

# Congressional Testimony

## **Terrorist Financing Since 9/11**

*Assessing an Evolving al Qaeda and State Sponsors of Terrorism*

Jonathan Schanzer, PhD  
Vice President of Research  
Foundation for Defense of Democracies

**Hearing before House Committee on  
Homeland Security**  
Subcommittee on Counterterrorism and Intelligence

Washington, DC  
May 18, 2012



FOUNDATION FOR  
DEFENSE OF DEMOCRACIES

1726 M Street NW • Suite 700 • Washington, DC 20036

Chairman Meehan, Ranking Member Higgins, and members of the subcommittee, on behalf of the Foundation for Defense of Democracies, thank you for the opportunity to testify.

I base my testimony today on my experience as an analyst at the U.S. Treasury Office of Intelligence and Analysis, where I worked from 2004 to 2007, and was directly involved in designating several terrorist financiers.

Mr. Chairman, after the September 11 attacks, the U.S. Treasury immediately went to work uncovering terrorist funds. On September 23, President George W. Bush issued an executive order designating terrorist entities that threatened America.<sup>1</sup> That list grew quickly and became a powerful tool for capturing terrorist money.

The 9/11 Commission report, released in 2004, gave Treasury high marks for its efforts.<sup>2</sup> But in denying terrorists the use of the formal banking sector, we have driven terror finance underground, and we are now victims of our own success.

Terrorists have adapted, in part, by hatching cheaper plots. It cost al-Qaeda of the Arabian Peninsula just \$4,200 to place two bombs on cargo planes in October 2010. The group bragged openly of this, underscoring that it is nearly impossible to stop such low-cost operations.<sup>3</sup>

Other terrorist groups rely heavily on bulk cash smuggling to evade detection, with couriers delivering suitcases full of cash to terrorist masterminds.<sup>4</sup> Still others engage in trade-based money laundering, where they plow illicit cash into legitimate businesses to further finance terrorist activities.<sup>5</sup>

Broadly speaking, terrorist financiers are increasingly shifting to criminal activity. Earlier this year, U.S. authorities indicted a vast Hezbollah network for money laundering, cocaine deals and more — exposing 30 U.S.-based car dealerships that helped the group move cash.<sup>6</sup> Similarly, Senator Dianne Feinstein recently noted how the Taliban relies heavily on profits from the heroin trade to finance its operations.<sup>7</sup>

---

<sup>1</sup> “Executive Order on Terrorist Financing,” September 23, 2001, <http://georgewbush-whitehouse.archives.gov/news/releases/2001/09/print/20010924-1.html>

<sup>2</sup> <http://govinfo.library.unt.edu/911/report/index.htm>

<sup>3</sup> See the November 2010 issue of AQAP’s *Inspire Magazine*: <http://info.publicintelligence.net/InspireNovember2010.pdf>

<sup>4</sup> John Diamond, “Terror Funding Shifts To Cash,” USA Today, June 18, 2006, [http://www.usatoday.com/news/washington/2006-06-18-terror-cash\\_x.htm](http://www.usatoday.com/news/washington/2006-06-18-terror-cash_x.htm)

<sup>5</sup> Avi Jorisch, *Tainted Money: Are We Losing the War on Money Laundering and Terrorism Financing?* (VA: Red Cell Publishing, 2009), pp. 95-104.

<sup>6</sup> United States of America vs. Lebanese Canadian Bank, et al. [http://www.justice.gov/dea/pubs/pressrel/pr121511\\_filed-complaint.pdf](http://www.justice.gov/dea/pubs/pressrel/pr121511_filed-complaint.pdf)

<sup>7</sup> “GOP lawmaker concerned over strength of Taliban,” *Los Angeles Times*, May 4, 2012. [http://latimesblogs.latimes.com/world\\_now/2012/05/washington-us-intelligence-afghanistan-taliban-stronger-president-obama.html](http://latimesblogs.latimes.com/world_now/2012/05/washington-us-intelligence-afghanistan-taliban-stronger-president-obama.html)

If this trend continues, it's reasonable to assume that criminal investigations will play an increasingly prominent role in U.S. efforts to counter terror finance.

For its part, Treasury must continue to issue designations, even if fewer of them lead to capturing terrorist cash. The naming and shaming of terrorist financiers lets them know they're being watched. And that helps us stem the flow of cash that can finance attacks on the homeland or against allies abroad.

Designations also expose key nodes of terrorist groups. This has been critical in exposing al-Qaeda's relationship with Iran.

In July 2011, Treasury designated al-Qaeda leader Yasin al-Suri and five others who moved money and recruits to Pakistan, the Gulf, and Iraq. Treasury declared that al-Suri's network operates as part of a "secret deal" between al-Qaeda and the Iranian government.<sup>8</sup>

In January 2009, Treasury designated four other al-Qaeda operatives in Iran. All of them, including Osama bin Laden's son, Sa'ad bin Laden, served on al-Qaeda's executive council.<sup>9</sup>

Of course, none of this comes as a surprise. The 9/11 Commission in 2004 expressed concern over the Iran-al-Qaeda operational relationship, noting that it required "further investigation by the U.S. government." Treasury is doing just that, and it shares its findings through the designation process.

Remarkably, Treasury's robust counter-terrorist program is the only one of its kind in the world. None of America's allies come close to our investment in human and financial resources to combat terror finance. This can be blamed on a combination of tight budgets and a lack of political will.

Though the international Financial Action Task Force (FATF) recently beefed up its standards,<sup>10</sup> it is insufficient. FATF allows member states to self-evaluate, and operates according to "recommendations,"<sup>11</sup> enabling states like Saudi Arabia and Qatar to give themselves high marks, regardless of the realities. The system is full of holes, and terrorists predictably gravitate to the areas of weakest authority.

---

<sup>8</sup> "Treasury Targets Key Al-Qa'ida Funding and Support Network Using Iran as a Critical Transit Point," July 28, 2011, Page Content <http://www.treasury.gov/press-center/press-releases/Pages/tg1261.aspx>

<sup>9</sup> "Treasury Targets Al Qaida Operatives in Iran," January 16, 2009. <http://www.treasury.gov/press-center/press-releases/Pages/hp1360.aspx>

<sup>10</sup> Amit Kumar, "The Revised FATF Standards: A Shot in the Arm for Countering the Financing of Terrorism Efforts," April 16, 2012, Center for National Policy, <http://cnponline.org/ht/display/ViewBloggerThread/i/37450/pid/35636>

<sup>11</sup> See the FATF mandate here: <http://www.fatf-gafi.org/media/fatf/documents/FINAL%20FATF%20MANDATE%202012-2020.pdf>

Looking ahead, Treasury's policy shop — the Office of Terrorism Finance and Financial Crimes<sup>12</sup> — needs to prompt both allies and adversaries to do more to combat terror finance. But for the short term, the most glaring challenge is the threat of a nuclear Iranian.

On this front, Treasury has had a real impact. Tehran now faces tougher sanctions than ever before, and the regime is cash-strapped. Though Tehran continues to push forward with its nuclear program, the regime reportedly finds it increasingly difficult to bankroll terrorist proxies Hamas and Hezbollah to the extent it had in the past.

Admittedly, we may now be past the point where economics can prevent a nuclear Iran. But Treasury's efforts have nevertheless been instructive. They demonstrate that, if applied properly, sanctions can truly diminish a state sponsor's ability to finance terror.

Mr. Chairman, there are many other challenges on the terrorism financing front that I did not have time to address today. If I have missed anything you wish to discuss, I am happy to answer your questions.

On behalf of the Foundation for Defense of Democracies, I thank you again for inviting me here today.

---

<sup>12</sup> See: <http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Terrorist-Financing-and-Financial-Crimes.aspx>