

**Does charitable aid fund social services or suicide bombers? Exploring
Hezbollah's and Hamas's involvement in U.S. charities**

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SOC: Print Journalism Major and SIS: International Studies Major

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Spring 2011

University Honors in International Studies

Table of Contents:

Abstract.....	3
Introduction.....	4
Charitable Organizations.....	5
History of Hamas and Hezbollah.....	6
The U.S. Response.....	9
Concerns with the U.S. Response.....	13
Terrorist Groups and Charitable Organizations.....	15
Case Studies.....	17
Holy Land Foundation.....	17
Al-Aqsa Educational Foundation.....	20
Goodwill Charitable Organization.....	22
Discussion.....	24
Lessons.....	26
Conclusion.....	30
Bibliography.....	31

Abstract:

This paper examines three 501(c)(3) U.S. charities that the U.S. government accused of supporting Hezbollah and Hamas to investigate how terrorist groups use social services to raise funds and promote their cause. An analysis of the Holy Land Foundation, Al Aqsa Educational Fund, and Goodwill Charitable Organization reveals that terrorist groups may profit in terms of positive publicity, political support, or financially from providing social services. Two conclusions can be drawn: terrorist groups may manipulate charitable giving for their own purposes by either creating new charitable organizations or by exploiting existing charities; and that Hezbollah and Hamas used both of these practices.

Research Question: How do terrorist groups use social services to obscure the sources of their financing and promote their cause?

Introduction

This paper examines three 501(c)(3) U.S. charities that the U.S. government accused of supporting Hezbollah and Hamas to investigate how terrorist groups use social services to raise funds and promote their cause. An analysis of the Holy Land Foundation, Al Aqsa Educational Fund, and Goodwill Charitable Organization reveals that Hezbollah and Hamas may profit in terms of positive publicity, political support, or financially from providing social services. Two conclusions can be drawn: terrorist groups may manipulate charitable giving for their own purposes by either creating new charitable organizations or by exploiting existing charities; and that Hezbollah and Hamas used both of these practices.

Using legal indictments by federal prosecutors, this paper investigates the government's findings on charities operated by Hezbollah and Hamas—specifically, how the groups were funded, how they evaded the law, who the charities' donors were, and what social services the charities claimed to or actually did provide.

Lessons drawn from this review fall into three categories: informing charitable organizations concerned about the “material support” law, providing advice to charitable donors, and advocating for improved social services in key communities.

Charitable Organizations:

Running a charitable operation gives terrorist organizations a legitimate economic front enabling them to receive money from around the world.¹ Although one terrorist act may not require a significant amount of money—\$10,000 for the 2004 Madrid subway attacks, for example—running a large organization like Al Qaeda requires around \$30 million a year for training camps, self-promotion, salaries, compensation for families, travel fees, documents, weapons, and bribes.² Fundraising at this scale cannot be achieved by carrying cash across borders in briefcases; instead terrorists can support their activities through "witting and unwitting contributions from mosques, non-governmental organizations, internet users, wealthy donors, and charitable foundations."³

Charles Freeland, the Former Deputy Secretary General of the Basel Committee on Banking Supervision, asserts that terrorists "will try to hide behind anonymous accounts or fronts making use of trusts or charities."⁴ Operating as a charity in the U.S. provides certain financial benefits for the organization. The IRS gives 501(c)(3) status to non-profits that do not earn money to benefit a private individual or influence legislation.⁵ A 501(c)(3) organization is tax-exempt and may be eligible for benefits such as a corporate matching funds program.⁶ Additionally, donors may deduct charitable contributions to the 501(c)(3) on their income taxes. Under the new U.S. Treasury Department's voluntary standards for non-profit organizations, the

¹ Valpy Fitzgerald, "Global Financial Information, Compliance, and Incentives for Terrorist Funding," *The Economic Analysis of Terrorism*, ed. Tilman Bruck (London: Routledge, 2007): 249.

² Jack D. Smith, "Disrupting Terrorist Financing with Civil Litigation," *Case Western Reserve Journal of International Law* 41, no. 65, (2009): 67.

³ Ibid.

⁴ Charles Freeland, "Misuse of Financial Institutions in the Financing of Terrorism," in *Financing Terrorism*, ed. Mark Pieth (Dordrecht: Kluwer Academic Publishers, 2002): 43.

⁵ "Exemption Requirements," IRS.gov, November 15, 2010, <<http://www.irs.gov/charities/charitable/article/0,,id=96099,00.html>>

⁶ Ilias Bantekas, "International Law of Terrorist Financing," *American Journal of International Law* 97, No. 2, (2003): 322.

non-profit should evaluate whether any of its money supports terrorists—even if it is through no fault of the organization.

History of Hamas and Hezbollah:

Terrorists sometimes provide social services to win the hearts and minds of their community, and to generate positive publicity. Terrorist groups like Hezbollah and Hamas have provided social services when the government does not provide health care, housing, or food to its citizens. For example, in the aftermath of the Pakistan earthquake of 2005, charitable divisions of Islamic terrorist groups were the first at the scene.⁷ Using charitable organizations, terrorist groups can receive donations and establish credibility in their community.

Hamas has a well-established role as a provider of social services in the Palestinian community. The organization's founder, Ahmed Yassin, first worked for the Muslim Brotherhood, an Islamist organization founded in Egypt in 1928. At the Muslim Brotherhood's Islamic Center, Yassin provided refugees in the Gaza strip with key services such as food, water, health services, day care, and youth activities.⁸ As a result, he gained many supporters in the 1980s, "creating the foundation for a powerful movement that even he likely could never have foreseen."⁹ He then formed a network of charitable organizations such as religious and educational institutions, a network of Palestinian people referred to as "dawa" (meaning outreach).¹⁰ Hamas continues this tradition of providing social services to needy communities in addition to supporting fighters and terrorist activity.

⁷ Greg Mortenson, *Stones Into Schools*, (New York: Penguin Books, 2009):178.

⁸ Jonathan Schanzer, *Hamas vs. Fatah*, (New York: Palgrave Macmillan, 2010): 20.

⁹ *Ibid.*, 20.

¹⁰ Jimmy Gurule, *Unfunding Terror*, (Cheltenham: Edward Elgar Publishing, 2009): 133.

Hamas separated from the Muslim Brotherhood in 1987, with the goal of eliminating Israel and restoring Palestine. The group was called Harakat al-Muqawamma al-Islamiyya (the Islamist Resistance Movement): Hamas. Using radical tactics and guerilla warfare, Hamas “played a significant role in the mobilization of violence, imbuing the uprising with zealous Islamist flare.”¹¹ Hamas uses suicide bombings strategically, according to scholar Robert Pape, exemplified in its campaign for the Israeli withdrawal from the West Bank in 1995.¹² But Hamas also provides education and charitable outreach, because the organization’s commitment to social services is written in its charter.¹³ Many within Palestine view Hamas as a popular, legitimate organization because of the organization’s history of assistance and social services.¹⁴

Given Hamas’s history of providing for the community, scholar Sara Roy argues that Hamas may be moving from its historically offensive position to a defensive position of promoting societal values.¹⁵ Hamas continues to focus on *dawa* and education today. Abu Shanab, a leader of Hamas and also head of the Society of Engineers in Gaza, told author Jessica Stern that “the most important element of Hamas’s success is its social welfare activities. We started getting involved in charity before Hezbollah did.”¹⁶ Hamas claims that 60 percent of its budget goes to social welfare throughout Palestine.¹⁷ The organization receives donations from around the world, including the U.S., Iran, and Saudi Arabia; the U.S. believes that most of this money is transferred through charities.

¹¹ Schanzer, 25.

¹² Robert Pape, *Dying to win: the strategic logic of suicide terrorism*, (New York: Random House, 2005): 205.

¹³ Jessica Stern, *Terror in the Name of God*, (New York: HarperCollins, 2003): 48.

¹⁴ Khaled Hroub, “Hamas after Shaykh Yasin and Rantisi,” *Journal of Palestinian Studies* 33, No. 4 (2004): 22.

¹⁵ Sara Roy, “The Transformation of Islamic NGOs in Palestine,” *Middle East Report* 214 (2000): 25.

¹⁶ Stern, 41.

¹⁷ *Ibid*, 49.

Hezbollah, an organization known for its anti-Israel stance and violent tactics, also has a history of providing social services to communities. Funded in part by Iran, Hezbollah was founded in the 1980s in an effort to eject Israel from Lebanon. Hezbollah's leadership hoped to make Lebanon into an Islamic state, in addition to impeding Israeli control.¹⁸ To end Israel's occupation of Lebanon, Hezbollah used suicide attacks against Israeli forces between 1982 and 1990.¹⁹

The U.S. considers Hezbollah a terrorist group because of the organization's violent tactics—such as kidnappings and suicide bombings. However, the Lebanese see Hezbollah as a resistance group, not a terrorist group, because the organization brings low cost health care and education to poor areas of Lebanon.²⁰ Hezbollah continues to provide desperately needed social services to communities in Lebanon, such as clean water, medical services, and community associations.²¹ Along with these services, Hezbollah provides information about its cause and ideological information that is well received by the community.²²

Mona Harb argues that Hezbollah's social services—provided in an effective, professional, and responsible way—characterize Hezbollah as a faith-based organization. Hezbollah not only provides needed services, but also works with the government on a reconstruction strategy for the Haret Hrayk neighborhood in Beirut.²³ Hezbollah's charitable network consists of formal institutions managing education and health services such as Al-Chahid, Al-Jarih, the Educational Institution, the Islamic Health Society, and a micro-credit

¹⁸ "Who are Hezbollah?" BBC News, July 4, 2010. < http://news.bbc.co.uk/2/hi/middle_east/4314423.stm>

¹⁹ Ibid.

²⁰ Nicolas Blanford, "Lebanon's 'A-Team of terrorists' valued for social services," *Christian Science Monitor*, May 19, 2003.

²¹ Sheri Merman. "Islamism, Revolution, and Civil Society." *Perspectives on Politics* 1, No. 2, (2003): 264.

²² Ibid.

²³ Mona Harb, "Faith-Based Organizations as Effective Development Partners? Hezbollah and Post-War Reconstruction in Lebanon," *Development, Civil Society and Faith-Based Organizations*, ed. by Gerard Clarke and Michael Jennings, (New York: Palgrave MacMillian, 2008): 217.

institution. In addition to providing services, these institutions “disseminate the narratives of the Islamic sphere and mobilize resistance members.”²⁴

The U.S. Response:

The U.S. government’s first effort to combat international terrorism in 1978 never became law. The Senate Committee on Foreign Relations proposed an act to stop “direct financial support for the commission of any act of international terrorism” by state governments providing seemingly innocuous funding to national liberation groups.²⁵ The act suggested such money could be diverted from legitimate uses to terrorism. But the U.S. did not have antiterrorism laws until major terrorist attacks occurred in 1995 and 2001.

As early as the 1980s, the U.S. was aware that terrorist groups were providing social services. In fact, the U.S. promoted the use of Islamic charities in the 1980s to fund the Afghan mujahedeen in their fight against the Soviet Union, according to journalist David Armstrong.²⁶ As part of a joint U.S.-Saudi effort, the Reagan-Bush Administrations “funneled millions of dollars to the Afghan rebels through these charities to preserve “deniability” of its support for a covert proxy war.”²⁷ The U.S. accepted terrorist group’s use of charities to further its own interest in the war.

²⁴ Ibid., 225.

²⁵ John Murphy, *State Support of International Terrorism*, (Boulder: Westview Press, 1976): 39.

²⁶ David Armstrong, “Charity Case: Why has the Bush Administration failed to stop Saudi funding of terrorism?” *Harper’s Magazine* 308, no. 1846 (2004): 82.

²⁷ Ibid., 81

The Antiterrorism and Effective Death Penalty Act of 1996 became law as a result of the Oklahoma City bombing in April 1995.²⁸ The act addressed international terrorist's sources of financial and material support, reading that:

“The Constitution confers upon Congress the power to punish crimes against the law of nations and to carry out the treaty obligations of the United States, and therefore Congress may by law impose penalties relating to the provision of material support to foreign organizations engaged in terrorist activity.”²⁹

The Antiterrorism Act of 1996 also authorized the Secretary of State to determine if an organization qualifies as a foreign terrorist organization because it threatens national security. The Treasury Department is notified of designated organizations so that “the Secretary of the Treasury may require United States financial institutions possessing or controlling any assets of any foreign organization... to block all financial transactions involving those assets until further directive from either the Secretary of the Treasury, Act of Congress, or order of court.”³⁰ Overall, the Antiterrorism Act recognized the threat of international terrorism in the U.S. and created new restrictions on terrorist fundraising.

The U.S. began seriously investigating charities involved with terrorist groups in response to the terrorist attacks on September 11, 2001. After September 11th, President George W. Bush began a government investigation of terrorist financing, specifically looking at sources of terrorist funding within U.S. borders.³¹ Federal intelligence quickly pinpointed charitable groups—such as the Holy Land Foundation—suspected to be fronts for terrorists. But, the U.S. government was mostly concerned with how terrorists generated money from U.S. charitable

²⁸ Charles Doyle, “Antiterrorism and Effective Death Penalty Act of 1996: A Summary,” <http://www.fas.org/irp/crs/96-499.htm>

²⁹ Antiterrorism and Effective Death Penalty Act of 1996: 34.

³⁰ Ibid., 35.

³¹ Millard J Burr, and Robert Collins, *Alms for Jihad*, (Cambridge: Cambridge University Press, 2006): 264.

organizations, more so than how terrorists profited from good publicity, or strengthening ties with communities abroad.³²

Two weeks after the September 11th attacks, President Bush signed into law new mechanisms to regulate terrorist financing, including the creation of the Specially Designated Global Terrorist label. Executive Order 13224 instigated U.S. investigation of the domestic terrorist infrastructure.³³ The order recognized the threat of terrorism and offered new sanctions such as:

“All property and interests in property of the following persons that are in the United States or that hereafter come within the United States, or that hereafter come within the possession or control of United States persons are blocked: (a) foreign persons listed in the Annex to this order; (b) foreign persons determined by the Secretary of State, in consultation with the Secretary of the Treasury and the Attorney General, to have committed, or to pose a significant risk of committing, acts of terrorism...(c) persons determined by the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General, to be owned or controlled by, or to act for or on behalf of those persons listed in the Annex.”³⁴

According to the Order, the U.S. Office of the Foreign Asset Control—a branch of the U.S. Treasury Department—maintains a blacklist system of Specially Designated Global Terrorists that includes U.S. charities accused of supporting terrorists.³⁵

Passed with wide support, the Patriot Act of October 2001 was an effort to freeze terrorist assets and to ensure charities operate for legitimate purposes. Congress recognized terrorist’s new methods of finance: “including through the use of charitable organizations, nonprofit organizations, and nongovernmental organizations, and the extent to which financial institutions

³² Ibid.

³³ Ibid.

³⁴ George W. Bush, “Executive Order 13224,” U.S. Department of State (2001).

³⁵ Fitzgerald, 257.

in the United States are unwittingly involved in such finances and the extent to which such institutions are at risk as a result.”³⁶

The Patriot Act covered many different aspects of curbing terrorist activity including enhancing domestic security against terrorism and enhanced surveillance procedures. However, the act also addressed international terrorism with anti-money laundering regulations, enhanced border security, and new penalties for terrorists under criminal law. Domestic banks experienced new regulations as well, as they were required to perform due diligence on their accountholders to ensure they did not contribute to terrorism or money laundering.

On June 21, 2010, the U.S. Supreme Court upheld a U.S. ban on material support to terrorist groups in *Holder vs. Humanitarian Law Project*. The Supreme Court upheld 18 U.S.C. 2339B, which prohibits the provision of “material support or resources to certain foreign organizations that engage in terrorist activity.” According to this law, material support not only includes monetary contributions, but also services, lodging, training, advice, false documents, communications equipment, facilities, weapons, transportation, and personnel.

The ruling upset some supporters of humanitarian groups, including former U.S. president Jimmy Carter, who told the *Washington Post* that the decision “inhibits the work of human rights and conflict resolution groups.”³⁷ The material support law forbids providing services, training, expert advice, and personnel to terrorist groups, “even if the work has legal peaceful goals.”³⁸ In *Holder vs. Humanitarian Law Project*, the plaintiff argued that training

³⁶ “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001,” Library of Congress, October 26, 2011: 307.

³⁷ Robert Barnes, “Supreme Court upholds ban on ‘material support’ to foreign terrorist groups,” *Washington Post*, June 22, 2010.

³⁸ Caroline Preston, “International Charities Decry Antiterror Ruling,” *Chronicle of Philanthropy* 22, No. 15, (June 24, 2010).

terrorist groups on peaceful means of conflict resolution fell outside the realm of the material support law. However, Justice Roberts wrote in the majority opinion that intent—even intent to stop terrorism—does not exclude an organization from qualifying under the material support provision. Rather, knowledge of providing expert advice or assistance to a designated terrorism organization qualifies as material support of the terrorist group.³⁹

The Supreme Court also upheld the U.S. ban on any support of a foreign terrorist organization, even of legitimate activities, such as social services. The opinion states: “funds raised ostensibly for charitable purposes have in the past been redirected by some terrorist groups to fund the purchase of arms and explosives.”⁴⁰ Providing any kind of support gives legitimacy to the terrorist group. It is also not certain that the support will solely be used for legitimate means, or will not be used to conceal violent activities.

Concerns with the U.S. Response:

U.S. regulators may be taking the wrong approach to combating terrorist financing through charitable organizations. Scholar Garry Jenkins argues that increasing scrutiny of charities may not be hindering terrorist funding but philanthropy itself. On the international level, greater U.S. regulation is resulting in declining trust and confidence in charitable organizations.⁴¹ An unforeseen consequence of excessive government regulations of nonprofits is a chilling effect on charitable donations. As more donors choose intermediary organizations, rather than directly

³⁹ *Holder vs. Humanitarian Law Project*, 17.

⁴⁰ *Ibid*, 32.

⁴¹ Garry Jenkins, “Soft Power, Strategic Security and International Philanthropy,” *North Carolina Law Review* 85, No. 3, (2007): 829.

donating to foreign nonprofits, fewer dollars are reaching the developing world thanks to administrative costs and the overhead expenses of the U.S. intermediary.⁴²

Given the U.S. response to terrorist financing, people will mistakenly assume that all Islamic charities are associated with terrorists, according to scholar David Cole.⁴³ As Muslims still must give zakat, but are afraid to do so through established Islamic charities, they may turn to underground and unofficial charitable collections. Additionally, increased scrutiny of zakat as a source of terrorist financing means some Muslims are hesitant to give. Scholar Murad Hussain argues that Muslims—especially those living in the United States—are afraid of being stigmatized or being accused of being called a terrorist.⁴⁴ Overall, the U.S.’s focus on blaming Islamic charities rather than promoting greater transparency has insulted members of the international Islamic community.⁴⁵

Finally, new charitable financing regulations overlook that many foreign charities—including legitimate one—operate in a less formal way. Foreign nonprofit organizations sometimes operate without legal recognition, because there is no system to register such organizations, the system of registration is too difficult, or the charity wants to remain outside a corrupt government’s control.⁴⁶ Jenkins asserts that Islamic charities are “ubiquitous” in Afghanistan and Israeli-occupied territories.⁴⁷ But, the proximity of terrorist groups and charities

⁴² Ibid., 781

⁴³ David Cole, “Out of the Shadows: Preventive Detention, Suspected Terrorists, and War,” *California Law Review* 97, No. 3, (2009): 693.

⁴⁴ Murad Hussain, “Defending the Faithful: Speaking the Language of Group Harm in Free Exercise Challenges to Counterterrorism Profiling,” *Yale Law Journal* 117, No. 5. (March 2008): 936.

⁴⁵ Ibrahim Warde, *The Price of Fear: The Truth Behind the Financial War on Terror*, (Berkeley: University of California Press, 2007):149.

⁴⁶ Jenkins, 778.

⁴⁷ Ibid.

does not necessitate that a charity supports radical political activity. Warde believes that it may be impossible for any organization to completely divide political and social work.⁴⁸

Terrorist Groups and Charitable Organizations

Terrorist groups may manipulate charitable giving for their own purposes by either creating a new charitable organization or by exploiting existing charities. In 2009, the U.S. Treasury Department labeled 40 Islamic organizations as Specially Designated Global Terrorists: eight were accused of raising money for Hamas, and five were linked to Hezbollah or other foreign terrorist organizations.⁴⁹

Terrorist groups can create charities to collect donations, or solicit informal cash collections.⁵⁰ By targeting religious and ethnic groups, terrorists can raise small amounts of cash for social services, according to scholar Victoria Bjorklund.⁵¹ The U.N. first reported that zakat has been used in this way in General Assembly resolution 51/210, passed in December 1994.⁵² The U.N.'s report also found that the vast majority of people do not realize when their money is being used for terrorism.

Alternatively, terrorist groups may exploit existing charitable organizations, by diverting their funds. For example, a legal case against the group, Al Quds Intifada Committee, alleged that a telethon raising money for Pakistanis killed in the 2002 uprising may have supported

⁴⁸ Ibid., 150.

⁴⁹ Gurule, 118.

⁵⁰ Victoria Bjorklund, "Terrorism and Money Laundering," *Pace Law Review* 25, (2004-2005): 242.

⁵¹ Bjorklund, 238.

⁵² Ibid., 321.

families of suicide bombers instead.⁵³ Scholar Garry Jenkins question if this practice occurs often enough to warrant worry; the U.S. government has not reported any examples of U.S. charities “accidentally” supporting terrorists.⁵⁴ Rather, the greater problem may be criminally motivated individuals “directly using U.S. public charities for noncharitable purposes in violation of law and the charities’ own representations.”⁵⁵

Terrorist organizations may prefer using charities because finances are more difficult to trace. The dual difficulty lies in the legitimacy of the original donation, and the complicated path to the financial destination, according to Ilias Bantekas.⁵⁶ Zakat committees—the government boards that determine where donations will go—often do not regulate or audit the final recipient. It is equally difficult for U.S. prosecutors to verify those funds that will be used for terrorism, as the origin may be fully legitimate—such as a scholarship fund.⁵⁷ Charitable organizations are also expected to transfer large amounts of money across international borders, specifically to terrorist “problem areas” without raising red flags.⁵⁸

The United States underestimates how much needy communities value the support of terrorist groups like Hezbollah and Hamas. Government bureaucracy often makes starting a local non-profit difficult in the needy community.⁵⁹ Limited legal ability, bureaucracy, and discrimination discourage charities.⁶⁰ As a result, social services are lacking. Some families may prefer not to receive support from a political group like Hezbollah or Hamas, but they have no other alternatives. The non-profits that effectively provide aid are often Islamic organizations, as

⁵³ Ibid.

⁵⁴ Jenkins, 818.

⁵⁵ Ibid.

⁵⁶ Bantekas., 238.

⁵⁷ Ibid.

⁵⁸ Ibid., 241.

⁵⁹ James Shaw-Hamilton, “Recognizing the umma in humanitarianism,” in *Understanding Islamic Charities*, ed. Jon B. Alterman and Karin von Hippel, (Washington: Center for Strategic and International Studies, 2007): 25.

⁶⁰ Ibid., 26.

a result of common cultural and religious values, according to scholar Karin von Hippel.⁶¹ For example, an Islamic group would likely know to deliver social services in an anonymous manner, as specified in the Qua'ran.

When terrorist groups take hostages or commit suicide bombings, they make use of certain *tactics* to achieve their ends.⁶² Thus, terrorist groups may also provide social services to needy communities as a tactic. Promoting the Islamic society can be achieved by providing relief and charity efforts and building support within the community.

Case Studies:

Holy Land Foundation:

In November 2005, the U.S. government accused a major U.S. charity, the Holy Land Foundation, of funding Hamas. In *U.S. vs. HLF*, tried before the Northern Division of the U.S. District Court of Texas, HLF was indicted on charges of serving as a fundraising mechanism for Hamas and providing material support to a foreign terrorist organization.⁶³ In response to the indictment, HLF's representation argued that HLF's donations benefited only "non-profit medical/dental clinics, orphanages, schools, refugee camps and community centers overseas."⁶⁴

Specifically, the indictment alleged that individuals affiliated with Hamas created HLF as a means of money laundering and financial support. The leadership of HLF, the defendants in the

⁶¹ Karin von Hippel, "Aid Effectiveness," in *Understanding Islamic Charities*, ed. Jon B. Alterman and Karin von Hippel, (Washington: Center for Strategic and International Studies, 2007): 42.

⁶² Pape.

⁶³ *U.S. vs. HLF* (Indictment), 6.

⁶⁴ Steve McGonigle, "Memo outlines links to Hamas; Holy Land: Man gave \$210,000 before he became militant leader," *Dallas Morning News*, December 6, 2001.

trial, had previous or simultaneous leadership positions in Hamas. For example, HLF's President, Secretary, and Chief Executive Officer, Shukri Abu Baker, was the brother of the "former Hamas leader in Sudan and the current Hamas leader in Yemen."⁶⁵ Additionally, HLF's Chairman of the Board, Mohammed El-Mezain, was the cousin of the Deputy Political Chief of Hamas.

Furthermore, the indictment alleged that HLF received its start-up money—\$210,000—from the head of Hamas: Mousa Abu Marzook. HLF later transferred money on several occasions to Hamas: "In April 1988, prior to its incorporation, the HLF sent approximately \$100,000 to HAMAS' future Political Bureau Chief Mousa Abu Marzook and his associates. Additionally, from 1988 through 1989, the HLF wire transferred approximately \$670,000 to an account held by the Islamic Center of Gaza, located in Gaza."⁶⁶

The indictment alleged that HLF paid for Hamas leaders to visit conferences in the U.S. and speak at HLF's events. HLF sponsored conventions, seminars, rallies and teleconferences in support of radical Islamic causes, including Hamas.⁶⁷ The donors who attended HLF conferences listened to speakers praising Hamas, "through speeches, songs, and violent dramatic skits depicting the killing of Jewish people."⁶⁸ Based on the frequency of these conferences and events, the prosecutors alleged that HLF has an open relationship with Hamas.⁶⁹

Finally, the indictment alleged that HLF provided material support to a terrorist organization. HLF gave money to orphans and needy families who were connected to Hamas. Supporting family members of martyrs—in addition to Hamas activists—"effectively rewarded

⁶⁵ U.S. vs. HLF, 7.

⁶⁶ Ibid., 8.

⁶⁷ Ibid., 9.

⁶⁸ Ibid., 9.

⁶⁹ Ibid., 8.

past, and encouraged future, suicide bombings and terrorist activities on behalf of Hamas.”⁷⁰ HLF also gave money to other international charities accused of supporting Hamas, such as the Islamic Charity Society of Hebron, Dar El-Salam Hospital, Ramallah Zakat Committee, and Jenin Zakat Committee.⁷¹

In November 2008, the jury found HLF and five of its leaders guilty of all 108 criminal counts, including sending more than \$12 million to Hamas-controlled charities between 1995 and 2001.⁷² HLF was convicted on: “10 counts of conspiracy to provide, and the provision of, material support to a designated foreign terrorist organization; 11 counts of conspiracy to provide, and the provision of, funds, goods and services to a Specially Designated Terrorist; and 10 counts of conspiracy to commit, and the commission of, money laundering.”⁷³

The jury found all five of HLF’s employees guilty of violating the material support law. On May 27, 2009, U.S. Federal Judge Jorge A. Solis, of the Northern District of Texas, sentenced the five men with sentences ranging from 15 to 65 years.⁷⁴ Shukri Abu Baker, HLF’s president, received the longest sentence. He was “convicted of 10 counts of conspiracy to provide, and the provision of, material support to a designated foreign terrorist organization; 11 counts of conspiracy to provide, and the provision of, funds, goods and services to a Specially Designated Terrorist; 10 counts of conspiracy to commit, and the commission of, money laundering; one count of conspiracy to impede and impair the Internal Revenue Service (IRS); and one count of filing a false tax return.”⁷⁵ Ghassan Elashi, who was also a founding member of

⁷⁰ Ibid., 15.

⁷¹ Ibid.

⁷² “Charity Guilty of Funding Terror,” BBC News, November 25, 2008 <<http://news.bbc.co.uk/2/hi/7747187.stm>>.

⁷³ “Federal Judge Hands Downs Sentences in Holy Land Foundation Case,” Department of Justice, May 27, 2009 <<http://www.justice.gov/opa/pr/2009/May/09-nsd-519.html>>

⁷⁴ Ibid.

⁷⁵ Ibid.

HLF, was convicted on the same counts as Baker. Mufid Abdulqader and Abdulrahman Odeh worked as HLF fund raisers and received 20 years and 15 years respectively. Mohammad El-Mezain received one count and the statutory minimum, 15 years.

Al-Aqsa Educational Fund

In 2003, the U.S. government indicted the Al-Aqsa Educational Fund for providing material support to Hamas. In *U.S. vs. Mousa Marzook, Muhammad Salah, and Abdelhaleem Ashqar*, tried before the U.S. District Court for the Northern District of Illinois, the U.S. accused Abdelhaleem Ashqar of moving to the U.S. and establishing Al-Aqsa as a means of financing Hamas.⁷⁶ The case has not yet gone to trial.

Prior to the indictment, the Al-Aqsa Educational Fund advertised itself as providing social services to needy Palestinians. In 1993, Al-Aqsa ran an advertisement in an Arabic language publication describing the social services it provided:

AAEF is a non-profit charitable association acting for the education of the Palestinian with the following goals:

- Support association for education
- Support the deportees in Marj al-Zuhour
- Provide the opportunity of education for our people's children
- Especially the children of the martyrs, the prisoners and the fosters

⁷⁶ *U.S. vs. Mousa Mohammed Abu Marzook, Muhammad Hamid Khalil Salah, and Abdelhaleem Hasan Abdelraziq Ashqar* (Indictment).

-And for students who can't complete their studies because of financial reasons.⁷⁷

However, the indictment in 2003 alleged that Al-Aqsa aimed to send U.S. money to Hamas-affiliated organizations abroad.⁷⁸ Ashqar was responsible for opening bank accounts in Oxford, Mississippi, where he lived and worked. The U.S government accused Ashqar of using these bank accounts as a "clearinghouse for Hamas funds from defendant Abu Marzook as well as other Hamas members and organizations in the United States and abroad." Ashqar also allegedly used the Al-Aqsa Educational Fund as a cover organization for contacting Hamas members abroad and in the United States.

In August 2004, a federal grand jury in Chicago indicted Al-Aqsa and three employees "for allegedly participating in a 15-year racketeering conspiracy in the United States and abroad to illegally finance terrorist activities in Israel, the West Bank and the Gaza Strip."⁷⁹ The U.S. government accused Ashqar and the other defendants of "joining with 20 identified co-conspirators - some named and some unnamed - and others since at least 1988 in illegally conducting the affairs of Hamas."⁸⁰ Finally, the indictment alleged that the defendants provided material support to Hamas, communicated messages between Hamas members, delivered money to Hamas, and performed other assignments for the terrorist organization.⁸¹

⁷⁷ "Fund-Raising Methods and Procedures for International Terrorist Organizations," Testimony of Steven Emerson Before the House Committee on Financial Services Subcommittee on Oversight and Investigations, February 12, 2002: 12. < <http://financialservices.house.gov/media/pdf/021202se.pdf>>

⁷⁸ *U.S. vs. Mousa*.

⁷⁹ RANDALL SAMBORN, "CHICAGO AND WASHINGTON, D.C., AREA MEN AMONG THREE INDICTED IN RACKETEERING CONSPIRACY IN U.S. TO FINANCE HAMAS TERROR ABROAD," Department of Justice, August 20, 2004, <http://www.justice.gov/criminal/pr/2004/08/2004_3714_CHICAGO_AND_WASHINGT.htm>.

⁸⁰ *Ibid.*

⁸¹ *Ibid.*

Goodwill Charitable Organization:

In July 2007, the U.S. Treasury Department designated the Goodwill Charitable Organization (GCO), located in Dearborn, Michigan, as a foreign terrorist organization. The Treasury Department alleged that GCO “provided financial support to Hizballah directly and through the Martyrs Foundation in Lebanon.”⁸² Under Executive Order 13224, the Treasury Department froze GCO’s assets under U.S. jurisdiction and “prohibited transactions by U.S. persons with the designees.”⁸³ The Treasury Department’s announcement was based on an investigation by the Detroit Federal Bureau of Investigation’s terrorism task force.

Prior to the investigation, in 2005, GCO reported to the IRS that the organization “provided assistance to poor people,” without specifying what kinds of services it provided, or whether the services were provided domestically or internationally.⁸⁴ GCO’s pamphlets openly stated that the organization supported terrorist activities. The organization’s promotional materials advertised that donations went towards weapons and terrorist operations, as well as support for widows and orphans of suicide bombers.⁸⁵

Following the investigation, the Treasury Department alleged that GCO served as the fundraising office for Hezbollah’s Lebanon-based organization, the Martyrs Foundation.⁸⁶ According to the Treasury Department’s report, Hezbollah leaders recruited GCO’s Board of Directors and instructed the board to send a “significant amount of money” to Hezbollah. Ahmad al-Shami, a member of Hezbollah leadership and employee of the Martyrs Foundation, was

⁸² “Twin Treasury Actions Take Aim at Hizballah’s Support Network,” U.S. Treasury Department, July 24, 2007. <<http://www.treasury.gov/press-center/press-releases/Pages/hp503.aspx>>.

⁸³ Ibid.

⁸⁴ Paul Egan, “Feds tie Dearborn charity to terror,” The Detroit News, July 25, 2007 <<http://detnews.com/article/20070725/METRO/707250395/Feds-tie-Dearborn-charity-to-terror>>.

⁸⁵ Gurule, 127.

⁸⁶ “Twin Treasury Actions Take Aim at Hizballah’s Support Network.”

accused of distributing money from GCO to the Martyrs Foundation in Lebanon.⁸⁷ In addition to the board members, some donors may have also intended to support Hezbollah through GCO; a USA Today article reported that “Hezbollah’s leaders in Lebanon have instructed Hezbollah members in the United States to send their contributions to GCO and to contact GCO for the purpose of contributing to the Martyrs Foundation.”⁸⁸

Finally, Daniel L. Glaser, Deputy Assistant Secretary of the U.S. Department of the Treasury, testified before the U.S. House of Representatives in May 2010 that Hezbollah established GCO in the U.S. as a means of laundering money and raising finances.⁸⁹ Interestingly, GCO’s operating budget was quite small. GCO reported its own budget as \$170,000 in 2005, according to an article by the *Detroit News*.⁹⁰

⁸⁷ Ibid.

⁸⁸ “U.S. acts on groups aiding Hezbollah,” USA Today, July 24, 2007.

<http://www.usatoday.com/news/washington/2007-07-24-treasury-hezbollah_N.htm>

⁸⁹ Daniel L. Glaser, “Testimony on Charities,” Before the House Committee on Financial Services Subcommittee on Oversight and Investigations. May 26, 2010. <<http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/FINAL%20GLASER%20TESTIMONY%20ON%20CHARITIES%205-26-2010%20edited%20PDF.pdf>>

⁹⁰ Egan.

Discussion

Members of Hamas and Hezbollah founded HLF, Al-Aqsa, and GCO to raise funds and launder money. Additionally, Hamas and Hezbollah used charities to communicate with supporters domestically without raising red flags from the U.S. government for years. Terrorist organizations also used these charities to build support for their cause and communicate with supporters.

Rather than exploit existing charities, terrorist groups created HLF, Al-Aqsa, and GCO to obscure the sources of their financing. Hezbollah and Hamas used HLF, Al-Aqsa, and GCO to transfer funds from abroad to the U.S. and vice versa. For example, the U.S. government accused HLF of sending \$12 million to Hamas, including \$670,000 to the Gaza strip alone.⁹¹ Additionally, the U.S. government alleged that Al-Aqsa functioned as a “clearinghouse for Hamas funds from defendant Abu Marzook as well as other Hamas members and organizations in the United States and abroad.”⁹² Similarly, Daniel L. Glaser testified that GCO sent its funds—\$170,000—to Hezbollah.⁹³ Without these charitable organizations, terrorist organizations would have trouble transferring money from the U.S. to Palestine or Lebanon.

Many donors to HLF, Al-Aqsa, and GCO likely knew that they were supporting terrorist activity. Al-Aqsa’s publication stated that donations benefited the children of the martyrs—followers of Hamas’s cause. Additionally, some HLF donors knew and approved of HLF’s relationship with Hamas; HLF generated positive publicity for Hamas through songs and skits depicting the killing of Jewish people. Finally, GCO received money from donors who were

⁹¹ “Charity Guilty of Funding Terror.”

⁹² *U.S. vs. Mousa*.

⁹³ Glaser.

instructed by Hezbollah to send their contributions to GCO.⁹⁴ Given these examples, many donors cannot claim they innocently supported HLF, Al-Aqsa, or GCO.

Some donors to charities like HLF, Al-Aqsa, or GCO may hope to make a political statement with their contribution. Unlike Western charities, some Islamic charitable organizations combine political motives with social services, such as refugee and orphan projects, and food and clothing drives. According to scholar Jonathan Benthall, “the more rigid schools of Islamic thought claim that there should be no distinction between charitable aid, proselytizing activity, political activism and military campaigning.”⁹⁵ Thus some Muslims believe that zakat can support the holy war, as this fulfills “the cause of Allah,” especially for those who cannot fight in the Holy War themselves.⁹⁶ Given some donor’s reasons for supporting organizations like HLF, Al-Aqsa, and GCO, the U.S. government should create an outreach effort to better inform potential donors. This communications plan could explain the illegality of donating to a charity supporting a terrorist organization.

⁹⁴ “U.S. acts on groups aiding Hezbollah.”

⁹⁵ Jonathan Benthall, “When is a call for alms a call to arms?” *Times Higher Education Supplement*, 2003: 20.

⁹⁶ Gurule, 119.

Lessons:

1. *U.S. charitable organizations not involved with terrorist organizations do not have to worry about “accidentally” supporting terrorist groups.*

The founders of HLF, Al-Aqsa, and GCO previously or simultaneously worked for the terrorist groups; clearly, the directors of these organizations knew their funds provided material support to Hamas and Hezbollah. The charitable organizations described in this paper were intentionally involved with terrorist groups and were also created by members of terrorist groups.

Some U.S. charities have expressed concern that terrorist groups can “hijack” donations to an innocent charity. However, it would be much simpler for Hamas or Hezbollah to establish their own charities, as was the case for HLF, Al-Aqsa, and GCO. Additionally, Garry Jenkins reports that the U.S. government has not reported any examples of U.S. charities “accidentally” supporting terrorists.⁹⁷

The U.S. Treasury Department has created a list of “voluntary guidelines” that U.S. charities can follow to limit the possibility of supporting terrorists. The department advises that charities have independent oversight, such as a governing board “responsible for the charitable organization’s compliance with relevant laws, its finances and accounting practices and for the adoption, implementation, and oversight of practices.”⁹⁸ The Treasury Department also advises that charities keep close track of all staff members, as well as to whom employees direct money to. In the cases of HLF, Al-Aqsa and GCO, the charity’s founders had direct links with Hamas and even transferred money to them.

⁹⁷ Jenkins, 818.

⁹⁸ “Guidelines for Charities,” U.S. Department of the Treasury, <http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/guidelines_charities.pdf>

The Treasury Department and other U.S. government bureaus have created many resources to help avoid terrorist misuse of U.S. charities. Deputy Assistant Secretary to the Treasury Department, Daniel L. Glaser, testified before Congress that the Treasury Department would work with—not against—domestic charities. Charities identified as a Specially Designated Global Terrorist organization can challenge sanctions and submit proof of credibility to become de-listed.⁹⁹

To comply with the U.S. material support laws, charities should verify that grantees are not using the organization's funds to support terrorists in any way. Organizations such as HLF, Al-Aqsa, and GCO claimed they were providing social services to orphans, widows, and other needy relatives of martyrs. However, U.S. charities are forbidden from providing money that will be “diverted to, or abused or influenced by, terrorists or their support networks.”¹⁰⁰ Since these charities' funds benefited supporters of terrorism, even charitable contributions would qualify as supporting terrorism. Furthermore, charities must conduct due diligence to evaluate where the donated money ends up. Charities must examine who is involved in distributing donated resources.

2. Potential donors should not stop all donations because some terrorist groups exploit charitable organizations.

The U.S. government's investigation of suspect charities with terrorist affiliations has resulted in a “chilling effect” on all U.S. charitable giving.¹⁰¹ However, the number of U.S.

⁹⁹ Glaser, 6.

¹⁰⁰ Ibid.

¹⁰¹ Jenkins, 781.

charities involved with terrorist groups is miniscule compared to the total number of charitable organizations. There are over one million charities filed with the IRS in the U.S. as of 2010, according to the National Center for Charitable Giving.¹⁰²

Like charities, donors must also practice due diligence. If donors take the time to research the organization they would like to support, they will likely verify their suspicions about an organization. First, donors should look at the U.S. Treasury Department's list of organizations designated as suspect under Executive Order 13224 online.¹⁰³ Additionally, web sites such as charitynavigator.org evaluate how effectively charitable organizations provide social services. Charitynavigator.org suggests that potential donors take the time to investigate a charity for transparency and accountability, by looking at the charity's web site and publications for a list of the Board of Directors and recent audits.¹⁰⁴ A Google search for recent news articles about the charity may also provide useful information about past legal troubles, suspicious board members, or misdirected finances.

However, there is a gray area between legitimate and illegitimate organizations. It may not always be possible to identify whether an organization is affiliated with a terrorist group or not. In this case, donors should probably err on the side of caution and choose another organization that addresses similar issues.

¹⁰² "Number of Public Charities in the U.S." NCCS, 2010 < <http://nccsdataweb.urban.org/PubApps/profileDrillDown.php?state=US&rpt=PC>>

¹⁰³ "Resource Center," U.S. Department of the Treasury, December 3, 2010, < http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_exec-orders.aspx>

¹⁰⁴ "Evaluating Charities Not Recently Evaluated by Charity Navigator," Charitynavigator.com, 2011 < <http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=847>>

3. Improved social services from outside organizations in key communities could reduce reliance on terrorist groups for aid.

Terrorist groups such as Hezbollah and Hamas build creditability by providing social services to needy communities. These communities often rely on terrorist organization's services because there are no other options. Aid from independent non-profits could remove the need for terrorist-affiliated hospitals, schools, or food supplies. Some leaders of secular nonprofits—such as Greg Mortenson—believe that donating to NGOs supports alternative viewpoints to terrorist ideology, in addition to providing alternative social services.¹⁰⁵ Thus, terrorist groups lose their foothold in local communities.

Deputy Assistant Secretary Daniel L. Glaser agrees that there should be more legitimate U.S. charities offering social services in areas currently serviced by Hamas and Hezbollah. The U.S. Treasury Department has begun a partnership with Arab and Muslim American communities to “promote charitable assistance in high risk regions where terrorist organizations operate.”¹⁰⁶ In 2008, this partnership resulted in the American Charities for Palestine, which was created to provide social services to needy Palestinian communities. The organization connects U.S. donors with USAID-approved projects in Palestine, so that Americans can support needy communities without simultaneously and unwittingly supporting terrorists. Given Hezbollah's and Hamas's long-term presence in Lebanon and Palestine, these communities need more social service providers like Initiatives like American Charities for Palestine.

¹⁰⁵ Mortenson, 180.

¹⁰⁶ Glaser, 12.

Conclusions:

Hezbollah and Hamas both have established roles in their communities as social service providers. They rely on U.S. charities such as HLF, Al-Aqsa, and GCO to raise funds for social services and for terrorist activities. However, Jack D. Smith, the former Deputy General Counsel of the Federal Deposit Insurance Corporation, argues that “when law enforcement closes older [techniques], terrorists will progress to the next avenue—business, real and sham—that can facilitate funds flow.”¹⁰⁷ So when the U.S. government finds domestic charities serving terrorist’s interests, Hamas and Hezbollah will likely create new charities to replace them.

The U.S. government did not realize to what extent terrorist groups were exploiting charities until after the terrorist attacks on September 11, 2001. The material support law is the government’s newest method of regulating terrorist financing. Until U.S. investigators learn more effective means of preventing terrorist financing, the material support law serves as an effective deterrent against charities aiding terrorists. Thanks to the material support law, the U.S. government successfully charged and sentenced five members of Hamas for creating and using HLF as a front organization.

Some U.S. charities find the current laws against the material support of terrorism too strict. For example, the families of martyrs in Palestinian or Lebanese communities may need international aid. However, the U.S. material support law forbids providing any form of aid to terrorists or their families. A better law regulating terrorist financing would address why people in needy communities rely on terrorist groups for social services.

¹⁰⁷ Smith, 73.

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