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Jeffrey Robinson IHT Thursday, August 12, 2004

The money trail

LONDON Over the past few weeks, several events have focused attention on the way terrorists move money, creating the belief that terror-money trails will lead to what is being planned and, once identified, that those events can be stopped.

A federal grand jury indicted a Texas-based Muslim charity for conspiracy, dealing with terrorists and money laundering; a mosque in Albany, New York, was raided as the result of a terrorist money laundering sting; several Al Qaeda terror-money-related arrests were made in various parts of the world; computer files were discovered in Pakistan that appear to show that Al Qaeda was investing funds to target the New York Stock Exchange, Citigroup, Prudential, the World Bank and the International Monetary Fund; and the Sept. 11 commission report recommended an invigorated "follow the money" philosophy in order to track down Al Qaeda.

On paper, following the money sounds like a great idea.

In the months leading up to September 2001, Al Qaeda operated like a multinational conglomerate by centrally funding a specific activity. They moved a relatively small amount of money - estimates range from \$300,000-\$500,000 - through charities and alternative remittance systems, known as hawala networks, and were able to exploit the Western banking system with wires, credit cards and ATM machines. But the argument that we can stop Al Qaeda next time by following terror dollars through charities, hawala networks and electronic transfers is misconceived.

It is based on three false assumptions:

First, that terror money is somehow different from regular dirty money. Actually, there is no such thing as terror money. Terrorism is financed through crime, so it is criminal money that we have to look for.

Second, that Al Qaeda is otherwise capable of financing a massive sequel to the Sept. 11 attacks. It isn't, because Al Qaeda Inc. no longer exists. Today, instead of being a multinational terrorist conglomerate, Al Qaeda is much more dangerous - it is a brand. Suddenly, any zealot, anywhere in the world, intent on wreaking havoc is a de facto franchisee with an instantly recognizable battle cry.

Third, that the funding for Sept. 11 is the model for all terrorist funding. It isn't. Generally speaking, Al Qaeda subsidiaries were not centrally funded before Sept. 11, and their franchises are not funded that way post-Sept. 11. What's more, a terrorist event costs almost nothing. By the time the hijackers attacked the World Trade Center and the Pentagon, they had already spent their funds. They'd used their money on cell phones, cars, apartments, motel rooms, food and airline tickets. Because some of those financial transactions were suspicious enough to warrant reporting under various money laundering regulations, and because reporting didn't happen, the 9/11 commission wants that barn door shut. But the horses never lived there.

The central funding of Sept. 11 was a one-off. The first attack on the World Trade Center in 1993 supposedly cost \$25,000. The money, which funded the planning of the attack, was stolen through credit card and other types of low-level fraud. It was much the same with the "Millennium Plot" to blow up Los Angeles International Airport in December 1999. The conspirators lived off check fraud, credit card fraud and identity theft. These days Algeria's Armed Islamic Group, or GIA, milks banks and shops through credit card and check fraud. British-based GIA cells financed the 1995 attacks on the Paris metro. It is believed that they also partially funded the Madrid bombings.

That terrorists commit crimes to finance themselves is hardly new. The Irish Republican Army was funding itself that way more than 30 years ago. They were working slot machines, extortion, identity theft, fraud and cigarette smuggling. Following in those footsteps, three decades later, a Middle Eastern terrorist cell was discovered operating a cigarette smuggling ring in North Carolina. This was not terror money. These funds were the proceeds of crime - dirty money. This was not the centrally-funded, Sept. 11 Qaeda model, it was the locally funded IRA model.

No one knows when or where the next terrorist atrocity will happen. But these four things are true: When it happens, it will cost almost nothing; yesterday's money laundering laws, which are mainly aimed at drug cash going into the banking system, won't stop it; nor will any government intent on following Al Qaeda's terror money trails; but if we get down below the radar where the IRA used to live and where Al Qaeda's franchises are today committing low-level crimes, and if we can cut off their cash flow, then we can bankrupt them and like any business, once it's bankrupt, there is no product.

Jeffrey Robinson's latest book is "The Sink: How Banks, Lawyers and Accountants Finance Terrorism and Crime, And Why Governments Can't Stop Them."