



Anti-Terror Strategy, the 9/11 Commission Report & Terrorism Financing: Implications for U.S. Policymakers

Strategic Insights, Volume IV, Issue 1 (January 2005)

by [Raphael Perl](#)

Strategic Insights is a monthly electronic journal produced by the [Center for Contemporary Conflict](#) at the [Naval Postgraduate School](#) in Monterey, California. The views expressed here are those of the author(s) and do not necessarily represent the views of NPS, the Department of Defense, or the U.S. Government.

For a PDF version of this article, click [here](#).

Throughout the course of history, few, if any, wars against groups using terrorist-type tactics have been won by defensive operations. Accordingly, United States anti-terrorism strategy relies heavily on the doctrine of preemption. As a subset of this framework of preemption, U.S. anti-terrorism strategy targets the financing of terrorism. In the 9/11 Commission report's recommendations are two overarching issues which relate to the financing of terror:

1. what strategy—or strategy mix—best addresses the issue of terrorist financing, and
2. to what degree are the goals and objectives sought by such a strategy realistically achievable, cost effective, and in tandem with other counter- terrorism and foreign and domestic policy objectives.

Central to the policy debate is deciding on and prioritizing strategic goals. Once goals are in place and prioritized, a framework can be designed to measure the effectiveness of efforts designed to address terror finance.

This paper provides an overview of United States anti-terrorism strategy and the overall role of terror financing within the framework of current policy. It then looks at the 9/11 Commission Report's approach to terror finance strategy and identifies issues and challenges facing decisionmakers.

U.S. Anti Terror Strategy

The framework for U.S. anti- terrorism strategy is governed by the National Strategy for Combating Terrorism, a 30-page interagency document released by the White House on February 14, 2003.^[1] The National Strategy for Combating Terrorism is designed to complement other elements of the National Security Strategy^[2] including sub-strategies for homeland security, weapons of mass destruction, cyberspace, critical infrastructure protection, and drug control. While the National Strategy for Homeland Security^[3] focuses on preventing terrorist attacks within the United States, the National Strategy for Combating Terrorism focuses on identifying and defusing threats before they reach U.S. borders. Incorporated in the National Strategy for

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE JAN 2005		2. REPORT TYPE		3. DATES COVERED 00-00-2005 to 00-00-2005	
4. TITLE AND SUBTITLE Anti-Terror Strategy, the 9/11 Commission Report & Terrorism Financing: Implications for U.S. Policymakers				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School,Center for Contemporary Conflict,1 University Circle,Monterey,CA,93943				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 12	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Combating Terrorism is a strong preemptive component, a strong focus on reducing proliferation of weapons of mass destruction, and a defense-in-depth framework.[4]

The intent of the strategy is to stop terrorist attacks against the United States, its citizens, its interests, and U.S. friends and allies around the world, as well as to create an international environment inhospitable to terrorists and their supporters. The strategy emphasizes that all instruments of U.S. power—diplomatic, economic, law enforcement, financial, information dissemination, intelligence, and military—are to be called upon in combating international terrorism. The strategy fits into the wider strategic concept of “defense-in-depth,” which projects four concentric rings of defense against terrorist attacks against the United States.[5]

The Bush Administration’s 2003 National Strategy for Combating Terrorism is founded on four pillars—*defeating, denying, diminishing, and defending*.

- *Together with U.S. allies, defeating terrorists by attacking their sanctuaries; leadership; command, control, and communications; material support; and finances.* Components include: (1) identifying and locating terrorists by making optimal use of all intelligence sources, foreign and U.S., and (2) destroying terrorists and their organizations by capture and detention and prosecution, use of special forces and other military power, and employment of specialized intelligence resources, and international cooperation to curb terrorist funding;
- *Denying terrorists state sponsorship, support, and sanctuary/safehavens.* A central strategy objective is to ensure that other sovereign states take action against such elements within their sovereign territory and areas which they may control in neighboring countries. Elements include: (1) tailoring strategies to induce individual state sponsors of terrorism to change policies; (2) promoting international standards for combating terrorism; (3) eliminating sanctuaries; and (4) interdicting terrorist ground, air, maritime, and cyber traffic, in order to deny terrorists access to arms, financing, information, WMD materials, sensitive technology, recruits, and funding from illicit drug activities;
- *Diminishing underlying conditions that terrorists exploit, by fostering economic, social, and political development, market-based economies, good governance, and the rule of law.* Emphasis includes: (1) partnering with the international community to alleviate conditions leading to failed states that breed terrorism; and (2) using public information initiatives to de-legitimize terrorism; and
- *Defending U.S. citizens and interests at home and abroad to include protection of physical and cyber infrastructures.*

Attacking terrorist financing is a core objective clearly stated as part of the strategy’s first pillar: “attacking”. Denying terrorists access to financing is a core objective of the second strategy pillar: “denying”. Central to the National Strategy for Combating Terrorism is law enforcement cooperation and an increasingly important component of law enforcement cooperation involves curbing terrorist financing.[6]

In summary, the National Strategy for Combating Terrorism places a moderate to strong priority on combating terrorist financing which it views primarily within the context of a law enforcement framework centering on international cooperation.

Under the strategy, the *raison d’etre* for a policy focus on the financing of terror is to deny funding to terrorist groups to disrupt and destabilize their operations by causing them to expend added effort to secure funding at the expense of other operational activity. Although the strategy does not specifically address the use of covert activity as a means of disrupting terrorist financing, arguably such activity is contemplated as part of the overall preemptive network-destabilizing approach it advocates.

The 9/11 Commission Report

On July 22, 2004, the National Commission on Terrorist Attacks Upon the United States [“9/11 Commission”] issued its final report.^[7] Included are forty-one recommendations for changing the way the government is organized to combat terrorism and how it prioritizes its efforts. Many of the Commission’s recommendations are consistent with elements of the Administration’s February 14, 2003 National Strategy for Combating Terrorism^[8] such as diplomacy and counter-proliferation efforts, preemption, intelligence and information fusion, winning hearts and minds—including not only public diplomacy, but also policies that encourage development and more open societies, law enforcement cooperation, combating terrorist financing, and defending the homeland.^[9]

The 9/11 Commission’s recommendations generally fall into the categories of (1) preemption [attacking terrorists, and preventing the growth of Islamic terrorism by methods that include targeting financial facilitators and funds,]; (2) protecting against and preparing for attacks; (3) coordination and unity of operational planning, intelligence and sharing of information; (4) enhancing, through centralization, congressional effectiveness of intelligence and counter-terrorism oversight, authorization, and appropriations; (5) centralizing congressional oversight and review of homeland security activities; and (6) increasing FBI, DOD, and DHS capacity to assess terrorist threats and their concomitant response strategies and capabilities. The report specifically recommends confronting openly problems in the U.S.- Saudi relationship, read by some to include such issues as terrorist financing and the billions of dollars of support for fundamentalist madrasa schools^[10] that are often breeding grounds for Islamist fundamentalists susceptible to terrorist recruiters, as well as the issue of ideological incitement. The report also recommends sustaining aid to Pakistan and Afghanistan, which are perceived to be vital geo-strategic allies in the global war on terror.^[11]

The issue of terror financing is addressed both in the 9/11 Commission Report and in an in-depth supplemental report on terror financing released by the Commission on August 24, 2004.^[12] In its report, the Commission specifically recommended that:

“Vigorous efforts to track terrorist financing must remain front and center in U.S. counter terrorism efforts. The government has recognized that information about terrorist money helps us to understand their networks, search them out, and disrupt their operations. Intelligence and law enforcement have targeted the relatively small number of financial facilitators—individuals al Qaeda relied on for their ability to raise and deliver money—at the core of al Qaeda’s revenue stream. These efforts have worked. The death or capture of several important facilitators has decreased the amount of money available to al Qaeda and has increased its costs and difficulty in raising and moving the money. Captures have additionally provided a windfall of intelligence that can be used to continue the cycle of disruption.”

—Final Report of the National Commission of Terrorist Attacks upon the United States, p.382

In the text of the Report, the Commission suggests that an important purpose of targeting terror financing is to gather information on terror networks and coalitions and to raise the costs of raising money (in terms of financial expenditures and organizational energy) to al Qaeda and other groups. Moreover, the Report suggests that if al Qaeda is replaced by smaller decentralized groups, the assumption that terrorists need a financial support network may become outdated.^[13] The Commission’s conclusions are further supported in its August 24, 2004 in-depth supplemental staff report on terror financing which emphasized that the U.S. Government has made little leeway in deciphering al Qaeda funding channels and which cited the organization’s ability to adapt quickly and effectively to financial obstacles posed by government activity.^[14]

In effect, the Commission suggests a redefining of terrorist financing strategy goals away from a focus on seizing assets and towards a focus on gathering intelligence.^[15] Three factors are cited

which likely contributed to the desire for such a shift in policy focus. First, there is the realization that it may not be achievable or cost effective to deny terrorists funding in any meaningful sense; i.e. “that trying to starve the terrorists of money is like trying to catch one kind of fish by draining the ocean.”[16] Second, it is acknowledged that terrorists increasingly seek more informal methods of moving and obtaining funds making it more difficult for authorities to seize amounts of significance. Third, a concern is expressed that as terrorist networks become increasingly decentralized, they may become financially self supporting making it even harder to track or interdict their funding.[17] Similar conclusions were previously reached by many in the policy community in the course of the war on drugs concerning interdiction efforts aimed at the finances of the drug trade.

One potential shortcoming with the Commission's reasoning, however, is that although dollar amounts seized may be small and statistically insignificant, such funding may be critical to the execution of terrorist operations and thus the ultimate impact of such seizures on thwarting imminent terrorist activity may be high. Clearly situations exist where a specific funding transaction, albeit it low in dollar amount, may be key to success of a terror equation. Another prickly problem not dealt with in the report and arguably beyond the primary scope of the Committee's mandate, is the issue of centralization/and or coordination of United States federal efforts designed to track terrorist financing.[18] Likewise, the issue of coordinating with the United Nations Counter Terrorism Committee under the rubric of U. N. Security Council Resolution 1373 to make maximum use of relatively scarce manpower resources is not addressed in the Commission Report.[19]

The Report does not address two additional benefits of targeting financing, i.e., that such measures (1) may prove useful as a coalition building tool, and (2) may have a chilling effect on donations to terrorist groups, thereby negatively reducing the potential of terrorist groups to recruit from otherwise unknown sympathizers or “sideline/ fringe” supporters. Also not addressed in the report is the need to help train other countries to improve their laws, regulations, and manpower resources to enable them to curb terrorism fund-raising and transfer of funds.

Issues for U.S. Decisionmakers

Despite its overt praise for United States efforts aimed at combating terror finance which have resulted in intelligence windfalls, closing of charities, and arrest of key financiers, the underlying message sent by the Commission report about the focus and effectiveness of anti-terror financing strategy amounts to nothing less than a policy bombshell. Implied in the report is the notion that previous policy mindsets which placed strong emphasis on seizing terrorist assets hold little or no promise of success in combating financing of Islamist terrorism. This in turn raises the question—in what areas if any, are chances for success promising? What strategy—or strategy mix—is appropriate to address the issue terrorist financing; how much policy focus should terror financing be given; what should the rationale for policy focus be; and finally, how does one get the most “bang” for the buck?

At least four issues are central to the policy debate emerging in the wake of the 9/11 Commission Report. They include:

- On what assumptions should policy be based?
- What should the goals and objectives of policy be?
- How does one measure success or failure of policy implementation?
- What specific policy options may hold promise of success?

Policy Assumptions

In the past, a core assumption underlying United States anti-terror financing policy was that significantly decreasing financing of terrorist causes was achievable, and that decreasing funding will decrease terrorist activity. The 9/11 Commission Report by its comparison of attempts to dry up terrorism finance to “draining the ocean” challenges the assumption that financing of terror can be reduced on a grand scale.^[20] A likely result here is a shift away from a policy focus on seizing money to a more multifaceted approach within which viewing money trails as source of intelligence is central.

While recognizing that the goals of seizing assets and tracking them are not mutually exclusive, the 9/11 Commission report emphasizes that the United States must expect “less from trying to dry up terrorist money and more from following the money for intelligence, as a tool to hunt terrorists, understand their networks, and disrupt their operations.”^[21] In the words of Commission Chairman Thomas Kean, “...we have been spending a lot of energy in the government trying to dry up sources of funding. ...Obviously if you can dry up money, you dry it up, but we believe one thing we didn't do effectively is follow the money. That's what we have to do.”^[22]

Further challenging the assumption that significant amounts of terrorist funding can be seized and that such seizure will have a negative impact on terrorist activity is the suggestion in the Report that given the increasingly decentralized structure of terrorist groups, the assumption that terrorists need a financial support network may become outdated.^[23] A related question is the degree to which the United States and the international community have the infrastructure in place to effectively detect and monitor transactions associated with terrorist activity.

Establishing Goals and Objectives

Setting goals is central to policy formulation and implementation. In a past era of state sponsored terrorism where denying terrorist groups funding support was seen as realistically achievable, the goal of terrorism finance policies centered on drying-up financial support from state actors, and where this failed, on seizing and interdicting assets. Moreover, many investigators migrated to the financial tracking component of counter-terrorism community from the counter-drug community, where attempting to seize assets was a high profile, widely accepted, and entrenched practice. This further reinforced a mindset focused on interdicting funds.^[24]

The 9/11 Commission Report opens the door to a more holistic approach to terrorist financing where financing is seen within the broader policy objectives of a strategy which goes beyond seizing assets. Under such an approach, money is viewed as a facilitator—one of many tools at the terrorist's disposal. Under such an approach, seizing sums of money becomes a priority not because the amount is large, but because of the intended use for the funding and/or its criticality to an imminent attack. Since current anti-terror policy places high value on denying terrorists access to weapons of mass destruction (WMD), a core objective of post 9/11 policy is to deny terrorist groups critical mass funding that could be used for WMD purchases.

A number of goals are commonly cited when discussions of terrorism financing policy take place. They include: (1) seizing assets or denying them to terrorists especially in instances where the funding in question can make or break a terrorist operation.; (2) gaining strategic and tactical intelligence on terrorist groups and activities; (3) international coalition building;^[25] (4) reducing international crime;^[26] (5) reassuring the public that the government is attacking terrorism; (6) deterring individuals or charitable organizations from financing terrorist causes;^[27] (7) disrupting terrorist organizations and forcing terrorists to devote more time to logistical support and less to operations; and; (8) creating additional legal tools by which to arrests terrorists before deadly operations materialize.

Measuring Success

Indicators of success or failure of policies serve as an important tool to better enable decisionmakers to fund policies that work and revise or abandon those that do not. A challenge bedeviling policymakers is how to measure the success, or failure, of policies which respond to the challenges posed by the financing of terror. Indicators of success cannot be measured in a vacuum. They must be measured in the context of policy goals and objectives.

Moreover, since terrorists and those charged with combating terrorism may have differing goals and objectives, definitions of success may differ for each group. For example, success for those charged with securing an airport may be claimed by citing the absence of attacks on the facility and the hi-profile presence of security personnel and detection technology. In the same example, success for the terrorist network may equally be claimed because the enemy has expended unnecessary resources protecting a facility that was never targeted for attack, with the aggregate result of such expenditures being less available resources to devote to other counter-terror goals such as combating terrorist financing. One potential pitfall plaguing measurement of success is overreliance on quantitative data at the expense of its qualitative significance.

Candidates for a multi-dimensional metric to qualitatively analyze the degree of success of a strategy designed to address the financing of terror are many. Practical application of such metrics poses no small challenge. Criteria potentially include: (1) assets and money seized; (2) loss of desire of people to contribute money to terrorist causes; (3) money not given, i.e. the chilling effect of policies on contributions;[\[28\]](#) (4) changes in levels of terrorist recruitment; (5) the number of terrorist operatives apprehended or killed; (6) the public relations impact on a society of government policies that target terrorist financing[\[29\]](#); (7) the disruptive effect of policies on terrorist activities and organizational infrastructures, including deterring or slowing down potential attacks; (8) the impact of policies on coalition building, and (9) the impact of policies in curbing other criminal activity—especially activity linked to terrorist groups—such as the illicit drug and arms trade and piracy of intellectual property.

Finally, there remains the intelligence value of policies employed. Clearly here, an important metric is the impact of intelligence gained on directly preventing catastrophic terrorist events.

Policy Options

Increasingly, analysts compare terrorist financing to a hydra, where if one cuts off one hand, two more appear, leaving policy implementors always behind the power curve. To counter this phenomenon, some suggest that a viable strategy should focus not only on money, but on the demand driving the money. Within such an expanded policy framework, funding for terror is viewed as a product of an ideology which must be countered.

Inherent in such a policy framework, is the assumption that as long as there is a desire for people to contribute to radical Islamist causes, they will find a way to do so. Under this line of reasoning, the struggle over terrorism finance boils down to a struggle of ideology, and an increasing number of analysts suggest that until nations recognize and come to terms with this, they will not substantially impact terrorist financing and will not win the war on terror.

Complementing the effectiveness of United States policies designed to combat terror financing is a perception that anti-terror finance policies are contrary or hostile to a central tenet of Islam which requires financial contribution to Islamic causes. In this vein, some suggest that a major challenge to terrorist financing policy is a need to facilitate channeling of charitable donations to non-jihadist causes. United States policy seeks to identify organizations and charities which are terrorist connected or terrorist fronts. In contrast, donors need to be able to identify legitimate charities without terrorist connections.[\[30\]](#)

A range of policy options exists for decisionmakers to weigh when seeking to devise more effective strategies to deal with the phenomenon of terrorist financing. Nine notable examples are:

1. Rethinking assumptions and expanding policy to include a demand/supply framework with a component aimed at reducing the pool of potential contributors to terrorist causes. Included is working with those who offer alternatives to radical Islam and those who seek to discredit the ideology of radical Islamists.
2. Adopting a mindset which increasingly views money as a tool and a facilitator of terrorism—as a source of information to be studied—and not merely as a product to be seized.
3. Placing more emphasis on international coalition building where much of the focus is on diplomacy and building the coalition, rather than seizing assets or monitoring financial flows. Once built and solid, a coalition of this nature can be expanded into other areas of mutual interest and concern. This approach would require additional emphasis on diplomacy and would likely require additional funding for diplomacy as well as additional funding for training of U.S. and foreign specialists in detecting and countering terrorist fundraising and money transfers.
4. Initiating a concerted effort—starting from scratch and mindful of the protection of civil liberties—to determine what data is currently available on terrorist financial flows, how to obtain more of it, and how to apply state of the art technology to correlate the data with the objective of identifying sinister patterns of activity.
5. Concentrating on high value targets: significant money, suspicious transactions, key financiers, charities and front groups.
6. Giving the issue of state financing of terror an invigorated priority, as arguably this remains a major problem. To what degree is the current policy focus on al Qaeda type networks drawing attention away from the reported role of states such as Saudi Arabia, Iran, and Syria in financing, facilitating, or countenancing the financing of terror? What actions to engage, or sanctions to prod, can the United States and the international community better bring to bear on so-called “rogue” nations?
7. Developing and implementing more proactive policies. For example, how might one maximize worldwide the legal right of contributors to demand an accounting of how charitable contributions are used? How might the funding of militant madrasas throughout the world be better discouraged? How will a terrorist organization respond to the shutting down of a particular source of funding, and how does one stay ahead of the curve? Included here are sting operations and use of covert actions against terrorist financial centers, businesses, and individuals engaged in facilitating terrorism through funding.
8. Devoting more policy focus to combat criminal activities such as piracy of intellectual property rights, narcotics and human trafficking, counterfeiting, etc., which are being used as sources of funding by terrorists.[\[31\]](#)
9. Committing adequate funding to implement policy. In the past there have been numerous charges of insufficient funding to combat terrorism finance.[\[32\]](#)

Conclusion

Arguably, in the global war on terror, the man with the money is as dangerous as the man with the gun. Despite the difficulties of interdicting terrorist financing, policies which ignore or downplay the importance of money to terrorist operations appear unwise, since successful interdiction of funds can derail terrorist operations. Moreover, detecting and tracking illicit transactions can yield valuable intelligence which may be unavailable from other sources. Since Islam and other world religions require charitable contributions from adherents, implying unstoppable cash flows, it is imperative that donations be channeled away from terrorist causes towards legitimate charities.

As the 9/11 Commission Report suggests, in the financial war on terror, success should not only be measured quantitatively in terms of dollars seized, but should also be measured against more

subjective criteria, such as making financial transfers more labor-intensive for terrorists, thereby cutting into their time for actual operations.

It is important to recognize that fighting terrorism is often a matter of quietly making gains a yard or two at a time, not necessarily spectacular interceptions of specific operations. Given the increasing financial and technological sophistication of our adversaries and the panoply of funds transfer methods, from money laundering to hawala, one should expect to interdict only a modest percentage of terrorist financing, and arguably should refrain from overcommitting effort in areas with diminishing returns. Important here is recognition of the limits of policies designed to restrict financing of terrorism; although seizing funds can impact on the ability of terrorist organizations to recruit and conduct operations, such seizures will do little to deter individual suicidal fanatics. However, seizing funds intended as compensation to relatives of suicide bombers may indeed have a chilling effect on terrorist recruitment.

Pre-emptive action has been shown to be extremely effective from a public relations standpoint. When the finances of illicit charities are attacked worldwide, other charities and even uncooperative governments often take positive steps to avoid further "loss of face." It is vitally important for policy formulators to understand in depth the social and cultural values of other countries, which may be very different from our own, in order to maximize the positive impact of our anti-terror and anti-terror finance strategies worldwide.

Educational systems imbued with hatred and bigotry, whether parochial or secular, fuel an unending supply of future contributors to terrorist causes. This issue must be addressed head on; otherwise the seeds of terrorism are sown in the next generation. Thus, many argue that a policy priority must be to reduce the fomenting of terrorism brought about by extreme bias, hyperbole, lies, and calls to violence in educational materials.

In concrete terms this means addressing head on the serious problem of militant Islamist madrasas; helping host countries channel funds towards madrasas which teach mainstream "peace-based" interpretations of Islam. Benign religious schools form an intrinsic and valuable educational element of many societies, including our own, and funding for Islamic schools with positive social curricula should be encouraged. Moreover, efforts to reduce the funding of madrasas would likely encounter resistance and lead to conflict, although monitoring the sources of funds could be helpful in ensuring that donations do not come with "strings attached" to teach militancy and violence.

Increasingly analysts urge that within the financial arena as well as in other aspects of terrorism, a balance must be struck between vigorous prosecution of anti-terrorism policies and the protection of civil liberties, which some contend have already been eroded to a dangerous extent in pursuit of homeland security. Admittedly, enhancing security requires an increased degree of government intervention. But clearly, the avowed intent of United States policymakers is not to defend freedom abroad while compromising it at home.

Formulation of policy in the complex constellation of trade-offs associated with counter-terrorism in general, and combating terrorist financing in particular, would likely be facilitated through constructive involvement of academicians and scholars, religious and community leaders, diplomats, military commanders, politicians, and others. An interdisciplinary task force which merges government expertise with that of the private sector and the scientific and academic community might well make important contributions to understanding the multi-faceted nature of the problem of financing of terrorism. Discussions could also include the best way to work with the United Nations and willing partner countries.

The 9/11 Commission Report has created an environment which facilitates open and creative discussion about the goals and objectives of terror finance policy and the best way to implement

them. Many suggest, therefore, that the time is ripe for the Executive Branch to sit down with experts and re-evaluate where the effort against terrorism financing has been going, where it should be going, and how to best define and achieve success.

About the Author

Raphael Perl, a Specialist in International Terrorism Policy with the Congressional Research Service in Washington, D.C., has published extensively on terrorism policy issues and has testified before Congress on U.S. anti-terror strategy and the 9/11 Commission Report. Views expressed herein are the author's, are subject to change, and are not to be construed as an official statement of U.S. government policy.

For more insights into contemporary international security issues, see our [Strategic Insights](#) home page.

To have new issues of *Strategic Insights* delivered to your Inbox at the beginning of each month, email ccc@nps.edu with subject line "Subscribe". There is no charge, and your address will be used for no other purpose.

References

1. Office of the Press Secretary, [President Bush Releases National Strategy for Combating Terrorism](#), (Washington, DC: February 14, 2003).
2. The White House, [The National Security Strategy of the United States of America](#), (Washington, DC: September 2002).
3. Office of Homeland Security, [National Strategy for Homeland Security](#) (Washington, DC: July 2002).
4. See generally: ["Terrorism and United States Foreign Policy"](#), remarks by Raphael Perl to the German Council on Foreign Relations, Berlin, July 2, 2002 and ["U.S. Anti-Terror Strategy."](#) remarks by Raphael Perl to the Konrad Adenauer Foundation, Berlin, June 30, 2003.
5. The outermost ring consists of diplomatic, military, and intelligence organizations, operating mostly overseas. One goal of these organizations is to help pre-empt attacks on the U.S. homeland. In the 2003 plan, organizations such as the Customs Service, Immigration and Naturalization Service, and the Coast Guard – all of which are now incorporated into the Department of Homeland Security – constituted the next ring, which focuses on U.S. borders and the goods and people that cross them. The next ring includes federal, state, and local law enforcement, "first responders" such as the fire service, and the National Guard. These operate for the most part within U.S. borders and are responsible for protecting towns and cities. Private citizens, who are being asked to report suspicious activity and take preventive action to reduce vulnerability to perilous situations, are part of this ring also. The final ring includes the private sector and federal agencies that play a key role in safeguarding the facilities that comprise critical physical infrastructures (e.g., transportation, financial, telecommunications, and energy systems). For more information, see: <http://usinfo.state.gov/ei/Archive/2003/Dec/31-646035.html>.
6. Martin A. Weiss, Congressional Research Service (CRS) Report RS21902, [Terrorist Financing: the 9/11 Commission Recommendation](#), and Alfred Prados and Christopher Blanchard. CRS Report RL32499, [Saudi Arabia: Terrorist Financing Issues](#).

7. For more information, see: <http://www.gpoaccess.gov/911/index.html>. Note that many of the Commission's findings are consistent with generic findings contained in a series of pre-9/11 reports, such as the June 5, 2000 congressionally mandated report of the bi-partisan National Commission on Terrorism; see CRS Report RS20598, [*National Commission on Terrorism Report: Background and Issues for Congress*](#), by Raphael Perl.

8. See: <http://www.whitehouse.gov/news/releases/2003/02/20030214-7.html>.

9. Also see: <http://usinfo.state.gov/ei/Archive/2003/Dec/31-646035.html>.

10. Part of the problem is that the oil boom of the 1970's led to dramatically increased funding of Islamic religious education without concomitant oversight, often giving virtually free reign to radical Islamists.

11. See "[*Combating Terrorism: the 9/11 Commission Recommendations and the National Strategies*](#)," testimony of Raphael Perl before the House Subcommittee on National Security, Emerging Threats, and International Relations, September 22, 2004.

12. Hereafter referred to as 9/11 Commission "*Supplemental Finance Report*." See: [*National Commission on Terrorist Attacks Upon the United States, Monograph on Terrorist Financing*](#), Staff Report to the Commission, 152.

13. [*9/11 Commission Report*](#), 283.

14. See note 12 above.

15. According to the Commission, the United States should "expect less from trying to dry up terrorist money and more from following the money from intelligence, as a tool to hunt terrorists, understand their networks, and disrupt their operations". See [*Executive Summary, Final Report, National Commission on Terrorist Attacks Upon the United States*](#), July 2004, pp. 18-19.

16. See p. 382 of the [*9/11 Commission Report*](#). This is not to say that the amount of funding seized since 9/11 has been insignificant: roughly \$200 million seized as of late April 2004 according to the congressional testimony of Treasury Undersecretary, Samuel W. Bodman, before the Senate Committee on Banking, Housing, and Urban Affairs, April 29, 2004. On the other hand— how much has the U.S. government and the international community spent to seize this \$200 million? Figures are not readily available, but they clearly dwarf any amounts seized to date, or likely to be seized given continuation of current trends and practices.

17. Note that the Commission avoids directly tackling the prickly issue of state financing, facilitating, or tacit support for financing of terrorism. Arguably, amounts that fall into this category are substantial in the case of nations such as Saudi Arabia, Syria, and Iran and interdicting such funding or sanctioning nations pursuing such support for terror might well have a strong negative impact on terrorist infrastructure and operations.

18. Note, however, that although improving international coordination of efforts involving terror finance is not specifically addressed, the Commission does address the overall issue of enhancing international cooperation when it recommends that: "The United States should engage other nations in developing a comprehensive coalition strategy against Islamist terrorism. There are several multilateral institutions in which such issues should be addressed. But the most important policies should be discussed and coordinated in a flexible contact group of leading coalition governments." See: [*Commission Report*](#), p.379.

19. *Security Council Resolution 1373* requires member states to take measures to curb terror financing.

20. [*9/11 Commission Report*](#), p. 382. See note 16 which annotates the full quotation. Note also that in an earlier era of state sponsored and state funded terrorism, making a sizable dent in the funding of terrorist groups may well have been an achievable policy objective.

21. See [*Executive Summary, Final Report, National Commission on Terrorist Attacks Upon the United States*](#), July 2004, pp. 18-19.

22. Laura Sullivan, "U.S. Split on Usefulness of Tracing Money Trails to Prevent Terrorist Plots," *The Seattle Times*, August 3, 2004.

23. See p. 282 of the [*9/11 Commission Report*](#).

24. An interesting issue, largely unexplored, is what has been learned from the drug war that is applicable to terrorism financing. Arguably, one lesson is that one cannot stop the flow of money as long as a demand or need for the product exists. Another, involves the so-called "balloon" theory; that if one clamps down in one jurisdiction, or on one component of a global network, the flow one seeks to interdict simply moves elsewhere. A third lesson is that when one puts the microscope over money flows, one runs head on into powerful political and economic interests and groups which often do not welcome close scrutiny of their financial affairs. This weakens political will and ability to gain access to information and take concrete action to implement policy.

25. Building a coalition based on a desire to curb terrorist finance may well be less controversial and likely to attract more partners than a coalition based on a consensus over the use of preemptive military force against terrorists.

26. Since other forms of criminal activity such as drug trafficking and arms trafficking move money clandestinely as well, the argument is that pursuing terrorist finance has a positive impact on reduction of other forms of crime harmful to national security.

27. In this regard, policies designed to curb terror financing can have an important impact on terrorist recruitment. Giving money to an ideological cause commits the individual beyond the stage of passive sympathy or verbally espousing support. Once this line is crossed and money is committed, a potential recruit is identified for terrorist networkers.

28. One factor here might be an increase in contributions to non-jihadist oriented groups.

29. This factor cannot be underestimated. Every citizen understands the importance of money in his/her daily life. Hence, the perception is that it must be so for the terrorist as well, and that governments must take strong actions against terrorist financing.

30. Wayne Parry, [*"U.S. Rejects Muslims' Plea for 'Approved' Charities"*](#), *Associated Press*, October 14, 2004.

31. Analysts suggest that terrorists are often most vulnerable when engaged in two type of activities: (1) while in transit and (2) when they interact with criminal subcultures motivated by profit whose members are not diehard converts to their ideology. The approach offered above seeks to exploit the latter vulnerability. Focusing on funds terrorists raise through seemingly legitimate, or even fully legitimate business enterprises is yet another area ripe for exploration.

32. Michael Kraft, "[Fight Against Terrorism needs Hard Cash, Not Just Tough Talk](#)," *Milwaukee Journal*, August 6, 2004. Kraft's op-ed, among other items, notes that "Treasury's new Office of Terrorism and Financial Intelligence has been given an elevated status in the bureaucracy and an ambitious mission to develop and target financial intelligence, coordinate law enforcement sanctions and regulatory enforcement, and maintain an international coalition against terrorist financing. But it operates on a shoestring with about 25 people and extremely limited travel funds." See also David Kay Johnston, "[I.R.S. Request for More Terrorism Investigators is Denied](#)," *The New York Times*, March 31, 2004.