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Financing Terror The underground network that funds the terrorist activities of Osama bin Laden's al Qaeda is complicated and immensely secretive. What we do know is not reassuring.

By Borzou Daragahi
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(MONEY Magazine) – TERRORISM IS CHEAP

The whole nightmare of Sept. 11--more than 5,000 deaths, billions in property damage, incalculable fear and suffering, and global political and economic uncertainty--may have gone for as little as \$200,000, a third less than you'd pay for a modest three-bedroom home in many of the suburbs of New York City.

Mohamed Atta and Marwan al-Shehhi, the two men who were apparently at the controls of the jets that hit the World Trade Center, may have been religious fascists, men who worshiped power and called it God, but they sure knew the value of a dollar. While they were taking flying lessons at Huffman Aviation International in Venice, Fla., for instance, they rented cars three different times from Warrick's Rent-a-Car in Pompano Beach. Warrick's is an economy operation that buys used cars from the big boys like Hertz and then leases them at bargain rates. Twice, Atta went for Warrick's bottom of the line, a white Ford Escort (\$141 for seven days). "He liked that car," owner Brad Warrick says. Once he rented a slightly upscale Chevy Cavalier (\$369 for two weeks); in the two weeks he had it, Atta drove more than the 1,400 free miles and had to pay a \$61.80 excess-mileage penalty. "He wasn't too happy about that, but he paid it," the owner says.

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The two men stayed in cheap hotels and did their own laundry in dollar-a-load coin-operated machines. The plane tickets they ultimately bought cost a few hundred dollars. Their largest expense was the roughly \$20,000 apiece they paid for several months of lessons at Huffman Aviation. They paid tuition with checks drawn on the Venice branch of SunTrust bank, where they were directed after first trying to pay their Huffman bills in cash. SunTrust first vice president Barry Koling won't say how much the men used to open their accounts--"We're telling the FBI," he says--but it must have been less than \$10,000 (under federal law, banks have to report all cash transactions of that much or more). Where the money came from is unknown, although investigators have reportedly been tracking it through Europe and the Middle East. Whatever the source, it can't have been hard for the terrorists' financiers to get them such small sums.

What do we know for sure about how Osama bin Laden and al Qaeda finance terror, assuming that they are behind the Sept. 11 attacks? Frighteningly little, it seems. Al Qaeda's underground financial network is large, complex and supremely secretive.

The best publicly available information, detailed below, comes from an al Qaeda turncoat who testified last winter in the New York City trials of four men who were later convicted for their part in the 1998 bombings of the U.S. embassies in Tanzania and Kenya. According to that testimony--as well as to investigators who have tried to follow the money trail--al Qaeda's funds come from bin Laden's personal fortune, donations from wealthy sympathizers in the Middle East, contributions made wittingly and unwittingly to charities acting as fronts and possibly from the opium trade in Afghanistan.

For the past decade, al Qaeda's money has moved freely through banks in money-laundering havens like Dubai, Sudan and Bahrain. Often al Qaeda's money completely bypasses the banking system, passing from one hand to another via suitcases full of \$100 bills or informal networks of remittances that usually leave no paper records.

Although President Bush has promised to "starve terrorists of their funding," all the evidence is that this will be an exceedingly difficult task. According to Jonathan Winer, a former deputy assistant secretary for enforcement at the State Department, it's useless to compare al Qaeda with a top-down criminal enterprise like the Mafia. It is a loose confederation of terrorists and by itself is one part of the larger anti-U.S. movement among Islamic fundamentalists around the world. Individual al Qaeda cells may be set up and periodically funded by the main organization, but otherwise they are generally self-supporting, Winer says, through straight day jobs or small-scale crime.

While the al Qaeda network as a whole clearly has access to large amounts of money, the sum needed for any one of its horrific efforts is usually small, which means those bundles of cash are easy to move and difficult for authorities to spot. The attacks attributed to al Qaeda before Sept. 11, like the 1998 bombings of the U.S. embassies in Tanzania and Kenya and the attack on the U.S.S. Cole in Yemen, were all shoestring operations.

"Sailing a small boat up to a U.S. warship and detonating is not a high-tech, expensive operation," says Alex Standish, editor of Jane's Intelligence Digest. "With al Qaeda, they themselves are the delivery systems, and that's very low cost and devastating. The West should avoid the mistake of believing they can break up these international terrorist groups simply by targeting their financial operations," Standish warns.

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THE BIN LADEN LEGEND

Osama bin Laden's father, who died in 1968, was a Yemeni immigrant to Saudi Arabia who parlayed his connections with the Saudi royal family into an enormous construction business that built roads, mosques, hospitals and other buildings throughout the Middle East. His dozens of children by his various wives now control Saudi Binladin Group, a Jeddah-based business, which, according to the Wall Street Journal, had an estimated \$5 billion in revenue in 2000 from a range of engineering, real estate, telecom and manufacturing businesses. Its western partners include Nortel, General Electric and Cadbury Schweppes, among others. The family also has ties to the United States. They reportedly own expensive residential properties in Boston, and Saudi Binladin Group made two \$1 million gifts to Harvard University to fund endowments for the study of Islamic law and Islamic art and architecture.

Since the early 1990s, however, Osama bin Laden has had no public connection to his family's business or fortune. In 1979, as a recent engineering graduate of King Abdul Aziz University, he was attracted to the Islamic fundamentalism that was beginning to sweep the Middle East. He was galvanized by the Soviet invasion of Afghanistan. In the now familiar story, he used his wealth to recruit Arab volunteers for the rebel army, built roads and hospitals in Afghanistan, wrote large checks to the families of dead and injured mujahadeen fighters and underwrote training camps for the rebels, all with support of the Saudi, Pakistani and U.S. governments. Guerrilla operations are the only way to conduct an effective war in a country as rugged as Afghanistan, and they require sustained infusions of cash over a long period of time. As Major Gen. Alexander Lyakhovskii, a Russian veteran of the Afghan war, told Time, "The most effective weapon in Afghanistan is money. When I was there, we said, You can't conquer this country, you can only buy it."

Bin Laden's wealth, charisma and aura of personal incorruptibility made him a legend among the mujahadeen. After the Soviet pullout in 1989, he returned as a hero to his home country and his family's businesses. Soon, though, he became a pariah. Enraged by the presence of U.S. troops in Saudi Arabia during and after the Gulf War, bin Laden became outspoken in his criticism of the U.S.-backed house of Saud. In bin Laden's view, the Saudi government had profaned the land of the holiest shrines in Islam--Mecca and Medina--with infidel foreign troops and had thus become un-Islamic and illegitimate.

In 1991 the Saudi government expelled him, and his family disowned him. (His citizenship was revoked three years later.) How much of the family fortune he took with him is unknown; estimates range from \$30 million to \$300 million. Taking refuge in Sudan, where he enjoyed the protection of the militant Islamic National Front government, he built training camps on the Afghan model, this time to prepare fighters to battle on behalf of their Muslim brothers in places like the Balkans, and to target the United States and rid the Middle East of its influence. The mission was different, and so was the organization. In Afghanistan it had been a unit in a guerrilla army. In Sudan it mutated into a pure political terror organization, albeit one with nominally legitimate business holdings, offices in downtown Khartoum and its own version of office politics.

THE "MOTHER OF OTHER COMPANIES"

One veteran of the Afghan war who followed bin Laden to Sudan was Jamal Ahmed al Fadl, who had been among the first to join al Qaeda. In 1996, al Fadl broke with the group after embezzling \$110,000 and found his way into the hands of FBI agents, who carefully guarded his identity, referring to him as "Confidential Informant 1" until he took the stand in federal court in New York City last February in the trial of four men charged with plotting the 1998 bombings of the U.S. embassies in Nairobi, Kenya and Dar es Salaam, Tanzania. His testimony is fragmentary and by now dated, but it remains the most detailed public account of al Qaeda's daily workings.

According to al Fadl's testimony, out of an eight-room suite of offices in Sudan's capital, Khartoum, bin Laden established a holding company (or "mother of other companies," as al Fadl testified in slightly broken English) called Wadi al Aqiq, which controlled Ladin International, an import-export firm; Taba Investment, a global stock market and currency operation; Hijra Construction, which built roads and bridges in the Sudan; al Qudurat Transportation, a trucking company; and al Themar al Mubarak, which ran fruit and vegetable farms that also doubled as terrorist training camps. At various times, businesses connected to bin Laden were involved in ostrich farms and shrimping in Kenya, forestry in Turkey and diamond trading in Africa.

How much all that was worth is unclear. In a 1996 interview, bin Laden himself claimed to have lost more than \$150 million on his farming and construction ventures in Sudan. (One person who may know definitively about bin Laden's business success, or lack thereof, is his former chief accountant, Abu Fadhl al Makke Madani al Tayyab, another veteran of the Afghan war, who has reportedly been cooperating with Saudi Arabian investigators.)

At the embassy bombing trial in New York City, prosecutor Patrick Fitzgerald asked al Fadl about the state of the group's finances in 1992: "Was there a discussion within al Qaeda on whether or not the businesses in the Sudan were making money...?"

"Yes," al Fadl responded. "We talked [with] bin Laden and we asked him...because the business is very bad in Sudan, because the pounds go down and the dollar is strong, the Sudanese pound always go weak against the dollar....He say our agenda is bigger than business."

Still, bin Laden was not exactly strapped for cash. According to a 1996 State Department report, in the early 1990s bin Laden claimed to have paid \$50 million for part ownership of Khartoum's al Shamal Islamic Bank, where he also had an account in his own name. (Until 1998, when the United States added Sudan to its blacklist of states sponsoring terrorism, al Shamal had correspondent relationships with several large Western banks that allowed it to transfer funds easily around the world. Among al Shamal's correspondents were Citibank, American Express Bank and Credit Lyonnais.) Al Fadl also testified that bin Laden and other senior al Qaeda operatives had bank accounts in several other Khartoum banks, as well as in Malaysia, Hong Kong, Dubai, Vienna and Barclay's Bank in London. (Barclay's told the Wall Street Journal that it froze an account that might have been connected to bin Laden. According to one defense lawyer involved in the trial, who suggests that al Fadl exaggerated his importance in al Qaeda, little documentation for these relationships was presented in court. Prosecutor Fitzgerald, now acting U.S. Attorney in Chicago, declined comment.)

MOVING THE MONEY

The Khartoum office, al Fadl testified, was staffed partly by people who thought they were working for ordinary businesses and partly by people like him who concentrated on dispensing cash and military hardware to militant Muslims in places like Egypt, Yemen, Sudan, the Philippines, Tajikistan and Pakistan. Business was conducted in cash--almost invariably U.S. dollars.

Al Qaeda seemed to act as a kind of Ford Foundation for terror, funding groups around the world who had similar aims but were short on cash. Al Fadl testified that he had been given \$57,000 U.S. and 17,000 Saudi riyals to rent houses for bin Laden associates in Sudan when they first began arriving in the country, as well

as \$250,000 to buy a farm north of Khartoum and \$180,000 to buy another farm near Port Sudan. He also acted as a courier, taking \$200,000 in cash to a terrorist leader visiting Khartoum from neighboring Eritrea and another \$100,000, drawn from an account at al Shamal Islamic Bank in \$100 bills, to a contact in Amman, Jordan. The trip was arranged by al Qaeda's office, and al Fadl had no difficulty getting the cash past Sudanese and Jordanian customs inspectors.

At the embassy bombing trial, prosecutors presented evidence that al Qaeda sometimes moved money via the hawala system (the word is Hindi). The system is very common in the developing world, where most people deal mainly in cash. Someone in, say, Pakistan, who wants to get \$1,000 to his brother in Brooklyn visits a local hawala agent, who will telephone or fax a counterpart in New York. For a fee, the Pakistani agent will prevail on his friend in New York to advance the money to its ultimate recipient. The New York agent now has an IOU for \$1,000 in Pakistan that he can call on later. The system works on trust and often without paper records. Former Assistant Deputy Secretary of State Winer estimates that 25% to 50% of all transactions in the Middle East and South Asia are done outside formal banking channels.

Although al Fadl had sworn his life to bin Laden's vision of jihad, in Khartoum his devotion gave way to office politics and money worries. He wasn't alone. Wadi el Hage, one of the embassy bombing defendants, ran a Nairobi car importing business that failed and told an associate that al Qaeda was paying him so poorly that he would have to take an extra job to support his family. Other former al Qaeda members have spoken of outposts in London and elsewhere during the mid-1990s that couldn't afford telephones.

Al Fadl testified that he was paid about \$200 a month for working for bin Laden's legitimate businesses and another \$300 for work related to al Qaeda. That was supplemented, he said, by a \$10,000 bonus for his help trying to set up a deal to buy what was advertised as \$1.5 million of uranium from a former Sudanese government minister. (Al Fadl testified that he didn't know if the deal was ever completed.) Even in Sudan, that wasn't enough to support his family.

He testified that he once complained to bin Laden about the fact that some members of al Qaeda made more than he did. He was also irritated that the many Egyptians in the operation-- chief among them Abdel Ayman Zawahiri, a senior bin Laden lieutenant-- seemed to get more than their fair share of money and responsibility. Like many a Mafia accountant before him, al Fadl took to skimming some of al Qaeda's receipts. He was eventually found out, and bin Laden promised him forgiveness if he returned the money. Al Fadl, however, had already spent much of it--on land for his sister and a car for himself--and fled. He told his story to the FBI, who brought him and his family to the U.S., where they now live under the eye of the Witness Protection Program.

While bin Laden remained in Sudan, he and al Qaeda remained at least partially aboveground. In 1996, under pressure from the U.S., bin Laden was forced to flee to Afghanistan, and he and his money became even harder to track.

THE CHARITY CONNECTION

Al Fadl's testimony reveals some of the ways that al Qaeda moved money, but little about where the cash originally came from. Some of it, of course, was bin Laden's, but other sources appear to be more important--and even harder to pin down. According to William Wechsler, who headed efforts at the National Security Council and the Treasury to head off terrorist money laundering during the Clinton Administration, al Qaeda has two primary sources of funding, although he says their relative importance is hard to determine. Terrorists, after all, don't keep a public set of audited books. "If anybody tells you they know, they're wrong," he says.

The first is charity groups. During the Afghan fight against the Soviet Union in the 1980s, bin Laden and other financiers of the rebels persuaded some Muslim clerics that supporting the mujahadeen was a religious duty. Subsequently, money donated to numerous charities--usually from people who believed that they were giving to hospitals and orphanages--found its way into the hands of Afghan fighters. This continued when al Qaeda rose from the remains of the Afghan resistance in the early 1990s and became a terror organization. Wadi el Hage, one of the men prosecuted and convicted in New York City in the embassy bombing case, used a charity involved in public health projects in East Africa as a front for terror operations. There are numerous groups, Wechsler explains, that do some legitimate charity work at the same time that they channel dollars to terrorists--not unlike the network of Irish-American charitable groups that have helped the Irish Republican Army buy weapons over the years.

Wechsler says that al Qaeda and groups affiliated with it are also supported by donations from wealthy people around the world. Bin Laden is himself a child of wealth, and his personal contacts among the rich of the Middle East are believed to be extensive. Al Qaeda also has relationships with terror groups throughout the world with different Islamic and nationalist goals, although they all share a hatred of Israel and the United States. Bankers in the United Arab Emirates and Egyptian and Saudi businessmen who consider their own governments corrupt or insufficiently Islamic are among al Qaeda donors.

One of them appears to be a wealthy Saudi banker named Khalid bin Mahfouz. In March 2000, the Paris-based Intelligence Newsletter reported that Mahfouz had been detained by Saudi authorities at the request of the United States for having given as much as \$2 billion to a charity acting as a front for al Qaeda. Mahfouz had been an early and large investor in BCCI, the Luxembourg-based Bank of Credit & Commerce International, which in 1991 was closed for its money laundering on behalf of a huge variety of criminals and terrorists. Mahfouz was fined \$200 million for his part in the complex scandal and banned from operating in the United States. According to Sen. John Kerry, who chaired a Senate committee that investigated BCCI, some of the assets seized from the bank were accounts that were in the name of Osama bin Laden.

Then there is the possibility of an al Qaeda role in the Afghan opium trade. To date, there has been no hard public evidence of that, although Wechsler says he thinks it is more than coincidental that Afghanistan became the world's largest supplier of heroin at the same time the Taliban, who have harbored bin Laden, came to power. Nor is there clear evidence supporting rumors that someone with advance knowledge of the attacks tried to profit by shorting certain stocks and commodities in early September. Some investigators have expressed skepticism that disciplined terrorists would leave a paper trail on the books of American brokerage firms.

The prospects for anyone hoping to quickly identify and cut off al Qaeda's money seem grim. Perhaps President Bush's promised retribution against foreign governments and banks that fail to cooperate with efforts to track the group's funding will be more successful than the Clinton Administration's efforts to freeze Osama bin Laden's assets in the U.S. But the lesson of BCCI isn't encouraging. According to former State Department official Winer, who worked on the BCCI investigation when he was an aide to Sen. Kerry, the probe was hampered at many turns by Middle Eastern banks in countries with lax bank regulation, no tradition of financial transparency and every incentive to protect the highly profitable flow of dirty money into their institutions.

But there may be some reason for optimism, if investigators and regulators can stay focused on the effort to follow al Qaeda's money. Former NSC staffer Wechsler, for one, takes encouragement from the Clinton Administration's ability to find the roughly \$1 billion that Serbian strongman Slobodan Milosevic had funneled through a bank in Cyprus. Says Wechsler: "The extremes are wrong. It's wrong to say this is a futile effort, and it's also wrong to say that tomorrow we will have frozen all the assets and there will be no more al Qaeda. It can be done, but it takes time. It takes years."

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