

A REVIEW OF U.S. COUNTERTERRORISM POLICY:
American Muslim Critique & Recommendations



MUSLIM PUBLIC AFFAIRS COUNCIL

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local organizer in Florida. “Afraid Ashcroft will knock on their door and call them terrorist because they give to a Muslim charity.”²³⁵

Internationally, the United States has placed considerable emphasis on ensuring that other countries comply with new guidelines, adopted in the wake of September 11th, aimed at denying terrorists access to the world financial system. For example, UN Security Council Resolution 1373 requires member states to report the actions they have taken to block terrorist finances to the United Nations. In addition, the Financial Action Task Force, a 29-member intergovernmental body established to combat international money laundering, expanded its mission in October 2001 to focus on restricting the international flow of terrorist funds.

The record on international cooperation in the financial war on terror, meanwhile, is mixed. Officially, the White House claims that it is pleased with the level of international cooperation, citing more than 160 countries with blocking orders freezing terrorist assets. Privately, however, senior US officials complain that many countries, including key European and Arab allies, could do more. Many US policymakers, especially those in Congress, continue to express particular concern over Saudi Arabia’s role, with some accusing the Saudis of playing a direct role in terrorist financing.²³⁶ While officials in Riyadh have angrily denied such charges, they concede that lax accounting practices may have led to the misappropriation of tens of millions of dollars in charitable funds over the years. In December 2002, Saudi officials announced new financial controls aimed at tracking the flow of funds in and out of the kingdom more effectively.²³⁷ Despite occasional criticisms by US policymakers, the Bush Administration maintains they are generally pleased with Saudi cooperation in the war on terror, a matter that is likely to remain highly politicized.²³⁸

Meanwhile, America’s Arab and European allies continue to express serious reservations about expanding the fight against terrorist financing beyond Al-Qaeda and those responsible for the September 11th attacks.²³⁹ In many cases, foreign governments have requested additional proof from domestic law enforcement officials before acting against individuals and groups designated by the United States. Meanwhile, Arab states question Washington’s list of designated pro-Palestinian groups and humanitarian organizations. It is clear that the current terrorist threat to the US emanates from Al-Qaeda and not Palestinian groups. There is no evidence that Palestinian groups designated as terrorist organizations have any connections to Al-Qaeda. Yet the preoccupation with these groups raises the question as to whether targeting Palestinian groups serves true national security interests or is based on political considerations.

Moreover, European resistance to US pressure to designate groups such as Hizbullah and Hamas as “terrorist organizations,” a source of frustration for Administration officials, reflects

²³⁵ Babita Persaud, “Mood cautious at Muslim fest,” *St. Petersburg Times*, 31 March 2003.

²³⁶ Dana Priest and Susan Schmidt, “9/11 Panel Criticizes Secrecy on Saudi Links: Two Leaders Urge Public Information,” *Washington Post*, 12 December 2002.

²³⁷ See “Charity and Terror: A fresh crackdown on Saudi money as Riyadh admits royal funds were misspent,” *Newsweek*, 3 December 2002.

²³⁸ See “Democrats attack Bush on terrorism war,” CNN.com, 18 May 2003, <<http://www.cnn.com/2003/ALLPOLITICS/05/18/democrats.terrorism/>>.

²³⁹ “Cash Combat,” *Insight*, April 1-8, 2002.

legal and political differences regarding who may appropriately be designated as terrorist.²⁴⁰ European nations, like most other countries, Western or otherwise, prefer to distinguish between terrorist or criminal activities carried out by members of such groups and their broader political and social functions—a distinction US officials have steadfastly refused to make in the case of Palestinian groups.²⁴¹

In addition to the apparent unresponsiveness of foreign governments to move against US-designated groups, the financial war on terrorism is beset by structural and philosophical problems. Many government officials privately concede efforts to shut down terrorist financing are crippled by intense interagency rivalries, a lack of discipline, and a highly politicized internal culture. Some officials complained that the USA-PATRIOT Act's new requirements on financial institutions were too burdensome and impractical to enforce. Disagreements over which agency ought to lead the war on terrorist financing resulted in significant breakdowns in cooperation between Justice and Treasury Department officials, particularly during the first six months after September 11th.²⁴²

While Administration officials acknowledge such difficulties, they nevertheless maintain that new anti-terror financial measures “are disrupting [terrorists’] ability to plan, operate, and execute attacks.”²⁴³ According to the Treasury Department, the government has blocked approximately \$36.3 million in “assets of terrorist organizations,” while other countries have blocked another \$98 million since September 11th.²⁴⁴ Approximately \$6.3 million of the \$36.3 million is still blocked, of which, according to the Treasury Department, about \$5.5 million is designated as belonging to “ Hamas” and nearly \$700,000 as “Al-Qaeda.”²⁴⁵ While Treasury Department officials have not said from whom these assets were seized, the amounts listed correspond roughly to those seized from the Holy Land Foundation and the combined frozen assets of Benevolence International and Global Relief, respectively. If this is indeed the case, then more than 99 percent of all “terrorist assets” still blocked by the government have been seized from American Muslim charities. Treasury Department officials will not say what proportion of the total \$36.3 million in frozen assets can be directly tied to terrorist activities or groups, as opposed to individuals/groups who “support or otherwise associate with” terrorists, as allowed by the president’s executive order.²⁴⁶

²⁴⁰ US Department of State, “Dam Cites US-EU Efforts in Financial War on Terrorism,” 3 December 2002, <<http://usinfo.state.gov/topical/pol/terror/02120402.htm>>.

²⁴¹ By contrast, American administration have long recognized the distinction between the political and military wings of the Irish Republican Army’s (IRA) resistance movement by recognizing and dealing with Sinn Fein, the political wing of the IRA.

²⁴² “Financial war on terrorism suffers from agency rivalry,” *Los Angeles Times*, 7 April 2002.

²⁴³ Testimony of Kenneth W. Dam, Deputy Secretary, US Department of the Treasury, US House of Representatives. Committee on Financial Services, *Hearings: Terrorist Financing: A Progress Report on Implementation of the USA PATRIOT Act*, 19 September 2002.

²⁴⁴ US Department of the Treasury, 12 April 2003. These figures refer only to assets seized from designated individuals and organizations (SDGTs, SDTs, and FTOs) and not those belonging to “state sponsors,” which total an additional \$3.2 billion approximately.

²⁴⁵ US Department of Treasury, Office of Foreign Assets Control, *Terrorist Assets Report: Annual Report to the Congress on Assets in the United States of Terrorist Countries and International Terrorism Program Designees* (2002), 7.

²⁴⁶ Officials at the Department of the Treasury did not respond to repeated requests for clarification on the issue of the proportion of frozen assets that can be linked directly to the funding of Al-Qaeda activities.