Following the Terrorist Money Trail

By Celina B. Realuyo

> Money is the lifeblood of terrorist operations. Today, we're asking the world to stop payment.
> *President George W. Bush, 24 September 2001*[1]

In combating terrorism, the international community must employ all the instruments of national power to disrupt, dismantle, and deter terrorist groups. These instruments include diplomatic, military, intelligence, information, law enforcement, economic, and financial capabilities that can be applied singularly, or in combination, to counter international security threats, including terrorism. These countermeasures have been successfully leveraged at the local, national, and international levels to combat terrorist networks around the globe. This chapter will focus on the financial front of the war on terrorism and demonstrate how "following the money trail" enhances governments' efforts to identify, root out, and defeat terrorists and their financiers. We will begin with an overview of how terrorist groups raise and move their money. Subsequently, strategies to combat terrorist financing through law enforcement and intelligence operations, public designations, international cooperation, and capacity building programs will be examined. A case study of Indonesia's response to the tragic October 2002 Bali bombings will demonstrate how counterterrorism measures, including those to address terrorist financing, have been developed and applied successfully to combat terrorism. We will conclude with a review of the progress made to combat terrorist financing and underscore the challenges that remain in this arena.

Methods of Terrorist Financing

Financing is essential for any organization and its activities, and terrorist networks are no different. Terrorist activities can be categorized into operational and support activities. Operational activities include surveillance and reconnaissance, rehearsal, final preparations, and the actual attack. Support activities entail propaganda, recruitment, fund-raising, procurement, transportation and travel, safe havens, multiple identities, communications, and training. All of these activities require financing. While the actual cost of a terrorist attack can be merely in the thousands of dollars, developing and sustaining a terrorist network require millions of dollars. So how do terrorist groups raise and move their money? Over the years, terrorist groups have relied on a broad spectrum of methods to fund their networks and operations. While money laundering involves disguising funds obtained through illicit activities, terrorist financing does not always involve "dirty money," receiving funding from state and individual sponsors; and this presents more challenges for the counterterrorism community. The tragic attacks of September 2001 brought to light how al Qaeda exploited the international financial system to fund its preparations for and execution of the attacks. In response to 9/11, the international public and private sectors instituted more stringent controls over the traditional banking sector to combat terrorist financing and money laundering. However, over the years, we have observed that terrorist groups have turned to various funding sources and methods to circumvent this increased oversight of the banking sector. Let us examine some of the mechanisms beyond traditional banking abused by terrorist networks.

NGOs/Charities. Terrorists may be attracted to charities and nongovernmental organizations (NGOs) to raise and move their assets because of the industry's nontransparent nature. According to the Financial Action Task Force (FATF) on Money Laundering's Report on Money Laundering Typologies 2002–2003, some charities have served as a cover for moving funds to support terrorist activities, usually on an international basis, in addition to serving as a direct source of income.[2] For example, according to the US Department of Justice, the Global Relief Foundation, an Illinois-based charity, sent more than 90 percent of its donations abroad and had connections to and provided support and assistance to individuals associated with Osama bin Laden, the al Qaeda network, and other known terrorist groups.[3] Similarly, the Department of Justice asserts that the Illinois-based Benevolence International Foundation moved charitable contributions fraudulently solicited from donors in the United States to locations abroad to support terrorist activities, as the foundation had offices worldwide through which it could facilitate the global movements of its funds.[4] While legitimate charities promote noble social and economic causes, the lack of regulation and oversight of the sector, as well as the international nature of charitable work, make this sector vulnerable to abuse by terrorist networks.

Cash Couriers. Moving large amounts of currency, through bulk cash smuggling or cash couriers, is an attractive terrorist financing mechanism since US dollars are accepted as an international currency and are readily convertible. There is no traceable paper trail, no third party involved, and the terrorist has total control of the movement of that money by using cash couriers. However, this is a more risky method of moving funds for terrorists. There is the risk of a courier stealing the money, of informants within the network, and of border searches or government inquiries that could compromise the network or mission. In the United States, bulk cash smuggling is a money laundering and terrorist financing technique designed to bypass financial transparency reporting requirements. The currency is often smuggled into or out of the United States concealed in personal effects or shipping containers, or it is transported in bulk across the border via vehicle, vessel, or aircraft. According to the Federal Bureau of Investigation (FBI), "some of the September 11 hijackers allegedly used bulk cash smuggling as another method to transfer funds."[5] In response to the 9/11 events, US Customs initiated an outbound-currency operation, Operation Oasis, to refocus its efforts to target twenty-three identified nations involved in money laundering. Between October 2001 and August 2003, the Department of Homeland Security (DHS) Immigration and Customs Enforcement seized more than $28 million in bulk cash.[6] While some of the cases were linked to terrorism, DHS officials were unable to determine the precise number and the extent to which these cases were involved in terrorist financing. In the war in Iraq, bulk cash smuggling has been used by al Qaeda in Iraq to fund their operations and foreign fighters, facilitated by the lack of border control.[7]

Alternative Remittance Systems. Terrorist organizations use a type of alternative remittance system or informal banking system, sometimes known as hawala, to move their assets, due to the system's nontransparent and liquid nature. A remittance is a transfer of money by a foreign worker to his/her home country. An informal banking system is one in which money is received for the purpose of making that sum, or an equivalent value, payable to a third party in another geographic location. Such transfers generally take place outside of the conventional banking system through nonbank money services, businesses, or other, unregulated and undocumented, business entities. Traditionally, expatriates—traders and immigrant laborers—use informal banking systems to send money home from or to countries lacking formal and secure banking systems. These informal systems are still used by immigrant ethnic populations in the United States and Europe due to their high efficiency and low costs. Such systems are based on trust and the extensive use of connections, such as family relationships or regional affiliations. In Afghanistan and Somalia, the al Barakaat informal banking system reportedly moved funds for al Qaeda.[8] In the more recent case of the November 2008 siege of Mumbai, the perpetrators of Pakistani origin are believed to have relied on hawala transactions to fund this operation.[9] Informal banking systems remain challenging to safeguard against money laundering and terrorist financing.[10]

Strategies to Combat Terrorist Financing

Terrorist networks use an array of means and methods to raise and move their money. In order to combat terrorist financing, counterterrorism officials have had to devise comprehensive strategies to identify, interdict, and isolate terrorists and their financiers. According to the 9/11 Commission, "after the September attacks, the highest-level US government officials publicly declared that the fight against al Qaeda financing was as critical as the fight against al Qaeda itself. It has been presented as one of the keys to success in the fight against terrorism: if we choke off the terrorists' money, we limit their ability to conduct mass casualty attacks."[11] To this end, counterterrorism finance (CTF) strategies intended to detect, disrupt, and deter the funding of terrorist networks are based on the following four lines of operation:

1. Law enforcement and intelligence operations
2. Public designations and asset freezes
3. International standards set to counter terrorist financing
4. Capacity building programs[12]

CTF Law Enforcement and Intelligence Operations

"Following the money trail" has greatly enhanced law enforcement and intelligence operations against terror networks. How, when, where, and from/to whom money has been transferred are reliable data points that counterterrorism officials use to map out and identify terrorist groups, their facilitators, and their activities. In many cases, financial intelligence and forensics are determining factors in developing and prosecuting cases of terrorism and material support of terrorism. Unlike confidential informants and witnesses for the prosecution, the money trail presents clear evidence of a financial connection or link between two or more parties.

The Financing of the September 11 Attacks. The financial blueprint of the multiple-aircraft effort by al Qaeda is instrumental for understanding how the nineteen hijackers lived among us, prepared their plot, and took advantage of the vulnerabilities of our security systems to execute the most spectacular of terrorist attacks. According to the 9/11 Commission, that plot cost al Qaeda approximately $400,000–$500,000, of which $300,000 was deposited into the US bank accounts of the nineteen hijackers. Al Qaeda funded the hijackers in the United States by three primary and unexceptional means: (1) wire transfers from overseas, (2) the physical transport of cash or travelers' checks into the United States, and (3) accessing the funds held in foreign financial institutions by debit or credit cards. Once in the United States, the hijackers used the US banking system to store their funds and facilitate their transactions.[13]

The hijackers and their financial facilitators used the anonymity provided by the vast international and domestic financial system to move and store their money. The existing mechanisms to prevent the abuse of the financial system did not fail; they were just never designed to detect or disrupt transactions of the type that financed 9/11. Virtually all of the plot funding was provided by al Qaeda. There is no evidence that any person in the United States, or in any foreign government, provided any substantial funding to the hijackers.[14]

In response to the investigation of the financing of 9/11, the USA PATRIOT Act was enacted on 26 October 2001 to expand the US government's tool kit in anti-money laundering and counterterrorism financing.

This legislative package:

- Enhances transparency in financial transactions
- Protects international gateways to the US financial system
- Increases the vigilance of all our financial institutions (including money services and businesses) subjecting them to the more rigorous anti-money laundering and terrorist financing compliance programs
- Facilitates critical information sharing among US law enforcement agencies that investigate financial crimes
- Amends existing legislation to enhance the ability to freeze terrorist assets
- Amends the Immigration and Naturalization Act with the creation of the Terrorist Exclusion List that denies or revokes visas for terrorists and their supporters[15]

These new measures expanded law enforcement and intelligence agencies' abilities and authorities to "follow the money trail" to pursue terrorism cases. The successful prosecution of US citizen Jose Padilla, better known as the "Dirty Bomber," and his codefendants relied heavily on evidence of terrorist financing and the provision of material support. In August 2007, the jury found the defendants guilty of being part of a North American support cell designed to send money, physical assets, and mujahedin recruits to overseas jihad conflicts.[16]

Public Designations and Asset Freezes

The US government has sought to stem the flow of financial resources to terror groups for decades through various designation programs. The first of these efforts aimed at state sponsors of terrorism. To target these actors, a provision of the Export Administration Act of 1979 (Section 6j) authorized the Secretary of State to designate states who provide funding to terrorists or terrorist organizations as state sponsors of terrorism.[17] Past designations of this kind have triggered a variety of sanctions, including restrictions on US foreign assistance, a ban of defense exports and sales, control over exports for dual-use items, and miscellaneous financial and other restrictions, including a denial of foreign tax credits for income earned in designated terrorist-sponsoring states.[18]

By the mid-1990s, intelligence reports had indicated that terror groups were seeking financial independence by using front companies and charities to obtain funding. The William J. Clinton administration drafted legislation to make it illegal to provide material support for specific acts of terrorism or for foreign terrorist organizations (FTOs). Enacted as the Antiterrorism and Effective Death Penalty Act of 1996, this legislation specifically criminalized not only financial contributions, but also the provision of financial services to groups designated as FTOs by the Secretary of State.[19] In January 1995, at about the same time the legislation was introduced in Congress, the Clinton administration issued Executive Order (E.O.) 12947 to freeze the assets of twelve terrorist groups (ten Palestinian and two Jewish) that threatened the use of violence to thwart the Middle East Peace process. This was pursuant to the authorities of the International Emergency Economic Powers Act.[20]

One of President George W. Bush's first initiatives after 11 September 2001 aimed directly at the financial front of the war on terrorism. On 24 September 2001 he declared, "We will starve the terrorists of funding, turn them against each other, rout them out of their safe hiding places, and bring them to justice."[21] A day prior to this statement, the president issued E.O. 13224 to designate and block the assets of organizations and individuals linked to terrorism. By this order, President Bush declared a national emergency to deal with the "unusual and extraordinary threat to the national security, foreign policy, and economy of the United States," posed by grave acts of terrorism and threats of terrorism, and the continuing and immediate threat of further attacks on US nationals or the United States.[22]

The new Executive Order broadened the Treasury, Justice, and State Departments' mandates to designate individuals and entities (not only foreign terrorist organizations) as material supporters of terrorism. Since 2001, designations of terrorist financiers by the Treasury, State, and Justice Departments have been used to disrupt terrorist networks by blocking their assets and deterring would-be terrorist supporters from providing financial resources to terrorist groups, pursuant to E.O. 13224. According to the Government Accountability Office (GAO), "the US has taken an active role in developing and implementing international standards to combat terrorist financing through the United Nations conventions and resolutions and Financial Action Task Force recommendations on money laundering and terrorist financing," and in promoting international cooperation.[23]

International Cooperation

Since terrorism presents a transnational threat, governments cannot solely rely on national responses to effectively combat this security concern. International cooperation on all fronts, including the financial front, is essential to defeat terrorism. For decades, under the auspices of the United Nations, international standards have been devised and adopted in response to various acts and methods of terrorism (airline and maritime hijackings, piracy, use of explosives, etc.). There are thirteen UN conventions and protocols against terrorism, yet no single universally adopted definition of terrorism. Since 11 September 2001, international cooperation and coordination on counterterrorism financing have progressed dramatically at the national, regional, and multilateral levels. In addition to the United Nations, the FATF responded to the 9/11 attacks by expanding its mission beyond anti-money laundering and devoting its energy and expertise to combat terrorist financing. The FATF issued Nine Special Recommendations on Terrorist Financing (For Detailed Information Please See Original Version of this Article.) and called on all countries to adopt and implement these measures.

The FATF and member nations attempt to identify emerging methods and trends in money laundering and terrorist financing and to devise regulations and best practices to counter these new methods. International cooperation has contributed to successful cases against terror networks operating in multiple jurisdictions thanks to CTF measures put into place. The international standards set and adopted by the public and private sectors around the world have safeguarded international financial systems and created formidable barriers and challenges for terrorists and their financiers.

Building Capacity to Combat Terrorist Financing

Counterterrorism finance assistance programs are aimed at "build[ing] sustainable, dynamic anti-money laundering and counterterrorist finance regimes that adhere to international standards and implement effective programs in the legal, financial regulatory, financial intelligence, law enforcement, prosecutorial, and international cooperation fields," according to Gerald Feierstein, former State Department Deputy Coordinator for Counterterrorism Programs and Plans. He told the US House of Representatives in 2006 that "improving the capability of our partner nations to combat terrorist financing significantly enhances our own ability to detect and isolate terrorist financiers and to 'follow the money' to where it links global terrorists and their support networks."[24]

To successfully combat terrorist financing, governments must develop an effective counterterrorist finance regime based on five basic elements described below.[25]

I. Legal Framework to Criminalize Terrorist Financing

Each country should dispose of a legal framework that criminalizes terrorist financing and money laundering. This allows countries to comply with international standards pursuant to UN Security Council Resolution 1373[26] and the Financial Action Task Force Special Recommendations on Terrorist Financing.

II. Financial Regulatory Supervision to Protect the Integrity of the Banking System

Each country should develop a financial regulatory framework that vigilantly supervises the financial services sector. Additionally, the financial services sector must develop and employ strict anti-money laundering and counterterrorism finance compliance measures that ensure that their employees "know their customer" and file suspicious transaction reports that may indicate money laundering and terrorist financing activities.

III. Financial Intelligence Unit as the Link Between the Private and Public Sectors

Each country should set up a financial intelligence unit charged with collecting, analyzing, and disseminating suspicious transaction reports submitted by the private sector associated with financial transactions. An effective financial intelligence unit leverages well-trained analysts, equipment, information technology platforms, and specialized analytical software to meet its mission to develop and refer relevant evidence of financial crime cases (including terrorist financing cases) to law enforcement authorities.

IV. Law Enforcement Investigations to Track Down Terrorist Financiers

Each country should develop specialized financial crime units within their law enforcement agencies. These units may reside in different law enforcement agencies but must possess the deep technical skills necessary to follow financial forensics and develop financial crimes cases that include terrorist financing. Oftentimes, these financial crime units follow the money trail of terrorist groups and greatly complement counterterrorism investigations.

V. Judicial/Prosecutorial Process to Bring Terrorist Financiers to Justice

Finally, each country should possess a well-developed judicial system capable of bringing terrorist financiers to justice. An effective regime would employ well-trained prosecutors who are able to "follow the money trail" and make their case to the judges and magistrates.

Impact of CTF Programs

Despite some interagency growing pains, these counterterrorism finance programs have made a remarkable difference in partner nations' abilities to combat terrorist financing.[27] Relative to the inherent challenges of the fight against international terrorist financing, US CTF strategy, based on law enforcement and intelligence investigations, public designations, and foreign assistance programs has been very effective over the past seven years. In December 2005, the 9/11 Commission gave an "A2" grade to the US government's vigorous effort against terrorist financing for winning the support of key countries in tackling the issue.[28] In particular, CTF capacity building programs have enhanced countries' ability to "follow the money," from drafting legislation to criminalize terrorist financing, to creating financial intelligence units, to organizing specialized law enforcement task forces and cash courier training. Law enforcement and intelligence officials believe that these CTF measures have significantly reduced al Qaeda and its affiliates' funding. Several experts, including those associated with the 9/11 Commission, are convinced that al Qaeda is having a difficult time raising funds and that the terror group has had to cut back significantly on its expenditures.[29] Such funding is instrumental for recruiting, training, planning, and executing terrorist operations.

Case Study: Counterterrorism Capacity Building in Indonesia[30]

Background. On 12 October 2002, Indonesia experienced the largest and most deadly terrorist attack since 9/11 anywhere in the world: a bombing at a popular night spot for foreign tourists on the island of Bali. Since the terrorist group Jemaah Islamiyah (JI) perpetrated these murders, and subsequent attacks in the capital, Indonesia has endeavored with its international partners to strengthen its defenses. The United States and other allies employed several instruments of national power to deliver foreign assistance programs to Indonesia to counter the terrorist threat from JI in Southeast Asia. From direct law enforcement training to broader judicial assistance, the international community came together to help Indonesia rapidly develop its capacity to fight terrorist activity.

At the time, Washington considered the Bali attacks another manifestation of the global threat of terrorism. The US government emphasized the importance of assisting Indonesia with the Bali investigations and coordinated interagency efforts to deliver such assistance in a timely and effective fashion. Washington developed and executed a comprehensive strategy in support of Indonesia's counterterrorism efforts. In this case, US antiterrorism assistance and counterterrorism finance programs directly empowered Indonesian counterterrorism professionals to confront the threat from JI.

Immediate Response: Arresting Those Responsible

The Bali bombings began at 11:05 p.m. on 12 October 2002, when an explosive device was electronically detonated inside a crowded bar in the heart of the island resort's entertainment district. Seconds later, as victims ran from the site of the first explosion, a minivan packed with explosives detonated nearby. Terrorists had strategically targeted young tourists at popular nightspots, leaving 202 people dead, including 88 Australians, 38 Indonesians, and seven Americans. The devastating attack on innocent civilians was compounded by dramatic economic consequences for Indonesia. The terrorist operation, which cost about $35,000 to execute, shattered Bali's tourist industry, leading to losses estimated in the millions of dollars. In the aftermath, Indonesia, unprepared to counter the growing dangers posed by terrorist groups alone, eagerly met a coalition of countries willing and able to provide extensive guidance and assistance in counterterrorism.[31]

With the aid of the United States and other international allies, Indonesia quickly launched a credible and professional law enforcement campaign to investigate and capture the terrorists responsible for the attack. Australian and US law enforcement experts rapidly deployed to Indonesia to assist with the various aspects of the Bali bombing investigation. Ultimately, from identifying the victims to "following the money trail" using ATM receipts, the Indonesian authorities investigated the attack and arrested most of the Jemaah Islamiyah members involved in the Bali operation. As a result of coordinated law enforcement assistance, in areas such as forensics, and preparing sound evidentiary packages, Indonesian judicial authorities have successfully prosecuted the Bali bombing perpetrators.[32]

Longer-Term Counterterrorism Capacity Building in Indonesia

Following the 2002 Bali bombings, the Indonesian government sought to strengthen its overall capacity to prevent future terrorist attacks. A specialized counterterrorism unit within the Indonesian National Police, known as Special Detachment 88 (SD-88), was established in Jakarta and was trained and mentored by US law enforcement and Australian National Police counterparts.[33] Indonesia also developed and improved the Indonesian National Police's (INP) capacity to investigate and prevent terrorist crimes that included Crisis Response Team (CRT) and Explosive Incident Countermeasure (EIC) training.[34] As "following the money trail" was considered an important aspect of countering JI, officers with financial forensic and counterterrorism finance expertise have been incorporated in these specialized CT units. With such instruction and interdisciplinary skills, Indonesian counterterrorism forces have become more effective in disrupting plots and rooting out terror cells linked to JI. In November 2005, SD-88 located Indonesia's most wanted terrorist, Azahari bin Husin, who was linked to the Bali and Jakarta bombings. SD-88 planned and executed a successful assault on Azahari's stronghold, killing him and securing valuable intelligence to help prevent other attacks.[35] Since its inception, according to State Department testimony, "Detachment 88 has been instrumental in the apprehension or elimination of more than 425 terrorists. In 2007, they and other police units arrested more than 30 terrorists and killed several others, including top JI leaders Abu Dujana and Zarkasih."[36]

On the judicial front, Indonesia's attorney general staffed the long-awaited Terrorism and Transnational Crime Task Force in July 2006, which had been designed by US and Indonesian judicial experts to oversee counterterrorism trials nationwide and develop a cadre of special terrorism prosecutors. Task Force members immediately began to take on over a dozen counterterrorism cases. The Task Force won several high-profile convictions and is prosecuting a dozen members of JI's military unit who were arrested in March and June 2007 raids in central Java, including two key figures—Zarkasih, the JI military leader, and his deputy, Dujana.[37]

On the financial front, the Indonesian government, with foreign assistance, also dedicated significant resources to protecting its financial system from abuses by terrorists. Indonesia has made substantial progress in reinforcing its ability to combat terrorist financing and money laundering in the five key areas for an effective counterterrorist financing regime as outlined below.

1. **Legal Framework.** Successful prosecution of terrorists relies on a strong legal framework, and the United States and its partners have assisted Indonesia in developing

strong Anti-Money Laundering/CTF laws. Since July 2002, the United States has been training Indonesian and other Southeast Asian judicial authorities in drafting and amending legislation that would enable them to adopt the UN conventions related to terrorism and comply with UN Security Council Resolution 1373 to criminalize terrorist financing and money laundering. In the past, Indonesia had a weak track record in countering financial crimes; in 2001, it was added to the Financial Action Task Force list of Non-Cooperating Countries and Territories (NCCT) of money laundering concern, which affects investor confidence in listed countries. However, in September 2003, technical assistance from a US interagency team helped Indonesia adequately amend its anti-money laundering legislation to meet international standards and avoid further FATF sanctions.[38] As a result of this legislative progress, FATF removed Indonesia from the NCCT list in February 2005.[39]

2. **Financial/Regulatory.** Central banks are instrumental in monitoring and suspending money flows to terrorist groups. Indonesia has been working with the Asian Development Bank and other international donors to modernize its financial sector. In October 2003, Indonesian central bankers participated in a financial regulatory workshop on how to combat terrorist financing and money laundering and how to detect suspicious activities in private banks.[40] The training led Bank Indonesia to later devise and build out a compliance audit program for AML/CTF and plan to conduct full on-site supervision and examination of banks.

3. **Financial Intelligence Unit (FIU).** Bali's remote location and inadequate preparedness for a large-scale attack meant that national and international law enforcement agents could not rely solely on crime scene evidence to track and apprehend the responsible terrorists. One of the most powerful investigative tools in the Bali bombings was the analysis of communication and financial transactions between JI members. Working closely with Australia's financial intelligence unit, US officials assisted in developing the Indonesian FIU. Washington conducted a one-week training seminar entitled "Basic Analysis and Suspicious Transaction Reporting" for FIU personnel and other government officials responsible for combating money laundering and terrorist financing. Through a grant from USAID to procure essential information technology equipment, the United States directly assisted Indonesia's FIU in bringing its electronic reporting system online in October 2003 to collect suspicious transaction reports from the private sector. With this assistance from the United States and Australia, Indonesia's FIU passed a milestone in June 2004 when it officially became a member of the Egmont Group of FIUs[41]—the international body that promotes financial intelligence sharing.[42] Financial intelligence, according to a former Treasury Department official, has played an important role in individual operations, such as the investigation that led to the capture of Hambali, Jemaah Islamiyah's operations chief who masterminded the 2002 Bali bombings.[43]

4. **Law Enforcement.** In January 2004, the FBI Terrorist Financing Operations Section conducted training courses for sixty-nine Indonesian National Police and other officials responsible for combating money laundering and terrorist financing. In an attempt to foster interagency cooperation in terrorist financing cases, participants included personnel

from the Indonesian National Police SD-88 counterterrorism unit, financial crimes unit, and financial intelligence unit. As a result of this training, Indonesian law enforcement authorities have initiated over thirty money laundering investigations, two-thirds of which have been referred to the Attorney General's office.[44]

5. **Prosecutorial/Judicial Process.** The US Department of Justice's Overseas Prosecutorial Development Assistance and Training division (OPDAT) has assigned a resident legal advisor in Jakarta to work with the host government in applying the new counterterrorism and anti-money laundering legislation. The resident legal advisor assisted with the passage and application of mutual legal assistance legislation.[45]

Lessons Learned

Through law enforcement operations and public designations, Indonesia responded quickly to the Bali bombings and made significant strides in rooting out the JI cell responsible for the attacks. Training and capacity building provided by the US government and other international donors have significantly augmented Indonesia's ability to prevent and respond to terrorist financing and international terrorism. From law enforcement programs to a comprehensive overhaul of financial and legal structures, Indonesia has benefited extensively from the continuing assistance of its allies, and it serves as a positive example of international capacity building efforts. The case of Indonesia demonstrates how Indonesia and its allies were able to work together to build counterterrorism capacity to confront Jemaah Islamiyah.[46] Washington and other world capitals dedicated and deployed technical expertise drawn from across the disciplines (law enforcement, financial, judicial experts) that enabled Indonesia to work toward defeating terrorist groups such as JI.[47]

Conclusion

For nine years the international security community has newly focused on addressing the threat of terrorism and on disrupting, defeating, and deterring terror networks. Governments at the national, regional, and international levels have devoted considerable resources to these counterterrorism efforts, including to the financial front of the war on terror. So, how successful have these counterterrorism finance measures been in combating terrorism? Very successful, according to former US Director of National Intelligence Michael McConnell. In February 2008, he commented that "over the past 12–18 months, the intelligence community notices that al Qaeda and its affiliated groups have had difficulty in raising funds and sustaining themselves."[48] Post-9/11, we have witnessed governments around the globe establish and reinforce more robust counterterrorism finance regimes. These actions have hampered the ability of terrorist groups to raise and move money to such an extent that they are resorting to more risky methods of terrorist financing such as cash couriers, alternative remittance systems, charities, and front companies. The nexus between terrorism and crime is of growing concern to international security experts as terrorist groups have partnered with criminal organizations or turned to engaging directly in criminal activities to finance and support their networks' operational and support requirements.

Since financing is the lifeblood of terrorist networks, depriving terrorists of funding constrains their operating environment and ability to plan and execute deadly attacks. This is the objective of counterterrorism finance strategy. The four lines of operation—(1) law enforcement and intelligence operations, (2) public designations and asset freezes, (3) international cooperation, and (4) CTF capacity building—enhance each country's and the international community's ability to combat terrorist financing. There has been greater appreciation for the importance of "following the money trail" and financial intelligence to track down terrorist groups and their enablers. Although it is impossible to stem the flow of funds to terror networks completely, counterterrorism finance measures serve as a disruptive tool, intelligence resource, and deterrent by becoming an integral part of broader counterterrorism policies. There has been significant progress made on the financial front of the war on terrorism; however, the international community must remain ever vigilant and responsive as terrorist groups and their financiers devise new means and methods of raising and moving funds for their murderous plots and attacks.

Celina B. Realuyo Ms. Realuyo is President of CBR Global Advisors. As Assistant Professor of Counterterrorism (2007–2010) at the National Defense University, Celina Realuyo educated US and foreign military and civilian leaders through her "Combating Terrorism: Strategies and Policies," "Terrorism and Crime," and "Globalization and National Security" courses. Formerly a private banker, Ms. Realuyo served as the US Department of State's Director of Counterterrorism Finance Programs from 2002 to 2006. Under her stewardship, the United States delivered technical assistance to twenty countries, training over 1,800 foreign counterparts, and her team received an "A2" from the 9/11 Commission for combating terrorist financing. An earlier career as a US diplomat saw assignments in Madrid, Panama, and the US Mission to NATO and in Washington at posts including the National Security Council's White House situation room. Realuyo holds an M.B.A. from Harvard Business School, an M.A. in International Relations from Johns Hopkins University School of Advanced International Studies (SAIS), and a B.S. in Foreign Service from Georgetown University. She is a member of the Council on Foreign Relations and the Professional Risk Managers International Association. Ms. Realuyo has traveled to over fifty countries and speaks French and Spanish fluently.

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25. Celina Realuyo, "Building a Counterterrorist Finance Regime," US Department of State Bureau of International Information Programs, E-Journal USA: Economic Perspectives, Vol. 9, No. 3 (September 2004): 10–13, available at http://guangzhou.usembassy-china.org.cn/uploads/images/tlZ5ybS8T9PYsu730CyKsA/ijee0904.pdf, accessed 19 September 2009.
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27. From author's interviews with Department of State, Office of the Coordinator for Counterterrorism program managers on 22 February 2008.
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30. Much of this case study is drawn from a previous work by the author. See Celina Realuyo and Scott Stapleton, "Response to Bali: An International Success Story," US Department of State Bureau of International Information Programs E-Journal USA: Economic Perspectives, 14–17.
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44. Realuyo and Stapleton, op. cit., 17.
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46. Realuyo and Stapleton, op. cit., 17.
47. More background available from the Australian Government Department of Foreign Affairs and Trade, "Indonesia Country Brief," June 2008, available at http://www.indo.ausaid.gov .au/projects/counterterrorism.html, accessed 19 September 2009; and AUSAID in Indonesia, "Counter-Terrorism Capacity Building Initiative," available at http://www.indo.ausaid.gov.au/ projects/counterterrorism.html, accessed 19 September 2009. Australia has a strong historic interest in Indonesia, which it considers to be part of its "back yard." Bali is a major tourist destination for Australians and New Zealanders, somewhat comparable to the Caribbean for

Americans and Canadians. In an informal arrangement discussed with S/CT officials to make joint resources go further, Australia and New Zealand generally have taken the lead in assisting South Pacific nations in law enforcement and counterterrorism issues. Coordination takes place through regular meetings and at the embassy level. Australia and Indonesia have also taken the lead in promoting regional counterterrorism cooperation, including by jointly hosting the Sub-Regional Ministerial Conference on Counter-Terrorism in Jakarta in March 2007. That meeting provided impetus for closer regional counterterrorism cooperation and led to agreement on priorities for future CT action in Southeast Asia.

48. US House of Representatives, "Hearing of the House Permanent Select Committee on Intelligence: Annual Worldwide Threat Assessment," 7 February 2008, 16–18, available at www.dni.gov/testimonies/20080207_transcript.pdf, accessed 19 September 2009.