about this important matter since the events of last September. The issue has been at center stage since the Administration sought to identify, track, and block the flow of funds to al Qaeda and other terrorist groups. One thing is clear: Al Qaeda derived its funding from a variety of sources including bin Laden's own wealth, contributions from sympathizers, extortion, smuggling, and other illegal activities. What is not equally clear is the extent of charitable funds being wittingly or unwittingly funneled to al Qaeda. I would like to focus my remarks on four specific points that, in my humble judgment, must remain at the heart of this Subcommittee's deliberations and subsequent legislative actions.

First, the issue before us is a global issue that requires a global approach and a global solution. Indeed, terrorism is a global phenomenon and we must resist adopting an oversimplified approach by narrowing the scope of the problem to Islam, Muslims, and Islamic institutions to satisfy our yearning for quick answers. By limiting the scope of our definition of this global problem to ensure instant political or psychological gratification, we risk setting up our global war on terrorism for failure by focusing too narrowly on the immediate component of the problem and failing to keep our eye on the larger picture. In addition, by narrowly defining the threat of global terrorism, we also risk alienating key Arab and Muslim allies who are equally threatened by terror and who could bring vital resources to this long-term battle.

The sad fact is that we have been there on several occasions in recent history. I remind you of at least two separate occasions when Congress and the Administration dealt with the issue of terrorism in two specific contexts: Ireland and Palestine. In both cases, we investigated funding, outlawed fundraising, restricted travel, and withheld diplomatic contacts. The real impact was limited and short-lived. The issue, Mr. Chairman, cannot be artificially limited to the IRA, the PLO, HAMAS, Hezbollah, PKK, the Shining Path, FARC, or the Basque ETA. Terrorism is a global phenomenon and it must be dealt with in global terms.

Second, the issue is a very complex one that requires a consistent solution void, to the greatest possible extent, of selective moral consideration and double standards. I have two concerns in mind: One pertains to definition and the other deals with implementation of policy.

With regard to definition, it is of vital importance for the United States to spend some effort and time to come up with a universal definition of terrorism in order to maintain the broadest possible coalition against terrorism. I am fully aware and I understand the reasoning for the long-standing resistance in Washington to such a consistent and detailed definition. However, these are unique times with challenging crises ahead that require unconventional means to meet these challenges successfully. In short, the politicized and selective definition we have espoused in the past will not do any longer.

As for implementation, our selective approach and double standards in dealing with the issue of terrorism in the past have diminished our credibility and will continue to do so in the future unless we become more consistent in formulating our policy and in implementing it across the board.

For example, in the aftermath of the recent fighting in the Jenin refugee camp, the United States responded by extending some humanitarian aid to the Jenin area. USAID distributed some $200,000 in aid to the Palestinian inhabitants of the camp and to al Razi Hospital in Jenin. No questions were asked about family connections to suicide bombers and USAID did not profile the recipients of American aid. Yet, these are the same issues that were raised in the case of the Holy Land Foundation which the Administration placed on the terrorist list and froze its assets for allegedly, among other things, aiding some of the orphans and families of suicide bombers and for contributing to al Razi Hospital in Jenin which is managed by the local Islamic Zakat Committee. Why is it legal for USAID to assist these same recipients that are deemed untouchable terrorists when it comes to Islamic charities?

Third, in seeking practical answers for the problems associated with this issue, it is incumbent upon this Subcommittee to avoid throwing out the baby with the bath water. Terrorism is a complex phenomenon that has a direct impact on our national security as a Nation, but it also has an important link to the daily life and survival of millions of human beings throughout the world. Islamic charities, like Christian, Jewish, or secular charities, fulfill an important and vital human need.

Millions of people worldwide benefit from Islamic charitable contributions. Where abuses exist, they must be confronted and stopped in an effective and permanent manner. However, cracking down on abusers should not be allowed to hinder or prevent otherwise legitimate acts of charity from fulfilling their intended objectives.

Of particular concern to my constituents is the chilling effect created by the crackdown on American Islamic charities without due process or convincing public explanation, leaving many legitimate questions unanswered and many legitimate human needs unmet.

Fourth, it is vital for Members of this Subcommittee to realize from the outset of this discussion that a significant number of charities and NGO's in the Arab and Muslim worlds are politically or religiously affiliated, making it virtually impossible in certain countries to separate charity from politics or religion. In Palestine, for example, civil society emerged and multiplied in the absence of a Palestinian government to meet the basic humanitarian needs of the Palestinian population living under 35 years of Israeli occupation. Over the years, groups like Fatah, the PFLP, and DFLP established their own NGO's to compete for the hearts and minds of their Palestinian constituents. Since its establishment in the 1980's, HAMAS followed the same pattern. With the establishment of the Palestinian Authority after Oslo, some of these NGO's were dismantled while others began to distance themselves from their political factions. The fact remains, however, that some of the key and most successful NGO's today, who form the backbone of civil society in these countries, cannot be totally divorced from their political or religious milieu.

This phenomenon is not just unique to Palestine. Similar patterns, although to a lesser extent, may be found in Lebanon, Jordan, and Egypt. As a matter of fact, some of these NGO's and charities have become more efficient than their respective governments in meeting the needs of their societies, particularly in the fields of health, education, human rights, welfare, and emergency assistance, to name just a few. Consequently, states in the Middle East have always felt threatened by NGO's and thus sought to legally control these organizations, limit their activities, and occasionally to eliminate them altogether.