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War on Terror: Fantasy and Fiction Behind the Mythology of Terrorist Financing

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Abstract: Documentary evidence shows that the series of financial crackdowns initiated since 9/11 have had virtually no impact on terrorism. This is because these efforts are based on a fundamental misconception on how terrorism works. The financial warriors' predisposition to stereotypes about "Arabs and their money" allowed unsubstantiated rumours–such as Bin Laden's personal fortune of $300 million–to become established as facts. This study exposes the extent to which Washington policymakers simply transposed the template for the war on drugs on to the war on terror, despite the fact that terrorism is not a profit–driven enterprise. The collateral damage inflicted on organisations like Al-Barakaat, the Somali remittance network, wrongly accused of channeling money to the terrorists, and others are counter-productive as they dent the image of the US in the Muslim world.

Key words: terrorism, financial front, Al-Qaeda, Al-Barakaat, law enforcement agencies

The "War on Terror" began on the financial front on September 24, 2001, when President George W. Bush declared that "Today we have launched a strike on the financial foundation of the global terror network."[1] A presidential order that had taken effect that day "one minute after midnight" blacklisted 27 individuals and groups – "terrorist organizations, individuals, terrorist leaders, a corporation that serves as a front for terrorism and several non-profit organizations." The presidential statement made it clear that this

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was just a beginning in the open-ended war on terror, many more financial attacks would be forthcoming.[2]

The first strike was also meant to be a shot heard around the world. Since most of the assets linked to terrorism were outside the United States, the financial war was from the start a global one. Within days, under American leadership, the campaign was taken up by international bodies. Members of the G-7 pledged to pursue "a comprehensive strategy to disrupt terrorist funding around the world."[3] On September 28, 2001 the United Nations Security Council passed Resolution 1373, which required all nations to keep their financial system free of terrorist funds. The Financial Action Task Force (FATF), the Paris-based organisation in charge of policing money laundering, which had until then been spurned by the Bush administration, was finally appointed as the global policeman on matters of terrorist financing. The World Bank (WB) and the International Monetary Fund (IMF) added terrorist financing and money laundering controls to their monitoring of countries' economic activities.[4] Countless international, regional and national bodies pledged to deprive all suspected terrorist networks of financial and logistical support.

The hastily passed and symbolically charged US PATRIOT legislation (the acronym stands for "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism," provided additional tools aimed at terror financiers. It considerably beefed up financial controls, by expanding the anti-money laundering arsenal, broadening the definition of terrorism and financial institutions, widening prosecutorial powers, and prohibiting American banks and other financial institutions from accepting funds from shell banks domiciled in offshore financial centres. In addition, many of the controversial sections of the law, including permission given to the Federal Bureau of Investigation (FBI) and other law enforcement agencies to expand wiretapping, detention and eavesdropping on lawyers were justified by the need to "disrupt" the financing of terror.

A massive surveillance of domestic and international financial flows was also under way soon after the September attacks. First Data Corporation, one of the world's largest processors of credit card transactions offered as early as September 13, 2001 to open its books to US investigators.[5] And under a series of broad US subpoenas, the massive database of Brussels-based SWIFT (the Society for Worldwide Interbank Financial Telecommunications), which links 7,800 banks and financial institutions worldwide and processes some 11 million sets of transfer instructions and confirmations daily, was tapped for information on activity by suspected terrorists. The secret Terrorist Finance Tracking Programme was managed by the Central Intelligence Agency (CIA) under the supervision of the Treasury Department.[6]

A week after the first strike, President Bush trumpeted "progress on the financial front" as he announced more blacklisted accounts.[7] The financial assault has since broadened and deepened. Initially limited to terror groups with "global reach," it soon expanded far beyond the perpetrators of the attacks on the World Trade Centre and those who posed a direct threat to the United States. It extended to movements such as Hamas and Hezbollah, and the dragnet engulfed informal remittance networks (*hawalas*) and mainstream Islamic charities. In the weeks following the 9/11 attacks, the pace of financial strikes was frantic. The financial front though briefly upstaged by the swift military offensive in Afghanistan dominated the headlines.

The most spectacular strike occurred on the morning of November 7, 2001, when special agents from the US Customs Service, the Internal Revenue Service, the Office of Foreign Assets Control and the FBI descended on offices of Al-Barakaat, a remittance and telecommunications company based in Somalia and Dubai. There were simultaneous and equally dramatic operations against the company in foreign countries, highlighting unprecedented strides in international cooperation. The announcement was made with great fanfare by President Bush who described the company as the "quartermaster of terror." There were even suggestions that Osama Bin Laden was a founder and co-owner of that company.[8]

It later appeared that those accusations were baseless and the Al-Barakaat was innocent of terrorist charges. Countries ranging from Canada to Sweden, judging the "evidence" furnished by the US unconvincing, refused to comply with requests for further crackdowns against the company and its executives. In the US, after a long legal battle, the company was discreetly exonerated from being linked to terrorists. The Al-Barakaat episode, though illustrative of every dysfunctional aspect of the financial war, is still perceived in the literature of law enforcement as a shining trophy.

Following the invasion of Iraq in March 2003, that country became the new centre of gravity for the financial war against terrorism. On March 20, 2003, hours before bombs started falling on Baghdad, President Bush signed an executive order to confiscate $1.4 billion that had been held in US banks following the 1990 invasion of Kuwait. The action marked only the second time since World War II that the US government had taken ownership of a substantial amount of frozen foreign assets. The executive order also required the government to identify, freeze and seize Iraqi assets worldwide. The American quest for "Saddam's billions" became part of the financial war against terrorism. Vice-President Dick Cheney emphatically claimed a link between Saddam Hussein and Al-Qaeda. As the insurgency in Iraq grew, hopes for a swift and profitable reconstruction faded, but an added rationale, the need to deprive insurgents of funds, lent further urgency to the financial war.[9]

The Financial Front

Like the "War on Terror" itself, the war's financial front may also well be the widest and the most durable, as well as the least controversial and the most prone to spin and practical manipulation. The financial front was the one front to which every single country was expected to contribute. Long after the removal of the Taliban regime in Afghanistan and the official ending of the "military phase" of the Iraqi war, respectively on December 12, 2001 and May 1, 2003, the financial front was still steadily expanding. In that respect, the contrast between the military front and the financial one was striking. Militarily, the steady broadening of the war on terror, which culminated with the war in Iraq, was deeply unpopular internationally, and generated a great deal of defections within the Western alliance. The "coalition of the willing" as John Kerry called it during his presidential campaign in 2004 was more like a "coalition of the coerced and the bribed."[10] As chaos spread in Iraq, the coalition kept shrinking, from 38 nations and 50,000 troops in mid-2003, to 27 countries and about 22,000 troops at the end of 2005, with most of the remaining countries announcing that they would end their participation in 2006.[11] The exact opposite was happening on the financial front. All members of the United Nations officially signed on to the financial war, giving their part in freezing accounts, signing treaties, creating new bureaucracies, overhauling legislation, and otherwise committing to starving terrorists of funds.[12] Even today, hardly a day goes by without news of a country enacting or tightening "money laundering/terrorist financing" laws or signing a related bilateral or multilateral agreement.

The breadth and softness of the financial front makes it especially vulnerable to political manipulation. The goal of separating terrorists from their money is unexceptionable and the financial argument itself is highly plausible. The sheer magnitude of the destruction caused by the 9/11 attacks left little doubt that huge resources had been involved. Even after it was revealed that the actual cost of the 9/11 operations was modest, in the range of $300,000 to $500,000, the broader paradigm was never seriously challenged;[13] money is the sinew of war, and attempt at apocalyptic terror involving nuclear, chemical and biological weapons justified extreme measures.

The involvement of Osama Bin Laden, the scion of an immensely wealthy Saudi family, and the fact that 15 out of the 19 hijackers were Saudis, suggested that money had been the locomotive of the attacks. Yet there is a central paradox about money. Claims and accusations on money matters are not easily verifiable. As such, unlike, say, weapons of mass destruction, the non-existence of which was eventually established, allegations about money are routinely exempted from the physical verification test. The most fanciful claims can be made, and it is nearly impossible to prove or disprove them. The financial front is also highly conducive to "pseudo-events"– freezing accounts, issuing new regulations, creating new agencies and committees' convening conferences and meetings, announcing new policy measures, and other forms of bureaucratic "busyness" which make it easy to confuse "activity" with "progress." By the same token, the vigorous prosecution of the financial war is assumed to be effective. Although considered the province of "financial warriors," technocrats belonging to a vast specialised bureaucracy were assumed to know what they were doing and are seldom politically innocent. Some Treasury Department officials confessed in the media that the department's early decisions and announcements were "premature and politically driven."[14] Equally significant, the financial front is irresistible to politicians whenever they need to show they are "doing something" or whenever they want to grandstand or change the subject.

The first strike on terror was a case in point. The general public was in a state of shock, and the administration in the US, which had been fixated on Iraq and had not taken the Al-Qaeda threat seriously despite repeated warnings of an impending attack involving hijacked airplanes on US soil, wanted to do something bold and dramatic.[15] There were no contingency plans at that time for an immediate military attack on Afghanistan, and no forces in the immediate area. Pentagon officials felt that it could take up to 60 days before the military could put together major military strikes in the country that sheltered the Taliban.[16] The idea of a financial attack came up as early as September 17 as a fitting substitute.[17] It was, in the words of President Bush, "Something that could be done immediately,"[18] with the added advantage that it would provide a much needed "scorecard," since concrete, albeit spurious, results could be announced.[19]

The president ordered to "seize some assets, and quickly."[20] And as one official put it later; "it was almost comical. We just listed out as many of the usual suspects as we could and said, let's go to freeze some of their assets."[21] President Bush insisted that he ought to make the announcement himself, driving home the point that this would be a "completely different kind of war."[22] The political logic was compelling; the financial strikes conveyed a message of forceful action; they elicited strong popular support and generated no criticism or second guessing. Cutting off the terrorists' finances sounded appealing and played to the public's sense that the world of international finance was one of a great machine in which every moving piece could be found.[23]

That the strikes failed to have an impact on terrorist funding was almost beside the point. After all, who could disagree with the idea of drying up terrorist funding, or that of punishing terror's pay masters, especially if such actions would prevent future attacks? Few voices were raised in criticism. More than seven years after the 9/11 attacks, at the time when public polls showed that Bush was the least popular American President in the American history, the support for intrusive financial controls remains strong. Following the disclosure of the Terrorist Finance Tracking Programme, which provided for the monitoring of virtually all international financial transfers, most Americans supported the programme.[24] From the early days of the war on terror, American analysts and commentators of every political stripe were generally supportive of such policies. Many who expressed misgivings about military strikes had no qualms about financial ones. As one analyst put it, "these financial measures are going to be far more important and effective in fighting terrorism than anything that falls out of a B-I bomber. Bin Laden has supplied the Taliban with more than $100 million a year since 1996. This is a major source of income for the government, and probably buys him a lot of protection too."[25] As summarised by *The Economist,* the argument was that "chocking off the money that funds terrorism sounded, after September 11, like a neat and peaceable way to help prevent future attacks."[26]

The financial war has consumed vast swaths of the US government's budget and bureaucracy. It has affected the lives and activities of people and organisations around the world. But it has been subjected to virtually no critical scrutiny. The core argument of this article is that the financial war has political, social and economic consequences that have nothing to do with terrorism, and in fact, may endanger America's national interests and the security of the world in the long term.

The Parallel Universe of the Financial War

Richard Perle, the erstwhile influential Chairman of the Defence Policy Board, the Pentagon advisory group, said in the wake of the September 11 attack that "terrorism must be de-contextualised."[27] The discussion of terrorism, especially in the period immediately following the attack, was largely detached from context, history, and politics. On the subject of terrorist finance, a veritable "parallel universe" has taken shape, built around dubious axioms, assumptions, and founding myths.

The central axiom is that money is the "lifeblood" or the "oxygen" of terror. As he asked "the world to stop payment" on September 24, 2001, President Bush asserted that "money is the lifeblood of terrorist operations." The same theme was used by British Chancellor of the Exchequer Gordon Brown as he announced a series of post-September 11 financial controls to take effect throughout the European Union: “if fanaticism is the heart of modern terrorism, finance is its lifeblood.”[28]

The much abused lifeblood and oxygen metaphor has been ritually invoked whenever action was taken on the financial front. One American legislator argued that terrorism would end only when “our law enforcement becomes armed with appropriate arsenal of tools to either cut off or trace the lifeblood of terrorism: money.” Otherwise the country would be fighting “terrorism with one hand tied behind our back.”[29] Influential think tanks, for example, the Heritage Foundation concurred. Whenever the subject of terrorist financing comes up, whether in the media, in Congress, or in the courtrooms, the metaphor is inevitably dredged up. On certain occasions, a second related axiom was articulated, that was “money is the mother of intent.”[30]

Those axioms were forcefully stated, yet they rested on a number of assumptions, most of which were so self-evident that they were seldom if ever expressed. The master assumption of the financial war is that there is a more or less finite stash of cash “out there”, which is periodically tapped for terrorist operations. The roots of this assumption, and related ones (terrorism is motivated by money, acts of terror require substantial financing, financiers and paymasters are a necessary part of any terrorist attack, etc.), are to be found in the entrenched belief that Al-Qaeda’s treasure consists essentially of Osama bin Laden’s “300 million inheritance,” and in the prevailing law enforcement mindset. Once that stash is seized in its entirety, terrorism will be deprived of its lifeblood and will stop.

Finance as a Residual Explanation

Another reason why the idea that money causes terror was able to get such currency was the resolute foreclosing of any political or social explanations of terrorism in the aftermath of 9/11. The Bush administration, with its emphasis on the simplicities of good and evil, was not in the business of “understanding terrorism.” Nonetheless, the law enforcement and intelligence agencies needed at least to explain why terror occurred in certain places and at certain times. Insofar as certain subjects, such as American foreign policy, could not be brought up, finance subtly stepped into the breach as the residual explanation of choice.

The World Trade Centre attacks had been made possible by money, the "oxygen" of terror. In the months immediately following 9/11, the absence of terrorist acts was interpreted as proof positive that "financial networks were strangled" and that "the financial offensive was working."[31] The reappearance of terrorism in various parts of the world was frequently interpreted as a sign that some terrorist money was still "out there." The money warriors, while taking stock of their successes, would on occasion recognise that terror financiers had not been dealt with harshly enough, or that terrorists had found new ways of hiding their money in sum, that more needed to be done on the financial terrain. After every terrorist attack – and in every instance of post-September 11 terrorism, the cost of the attacks was proven to be negligible–there would be calls for "doing more" on the financial front.[32]

In other words, whenever events contradicted the official storyline, the financial argument was bound to resurface. In the months preceding the war on Iraq, the dominant discourse claimed not only that a war was necessary, but also that it would be a "cakewalk" that American troops would, in the words of Vice-President Dick Cheney, "be greeted with flowers and sweets," that reconstruction would be smooth, and democracy would take root in Iraq and flourish in the Middle East. Most significantly, "regime change" in Iraq was to deal a fatal blow to terrorism.[33] The notion that there would be a substantial Iraqi resistance was thus a logical impossibility, that is why the war planners simply failed to plan for the post-war.[34]

Later, a number of milestones–the killing of Saddam Hussein's sons, the arrest of Saddam Hussein and his subsequent execution, the return to sovereignty, the elections and referendum, the killing of Abu Musab al-Zarqawi, etc.–were to spell the end of the insurgency. Every one of these milestones was actually followed by a recrudescence of terrorism. With the insurgency repeatedly said to be in its "last throes," many provided the much needed post-hoc hypothesis: the insurgents were really foreigners and dead-enders, and anti-American attacks could be attributed to undiscovered cash.[35] In the words of one writer: "U.S. officials think another $3 billion (belonging to Saddam Hussein), give or take a million or two, is sloshing around in banks in Syria, Lebanon, Jordan and Turkey. That translates into a lot of body bags in Iraq."[36]

Conversely, any pause in the insurrection would be attributed to the drying up of financial resources. Even as many American officials came to terms with the fact that they were facing insurrection, the financial argument would periodically reappear, occasionally broadening the list of "usual suspects." *The New York Times* reported in October 2004 that "the core of Iraqi insurgency now consisted of as many as 50 militant cells that draw on 'unlimited money' from an underground financial network run by former Baath Party leaders and Saddam Hussein's relatives. Their financing is supplemented in great part by wealthy Saudi donors and Islamic charities that funnel large sums of cash through Syria, according to these officials, who have access to detailed intelligence reports."[37]

A mainstay of the discourse on terrorism, and a corollary of the financial argument for terror, was that there is a "market" for terror attacks–a mechanical relationship between the money available and the occurrence of the terrorist acts. "Terrorism experts" took to opining on the fluctuations of the terror market with the same confidence displayed by stock market analysts nowadays following the economic meltdown. At any given time, one could learn about how much an attacker, a suicide bomber, or a suicide bomber's family would receive as a reward for carrying out a terrorist attack. In early 2004, Israeli officials quoted in *The New York Times* claimed that each attack brought its Palestinian planners an amount ranging from $673 to $1,122.[38] Around the same time, it was estimated that the reward for conducting a strike in Iraq was $500, as opposed to $3,000 for the killing of an American soldier.[39] Almost a year later, the going rate in parts of Baghdad for planting roadside bombs was said to be $100-300 for each explosive.[40]

One troublesome aspect of the terrorism-for-profit argument was that most terrorists were suicide bombers–which led many Western analysts to broaden the economic rationality argument. Some asserted the afterlife benefits of martyrdom (*istishhād*).[41] Others emphasised the financial benefits of survivors. *U.S. News and World Report* quoted the explanation of Yehudit Barsky, a self-proclaimed Islamic charities expert from Israel: "without the money that terrorists know will go to their families when they die, it would be harder for organisations to recruit. Cut off that support system of money funnelled to families, and you will be left with very few young men willing to die for terror and destroy their family as well."[42]

In the same vein, Israeli counter-terrorism expert Boaz Ganor who argued that the families of suicide bombers during the *intifada* (popular uprising in Gaza and the West Bank) could receive as much as $25,000, wrote: "from this perspective, perpetrating suicide attacks could be considered by a youngster from a large family as an altruistic act for his family's benefit."[43] The financial argument is dubious on many levels. Even if the amounts mentioned were correct, it would be hard to believe that the financial compensation would be the only, or even the main, motivation of Islamically dedicated suicide bombers. Indeed, none of the serious empirical works on suicide bombing places much emphasis on money as a causal factor.[44]

Targets and Collateral Damage

This section addresses two related themes that have been largely absent from the discussion of the war on terror: the disconnection between guilt and retribution, and the collateral damage caused by the financial war. Although financial strikes can cause considerable economic, political and psychological damage, such a damage is easy to ignore. Money warriors reap high bureaucratic and political rewards from their actions, and have little sense of the damage they inflict on distant lands. The nature of the financial front has turned it into a favourable terrain for punitive expeditions, where the many are punished for the sins of the few. The case of Al-Barakaat, the Somali remittance company wrongly accused of being a secret financier of Al-Qaeda, vividly illustrates the asymmetry; the high-profile closure of the company was presented as a triumph, yet it brought devastation to one of the world's poorest countries.

The Al-Barakaat was the highest-profile case in the financial war on terror. On November 7, 2001, President Bush announced: "today, we are taking another step in our fight against evil." Simultaneous police raids in the US and overseas–Canada, Italy, Switzerland and the United Arab Emirates–had shut down Al-Barakaat. In addition, 62 organisations and individuals had their assets frozen.[45] The moves were the result of "solid and credible" evidence that the organisations named were operating "at the service of mass murderers." President Bush added that "by shutting these networks down, we disrupt the murderers' work." More specifically, "today's action interrupts Al-Qaeda's communications, it blocks an important source of funds, it provides us with valuable information."[46] A long list of accusations followed: Al-Barakaat was skimming money from transactions to fund Al-Qaeda; it provided internet services, and was even involved in shipping weapons to terrorists. President Bush reiterated his "clear message to global financial institutions: you are with us, or you are with the terrorists. And if you are with the terrorists, you will face the consequences."[47]

All the specific characteristics of the company–its modest storefront operations, its involvement in telecommunications, etc.– were made to fit within the broader terrorist-financing narrative. In the feeding frenzy that followed, more alarming details surfaced. It was suggested that the company was founded and partly owned by Osama Bin Laden himself.[48] The scale and scope of the alleged fundraising efforts were said to be substantial. Officials said that 5 percent of every transaction was skimmed, thus providing $15-25 million annually to Al-Qaeda. Shutting down Al-Barakaat was hailed by the Bush administration and the media as a resounding success. It was "a shining example of what President Bush's financial campaign against terrorism is aimed at: an organization with the patina of legitimacy that is siphoning money to terror groups."[49]

In reality, after the initial euphoria, the Al-Barakaat case became an embarrassment for the US financial warriors. It came to illustrate many of the dysfunctions of the financial war – the power of rumour and innuendo, the flimsy nature of what passed for evidence, and the unaccountability of bureaucrats. The media, while giving huge play to the news of the initial closure of Al-Barakaat, barely covered the epilogue of the story–the exoneration from charges of terrorist financing. In Somalia, on the other hand, every aspect of the case was widely known. As a result, there was a strong sense of injustice done to the company and the country.[50] The Al-Barakaat case was also a blow to international cooperation as it eroded much of the pre-existing goodwill and generated great cynicism towards the process of terrorist designation and asset seizure.

The Al-Barakaat (literally meaning "blessing" in Arabic) was set up to address the needs of Somali immigrants who sent a significant part of their earnings to their families on a weekly or monthly basis. Founded in the late 1980's, the company initially focused on remittances from Somalis working in the Persian Gulf countries. Following the 1991 collapse of the Somali government and banking system, Al-Barakaat assumed a significant role in the Somali economy. Its biggest asset was the large Somali Diaspora in the US and Europe, who used it to send money to Somalia via Dubai, where Emirates Bank International (EBI) facilitated the transmission of money. The company provided a real service to a country devastated by war and famine. Even the United Nations used the Al-Barakaat network to transmit funds for its relief operations in the country.[51] At the time of the September 11 attacks, Al-Barakaat was the largest business group in Somalia, with subsidiaries involved in banking, telecommunications and construction. It had 60 offices in Somalia and 127 abroad in 40 countries, mostly involved in wiring money from expatriate Somalis to their families at home.

September 11 led to a renewed political interest in Somalia, a failed state where Al-Qaeda could find sanctuary, and which was seriously considered as a possible military target.[52] According to the 9/11 Commission Report, reliable evidence to incriminate the Al-Barakaat was scarce, but there was a great deal of pressure to "show results." In their quest for a prize trophy, law enforcement officials cut many corners. The early investigation failed to help the Bush administration's case, and a new theory was soon put forth that the company was in fact a "piece of a larger mosaic," one in which Al-Qaeda served as "the umbrella organization for a loose network of single-purpose, fundamentalist Islamic organizations."[53] All countries fully cooperated with the US in shutting down the company, but a close examination of the records failed to substantiate the accusations. American law enforcement agencies had assumed that Al-Barakaat, given the way *hawalas* (money transfers) had been described, kept no records and the transfers left no trace.[54] But it so happened that both Al-Barakaat and Emirates Bank International had kept scrupulous records of all transactions.

Many countries, which until then had taken US proclamations on faith, started questioning those allegations. Both Canada and

Sweden concluded that there were no reasonable grounds to believe the company was connected to any terrorist activity. After the US-based Al-Barakaat offices filed a lawsuit challenging the action against the company, most assets frozen in the US under executive order were unfrozen. The unfreezing of the Al-Barakaat assets was as discreet as the crack-down had been highly publicised. In the media, it was barely mentioned. No government official admitted to a mistake.

According to the United Nations estimates, annual remittances to Somalia amounted in 2001 to about $500 million, more than the country earned from any other economic sector and ten times the amount of foreign aid it had received.[55] The closure of the company resulted in the reduction of such remittances by half along with other devastating disruptions. The company was Somalia's biggest employer and ran the biggest bank, the biggest phone system, and the only water-purification plant. Closing the company resulted in the layoff of hundreds of Somali employees. Beyond the economic impact, the symbolic impact–the perception that Somalia was unfairly treated–may have been the most significant and may have played a role in the rise, four years later, of Islamic fundamentalism in Somalia.

Faulty intelligence was not only confined to the Al-Barakaat blunder. Twelve days after the August 7, 1998 bombings of US embassies in Kenya and Tanzania, 13 US cruise missiles launched from ships in the Red Sea destroyed the El Shifa factory in Khartoum North, Sudan. The bombing, part of Operation Infinite Reach, which also destroyed an Al-Qaeda training camp in Afghanistan, was based on faulty and outdated intelligence. The claim was that the factory produced dangerous chemicals,[56] and that it was partly owned by Osama Bin Laden. In reality the factory produced pharmaceutical products, and had been bought five months earlier by Salah Idris, a Sudanese businessman. Considering the impact of an attack against a devastated country's largest pharmaceutical company many regarded the attack as the greatest foreign policy blunder of the Clinton presidency. That episode inflicted a broader blow on the perceived integrity of the US intelligence and US counter-terrorist efforts generally. After a long legal battle, Salah Idris was exonerated and financially compensated for the mistake.[57]

Under those conditions anyone accused of a crime was more likely to be presumed guilty. In Donald Rumsfeld's words, "the absence of evidence is not evidence of absence." The law enforcement position was that "with terrorism you do not have the luxury of sometimes waiting to figure out if the guy is truly a terrorist."[58] In sum, the presumption of guilt was so powerful that getting removed from a blacklist or exonerated from accusations was an uphill and uncertain battle.

As more blacklists were drawn, cases of mistaken identity multiplied. One list which was notoriously riddled with such cases was the "no fly" list, which barred certain individuals from boarding airplanes.[59] Edward M. Kennedy, Democrat Senator from Massachusetts, tells how between March 1 and April 6, 2004 his name appeared on "no-fly" lists (because it resembled an alias used by a suspected terrorist) and on five occasions, airline agents tried to block the Senator from boarding airplanes.[60]

In addition, the arrest and jailing of people based on false and usually anonymous tips became increasingly common, often resulting in deportations, prison terms, and at the very least financial expense. Clearing one's name and reputation was an uphill battle with no guarantee of fair treatment. Even after full exoneration, the impact lingered, and old charges could always be dredged up or otherwise resurfaced. As shown by the issue of the Iraqi weapons of mass destruction and the link between Saddam Hussein and Al-Qaeda, accusations made repeatedly have a way of sticking in the public mind long after they have been discredited.[61] The association with terror is especially damning for any individual or any business. In a climate of fear, no one likes to "take chances."

Gated Finance and other Contradictions of the Financial War

The war on terror is fraught with dilemmas and contradictions between the grand strategic objective of spreading democracy worldwide and alliances with undemocratic nations; between massive defence spending and economic development; between civil liberties and public safety; between the requirements of intelligence and those of law enforcement; between strategy and tactics. It involves a basic clash between liberalisation and criminalisation, which gave rise to the logic of "gated finance."

The dominant economic doctrine in the years between the fall of the Berlin Wall and the September 11 attacks was undoubtedly that of "market fundamentalism," i.e., the idea of the unquestioned superiority of the market over state intervention, and where openness became a dogma, and where globalization meant the spread of free market capitalism to virtually every country in the world. The attacks on the World Trade Centre and the Pentagon brought to the fore the dark side of global financial freedom because of the notion that the freedom of capital movements happened to benefit illegal as well as legal activities.

Officially, there would be no trade off between openness and security. In reality, however, market fundamentalism now had to coexist with "national security fundamentalism."[62] The two logics were absolute yet contradictory: One insisted on the need for unhindered capital movements, the other called for constant vigilance. The contradiction was resolved through the logic of gated finance. As in gated communities, for a community to enjoy full freedom, it had to be walled off from its messy surroundings. Outside those gates, ceaseless scrutiny would prevail.

After September 11, 2001, the gated financial community which enjoyed the privileges of a free and open system of finance consisted by and large of the financial institutions of the main industrialized countries. The rest of the world was generally left outside. The Islamic world in particular was subjected to constant scrutiny. Some countries already slapped with the rogue label–Libya, Syria, Sudan and Iran–had been subjected to financial sanctions and faced a *de facto* exclusion from the global financial system.

What was new was that countries and businesses that had been well integrated in the global economy now faced major hurdles and restrictions. The most visible ones were the financial controls instituted after the September 11 attacks (primarily those included in the USA PATRIOT legislation). The Treasury Department was given the power to cut off any use of the US financial system by a bank, business or country that did not exercise adequate control over terrorist financing and money laundering. As a result, many international financial institutions came to the conclusion that they would rather not do business with certain individuals, firms, or countries.[63]

In 2004, the Sudanese embassy in Washington had to shut down for three weeks because it was unable to find a bank willing to take its money. No bank wanted to deal with Sudan, a country often associated with terror. The matter took on national security overtones, since the US could have been found in violation of the "full facilities" clause of the Vienna Convention on Diplomatic Relations. The Sudanese threatened to retaliate by cutting off banking services to the US mission in Khartoum. Only at that point in time Treasury Secretary John Snow and Secretary of State Colin Powell jointly asked Federal Reserve Bank of New York to take the rare step of opening an account for the Sudanese mission.[64] No such diplomatic considerations would apply for individuals, corporations, or for that matter banks that would often find themselves shut out of the financial system. Even the largest and most established businesses from the Islamic world have been victim of campaigns attempting to link them to terror. The best-known example is the political uproar that followed the acquisition by Dubai Ports World of Britain's Peninsular of Oriental Steam Navigation (P&O) in February 2006. In Congress and in the media, the deal, as a consequence of which freight terminals at six US port facilities would fall under the control of Dubai, was presented as a threat to US national security.

Though the United Arab Emirates was deemed a crucial and solid ally in the "war on terror," and a Muslim country which embraced modernity and fought fundamentalism, a steady drumbeat kept repeating that "two of the hijackers in the September 11 attacks came from the UAE and laundered some of their money through the country's banking system."[65] Convinced that the political battle could not be won, the Dubai Company agreed to cede control of the US ports to another entity.

Even those institutions that were destined to play a central role in the future development of the Middle East and the Islamic World were victimised by the financial war. Organisations whose vocation was to build bridges found themselves on the wrong side of gated finance. The predicament of the Arab Bank, which was the target of crippling lawsuits, is a vivid illustration of the contradictions of the gated finance system. One of the bank's customers was the Saudi Committee for the Relief of the Palestinian People. The charity, created by the Saudi government, organised funding drives for

Palestinians, and particularly the families of suicide bombers whose houses were demolished by the Israeli government. Because some of those payments had transited through Arab bank accounts, the bank was subjected to highly publicised lawsuits filed on behalf of relatives of US citizens killed or injured in violence in the Middle East.

The idea that the triumph of "moderate Islam" over extremism provided a long-term solution to terrorism was frequently articulated following the September 11 attacks, and took a centre stage during Bush's second term with "a comprehensive strategy to discredit and demystify extremists' ideology and promote moderate Islamic voices."[66] Indeed, for a time, the "global war on terror" (GWOT) slogan seemed to have retired and replaced by that of "global struggle against violent extremism" (GSAVE). However, it turned out that moderation was merely a tactical ploy by neo-conservatives to attain power.

Many "Muslim moderates" experienced various forms of vexation, ranging from finding themselves on no-fly or other interdiction lists, to having their accounts closed, or more generally to being treated as suspects. Indeed, many in the banking community have "noted the danger of institutional racism, of making life hard for customers of Middle Eastern origin."[67] In many instances, entire communities were under siege. A great number of Islamic voices friendly to the US expressed their disappointment at being badly treated simply because of their religious or ethnic background. Consider the case of Fouad Siniora, a moderate Sunni who was the Minister of Finance of Lebanon (now Prime Minister), when he was told that his US visa would be cancelled because of a US$660 donation he had made to Al-Mabarrat Islamic Charity Society during a Ramaḍān *ifṭār* in 2000. Such cases, though often resolved, tend to leave a bitter aftertaste.

Conclusion

Contrary to what is commonly said, money is not the lifeblood of terror. Such slogans suggest that once money is "taken away" from terrorists, terrorism will stop. "Money warriors" have the causality wrong: terrorism does not exist because there is money; rather, money appears where there is support for terror. The principal question ought to be, "why is there support for terror?" Only after such a question is adequately answered, and once the nature of the support network (its characteristics, its grievances, the incentive system of its members, etc.) is understood, can the question which dominates the financial war–"where does the money come from?"–be properly addressed.

Another entrenched belief is that acts of terror, because of their destructiveness, cost a lot of money. The empirical evidence suggests otherwise. More than half of the American casualties in Iraq have been caused by crude, often home-made improvised explosive devices. The September 11 attacks cost less than US$500,000. The twin October 2002 nightclub bombings in Bali, which killed 202 people, cost less than $50,000. The August 1998 twin truck bombings of the US embassies in Kenya and Tanzania, which killed 231 people, cost US$10,000. The four coordinated suicide bombings that struck London's public transport system in July 2005, which killed 52 civilians cost less than US$1,000. If there is a pattern, it is probably that the cost of mounting an attack keeps decreasing–that far from being the lifeblood of terror, money is now a minor aspect of terrorism. This remains to be understood by financial warriors and terrorist experts. Indeed, as had been the case after every single terrorist attack, before any evidence surfaced about the perpetrators and their methods, the focus was on terrorist financing.

What are we to make of the steady decrease in the cost of terrorist attacks? One explanation is related to technological developments, which resulted in the democratisation of violence, the privatisation of wars, and the advent of virtual networks. There is also the process of learning, adaptation and socialisation that has taken place since September 11. The "deadly expertise" of Al-Qaeda has quickly spread to potential terrorists worldwide, not least thanks to the Internet.[68] The mistake of financial tsars is to look at terrorist financing as a subfield of criminology–a self-contained, free standing field insulated from politics. They like to consider the finance war as a technical matter, best left to experts. Another mistake is the money laundering template, which grew out of the law enforcement agencies' battles against organised crime and drug trafficking. Although money laundering is fundamentally different from terrorist financing, the two have become virtually indistinguishable following the September 11 attacks. Money laundering is about "hiding and legitimising proceeds from illegal activities."[69] Terrorist financing, in contrast, is not driven by a crime-for-profit logic and has nothing to do with cleaning dirty money.

All this is certainly not meant to downplay the importance of money. Although most recent acts of terror have been conducted on shoestrings, money–though not a causal factor, and not, as commonly repeated, the lifeblood of terror–is a significant facilitator and enabler. More money undoubtedly results in deadlier attacks. In the future, as terrorists attempt to gain access to weapons of mass destruction, money is bound to assume an even greater role, which is all the more reason to address the issue in an intelligent and effective manner. Policies based on an inappropriate understanding are bound to be counter-productive, since their actual impact will be to cause collateral damage, which is likely to increase recruitment and support, including financial support for terrorism.

Notes

1. "President Freezes Terrorists' Assets." Remarks by the President, Secretary of the Treasury O'Neill, and Secretary of State, Powell, on Executive Orders the White House, Office of the Press Secretary, September 24, 2001 [Online] available at http://www.whitehouse.gov/News/releases/2001/9, accessed on November 15, 2008.

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3. Statement of G-7 Finance Ministers, US Department of the Treasury, September 25, 2001[Online] available at http://www.ustas.gov, accessed on October 7, 2008.

4. "The United States Mission to the European Union" [Online] available at http://useu.usmission.gov, accessed on November 15, 2008.

5. Ron Suskind, *The One Percent Doctrine: Deep Inside America's Pursuit of Its Enemies Since 9/11* (New York: Simon and Schuster, 2006), 11-13.

6. *The New York Times,* June 23, 2006.

7. *Financial Times*, October 2001.

8. *Bussiness Week Online,* October 15, 2001.

9. Bob Woodword, *Plan of Attack* (New York: Simon and Schuster, 2004): 409-10.

10. David E. Sanger & David M. Halbfinger, "Cheney warns of terror risk if Kerry wins," *New York Times,* September 8, 2004.

11. *Los Angeles Times,* December 28, 2005.

12. See http://www.whitehouse.gov/news/releases/2001/12/100dayreport.htm, accessed on November 15, 2008.

13. *Wall Street Journal,* May 15, 2002.

14. *Los Angeles Times*, April 7, 2002.

15. *The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks upon the United States* (New York: W. W. Norton, 2004), 260.

16. Bob Woodward, *Bush at War* (New York: Simon & Schuster, 2002), 25.

17. Ron Suskind, *The One Percent Doctrine: Deep Inside America's Pursuit of its Enemies Since 9/11* (New York: Simon & Schuster, 2006): 11-13. The "One Percent Doctrine" was the post-September 11 belief by Vice-President Dick Cheney that "even if there is just a one percent chance of the unimaginable coming true, act as if it is a certainty," Suskind, *The One Percent Doctrine*: 62.

18. Bob Woodward, *Bush at War*: 112.

19. Ibid., 49.

20. Ron Suskind, *The Price of Loyalty: George W. Bush, the White House, and the Education of Paul O'Neill* (New York: Simon & Schuster, 2004), 193.

21. Ibid.

22. Bob Woodward, *Bush at War*: 120.

23. Daniel Benjamin and Steven Simon, *The Age of Sacred Terror: Radical Islam's War against America* (New York: Random House, 2003), 269.

24. Dana Blanton, "Fox News Poll: Bush Approval Holding," Fox News, June 29, 2006 [Online] available at http://www.foxnews.com/stury/0,2933, 201573,00.html, accessed on November 17, 2008.

25. Mark Weisbrot, "Financial War against Terrorism off to a Slow Start," October 10, 2001 (Washington, D.C.: Center for Economic and Policy Research), [Online] available at http://www.cepr.net, accessed on November 20, 2008.

26. *The Economist*, May 30, 2002.

27. *The Independent,* January 4, 2003.

28. *Guardian,* October 16, 2001.

29. *The New York Times,* October 12, 2001.

30. *Christian Science Monitor,* October 10, 2003.

31. See, for instance, the glowing assessment of the first 100 days issued by the White House [Online] available at http://www.whitehouse.gov/response/financialresponse.html, accessed on November 20, 2008.

32. *Financial Times*, July 13, 2005.

33. *Washington Post*, February 13, 2002.

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37. *The New York Times,* October 22, 2004.

38. Ibid., February 26, 2004.

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43. Ganor, *The Counter-Terrorism Puzzle,* 77.

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48. *Washington Post*, November 7, 2001.

49. *Wall Street Journal,* December 4, 2001.

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56. *The New York Times,* October 27, 1999.

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61. *Washington Post,* September 6, 2003.

62. Cass R. Sunstein, *Radicals in Robes: Right-Wing Courts are Wrong for America* (New York: Basic Books, 2005): 161-73.

63. *Wall Street Journal,* July 5, 2006.

64. Ibid., September 3, 2004.

65. *The New York Times,* February 22, 2006.

66. *Financial Times,* August 1, 2005.

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