



Review of *The Price of Fear: The Truth Behind the Financial War on Terror* by Ibrahim Warde

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On November 7, 2001, amid much fanfare, the U.S. led a global shutdown of Al-Barakaat, a large Somali remittance company headquartered in Dubai. The first major target in the financial war on terror, the company stood accused of providing \$15-25 million annually to Al-Qaeda. U.S. Treasury Secretary Paul O'Neill called Al-Barakaat "the quartermasters of terror";¹ Bush announced that the strike was predicated on "solid and credible" evidence that the company was "operating 'at the service of mass murderers.'"² Simultaneous police raids in four U.S. states, Canada, Italy, Switzerland, and the UAE were hailed as a resounding success. Having ostensibly interrupted Al-Qaeda's communications and made a significant dent in the organization's finances, the strike was also to uncover a wealth of information for law enforcement

What followed would receive far less attention—at least in the U.S. The case against Al-Barakaat unraveled. The company had kept scrupulous records of all transactions, and its cooperation with the FBI proved "exceptional."³ In the end, Al-Barakaat was exonerated of all charges of terrorist financing and its assets were unfrozen—

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but not before a significant blow was dealt to an important actor in the Somali economy, one which "provided a real service to a country devastated by war and famine."⁴ Every aspect of the case was known by Somalis, many of whom were bankrupted, cut off from telephone service, and laid off from work as a result—and it left them with a strong feeling of injustice. International cooperation and goodwill toward the U.S. suffered as well.

Warde finds the unmitigated disaster of the Al-Barakaat shutdown to be symptomatic of the many problems with the *other* 9/11-inspired confrontation: the so-called 'war on terrorist financing.' Begun in haste to show decisive action and dominated by martial overtones, the financial war has swept up many innocents in its wake. It has worked to disintegrate Islamic financial institutions from the global economy, and driven terrorist financing further underground—all the while turning up little of value. Much like U.S. conduct in other facets of the war on terror, the war on terrorist financing has garnered few allies for the U.S. along the way. Thus, for all the self-congratulation and uncritical praise for the financial war, inherent dysfunctions in nearly

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every aspect have ensured that, at best, it has done little to protect us against terrorist attacks and, at worst, it “may endanger America’s national interests and the security of the world in the long term.”⁵

To urge U.S. policy in a more productive direction, Warde sets out systematically debunking the axioms, assumptions, and myths that have created the “parallel universe”⁶ of the financial war. “Financial warriors” often assert that money is the “lifeblood,” or “oxygen,” of terror.⁷ This axiom relies on what Warde calls the “master assumption of the financial war”: that terrorist operations are supported by a vast, yet finite, stash of hidden cash.⁸ Supporting both of these is the thoroughly discredited yet persistent myth of Usama Bin Laden’s \$300 million personal fortune, often said to form the basis of financing for Al-Qaeda.⁹

Contrary to common conceptions, the costs of recent terrorist attacks have been negligible—and are steadily decreasing. (Costs for 9/11 were some \$300,000-\$500,000 over two years; the July 2005 underground bombings in London cost less than \$1,000.) These figures underscore one of Warde’s central arguments, that “terror does not exist because there is money; rather, money

appears where there is support for terror.”¹⁰ The September 11 Commission Report revealed that terrorist financing fluctuates, and tends to appear largely in response to political events.¹¹ Thus, the financial warriors’ obsession with money as the root of all terrorist attacks—an explanation that surfaces in the wake of every new attack—“obscure[s] the fluid nature, as well as the ideological and political character, of radical Islamic terrorism.”¹²

The financial warriors’ faulty assumptions have created defective methodologies, and Warde takes aim at those as well. Following the “money trail”¹³ has produced some notable successes in the past; after all, it was a Mexican bank account that eventually led to the White House in the Watergate scandal. These successes, combined with the ramping up in recent decades of the successive wars on crime, drugs, and now terror, have led to a significant expansion in law enforcement’s power—and incentives—to seize assets of suspected criminals. Powerful forfeiture

laws are, however, designed to “frame the guilty,” and thus “hinge[]”—dangerously—“on the designation of public enemies.”¹⁴ Moreover, with the opening of world financial markets, these tactics are now being used on a global scale. Financial attacks serve as proxies for military action, and their effects are similar to modern “sanitized high-tech warfare”: they are politically popular at home, while ensuring that the aggressor country no longer “feels” what it does.¹⁵ The particular paranoia that has surrounded 9/11 has also created a kind of “six degrees of separation” logic, so that any person or entity with suspected “links to terror” may be targeted.¹⁶ The Al-Barakaat episode is only one, high-profile example; Warde describes numerous individuals, companies, and legitimate charities around the world that may also be counted as the financial war’s “collateral damage.”¹⁷

The fixation on money as the “mother of intent”¹⁸ for acts of terror has also caused financial warriors to approach terrorist funding in the much same way as money laundering. Warde finds this use of an inapplicable framework to be at the root of many of the financial war’s dysfunctions. Indeed, money laundering’s motive (crime-for-profit); procedures (disguising the origins of huge amounts of “dirty”

money and injecting them back into the formal economy); and actors (small numbers of drug lords or crime families) are fundamentally different than those of new terrorist financing. The most prevalent form of terrorism today is politically and ideologically motivated. Relying on a broad and largely amorphous support system, it uses small, unnoticeable amounts of “clean” money to fund criminal acts.

As Warde convincingly argues, these differences have crucial implications for law enforcement. The money trail simply does not yield clues in the fight against terrorist financing, and financial institutions are not in a position to help. Thus, as Warde suggests, despite a virtual bureaucratic explosion, “it is not clear that any of the new financial safeguards put in place in *response* to the September 11 attacks would, in and of themselves, have caught the money—let alone prevented the attacks.”¹⁹ Moreover, severe measures meant to punish and intimidate have

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the opposite effect of intensifying animosity and motivation.

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Warde finds financial warriors' methods not only ineffective but also counterproductive in driving terrorist financing further underground. He

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argues that they provide terrorists with clear signals as to how not to get caught and, in some cases, serve as fodder for radicalism. In this regard, Warde laments the steady deterioration of the image of the United States in the Islamic world and the alienation of the voice of moderate Muslims.

Warde dedicates an entire chapter to providing an objective history of Islamic charities. He notes that the financial war's assault on those in the mainstream in particular has provided considerable support to the argument that the war on terror is actually a war against Islam.

Disconcertingly, financial warriors still claim unequivocal success in combating terrorist financing.²¹ In fact, Warde notes a distinct lack of learning in the financial theater and finds it astounding that, despite changing attitudes and strategies in nearly all other aspects of the war on terror, the financial war has been subjected to very little scrutiny. These trends are all the more alarming for the wealth of reliable information available undermining the financial war's foundations and methodologies.²² Nonetheless, financial warriors' response to each new act of terror consists of "doing more of the same—only more forcefully."²³

Despite his heavy criticism of the financial war, Warde notes that money can be a "significant facilitator and enabler"²⁴ in acts of terror. Furthermore, he warns that this role will only gain prominence as terrorists attempt to acquire weapons of mass destruction. As a solution, he offers an "alternative, support-based paradigm"²⁵ based in part on the lessons provided by counter-insurgency efforts.²⁶ Warde's paradigm re-orientes the financial "war" away from menacing projections of power and

toward winning the cooperation of the unhardened ranks whose non-committal complicity with terrorism provides essential support. In this effort, according to Warde, "the principle question ought to be, 'why is there support for terror?'"²⁷ The money-laundering paradigm, which "obscure[s] the fluid character of the terrorist threat" and criminalizes and punishes the support system on a massive scale, must thus be discarded.²⁸ Moreover, the Bush administration's systematic exclusion from policymaking of persons with cultural, religious, linguistic, and technical expertise likewise must be reversed. Warde recommends "low-key policies that are all but invisible to the public," including reliance on cooperation and diplomacy, and "radical streamlining" of the ballooning terrorist finance bureaucracy.²⁹

While Warde praises the 9/11 Commission Report for its "sheer accumulation of fact and detail,"³⁰ similar accolades could be bestowed on his work. He shines when lining up fact and detail to reveal the holes in the financial war's founding assumptions. His treatment of the Bin Laden personal fortune and the Al-Barakaat embarrassment are exemplary in this regard. If his project has a weakness, it is that, at times, he is unable to fill the void left by this deconstruction with anything but more speculation and plausible conjecture.³¹

However, rather than a true weakness, this shortcoming may in fact simply demonstrate how much there is that we just don't know about how to undermine terrorist financing and prevent acts of terror. As Warde writes: "At the intersection of the shadowy world of terror and the opaque world of finance, terrorist financing remains little understood, and a great deal of research needs to be done on the subject."³² Judging from the progress of the financial war and the greater war on terror, that research will be both difficult and time-consuming. In this regard, Warde has made an invaluable contribution to filling the void. Whether policymakers take notice remains to be seen.

The views and opinions expressed in articles are strictly the author's own, and do not necessarily represent those of Al Nakhlah, its Advisory and Editorial Boards, or the Program for Southwest Asia and Islamic Civilization (SWAIC) at The Fletcher School.

Works Cited

- ¹ Ibrahim Warde, *The Price of Fear: The Truth Behind the Financial War on Terror* (Berkeley and Los Angeles: University of California Press, 2007), 96.
- ² *Ibid.*, 95.
- ³ *Ibid.*, 99.
- ⁴ *Ibid.*, 97. Warde notes that, in 2001, remittances from Somali immigrants around the world provided Somalia's largest source of income, at ten times the amount of foreign aid. Al-Barakaat accounted for a large portion. The biggest employer in Somalia, the company also ran the country's largest bank, largest phone system, and only water-purification plant. The shutdown resulted in the reduction of Al-Barakaat remittances by half, the cutting off of phone service for 25,000 subscribers, and the layoff of 700 employees. *Ibid.*, 101-02.
- ⁵ *Ibid.*, xiv.
- ⁶ *Ibid.*, xiv.
- ⁷ *Ibid.*, xv.
- ⁸ *Ibid.*
- ⁹ According to Warde, the \$300 million figure first surfaced in 1996 on a State Department "fact sheet," and represents a division of the estimated assets of the Bin Laden Group (\$5 billion at the time), divided by an estimate of the number of sons (20). \$250 million was then rounded up to \$300 million. Warde notes: "The calculation rested on vague estimates and many dubious assumptions about the Bin Laden family, inheritance laws and practices, the actual worth of the privately held company, and its ownership structure." *Ibid.*, 6. Perhaps more remarkably, this figure has remained stable, despite Bin Laden's having been stripped of his Saudi citizenship, disowned by his family, and dispossessed of his shares in the family business in 1994; expelled from Sudan and stripped of his holdings in that country in 1996; having been a guest and "sometime patron" of the Taliban regime between 1996 and 2001; and having been mostly on the run since 1998. The myth persists today – and is often embellished, sometimes as significantly as by adding a zero. See *ibid.*, 6-9.
- ¹⁰ *Ibid.*, xix.
- ¹¹ Thus, despite a "relentless escalation" of the financial war in the 100 days following the attacks of September 11, donations to Al-Qaeda increased substantially – correlated to the war in Afghanistan. *Ibid.*, 173.
- ¹² *Ibid.*, 15.
- ¹³ *Ibid.*, 25.
- ¹⁴ *Ibid.*, 26.
- ¹⁵ *Ibid.*, 32-33.
- ¹⁶ *Ibid.*, 58.
- ¹⁷ *Ibid.*, 93.
- ¹⁸ *Ibid.*, xv.
- ¹⁹ *Ibid.*, 169.
- ²⁰ Warde notes a 56 percent increase in 2003, a 300 percent increase in 2004, and a 400 percent increase in 2005. *Ibid.*, 189.
- ²¹ Examples abound. In an address to the United Nations on September 14, 2005, President Bush announced that "terrorist financing has been drained." *Ibid.*, 153. In December of 2005, the 9/11 Commission assigned an A minus – the best grade in an "otherwise dismal" report card – to the government for its conduct of the financial war. *Ibid.*, 153. A 2007 memoir by former Treasury Undersecretary for International Affairs John B. Taylor discussed his "great successes in 'starving terrorists of funding'" and claimed that "he and his financial warriors managed to 'prevent and suppress' the financing of terrorism." *Ibid.*, 189. Tellingly, top government officials continue to cite the Al-Barakaat shutdown as a spectacular victory. *Ibid.*, ix.

²² Warde notes that the 9/11 Commission Report stands out in the regard. Other sources include memoirs and books from former Treasury Secretary Paul O’Neill, former counterterrorism “czar” Richard Clarke, and Michael Scheuer, who headed the “virtual Bin Laden station” at the CIA. Ibid., 5.

²³ Ibid., 167.

²⁴ Ibid., 173.

²⁵ Ibid., 181

²⁶ Ibid.

²⁷ Ibid., xix.

²⁸ Ibid., 175.

²⁹ Ibid., 181, 180.

³⁰ Ibid., 5.

³¹ Examples in this regard include his spare explication of *hawalas* (informal remittance systems) as well as his treatment of the financial attacks on the mainstream Islamic charities. In telling the stories of the latter, although Warde thoroughly discredits lawsuits as a source of accurate, objective information, he is forced to rely primarily on court opinions and statements by prosecutors and defense attorneys. See *ibid.*, 71-74, 139-45.

³² Ibid., 176.