

Modern Jihad

Tracing the Dollars Behind the Terror Networks

Loretta Napoleoni

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Foreword

John K. Cooley

An allegorical lover in a couplet of the Persian poet Omar Khayam complains: 'There was a door for which I had no key/ There was a veil through which I could not see.' Loretta Napoleoni's book hands the reader a magic key, which is her grasp of a shadowy world of global covert and semi-covert finance. It opens wide a door of understanding which has remained largely veiled for us, despite the many studies of international organized crime and of terrorism by individuals, groups and states, published and otherwise.

Her exhaustive and careful research unearths and analyzes thousands of documentary and human sources. Napoleoni shows how great historical movements, such as the medieval Crusades and the twentieth-century Cold War between the United States and the former Soviet Union had economic roots and motivations, leading those concerned into outlaw patterns of violence, funded by rogue finance. 'Terrorism' or terror, as embodied in the horrendous attacks on the US of September 11, 2001, and as described by the presidents, dictators and commentators of our own age, especially violence masquerading or legitimizing itself in the eyes of its supporters as liberation or freedom movements, cannot thrive without a constant supply of ready cash. Part I of her book explains this.

Modern Jihad then shows us how such movements, from the successful anti-Soviet, CIA-managed campaign by Muslim zealots to expel the Red Army from Afghanistan in 1979–89 to the Algerian armed struggle to end 130 years of French colonial rule, newer Muslim insurgencies in Central Asia, the perennial Irish conflicts or the present bloodthirsty internecine wars in Africa, gain and keep essential financial support. This enables them to proliferate and go on to new campaigns, like that of al-Qaeda against the West, once their primary mission ends. She describes a 1.5 trillion dollar system which grows daily. Traffic in drugs, oil, arms, precious stones, and human beings; as well as donations which respectable banks and other financial institutions often believe they are channeling to foundations with solely charitable aims, are vital parts of this system. Napoleoni depicts all of this in the second part of her book, aptly titled 'The New Economic Disorder.'

Central to her arguments in the third part, 'The New Economy of Terror,' is her discussion of such groups as al-Qaeda, which as a consequence of

the wars in Afghanistan and their blowback, has become a global terror network in every sense of the word. These are not only driven by real economic forces in the Third World, especially in Muslim states from Morocco to Indonesia, but also by accomplices and complicities in the heart of the West. These complicities – and she is here, as in other arguments of her book, detailed and specific – reach into the sacrosanct bastions of Western capitalism: Wall Street; the City of London; Hong Kong’s moguls of finance, as well as into the shadowy world of the *hawala* in Arabia and South Asia.

Without passion or polemics, Napoleoni steers us away from the many current heated debates about religion and politics, which she sees as creating a dark mist veiling the true mechanics of global violence and terror, and concentrates on economy. Her narrative is artfully woven, holding our interest with the force of a first-rate thriller novel. Her truths may not be stranger than fiction, but they are told with such precision and clarity that much fiction about the same subjects seems boring by comparison. Perhaps some university will add the book to its graduate studies program as the text for a course in ‘The Economics of Terrorism 1001.’

This meticulous and well-written work should be read, studied, and preserved as a guide and reference. In this twenty-first century the democratic values we in the West profess to cherish are already being threatened by violence. This is generated partly by the inequities of our own civilization, and partly by politicians, criminals and outlaws seeking their own power and profit. Apart from its appeal for the general reader, the book is a valuable tool for the specialist who must deal with the problems it describes.

John K. Cooley
Athens
June 19, 2003

Introduction

George Magnus

The term 'new economy' was used erroneously by many economists to describe the impact of the information and communications technology revolution on the global economy. More recently, it has been deployed more aptly in trying to understand the economic implications of shifting geo-political tectonics in the early years of the new century. Loretta Napoleoni has applied the phrase in a chilling and insightful way to depict a critical phenomenon in this period of our history.

The New Economy of Terror, the size of which she estimates to be approximately 5% of world GDP, is both the result of historical processes and a feeding structure that sustains and nurtures global terror. This new economy, she argues, has an interdependent relationship with western market economies but is, simultaneously, in a state of increasing tension with them. This irony is one of many developed in the book as we try to grasp a major contemporary conundrum.

The book is a time-tapestry in which state-sponsored terrorism during the Cold War evolves into self-financed armed groups relying on crime and then into organisations which use and manage sophisticated business techniques and financing vehicles in order to promote their goals. Some have established themselves as 'state shells' with formal links to full nation states and their financial institutions and it is in this context that the New Economy of Terror exists in earnest.

A further and poignant irony emerges. The New Economy of Terror is in fact a product of globalisation and, in particular, of the rapid pace of globalisation that emerged after the fall of the Berlin Wall. Globalisation allowed non-state entities to promote a variety of liberal causes, social change and economic advancement but has also facilitated the networking of terrorist movements like al-Qaeda and the growing sophistication of the 'terror economy'. Privatisation, deregulation, openness, the free movement of labour and capital, technological advances – all hailed as the key ingredients of economic success in the last twenty years have been exploited by and adapted into the terror economy in a macabre form of geo-political ju-jitsu. In other words, the very strengths of legitimate economies have been turned into double-edged swords. Non-state organised, diffuse and decentralised economic networks might well be regarded as typically

Reaganite or Thatcherite but for the fact that the subject matter here is the privatisation of terror organisations not telecommunications companies.

Loretta Napoleoni's *New Economy of Terror* could not have existed before the end of the Cold War. There are of course, many examples of local uprisings and terror campaigns, many of which proved successful against despotic or imperial powers. And they all needed money and some form of economic organisation to succeed. Ms. Napoleoni's central thesis about the global nature of the terror economy today is linked inextricably to the post-Cold War globalisation and, in particular, to the latter's mirror image of fragmentation. As the world has fragmented and broken up into smaller units of organisation, it has allowed groups – especially those with strong appeals to religious bonds and radical Islam in particular – to develop into state shells. These shells simultaneously substitute for the economic failures of legitimate states, for example by providing education and financial support and aspire to displace them. A further irony, of course is that many of the states that the terror economy seeks to displace are, themselves, the sources, directly or indirectly, of arms, logistics, refuge and, importantly, finance. The oldest adage in the world about money making the world go round finds a disturbing echo in this context. The US dollar, the world's reserve currency printed legitimately by the Federal Reserve is the terror economy's main currency. Western and, more recently, Islamic banks are the vehicles through which this currency is transacted. Small, informal businesses are often the agents. Progressive and more liberal laws pertaining to immigration and capital movement and ease of access to arms and ammunitions have clearly been available for exploitation.

Finally and fundamentally, the rhetoric of terror groups and their sympathisers may be no more than that. The real issue, according to Loretta Napoleoni, is the growing tension between a dominant western capitalist system and a populous Muslim nation in which an emerging class of merchants and bankers is finding development is checked or frustrated. A sort of twist, if you will, on medieval times in which a dominant Islam was challenged by the rising tide of a European economic class and ultimately the Crusades. There will inevitably be much more debate among economists and political scientists as to the legitimacy and implication of this assertion, Ms. Napoleoni's belief that this is what 'Modern Jihad' is about merits serious attention. It certainly jives with the consensus view, for example, that al-Qaeda's principal villain is not even so much US military and economic primacy, per se, as Islamic states with which it is in a state of ambivalent tension. For western nations, the implication is that the fight against global terror needs also to be waged increasingly on an

economic front. This is one in which the role of the state must be bigger, the role of the market and vested interests smaller. It is one in which there may well be significant financial costs to those that have profited from 'new economy' links to the terror economy.

George Magnus
Chief Economist
UBS Warburg
June 2003

Preface

Terrorism has become part of the fabric of modern life. It dominates newspaper headlines, parliamentary debates and dinner table conversations. Yet few people have a clear understanding of what constitutes 'terrorism', despite the many definitions of it available to the reader. History provides limited help. The word comes from the Reign of Terror which followed the French revolution, but one can find references to terrorism as far back as the Roman Empire. Politicians, the public, academics and members of armed groups variously employ a literal, propagandistic¹ or academic definition of what is in essence the same phenomenon.

Academics agree that any definition of terrorism must include its three main characteristics: its political nature, the targeting of civilians and the creation of a climate of extreme fear.² Yet libraries are bursting with books that focus exclusively on one or other of these elements. Members of armed organisations and politicians freely use the propagandistic definition of terrorism – what Chomsky summarised as 'violent acts committed by enemies against "us" or "our allies"'.³ When, in the early 1990s, I interviewed members of Italian left- and right-wing armed organisations, what struck me most was their consistent use of the word 'terrorist' to describe both each other and the state they attacked.

Political perception is the yardstick most people use to define terrorism. After 11 September 2001, I interviewed several Italians about their reactions to the attack on the World Trade Center. Many were sympathetic, but others were indifferent about the suffering of Americans. 'Why should I be supportive of the US?' one woman, a professional banker, challenged me. 'Have we forgotten what the Americans have done in Serbia, when they bombed all the bridges of Belgrade, terrorising the population? No, I cannot empathise with a nation that has brought death and despair to the world. Now they know what it means to be the target of terrorist aggression.'

Governments' use of the word 'terrorism' is often dictated by foreign policy considerations. In 1998, following attacks by the Kosovo Liberation Army (KLA) against Serbian police and civilians, the US accused the KLA of being a terrorist organisation. The British followed suit. Then, in March 1999, foreign policy in the US and UK underwent a radical shift. Both governments condemned the Serbs. Suddenly, members of the KLA were no longer 'terrorists' but 'freedom fighters'. Their new status was short-lived. As soon as the KLA supported an Islamist insurgency against the

government of Macedonia – a US ally – it was once again listed as a terrorist organisation by the US State Department.⁴

The truth is that terrorism is a political phenomenon and, as long as it remains in the domain of politics, no worldwide consensus will be reached as to its definition. This is the main limitation of the political analysis. To get around this obstacle and shed some light on what has become a global menace, I will conduct an economic analysis of what is commonly known as terrorism. To underscore that no tools belonging to the domain of politics have been used, and to avoid falling into the trap of political definitions, I have chosen to use the word ‘terror’ instead of ‘terrorism’ to describe the recourse to violence by armed groups to achieve political goals. I must stress that although this is the first attempt to approach political violence from a new angle – to describe the economics of terror – this is not an academic book. Rather, it has been written in the belief that the ideas behind it should be accessible to everybody. Terror threatens the man on the street as much as academics and politicians. Its causes and the methods of its deployment should be understood by all.

This book aims to show that, over the last 50 years, members of armed organisations have been hunted down like criminals at home by the same political forces that have fostered them abroad; the final aim being to serve the economic interests of the West and its allies, Muslim oligarchies and of the East, for example the former Soviet Union in the past and Russia at present. This duality provided terror organisations with the motives to strike back and the opportunity to build their own economy. I have defined this phenomenon as the New Economy of Terror, an international network linking the support and logistical systems of armed groups. Today the New Economy of Terror is a fast-growing international economic system, with a turnover of about \$1.5 trillion, twice the GDP of the United Kingdom, and is challenging Western hegemony. What we are facing today is the global clash between two economic systems, one dominant – Western capitalism – the other insurgent – the New Economy of Terror. As we shall see, this scenario is reminiscent of the Crusades, when Western Christendom rebelled against the domination of Islam. Behind the religious conflagration, economic forces initiated and sustained the Crusades, enabling the West to repel Islam and begin its march to dominance.

Over the last 50 years, the economic and political dominance of the West has hindered the expansion of emerging economic and financial forces in the Muslim world. These forces have forged alliances with Islamist armed groups and hard-line religious leaders in a campaign to rid Muslim countries of Western influence and domestic oligarchic rulers. As in the Crusades, religion is simply a recruitment tool; the real driving force is economics.

The New Economy of Terror has become an integral part of the global illegal economy, generating vast amounts of money. This river of cash flows into traditional economies, primarily to the US, where it is recycled. It has devastating effects on Western business ethics, but above all it cements the many links and opens new ones between the New Economy of Terror and legal economies.

11 September was a rude awakening for the world. It has triggered a war against a phenomenal enemy, who will attack whenever possible. What the world has not realised is that this enemy is the product of policies of dominance adopted by Western governments and their allies – the oligarchic powers of the Middle East and Asia – and its monetary lifeline is deeply intertwined with our own economies. The essence of its being is the New Economy of Terror.

Prologue

On the morning of 11 September 2001, Paolo Salvo¹ woke up and, for a split second, wondered where he was. For the past 20 years, he had been awakened by the harsh voices of the guards and inmates of various Italian high security prisons. To shut out those painful memories, he closed his eyes. The soothing sound of the sea, breaking on the sandy beaches of Calabria, murmured in the background. Suddenly he remembered that he was on parole and jumped out of bed. He dressed quickly and walked to the *Miramare*, a local café, for his breakfast. Sitting on the pavement of the *lungomare*, he gazed at the beauty of the bay.

Paolo Salvo had been born in a similar place. When I first interviewed him in the early 1990s, he fondly recalled how he had learned to swim and fish before kicking a football or riding a bike. The sea had been his playground, fishing his favourite pastime. His father was a fisherman, like his grandfather and his great-grandfather before him. For generations the sea had nurtured his family and it was understood that it would also provide for him – until he discovered politics. Even today, after so many years spent revisiting his past, Paolo cannot pinpoint the exact moment when he turned his back on his destiny to embrace political violence.

On one occasion his mother asked him if he had been coerced – ‘brain-washed’ was the word she used. Apparently, a journalist had written that he did not fit the profile of a terrorist. ‘Of course I did not fit the mould of a terrorist!’ Paolo told me and explained why, using the dogmatic rhetoric of a Marxist militant. ‘I was a fighter, a soldier. When I joined my group, I became part of an army, the armed community. Terrorism was something else. Terrorism was what the US government had done in Chile, in Central America and in the Middle East, the systematic slaughtering of whoever opposed its imperialistic rule.’²

On 11 September, Paolo finished his coffee, stood up and scanned the horizon. Painful memories flooded into his mind, memories of a life tainted by political violence. In the early 1980s, soon after his arrest, he was taken to Trani, a high security prison on the desolate and rugged coast of Puglia. ‘A prison-fortress floating in the sea’ is how the inmates describe it. When Paolo first saw it, from the military helicopter that had transported him there, he understood why. The prison perched at the end of a high promontory that extended into the sea. How ironic, he thought, to be so

close to the sea and yet be unable to touch it. Trani was populated exclusively by members of armed gangs and high-ranking criminals. Mafia, Camorra and Sacra Corona Unita, all were well represented. Right- and left-wing armed groups were not fully segregated from the common criminals; though they did not share cells, they used the same prison facilities. Trani was the closest Paolo ever came to a living hell. Life was so unbearable, he confided to me several years ago, that when in December 1980 the inmates staged one of the bloodiest prison revolts in Italian history, death did not seem a bad option. Yet, for him, the most painful memory of those years was neither the savage beating from the guards after the revolt, nor the nights spent lying naked and bruised on the freezing floor of an isolation cell. It was the summer breeze from the Balkans. In late summer, the salty scent of freedom, similar to that which rises from the cliffs of Calabria, permeated the prison-fortress and tormented the inmates.

At Trani, the Balkan wind had stirred Paolo's memories, a few of them happy, but most painful. Images of lives smashed in the name of ideals that now seemed irrelevant. Flashbacks of his own acts of violence committed against strangers, of the endless sufferings imposed on his family, even on his friends.

Had it been worth it? I asked him a long time ago.

He did not answer but simply looked at me and slowly shook his head.

At exactly 15:46 on 11 September the owner of *Miramare* rushed out into the street shouting something to a group of fishermen busy mending their nets on the beach. The men stopped working and ran towards him. From a distance, lying on the beach, Paolo watched them disappear inside the bar and wondered what had happened. When one of them rushed back outside and signalled to the few people on the beach to join him, he followed them.

'As I entered the dim-lit room of the *Miramare*,' he told me, 'I took off my sunglasses and saw a group of people staring at an old television set on a shelf above the bar. Standing on a chair, the owner was frantically twiddling the volume knob to adjust the audio, which had suddenly gone quiet. I raised my eyes to the screen and watched the silent image of a thick cloud of smoke and fire engulf one of the towers of the World Trade Center. Mesmerised, I wondered what the nature of such a bizarre programme could be. A new Hollywood blockbuster? A documentary? A tragic accident, broadcast live across the world? A couple of men, annoyed by the lack of sound, impatiently exhorted the owner to hurry up and fix it. The man was about to turn towards them and answer when a plane appeared on the right-hand side of the screen and everyone fell silent. The room plunged

into an eerie stillness. As the cockpit of the Boeing penetrated the glass hip of the building, I had the chilling realisation that we were witnessing live the biggest terror attack in modern history.'

The cry of the commentator, from the television set, inexplicably audible again, stirred a loud chorus of voices in the bar. People expressed disbelief, despair, horror and fear. Others rushed into the *Miramare*, pushing their way towards the TV screen. Women and children started searching for their loved ones, calling their names, as if the tragedy was unfolding on their doorstep instead of thousands of miles away.

'I instinctively retreated into a corner, near the entrance,' Paolo admitted. 'Immediately next to me a woman began sobbing. She was worrying about her relatives – she knew they lived near New York City, but did not know where they worked. An old woman clutched her hand and invoked the Virgin Mary repeatedly, bending forwards at each invocation. On the other side of the room, a baby was crying hysterically in the arms of his father ... it was total chaos!'³

When the commentator broke the news that on a third hijacked plane a man had phoned his wife to say goodbye, people looked at each other in anguish. 'Are there other planes?' they asked one another. Images of men and women running through the streets trying to escape the two towers flashed on the screen. The reporter began lamenting the tragic fate of the passengers on board the suicide planes. Suddenly, Paolo was gripped by the memory of an execution he had witnessed. He knew too well the mixture of disbelief and panic etched on the faces of those running for their lives in New York City. 'Why are you taking my life?' That was the question that he had seen many times before in people's eyes.

'In war men and women are willing to run the risk of becoming a casualty,' a former member of an Italian right-wing armed group had explained.⁴ 'They know that a bomb, a bullet, a mine can terminate their life because they are at war. The armed struggle, on the contrary, has never been granted the status of conflict. Instead, it has been dismissed as terrorism, a cruel, unlawful, irrational attack against innocent people.'

Inside the *Miramare* it began to emerge that the hijackers had taken control of the planes and used them as bombs. They were 'suicide bombers'. Paolo had never met one of them. He had had contact with the Arab armed community, mostly with Palestinians linked to the PLO, with whom every European armed group dealt in weapons. They smoked, drank and enjoyed sex. He had never seen them praying, let alone fasting during Ramadan. His knowledge of the Islamic Jihad and of its followers was limited to what he had learned from the media. He was unable to relate to them as fellow

fighters. Their willingness to die as martyrs, to enter a life of joy and pleasure in a holy warrior paradise, seemed absurd.

'Why throw away the life of a good soldier like that?'⁵ he once challenged me. What bothered him most, though, was the killing of ordinary civilians; his armed organisation, he claimed, would never have targeted them. On the contrary, its members risked their lives to target the right person, those who exploited the people he had fought for. When I reminded him that the Italian armed community had killed far more *Carabinieri* and policemen, mostly young working-class men, than corrupt politicians, he dismissed my point by saying that those were the lives of soldiers at arms.

Until the afternoon of 11 September there had been only one form of 'terrorism' for Paolo Salvo: the one sponsored by the United States. Now, he was not so sure any more. Were the Islamic hijackers soldiers, freedom fighters or holy warriors? Or did they belong to a new breed of terrorists? A good soldier, he had learned, considers death a likelihood; voluntarily committing suicide was another matter.

'When you are at war death is part of the game,' he told me. 'To take a life you must be prepared to lose your own.' Yet Paolo Salvo had always struggled with this concept until the revolt at Trani, where for the first time he had fought the guards without fear, ready to die. 'I crossed the threshold of humanity,' he explained, 'like many others before me. I was blind to life, detached from it; killing and dying meant nothing to me. I felt soulless, like the American soldier in *Apocalypse Now* who is high on LSD and machine-guns the Vietnamese fishing boat, killing all the passengers.'

'How did that happen?' I asked him.

'I have never been able to answer that question,' he admitted, 'but I suspect that my readiness to die sprang from the loss of a reason to live, not from the hope of a better life after death.'

Suddenly, one of the twin towers collapsed, 'like a house of cards blown away by a child's breath,' was how Paolo described it. 'Tons and tons of glass, steel girders, cement and people ground to dust. Thousands of lives vanished.'

'Thousands of innocent lives,' I added.

He nodded. 'I was confused,' he admitted. 'Civilians had never been a target. Violence had always been a means, never an end in itself.'⁶

I told him that this was not what the average Italian believed during the *Anni di Piombo*, when Italy was caught in a deadly spiral of political violence. On the contrary, public opinion had denounced members of armed organisations as perpetrators of crimes against civilians.

'What is the difference between past and present terror?' I finally challenged him.

He looked at me in distress before answering. 'I rushed out of the *Miramare*,' he began. 'I needed some air. When I turned towards the bar and glanced once more at the screen the other tower was collapsing, burying Lower Manhattan under a cloud of dust. I was suddenly overwhelmed by the significance of what I was witnessing ... I fell to my knees and started to cry ... The truth is that there is no difference between past and present terror!'

Buried beneath the debris of the twin towers there was also something which had belonged to Paolo: the dreams and illusions of a generation that had embraced the armed struggle, that had killed, injured and maimed in its mission to wage war against an oppressive power. Islamist terror was its most recent manifestation.

1

The Dilemma of Terrorism: War or Crime?

'We are terrorists, yes we are terrorists, because it is our faith.'

Abu Mahaz, Palestinian extremist, to CNN, 1993

On 31 August 1992, Ramzi Yousef left Peshawar for Karachi en route to New York City. Accompanying him was Ahmed Mohammad Ajaj, a former Domino's Pizza deliveryman from Houston, Texas. The two had probably met in Afghanistan at one of the training camps run by Osama bin Laden, or at the infamous University of Dawa and Jihad, a war training school located in Pakistan. As neither of them had a regular entry visa, Yousef bribed a Pakistani official with \$2,700 to arrange boarding cards for flight PK-703 to New York.¹ Twenty hours later, a well-groomed Yousef disembarked from the first class cabin of the plane and approached the immigration desk manned by Martha Morales. Calmly and politely he applied for political asylum. He claimed he was being persecuted by the Iraqi military and said that he faced certain death if his application was refused. Although his boarding card and passport bore two different names and a third identity emerged when Morales posed the routine question 'What is your name?' Ramzi Yousef was allowed to enter the US to await his asylum hearing.

A different destiny awaited his companion, Ajaj, who was carrying Yousef's bomb-building manuals. He produced a fake Swedish passport. When the immigration officer peeled off the badly glued photograph from the document, he became aggressive, shouting that he had a Swedish grandmother. Eventually, he was asked to step into the immigration office for questioning, where his luggage was searched. Officers were stunned to discover what he was carrying: manuals and videotapes on the making of explosives, detonators and even a video of the suicide bombing of an American embassy. He was immediately taken into custody.

While immigration officials questioned Ajaj, Yousef took a taxi and headed for the al-Kifah refugee centre, the New York City headquarters of Islamist terror, on Atlantic Avenue in Brooklyn. There, he was welcomed

by Mahmud Abouhalima, a 33-year-old Egyptian Yousef had met in Afghanistan in 1988. At the time Abouhalima was working as a chauffeur for the Islamist religious leader Sheikh Omar Abdul Rahman, better known as the Blind Sheikh. The Egyptian introduced Yousef to Rahman as 'a friend from Afghanistan, a guy who will do anything'.² Abouhalima's description could not have been more accurate. In just six months, Yousef conceived, masterminded and executed the first bombing of the World Trade Center, the biggest attack on American soil prior to the Oklahoma bombing and 11 September 2001. As Yousef himself explained in 1995 to the FBI agents who escorted him back to the US from Pakistan, his plan was to have one of the World Trade Center towers collapse into the other. The bomb was intended to destroy the support columns that held the towers together. Monetary constraints, he admitted, had forced him to drop another plan to use chemical substances with the explosion.³ Luckily, Yousef's plan did not work to perfection: the van with the explosives was parked several metres away from the 'ideal' spot, where it would have caused maximum damage, and parts of the bomb failed to detonate. Nevertheless, six people lost their lives in the attack and hundreds more were physically and psychologically injured.

The investigation that followed unveiled a terrifying scenario. Yousef and his companions were part of a conspiracy headed by Sheikh Omar, who was planning to bring Jihad to the heart of America. It soon emerged that more deadly attacks were intended for major US institutions, including the Pentagon. Under the noses of the FBI, the CIA and the US government, a dangerous phenomenon had taken root and grown for over a decade in America's own backyard. Veterans from the anti-Soviet Jihad had turned their hatred against their old ally, the United States. Astonishingly, these discoveries did not raise any national security concerns, nor was the threat posed by Islamist armed groups ever properly addressed. Why? The answer lies partly in the decision of the US administration to deal with political violence as a threat to civil order rather than as an assault on national security and partly in the 'special' relationship that exists between the US and Saudi Arabia.

By the early 1990s, the danger represented by Islamist radical groups was well known to the FBI and the CIA. Soon after the first attack on the World Trade Center, Dale Watson, head of the FBI's International Terrorism Section, Division of National Security, wrote that, at the time, members of Hamas, Hizbollah, al-Gama and al-Islamiyya were not only present in large numbers in the US, but had been particularly active for some time. Several Iranian students belonging to the Anjoman Islamie, the Iranian Islamist group, had enrolled in American universities. Their task was to monitor

US policies towards the Middle East and coordinate future terror attacks. Watson also identified the existence of several cells planted in specific places, often bankrolled by countries such as Iraq, Iran and Sudan, and a plethora of Internet sites used for propaganda, recruitment and fundraising. Islamist armed groups, he stressed in his report, regarded New York as the optimal target because it was host to so many national and international organisations.⁴

There is plenty of evidence that, in the early 1990s, the FBI was monitoring militant Islamist groups, knew their *modus operandi* and had a clear idea of their strategies. Towards the end of 1992, Emad Salem, a former lieutenant colonel in the Egyptian army and an informant for the FBI, had warned the Bureau that militants very close to the Blind Sheikh were looking for explosives and planning attacks in New York City. But the FBI ignored Salem's warning in the belief that he was exaggerating the threat Islamist extremists posed to New York, and suspended his monthly salary of \$500.⁵ Had they taken him seriously, Ramzi Yousef would probably have failed to carry out his plan.

The question that comes to mind is why such warnings were ignored. The answer is very simple: there have been constraints imposed by all post-Cold War US administrations on investigating the Saudis. On BBC2's *Newsnight*, Greg Palast interviewed an FBI agent who admitted that there was a plethora of evidence

tied in with the Saudi royal household which appears to be involved in the funding of terrorist organisations or organisations linked to terrorism ... Now the problem was the investigations were shut down. There were problems that go back to Father Bush; when he was head of the CIA, he tried to stop investigations of the Saudis; [the problems] continued on under Reagan, Daddy Bush and ... under Clinton too ... I have to add it was also the CIA and all the other international agencies ... I have to say that the sources are not just the FBI trying to get even with the agencies, but in fact the other agencies. The information was that they were absolutely prohibited, until September 11, at looking at Saudi funding of the al-Qaeda network and other terrorist organisations.⁶

A great deal of circumstantial evidence gathered after the first attack on the World Trade Center pointed in the direction of Osama bin Laden, who at that time was living in exile in Sudan. Several of the convicted conspirators had strong links with him. The Saudi terror tycoon was also financing the Office of Services, a group based in Pakistan aimed at organising and promoting Jihad worldwide. From 1993 to 1995, when he was finally captured, Ramzi Yousef had resided on and off in Peshawar at the Bayt

Ashuhada (House of the Martyrs), one of the guest houses financed by bin Laden.⁷ However, the trail that could have led to bin Laden and his al-Qaeda network was never fully investigated, nor was the loophole in the immigration system – so successfully exploited by Yousef – ever closed. In fact, the 11 September hijackers exploited that same weakness to gain entry into the United States.

TERRORISM AS A CRIME

'In retrospect, the wake-up call should have been the 1993 World Trade Center bombing,' admitted Michael Sheehan, counter-terrorism coordinator at the State Department during the Clinton administration.⁸ However, the US administration continued to ignore all the warning signs. The president chose to follow in his predecessor's footsteps, believing that political violence was a civil crime to be prosecuted and punished, not a threat to national security to be prevented or an enemy to be reckoned with. Following this strategy, law enforcement agencies were tasked with prosecuting the members of armed organisations as common criminals, using the instrument of the law. Political violence had so little salience on Clinton's agenda that he never even visited the World Trade Center, nor did he shake the hands of the victims' families in front of the cameras. To mollify public opinion, Congress passed legislation to tighten immigration, but the rules were never fully implemented. Astonishingly, nobody considered the perils of porous borders.

Perhaps the White House reaction would have been different had Yousef succeeded in killing thousands of people. The first World Trade Center attack 'wasn't the kind of thing where you walked into a staff meeting and people asked, what are we doing today in the war against terrorism?' Clinton's first term adviser for policy and strategy, George Stephanopoulos, told the *New York Times*.⁹ When in 1995 a van full of explosives was driven into the Alfred P. Murrah Federal Building in Oklahoma City, killing 168 people, the reaction was completely different. Clinton not only flew to the site for a memorial service, he also issued orders to intensify the fight against terrorism. However, no clear strategy was drawn up to accomplish this objective.

Is it possible that politicians and anti-terrorism bureaucracies alike had no idea of the magnitude of the danger? That may well have been the case. 'Prior to September 11, a lot of people who were working full time on terrorism thought it was no more than a nuisance.'¹⁰ But why? Again the answer lies in treating political violence as a crime against individuals and

property rather than a threat to the state, as well as in the politics of curbing further investigation into who was funding Islamist terror.

The FBI and the agencies had very little room for manoeuvre. In the late 1990s, a Saudi diplomat who defected to the United States brought 14,000 documents with him. 'He offered [them] to the FBI but they would not accept them,' revealed a former FBI officer.

The low-level agents wanted this stuff because they were tremendous leads. But the upper-level people would not permit this, did not want to touch this material. That is quite extraordinary. We don't even want to look. We do not want to know. Because obviously going through 14,000 documents from the Saudi government files would anger the Saudis. And it seems to be policy number one that we don't get these boys angry.¹¹

This approach hamstrung professionals, who were prevented from acting on vital inside information. For example, in the spring of 1996 the CIA interrogated Ahmed al-Fadl, who had been involved in a plot to kill US soldiers in Somalia in 1992. He described bin Laden's vast network, al-Qaeda; his dream of attacking the US and his attempts to purchase uranium. Al-Fadl's shocking revelations were passed on to every anti-terrorist organisation in the US, yet the State Department did not add al-Qaeda to its list of foreign terrorist organisations.¹² In 1997 another wake-up call went unheeded when a member of al-Qaeda walked into the US embassy in Nairobi and unveiled a plot to bomb several American embassies in Africa. The CIA dismissed his story as unreliable. On 7 August 1998, the US embassies in Kenya and Tanzania were simultaneously bombed. A string of bombing incidents against US targets around the world followed, including sites in Sri Lanka, Uganda, Israel and South Africa. In the aftermath of these attacks, instead of launching a massive investigation, the White House undertook an unsuccessful covert operation to kill bin Laden.¹³

During his two terms as president, Clinton's overall approach to political violence remained unchanged: it was regarded as criminal activity, not as a threat to national security. Understandably, after the first attack against the World Trade Center, anti-terrorist agencies were looking for isolated groups of criminals operating mostly outside the US, not for international armed organisations plotting to strike inside US borders. This mistake gave Osama bin Laden and his network eight more years to expand and establish cells all over the world. According to Dr Laurie Mylroie, an American expert on terrorism and Iraq, the US government was unable simultaneously to address the national security question of state sponsorship of violent acts and the criminal question of the guilt or innocence of individual perpetrators.¹⁴ After the first World Trade Center bombing, for example, once

the arrests had been made, the organisation of the defendants' trials took bureaucratic priority over everything else. The Justice Department was in charge of the entire investigation and its brief was to prosecute and convict criminals, not to hunt down 'terrorists'. More important, because a rift exists between the Justice Department (including the FBI) on the one hand and the agencies of national security (the National Security Agency, the CIA and the Defense Department) on the other,¹⁵ the investigation was carried out behind closed doors. Access to information was systematically denied, even to the CIA, for fear of 'tainting the evidence'. As reported by the *New York Times*, former CIA director James Woolsey admitted during an interview that important leads pointing overseas had not been shared with the CIA due to the rule of secrecy of the grand jury.¹⁶ 'The US judiciary is conceived to operate strictly according to its routine,' an American criminal lawyer explained. 'Its final aim is to prove beyond reasonable doubt that the defendant is innocent or guilty, regardless of the type of crime committed. It is not equipped to track "terrorist cells" around the world.'

In the specific case of the 1993 World Trade Center attack, confining a terror attack within the straitjacket of criminality, rather than adopting a war model, served to undermine national security. The trial of Ramzi Yousef succeeded in proving his involvement in the first bombing of the World Trade Center, but failed to answer important questions such as who was backing him financially and ideologically. Knowing the answers to questions such as this and having the freedom to investigate the Saudis might have prevented the attacks of 11 September and the present threat of international terror. Although the FBI and the CIA succeeded in tracing some of Yousef's money to Germany, Iran, Saudi Arabia and Kuwait, without a confession or a major breakthrough it was impossible to discover the identity of the sources.¹⁷ Yousef insisted that the whole operation cost no more than \$15,000 and that more than half of that came from friends and family. The court did not press him to reveal his financial sources because they were not considered vital in establishing his innocence or guilt during the trial. So he never explained how he paid for the vast expenditures incurred in carrying out other deadly attacks in Asia, including the ambitious Bojinka plot.¹⁸

Today, it is well accepted that 11 September was a copycat of the Bojinka plot, a plan to blow up several jumbo jets simultaneously, killing thousands of people. The plan died a sudden death in 1995 when a fire broke out in the flat rented by Ramzi Yousef and his associates in Manila. In the rush to escape, Yousef forgot his laptop, which contained vital information. Abdul Hakim Murad, one of the accomplices, was sent to recover the computer,

but was arrested by the police. He later admitted to being a qualified pilot recruited by Yousef to carry out a suicide mission. According to Murad's confession, Yousef intended to hijack several commercial flights in the US and crash the planes into the CIA headquarters and the Pentagon.¹⁹ The decoding of the data in the laptop revealed a link between Ramzi Yousef and al-Qaeda through Riduan Isamuddin, better known as Hambali, regarded by the Filipino authorities as the regional head of al-Qaeda (and one of the men suspected of having masterminded the Bali bombing in October 2002). In 1995 Hambali was a director of Konsojaya, a Malaysian company bankrolling the Islamist terror cells operating in the archipelago. He may also have been involved in the planning of the 11 September attacks. In January 2000, he met Khalid al-Midhar and Mawaf Alhazimi, two of the hijackers of the plane that struck the Pentagon. Malaysian officials confirmed that this meeting took place in Malaysia.²⁰ Eight months later, Hambali had a meeting with Zacarias Moussaoui, the Moroccan accused of being part of the 11 September conspiracy.²¹ Although this information was shared with the US authorities, once Yousef was safely behind bars no major investigation was launched to track down his accomplices still at large. Aida Fariscal, the former police inspector of the Filipino inquiry, believes that had the US paid more attention to the data contained in Yousef's laptop, the 11 September attacks could have been prevented.²² The truth is that 11 September was not an intelligence breakdown; it was much more than that. 'There is no question we had what looked like the biggest failure of the intelligence community since Pearl Harbor, but what we are learning now is that it wasn't a failure, it was a directive.'²³ The general feeling is that the White House prevented the intelligence community from digging deeply into Islamist extremism in order to protect the Saudis. As long as America was safe, they were left alone.

THE WAR ON TERROR

This policy ended abruptly on 11 September 2001. At the same time, terrorism ceased to be a criminal activity and became an act of war. President Bush's immediate reaction was to describe the strike as 'a national tragedy'. That evening, in a televised address to the nation, he referred to the attack as 'an act of war against the United States'. In the immediate aftermath, the president and his administration behaved as if the nation was under military attack. As in a Hollywood blockbuster, all airports were closed, planes were grounded, borders sealed, schools, offices and shops shut down; Americans were told to go home and wait while the White House took care of the damage. On 12 September, in a meeting with his

national security team, the president admitted that 'the American people need to know that we are facing a different enemy than we have ever faced'. A few days later, in a presidential directive, George W. Bush created the Homeland Security Advisory System, 'the foundation for building a comprehensive and effective communication structure for the dissemination of information regarding the risk of terrorist attacks to all levels of government and American people'. 'Terrorism' was assigned its own institutional watchdog. Less than a month later, on 7 October, America declared war on the Taliban regime. The official justification was that it was harbouring Osama bin Laden and the al-Qaeda international terror network.

While Clinton's and Bush's reactions could not have been more different, the similarities between the two World Trade Center attacks are striking. Both aimed at killing the maximum number of people, both targeted one of the greatest symbols of modern America and Western capitalism and both were part of a conspiracy to bring Jihad to the heart of America. Neither of the groups that carried out the attacks had adequate means to finance the schemes themselves. In both cases, the money trails led to the same countries in the Middle East. The perpetrators were former Arab-Afghans, Muslim volunteers who had fought in the anti-Soviet Jihad, Mujahedin who had strong links with Osama bin Laden's network. Yousef and the 11 September hijackers knew full well the weaknesses of the immigration system and exploited them to enter the US. Finally, Yousef's Bojinka plan was the blueprint for the second attack. The sole crucial difference was that the bombing of the World Trade Center failed to destroy the towers, while the second succeeded.

On 11 September the world was told that, confronted with the scale of the damage, the number of victims and the war-like dynamics of the strike, the US government could no longer dismiss the perpetrators as common criminals. Clearly, America's national security was under attack and war had suddenly become an option. The picture that emerged was that of a state engaged in a conflict with a new type of enemy: a conglomerate of armed organisations and terror states, the core of a vast international network of terror. This, the White House stressed, was a unique phenomenon.

Western citizens had been brutally confronted with a reality that not only escaped any previous Western definitions of political violence, but also posed challenging new questions as to how such an enemy had emerged in the first place. As the media frantically searched for clues to answer these questions, it became clear that the new enemy was a well-known foe, one that had been nurtured for decades in the bosom of US foreign policy. Its birth and evolution are the essence of the New Economy of Terror.