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FUNDING EVIL,
How Terrorism Is Financed -- and How to Stop It"¹
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The PALESTINIANS

The current Mid-East conflict was born out of “the Oslo conceit that you could impose upon Palestinian society a PLO thugocracy led by the inventors of modern terrorism and then be surprised that seven years later it exploded in violence.”

– Charles Krauthammer, *The Washington Post*, June 27, 2002.

Palestine Liberation Organization (PLO)

To stop terrorist financing, it might help to examine how such financing evolved. The model is hardly new – it has been perfected for over three decades by the PLO, and has served as the prototype for many terrorist organizations. Even the use of “martyrdom” as a tool of terrorism has been incorporated into the PLO agenda as early as 1978: Two months after the Camp David agreement between Egypt and Israel (September 1978), ten Arab heads of state met in Baghdad, and agreed to provide \$3.5 billion annually to aid the PLO – and countries such as Syria, Lebanon, and Jordan – to continue their confrontation with Israel. Of a total of \$250 million allocated annually to the PLO, \$10 million was specifically designated for the “families of the martyrs.”³ The PLO model not only established a precedent for other terrorist organizations, but most likely did not escape

¹ *Funding Evil*; How Terrorism Is Financed -- and How to Stop It; BONUS BOOKS; Forthcoming, Spring 2003. “The Palestinians” is the third chapter of the book.

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³ Adams, James, “The Financing of Terror”, Simon and Schuster, New York, 1986, p. 57-58.

Osama bin Laden's attention when he set out to create the financial infrastructure of al Qaeda.⁴

The PLO was formed in 1964 by the Arab League, and was engaged in terrorist activities from its inception – launching its campaign of terror against Israel in January 1965 with an attack on Israel's National Water Carrier.⁵ Until the Oslo Accords of 1993, it continued to receive financial and political support from the Soviet Union and its satellites in Europe, Latin America, Africa, members of the Arab League, as well as from Third World countries.⁶ In 1974, the UN embraced the PLO by granting it observer status. This legitimization enabled the PLO to open offices worldwide, obtain financial backing, and to increase its assets and income sixteen or seventeen times between 1974 and 1981.⁷ Its wealth allowed the PLO to fund an international propaganda campaign, to gain great popularity, to increase its influence, and most of all to continue its terrorism and criminal activities with impunity.

In 1987 the U.S. declared the PLO a terrorist organization,⁸ but a year later, in 1988, a presidential waiver was issued which "permitted contact" with it. Although the PLO is still officially a terrorist organization, the waiver permitting contact with it has remained in place.

The PLO has also been at the forefront of money laundering activities: often excuses that governments offer as "political priorities," along with corruption and hypocrisy worldwide, have made illicit funds easy to launder and hide. Offshore banking centers from Monaco, Nauru and Cyprus to Hong Kong and the Bahamas, as well as international financial organizations, have been used not only to launder money, but also to invest it. This has also been true for the PLO.

Historically, the PLO has had 9 principal sources of income:

- Official contributions from Arab states.

⁴ "More Than 100 Arrested in Nationwide methamphetamines Investigation," Operation Mountain Express III, January 10, 2002, <http://www.dea.gov>.

⁵ <http://www.plu.edu/~lahmanar/stateisrael.html>. The attack occurred on January 1, 1965

⁶ Israeli, Raphael, "PLO in Lebanon: Selected Documents", Weidenfeld and Nicolson, London, 1983.

⁷ Adams, James, "The Financing of Terror", Simon and Schuster, New York, 1986, p.93-5, 49-50, 229-233, p. 114

⁸ 22 USC 5201, Chapter 61, 1987.

- The Palestinian Liberation Tax Fund, a 5% tax of every Palestinian's income.
- Income from legitimate and illegitimate investments.
- Donations from wealthy Palestinians, and international organizations such as the UN and the EU.
- "Protection" charges from companies and states not to have terrorist acts directed against them.
- Charitable organizations.
- Illegal arms deals.
- Fraud, money laundering, counterfeiting, and other criminal activities.
- Drug trafficking.⁹

In 1983, six months after the PLO was expelled from Lebanon, an official decision was made in Algiers under the chairmanship of Yasser Arafat to exploit the drug trade for funding. The decision was made at a secret emergency session of the Finance Committee in Algiers. As stated by Sallah Dabbagh, who was the PLO's Treasurer at that time, "...the entire future of the PLO operation for liberation may hinge on our exporting more drugs throughout the world."¹⁰

As James Adams observed in his 1987 book *The Financing of Terror*:

"An early lesson in the political impact of the drug economy on terrorist movements occurred in the Middle East with the Palestine Liberation Organization. The PLO has been one of the most successful terrorist movements of modern times, both in its ability to survive and in its accumulation of wealth. Inevitably, drugs have played a part the investment portfolio."¹¹

In 1983, a Reader's Digest article reported that "The PLO purchased an estimated 40% of its light infantry weapons with either heroin, hashish, or morphine base produced by PLO and Syrian controlled laboratories in Syria or in Lebanon's Beak's Valley."¹² The U.S.

⁹ Adams, James, *The Financing of Terror*, Simon and Schuster, New York, 1986, p. 83-107.

¹⁰ Cwerman, Ralph. *Narco Terror: Lebanon and the Bloody Politics of Drugs*. Typescript, 1987, p. 42, as cited in Ehrenfeld, Rachel, *Narco-terrorism*, Basic Books, New York, 1990, p. 69.

¹¹ Adams, *Ibid*, p.229.

¹² Nathan M. Adams, "Drugs for Guns: The Bulgarian Connection," Reader's Digest, November 1983, p. 97.

Justice Department's *Special Report*, which was published in 1984, confirmed this information.¹³

The total amount of money accumulated by the PLO from its inception until the Oslo Accords has been estimated by a variety of sources. According to a 1990 CIA report, the PLO used drug trafficking, arms smuggling, and money laundering and counterfeiting to amass a fortune estimated between \$8 and \$14 billion.¹⁴ In 1993 and 1994, the British National Criminal Intelligence Services estimated the total to be about \$10 billion, with an annual income of \$1.5 – \$2 billion. The British report also noted that the PLO was, in fact, the wealthiest of the world's terrorist organizations.¹⁵ In 1995, the U.S. General Accounting Office performed an investigation into this matter, but its findings were kept secret apparently due to "national security reasons." Nevertheless, a source familiar with the investigation said that the report had found that Arafat and the PLO had indeed held "well over \$10 billion in assets, even at a time when he was publicly claiming bankruptcy."¹⁶ The PLO's connections to international criminal organizations, drug cartels, and other terrorist groups, and to every rogue state, from Libya, Iran and Iraq, to North Korea and the Sudan, set the pattern for other terrorist groups to follow.¹⁷

For decades the West has been turning a blind eye to the PLO's fundraising endeavors, thereby allowing the PLO to freely continue operating both legitimate and illegitimate businesses. These ventures have laundered money for the PLO, which, in turn, used the revenues to further its terrorist agenda. Although the wealth of the PLO was an open secret, no one ever asked it to use its assets for the benefit of the Palestinian people. Nor was there ever a demand to account for the whereabouts of these assets.

¹³ U.S. Department of Justice, Special Report, "The Involvement of the People's Republic of Bulgaria in International Narcotics Trafficking," Drug Enforcement Administration, Office of Intelligence, May 1984, p. 2.

¹⁴ Ehrenfeld, Rachel, "Down and out in Palestine," *Washington Times*, March 15 2001.

¹⁵ An Outline Assessment of the Threat and Impact by Organised/Enterprise Crime Upon United Kingdom Interests, National Criminal Intelligence Service (NCIS) Briefing Paper, Appendix B, 1993, London Headquarters.

¹⁶ Backgrounder: Corruption in the PLO's Financial Empire, www.cdn-friends-icej.co/medigest/jul98/backgrnd.html.

¹⁷ Adams, James, "The Financing of Terror", Simon and Schuster, New York, 1986, p.93-5, 49-50, 229-233.

Palestinian Authority

Funding from the European Community

The PLO's transformation into the Palestinian Authority (PA) in 1993, as a result of the Oslo Accords, did not impede the organization's illegal activities.¹⁸ On the contrary, as the world gave the PA legitimacy, the PA abused this status to expand its illegal activities, at the same time continuing to receive financial support from Saudi Arabia, Iran, Iraq, and other Arab League member states, as well as from the international donor community, especially the EU, the UN, and the U.S.¹⁹

In September 2000, when the PA started to attack Israel, it also started to introduce religion into its political rhetoric: the PA added *Jihad* to its agenda to justify homicide bombings. As a result, the PA gained even more support financially and politically within the Arab/Muslim world, much as al Qaeda did following its 9/11 attacks on the U.S. According to a soon to be published report by Info-prod Research, an economic research center, during 2001, the first year of the current Palestinian violence, “the amount of money officially donated to the PA jumped 80% – from \$555 million to \$1.002 billion.”²⁰

Since the Oslo Accords, the Palestinian Authority has received at least \$4.5 billion dollars from the international community, purportedly to establish a viable administration and to develop the Palestinian economy.²¹ However, according to independent sources, by the end of August 2002 the PA had actually received a minimum of \$4,938,868,000 – or over \$4 million more than had been accounted for. This figure includes \$4,466,868,000 through the end of 2001; EUR 10 million per month from the EU for salaries to “help it [the PA] meet urgent public expenses, such as salaries for public sector

¹⁸ “The Palestinian Preventive Security Force – a Corrupt Corporation”, PA documents seized by the IDF, November 2002, Published by the IDF in Hebrew translation, December 31, 2002.

¹⁹ PA Documents discovered by the IDF in Arafat's compound in May 2002. “International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements”, IDF, June 5, 2002.

²⁰ Feiler, Gil, forthcoming report, Info-Prod Research.

²¹ IDF Document: International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements, 10 May 2002, page 2.

employees”; and \$45 million per month from the Arab states until April 2002, after which the amount was increased to \$55 million per month.²²

The EU began contributing EUR 10 million a month to cover the Palestinian Authority’s salary expenses after Israel stopped transferring import tax revenue to the PA as required by the 1994 Paris Protocol. The reason Israel had stopped transferring these payments was that it suspected that the money was actually being used by the PA to fund terrorism. In addition to the EUR10 million per month that the EU had been giving for salaries, it had also transferred “more than EUR 102 million” (for 2000/2001) for the Euro-Mediterranean Partnership program, MEDA.²³

The MEDA program granted the PA a total sum of EUR 340.9 million for the years 2000 and 2001 for the stated purpose of “technical and financial support measures to accompany the reform of economic and social structures” in the West Bank and Gaza. This total included:

- EUR 3.7 million under the line item “NGO co-financing.”²⁴
- EUR 44.4 from the European Commission’s humanitarian aid office, with an additional EUR 15 million allocated for 2002.²⁵
- EUR 22.9 million for food aid in 2001, with a projected EUR 15 million for 2002²⁶
- EUR 3.4 million from the Common Foreign and Security Policy Budget²⁷
- EUR 4 million per year for “recurrent costs of the Education Ministry.”
- EUR 500,000 to the PA from 1995 – 2000 for “monitoring Israeli colonizing activities”²⁸ and EUR 1 billion in loans and additional grants.
- At least EUR 407 million to the United Nations Relief and Work Agency for Palestine Refugees in the Near East (UNRWA) since 1994.²⁹

²² “Donor Funding for the Palestinian Authorities, 1998-2001,” Info-Prod document.

²³ http://europa.eu.int/comm/external_relations/euromed/meda.htm

²⁴ EU Budget Line B7-6000 (NGO co-financing), B7-6002 (Development Co-operation), and B7-7050 (EIDHR)

²⁵ EU Budget Line B7-2001 (ECHO)

²⁶ EU Budget Line B7-2000 (Food Aid)

²⁷ EU Budget Line B8- 012/3 (CFSP)

²⁸ Report From the Commission to the Council and the European Parliament, Annual Report of the MEDA Program 2000, Brussels, 2001, p. 58

²⁹ UNRWA operates mainly in the Palestinian territories and elsewhere in the Middle East. UNRWA was established by the UN’s General Assembly Resolution 302 (IV) of 8 December 1949. It began its operation on May 1, 1950, and its renewed mandate runs to June 30, 2005. Letter from Chris Patten to EU foreign ministers, May 7, 2002.

Considering that most of this money was allocated for economic development and reform, but that conversely the Palestinian economy declined dramatically over this period, as well as the fact that corruption has been, and continues to be, rampant, one wonders not only how the Palestinian Authority spent the EUR 340 million, but also why the EU Commission continued to fund the PA despite so much evidence that its funding seems to have done little either to reform the Palestinian institutions or the economy.

Where Did the Money Go?

Palestinian documents, discovered by the Israeli Defense Forces (IDF) at the end of 2001, expose how the PA has been using international funds. The PA maintained a double reporting system, claiming it needed about \$60 million per month for its salaries, for which it actually needed only about \$40.5 million. The balance – which amounts to \$224 million for the year – is unaccounted for. The PA also used a low exchange rate for the dollar – 3.7 shekels, compared to the representative rate at that time of 4.4 shekels – which created a surplus of \$7.7 million.³⁰ In July 2002, after evidence of the PA’s abuse of international funds surfaced, a new Finance Minister, Salam Fayad, was appointed, and who is reported at last to have ended the process of exchange rate fraud.³¹

The PA’s own documents also show that the PA deducts 1.5% – 2% from the salaries of all its security personnel. This sum, equivalent to \$260,000 – \$345,000 per month, is sent to Fatah, which is also known as the Palestinian National Liberation Movement.³² The EU, while not refuting the evidence, tries to argue that Fatah, a terrorist organization, is comparable to European trade unions: “This system is not dissimilar to the mandatory deductions from salaries for trade union members’ fees in some EU countries.”³³

The PA, as well, recruited and employed Fatah activists who have been, and still are, involved in terrorism – such as members of the al Aqsa Martyrs Brigade and the Tanzim. According to the PA’s own documents, the al Aqsa Martyrs Brigades and the Tanzim are

³⁰ IDF report TR2-317-02 “International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements,” May 10, 2002, p. 9.

³¹ “Answers to Questions by Die Zeit Received on 24 July 2002,” EU document posted on Die Zeit website, p.2.

³² IDF report TR2-317-02 “International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements,” May 10, 2002, p. 10,36.

part of Fatah. For example, Fatah documents also have the logo of the al Aqsa Martyrs Brigades on their letterheads.³⁴

While both the U.S. and the EU classify the al Aqsa Martyrs Brigades as a terrorist organization, Fatah is not recognized as such in Europe. Yet PA documents contain letters from Fatah, requesting payments for perpetrators of terror attacks.³⁵ Similar documents list PA grants issued to known Fatah terrorists.³⁶ And still other PA documents demonstrate cooperation between Fatah, Hamas, and the Palestinian Islamic Jihad.³⁷

Moreover, ever since the attacks on Israel began in September 2000, the PA, Hamas, and Palestinian Islamic Jihad have received from Iran, Iraq, and Syria, millions of dollars, which were specifically designated for homicide bombings and other attacks against Israel.³⁸

EU Funds for Terror

Arafat's signature, and orders in his own handwriting to pay thousands of dollars to families of "martyrs" from the PA's Treasury – documents that have been authenticated by Israeli, U.S. and German official experts – have done little to convince the EU either to stop its funding of the PA's salaries or to admit that the money may have been misused. PA documents from Arafat's compound show that money provided by the EU for PA salaries was actually used to pay \$640,000 – \$1 million per month to Fatah

³³ "Answers to Questions by Die Zeit Received on 24 July 2002," EU document posted on Die Zeit website, p.3.

³⁴ "The 'Al Aqsa Martyrs Brigades' (on US State Department list of terror organizations) and the Fatah Organization are one and the same, and Yasser Arafat is their leader and commander."

³⁵ Naveh, Dani et al, "The Involvement of Arafat, PA Senior Officials and Apparatuses in Terrorism against Israel, Corruption and Crime," p. 22.

³⁶ Naveh, *Ibid*, p.25

³⁷ Naveh, *Ibid*, p. 30-33.

³⁸ Iraqi Support of Palestinian Terrorism," IDF Document, TR2 – 656 – 02, September 2002. "Large Sums of Money Transferred by Saudi Arabia to the Palestinians are Used for Financing Terror Organizations (particularly the Hamas) and Terrorist Activities (including Suicide Attacks inside Israel," IDF Document, TR2-350-02, May 6, 2002, "International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements," IDF Document, TR2-317-02, June 5, 2002.

terrorists.³⁹ Also found were letters to Arafat from PA officials praising the terrorists' "fighting abilities,"⁴⁰ and requesting that Fatah activists and other known terrorists who were not already on the PA security apparatus payroll, be added.⁴¹ The EU doggedly denies these facts, stating, "there is no evidence that any person involved in terror attacks has actually been recruited into the PA security services."⁴²

There were also PA documents with receipts, photocopies of checks, and documents related to the transfer of hundreds of thousands of dollars from the PA budget to the families of al Aqsa Martyrs Brigades, and even to relatives of Hamas terrorists – despite Arafat's continuing denials of cooperation with Hamas.⁴³

At times, payments were made either directly by the Palestinian Ministry of Treasury, or by Arafat's own office. At other times they were made from the Preventive Security Force's budget, in clear violation of the original purpose for which the Preventive Security was first created – which was to prevent terror. The documents not only expose the waste, corruption, and misuse of funds belonging to the PA, they also expose how the PA encourages and funds terrorism directly and indirectly.⁴⁴

For example, on July 19, 2001, the Palestinian Ministry of Finance issued two payment orders, both for the terrorist Tzafut Uдах Rachmi, for his involvement in planning terrorist attacks against Israel: one payment for the sum of \$15,000; the other for \$2,500. The Arab Bank branch in Gaza paid both of these amounts on August 8, 2001.⁴⁵

³⁹ IDF report TR2-317-02, "International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements," June 5, 2002.

⁴⁰ For example, "The 'Al Aqsa Martyrs Brigades' (on US State Department list of terror organizations) and the Fatah Organization are one and the same, and Yasser Arafat is their leader and commander." p. 10.

⁴¹ Throughout "The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks."

⁴² Kleine-Brockhoff, Thomas, "With Unyielding Faith," *Die Zeit*, 34/2002, August 15, 2002.

⁴³ IDF report on "PA Documents Exposing Corruption, Waste, and Use of the PA Budget to Encourage and Fund Terrorism," January 2003. Translation from Hebrew.

⁴⁴ IDF report on "PA Documents Exposing Corruption, Waste, and Use of the PA Budget to Encourage and Fund Terrorism," January 2003. Translation from Hebrew.

⁴⁵ IDF report on "PA Documents Exposing Corruption, Waste, and Use of the PA Budget to Encourage and Fund Terrorism," January 2003. Appendix A-2. Translation from Arabic.

Again, on July 28, 2002, Arafat personally ordered the Palestinian Ministry of Finance to pay the mortgages for the families of two terrorists, Jihad Alamarin and Awal Alnamera, who had been employed by the PA's Preventive Security Force in Gaza, and who had been killed in terror attacks against Israel. Arafat had also ordered the Ministry of Finance to pay \$2000 to each of the families of the "martyrs."⁴⁶

Additional PA documents show that Yasser Arafat, in his own handwriting, ordered the PA Ministry of Finance to pay \$9,000 to the "El-Farouk" rental car company in Gaza for a car which had been driven by the son of a senior Hamas operative in Gaza, and which had been bombed by the IDF.⁴⁷ The rental company, instead of demanding the money from Hamas, asked Arafat to cover the damage. By ordering the payment, Arafat not only misappropriated the PA's money, but also – despite his denials – sponsored a Hamas terrorist. This payment also reveals how the Palestinian Ministry of Finance covers the routine operational costs of Hamas.⁴⁸

Moreover, on January 2003, the leader of Hamas, Sheik Ahmed Yassin vowed publicly that "the PA had aided the Palestinian terrorist organizations to carry out terrorist attacks against Israel. 'The Palestinian Police force has, several times, aided fighters to perpetrate their actions.'"⁴⁹

Statistics provided by the Israeli Foreign Ministry in the fall of 2002 show that since the beginning of the Palestinian attacks on Israel in September 2000, one homicide bomber from the Palestinian territories was sent to Israel every five days. At the time of this writing, Palestinian terrorists have committed 16,209 attacks against Israel, killing 724 Israelis and injuring 5,055 more.⁵⁰ In January 2002, Arafat declared in an op-ed in the New York Times that he opposed the killing of innocent civilians. Since then, with his

⁴⁶ IDF report on "PA Documents Exposing Corruption, Waste, and Use of the PA Budget to Encourage and Fund Terrorism," January 2003. Appendix A-7. Translation from Arabic.

⁴⁷ September 18, 2001

⁴⁸ IDF report on "PA Documents Exposing Corruption, Waste, and Use of the PA Budget to Encourage and Fund Terrorism," January 2003. Appendix A-3. Translation from Arabic.

⁴⁹ Ahmed Yassin in an interview with the Muslim website Alskifa on January 10, 2003.

⁵⁰ IDF Spokesperson, January 26, 2003. IMRA website, www.imra.org.il

approval and funding, attacks on Israelis has steadily escalated. During the two week period between October 6 and October 20, 2002 the Israelis prevented 27 attacks and arrested 28 terrorists.⁵¹

Palestinian terrorists on the PA payroll include:

- Marwan Barghouti, the former head of the terrorist organization Fatah/Tanzim in the West Bank, despite his arrest and indictment for the murder of 26 Israelis, continues, as of this writing to receive a salary of \$2,500 per month from the PA.⁵² In addition to his personal involvement in these murders, Barghouti has allocated special funds for terrorists and has signed checks to pay for attacks against Israel – all with Arafat’s explicit approval.⁵³

Barghouti, together with Fa'ak Kana'an, who was the head of Fatah in Tulkarm and who also was on the PA payroll, sent letters⁵⁴ requesting Arafat’s approval to pay terrorists through the PA’s security apparatus payroll, and, in addition to reward them with bonuses for their attacks on Israelis. Arafat provided his approval.⁵⁵

Further evidence of Marwan Barghouti’s personal involvement in terrorist activities was provided in a court ruling in January 2003, which stated that Barghouti “authorized the execution of the attack” – a homicide bombing – on the Sea Food Market restaurant in Tel Aviv, in March 2002, which killed 3 people and seriously injuring dozens.⁵⁶ According to the IDF, “the double suicide bombings carried out in Tel Aviv 5 Jan. 2003, by the military wing of the Fatah movement, headed by Yasser Arafat, the ‘Al-Aqsa Martyr's Brigades’ was the 22nd attack by terrorist carrying an

⁵¹ “Terrorist Attacks Thwarted by Security Forces: 6-20 October 2002,” Communicated by Israeli security sources, October 29, 2002. www.israelmb.org.

⁵² IMRA September 10, 2002, www.imra.org.il

⁵³ IDF report TR2-317-02, “International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements,” June 5, 2002, p. 55.

⁵⁴ The letters were dated January 20, 2001, an April 5, 2001 respectively.

⁵⁵ IDF report TR@-317-02, “International Financial Aid to the Palestinian Authority Redirected to Terrorist Elements,” June 5, 2002, pp. 55- 75.

⁵⁶ State of Israel vs. Marwan bin Khatib Barghouti, District Court of Tel Aviv and Jaffa, Criminal Case No. 092134 /02, December 12, 2002.

explosive belt, that has carried out by the group since January 2002.”⁵⁷ Barghouti also received \$20,000 from Yasser Arafat “for purposes of funding training facilities”⁵⁸ for terrorists. Barghouti also assisted the terrorists to commit homicide bombings – he interviewed them, and participated in their training. In addition obtained weapons, including explosives, that were given to homicide bombers; and financed the acquisition of other weapons. After the Israelis arrested Barghouti, Arafat approved a payment of \$1,200 to arrange for “spontaneous public demonstrations” to “protest” the arrest.⁵⁹

- Nasser Awis served as the link between Barghouti and the Fatah military arm in the West Bank and Gaza, and has been identified in PA documents not only as the head of the al Aqsa Martyrs Brigades in Tulkarm; he also served as an officer in the PA General Intelligence and General Security apparatuses, and received his salary from the PA.⁶⁰ Since January 2002, Awis has been responsible for attacks, which have killed 20 Israelis and wounded at least 120.⁶¹ Awis was also engaged in the acquisition, production, and smuggling of heavy weapons systems. He was captured by the IDF in April 2002.⁶²
- Zadki Zeru, an activist in Fatah’s Tanzim, was involved in shooting attacks against the Jewish settlement in Hebron, where on March 26, 2001, he shot to death a baby girl. He was also on the PA payroll.⁶³

⁵⁷ “List of Suicide Bombings Carried Out by the ‘Al-Aqsa Martyr’s Brigades,’ the Military Wing of the Fatah,” www.idf.il, January 6, 2003.

⁵⁸ IDF report 688/0022, “The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks.” April 23, 2002, p. 2.

⁵⁹ IDF report on “PA Documents Exposing Corruption, Waste, and Use of the PA Budget to Encourage and Fund Terrorism,” January 2003. Appendix H. Translation from Arabic..

⁶⁰ IDF report 688/022 “The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks.” April 23, 2002.

⁶¹ *Ibid*

⁶² *Ibid*.

⁶³ IDF report 688/022 “The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks.” April 23, 2002, p.9

- Marwan Zallum, a senior Fatah activist involved in “many lethal shooting attacks”, was another official with the PA.⁶⁴
- Fuad Shubaki, the former PA Chief Financial Officer and a close friend and confidante of Arafat, established both an arms smuggling network that included Iraq and Iran, and an underground smuggling network of weapons from Jordan and Egypt.⁶⁵ Shubaki had not only allocated \$80,000 for a heavy arms factory to produce artillery rockets for the al-Aqsa Martyrs Brigades⁶⁶ he was also directly involved in organizing funds for an arms smuggling operation from Iran on the ship *Karine-A*.⁶⁷ The *Karine-A* arms smuggling operation also exemplifies the cooperation between the PA, Hizballah, Iran, Iraq, and Saudi Arabia. After the “Support for the Palestinian Intifada” conference which was held in Tehran in April 2001, Iran had intensified its support for the PA and other Palestinian terror organizations, including Hamas and the PIJ.⁶⁸ The conference had led the commander of Hizballah’s Secret Revolutionary Army, Imad Mugniyah, to broker a deal between Shubaki and the Iranian Revolutionary Guards, who had also smuggled al Qaeda agents into Lebanon and Syria.⁶⁹ The *Karine-A*, owned by an Iraqi national who had leased it to a Saudi charitable organization for \$1.4 million, sailed from Iran until it was intercepted in the Red Sea on January 4, 2002. The ship contained 50 tons of Iranian weapons worth \$10 million, of which at least \$7 million had been paid for by a Saudi businessman. The PA had paid for the rest.⁷⁰

It was only after the *Karine-A* arms smuggling operation had been exposed, as a result of American pressure, that Shubaki was held (under very lenient conditions) in a PA facility in Jericho.

⁶⁴ IDF report 688/022 “The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks.” April 23, 2002, p.14

⁶⁵ “The Palestinian Authority’s Possession of Arms in Violation of International Agreements”, IDF website, www.idf.il

⁶⁶ IDF report 688/0022 “The Palestinian Authority Employs Fatah Activists Involved in Terrorism and Suicide Attacks.” pp. 15, 17.

⁶⁷ Naveh, Dani et al, “The Involvement of Arafat, PA Senior Officials and Apparatuses in Terrorism against Israel, Corruption and Crime,” p. 50.

⁶⁸ Info-Prod Research (Middle East) Ltd., “Terrorist Groups Meet in Tehran”, May 1, 2001.

⁶⁹ Tophoven, *Ibid*.

⁷⁰ Tophoven, Rolf, “Saudi Paid for *Karine A*,” *Die Welt*, January 30, 2002.

A further form of EU direct support to Palestinian Terrorists was revealed in January 2002, when a group of Palestinian terrorists, who had been released from Israeli prisons, visited Cairo, Egypt as part of the EU funded “Rehabilitation and Propaganda Program,” – part of the “Rehabilitation Program for Released [Palestinian] Prisoners.” The program had been launched in 1995 to help them “become integrated in society after their release,” and had received additional support from countries friendly to the PA.⁷¹ In press conferences held in Cairo, the prisoners accused Israel of “indiscriminate Nazi practices,” and used this claim as a justification for continuing terror activities against Israel.⁷²

EU Denials

After the Oslo Accords, EU donations to the PA included demands for accountability. Similar demands have been attached to the EU’s direct budgetary assistance since the PA’s September 2000 attacks on Israel. However, despite EU claims to the contrary, no real effort to monitor how the money was spent has ever taken place. The EU claims that the IMF monitors the PA budget. EU Commissioner for External Affairs Chris Patten is unwilling to investigate the PA’s use of EU funds, but maintains that “EU assistance has clear conditions attached to it and is closely monitored. In order to avoid any risk of possible misuse the monthly payments are monitored by the IMF at the Commission’s request.”⁷³ His office has also stated that, “the IMF conducts a close review of monthly fiscal information covering the whole of the PA budget, including ...the wage bill.”⁷⁴

In stark contrast however, IMF staff members have contradicted Patten’s claim on several occasions: “the Fund has not been monitoring spending under individual budget lines nor can it ascertain whether a particular spending commitment has been actually disbursed for the reported purpose. This is an auditing function that goes beyond the fund’s present

⁷¹ FBIS (US Government Agency) Report dated 13 January 2003

⁷² FBIS, *Ibid.*

⁷³ “Answers to Questions by Die Zeit Received on 24 July 2002,” EU document posted on Die Zeit website, p. 1.

⁷⁴ “Answers to Questions by Die Zeit Received on 24 July 2002,” EU document posted on Die Zeit website, p. 4.

mandate.”⁷⁵ As the Director of the External Relations Department of the IMF, Thomas C. Dawson, reiterated in a letter to the Wall St Journal: "The IMF does not ‘monitor foreign assistance’ to the Palestinian Authority. It simply provides the EU with information about broad developments related to its budget. It does not monitor or control every item in the budget.”⁷⁶ The Director of the IMF’s Middle Eastern Department, George T. Abed, acknowledged that the IMF does not monitor the PA’s spending, and stated that “with weak institutions and a budget of nearly \$1 billion, there has, no doubt, been some abuse; the Palestinian Legislative Council itself has complained about this. The IMF does not and cannot control downstream spending by the various Palestinian agencies.” Nevertheless, the IMF, much like the EU does not want to be held accountable: “This matter remains between the Palestinian Authority and the donors,” said Abed.⁷⁷

On February 5, 2003 the European Anti-Fraud Office (OLAF) announced that it has begun an external investigation “in relation to allegations of misuse of funds donated by the European Union in the context of EU budgetary support to the Palestinian Authority.”⁷⁸ This announcement followed a vote a day earlier by members of the EU Parliament, despite Patten’s strong objection, to open a separate parliamentary investigation into the EU’s aid to the PA.⁷⁹

There was never a reason to expect that the PA would meet any demands for accountability: Yasser Arafat declared as early as July 1994:

“I refused and I will never accept!” Arafat said of the conditions imposed for economic aid. “I completely refuse any controls by anybody on Palestinian

⁷⁵ International Monetary Fund, “The Palestinian Authority’s Fiscal Situation, Policies, and Prospects,” Statement by Fund Staff Representative to the Ad Hoc Liaison Committee Meeting, April 25, 2002, p. 8.

⁷⁶ Dawson, Thomas C.: Letter To The Editor: The IMF Responds, in: The Wall Street Journal, 17.6.2002

⁷⁷ IMF survey: Vol 31, No 16, September 2002.

⁷⁸

PressReleaseOLAF/03/2003.http://europa.eu.int/comm/anti_fraud/press_room/press_releases/2003/2003_03_en.html

⁷⁹ Investigating Arafat, Editorial, The Wall Street Journal, February 6, 2003.

Autonomy, except the Palestinians themselves. We didn't finish military occupation to get economic occupation”⁸⁰

The overwhelming evidence provided by the Palestinian Authority's own documents resulted in an initiative beginning in 2002, by the British MEP Charles Tannock, to investigate how 540 million Euros in aid given to the PA since 2000 has been spent. The proposal was met with fierce opposition led by Commissioner Patten, who personally lobbied members of the European Parliament not to support the initiative, even though “everybody has known for quite some time now that money [from the EU to the PA] ended up in the wrong hands,” stated an EU diplomat in May 2002; “Officially, however, they feigned ignorance.”⁸¹

The EU has been arguing that it will only accept the fact that the money it sends has been funding terrorism if there are mechanisms to identify how each individual Euro is spent. However, as the EU Court of Auditors refused on November 5, 2002 to “certify the EU's GBP 63 billion budget [or over US \$101 billion] for the eighth year running, admitting it can only guarantee that 5% of taxpayers' money is being spent properly,”⁸² it is not surprising that the EU has been unable and unwilling to account for the whereabouts of money it gave to the Palestinians. Since money is fungible, and since the EU gave direct funding toward PA salaries and additional money to the PA Ministry of Finance for various projects, it is not unreasonable to assume that the PA allocated money received from the EU to fund terrorism. In June 2002, after international condemnation of the PA's corruption, Yasser Arafat appointed a new Minister of Finance, Salam Fayad⁸³, a former IMF official who, assisted by outside experts, began to overhaul the corrupt system. As a result, Israel agreed to renew its transfer of payments for Palestinian tax funds, which it had withheld, to the PA's Ministry of Finance, a process, which began on

⁸⁰ Hoffman, David, “Arafat Denounces Conditions Imposed on Foreign Aid”, Washington Post Foreign Service, July 2, 1994.

⁸¹ “Diplomats Say EU knew Palestinians Misappropriated Cash to Finance Terrorism,” Rotterdam NRC Handelsblad (In Dutch), May 8, 2002 #2005

⁸² Evans-Pritchard, Ambrose, “Financial watchdog discloses EU fraud and error,” *Daily Telegraph*, November 6, 2002.

⁸³ Appointed June 9th, 2002. www.rulers.org/2002-06.html

a limited basis in July 2002.⁸⁴ Considering the PA's long history of abuse of Palestinian public funds, it remains to be seen how successful this new system will be.

Other Sources

EU member states, according to Palestinian Ministry of Planning and International Cooperation, have individually donated at least \$1,260,022,000 to the Palestinian Authority – in addition to the EU's collective donations. Altogether, aid from Europe including EU donations to the PA from 1998 – 2001, has totaled at least \$2.52 billion.⁸⁵

For 2002, the United Nations Relief and Work Agency (UNRWA) was scheduled to have disbursed \$521.7 million to the PA for the Palestinians.⁸⁶ Of this, \$110 million was to have come from the U.S.⁸⁷ The total amount of funds given to UNRWA since the Oslo Accords is unavailable. [In comparison, the UN High Commission of Refugees' total budget for aiding over 23 million refugees worldwide is estimated annually at \$881 million.⁸⁸]

The U.S. has also given \$548,766,000 in direct aid to the PA, according to the Palestinian Ministry of Planning and International Cooperation.⁸⁹ The total sum, over the life of the PA, including the amount given through relief and development organizations, totals \$1.1 billion.⁹⁰ Further, after the 1998 Wye River Memorandum, the CIA began training the Palestinian Authority Security Services,⁹¹ the budget for which is unknown, although in

⁸⁴ Huggler, Justin, "12 Killed, Including Hamas Chief, in Israeli Missile Attacks," *The Independent* – England, July 23, 2002.

⁸⁵ "Donor Funding for the Palestinian Authorities, 1998-2001," Info-Prod document.

⁸⁶ <http://www.un.org/unrwa/finances/index.html>.

⁸⁷ The U.S. has provided 30% of the UNRWA budget in recent years. "AIPAC facts: UNRWA camps used as terrorist strongholds" www.aipac.org/documents/aipacfacts16.html.

⁸⁸ The website of the UN High Commission of Refugees, www.unhcr.ch

⁸⁹ Palestinian Ministry of Planning and International Cooperation, Aid Coordination Department, *MOPIC's 2001 First and Second Quarterly Monitoring Report of Donors' Assistance*, 2001.

⁹⁰ Silver, Vernon, "Arafat's new Finance Minister Hunts for His Boss's Billions," *Bloomberg Markets*, September.

⁹¹ Waller, Douglas, "Coming in from the Cold," *Time Magazine*, November 2, 1998.

September 2002, an additional \$20 million was allocated for training Palestinian security services.⁹²

The Palestinian Authority's Involvement in Crime and Corruption

The corruption of the Palestinian Authority is endemic: for example, taxes that Israel collects on imported goods go into four accounts in the Bank of Palestine and the Arab Bank of Gaza. According to a leaked IMF internal report, “the account is not under the supervision of the PA Treasury Ministry,”⁹³ but instead is under Arafat’s personal control. At least half the money was put in the bank accounts to bypass the supervision demanded by international donors, to finance inflated security services and civil service payrolls, which had not been approved by the donors.⁹⁴ A PA source had a different explanation, claiming that the money was there for emergency use.⁹⁵

The U.S. General Accounting Office’s (GAO) 1995 investigation into the PA’s finances received no cooperation from the PA. But by 1997, as a result of local pressure, the Palestine Legislative Council (PLC) conducted an investigation into PA corruption. The subsequent report was suppressed by Arafat, but was eventually leaked. Jarar Kidwa, head of the PA’s financial monitoring institution, disclosed that the PA had lost \$326 million – 40% of its annual budget for 1996 – to corruption and mismanagement. The PLC report also implicated PA officials, some of whom still serve in the cabinet.⁹⁶

In October 1999, the chairman of the Palestinian Legislative Council Budget Committee, Azmi Shuaibi, had harsh words for the PA at the 9th International Anti-Corruption Conference in Durban, South Africa: “The recent corruption found in the PA is similar to

⁹² Hass, Amira, “CIA begins training Palestinian officers,” *Haaretz*, September 17, 2002.

⁹³ Ronen Bergman, David Ratner, “ Israel transferred since '94 half a billion shekels to Arafat’s secret account in Tel Aviv,” *Haaretz* 1997

⁹⁴ Bergman, *Ibid*.

⁹⁵ Bergman, *Ibid*.

⁹⁶ Lakind, Stacy and Carmon, Yigal, “The PA Economy – Free Market or Kleptocracy? Part I: Economic Policy”, MEMRI January 7, 1999.

the corruption that exists in the rest of the Arab countries' governments."⁹⁷ President George W. Bush finally acknowledged the PA's corruption, when, in June 2002, he called to change the Palestinian leadership and to bring reform, accountability, and transparency to the Palestinian Authority.⁹⁸ U.S. national security adviser Condoleezza Rice stated: "Frankly, the Palestinian Authority, which is corrupt and cavorts with terror...is not the basis for a Palestinian state moving forward."⁹⁹

The full extent of the Palestinian Authority and its leadership's income is impossible to determine, since it has been engaging in criminal activities since its inception. Notable among their legal and illegal sources of revenue, are the following:

1. Palestinians Martyrs' Sons Enterprises (SAMED)

The PLO formed the Palestinians Martyrs' Sons Enterprises (SAMED) in 1970 to invest and develop its economic activities. Since then, SAMED has been led by Ahmed Qurie, a/k/a Abu Ala, who is currently the speaker of the Palestinian Legislative Council.¹⁰⁰ He serves directly under Yasser Arafat, who ever since the start of SAMED, has signed the checks for all transactions and has therefore doubtlessly been aware of every detail.¹⁰¹ SAMED maintained a flexible accounting system that included bank accounts not identified as belonging to the PLO; instead, they were registered in the names of private individuals, including Abu Ala. The value of PLO investments in farms; industrial plants; clothing and weapons factories; real estate; newspapers; duty free shops; and airlines was estimated by the British National Criminal Intelligence Services (NCIS) in 1993 at about \$10 billion.¹⁰² NCIS's report for 1994 estimated that the PLO had an annual income of about \$1.5 – \$2 billion; that the PLO was "often financed and assisted

⁹⁷ Azmi Shaibi, "Elements of Corruption in the Middle East and North Africa, the Palestinian Case," the 9th International Anti-Corruption Conference, Durban, South Africa, October 1999.

⁹⁸ www.whitehouse.gov/news/releases/2002/20020624-3.html.

⁹⁹ Sevareid, Susan, "Palestinians Outline New Peace Plan," *Charlotte Observer*, Jun. 17, 2002.

¹⁰⁰ Bedein, David, editor, "PA Accountability", <http://israelbehindthenews.com/nov-22-99.htm>

¹⁰¹ Bergman, Ronen, "How much is the PLO really worth?" *Haaretz*, November 28, 1999.

¹⁰² 1994 British National Criminal Intelligence Service Report, p. 28.

by maverick states and factions such as Libya and Iraq”¹⁰³; and that “the current situation indicates that the financial centers of London and Frankfurt are ironically not only targets, but are used to handle the resources of these groups.”¹⁰⁴

According to the U.S. House of Representatives Task Force on Terrorism and Unconventional Warfare (October 1991), SAMED has had an affinity for airport-related investments – which facilitated the PLO’s procurement of forged travel documents and airline tickets.¹⁰⁵ The PLO has owned duty-free stores at airports in Nairobi, Kenya and Lagos, Nigeria.¹⁰⁶ Through SAMED, it has also had investments in airlines from the Maldives to Nicaragua. Until 1993, SAMED also received approximately \$50 million a year from the “Palestine Liberation Fund Tax” – or, theoretically, 5% of the income of all Palestinians worldwide.¹⁰⁷ Overall, in the 1970’s and 1980’s, the PLO, through SAMED, earned an estimated \$5 million per day, or nearly \$2 billion per year¹⁰⁸ – which, according to the NCIS report, continued into the 1990’s.

In December 1999, hackers broke into the PA’s computer system and discovered at least “5 billion pounds in numbered bank accounts in Zurich, Geneva and New York,”¹⁰⁹ as well as smaller sums in Europe, Asia, and North Africa. None of the accounts was registered to the PA. The PA records also reveal that it owned shares “on the Frankfurt, Paris, and Tokyo stock exchanges,” including stocks in Mercedes-Benz and that it owned property in prime locations in Paris, London, Geneva and New York.¹¹⁰

¹⁰³ *Ibid*

¹⁰⁴ *Ibid*.

¹⁰⁵ Task Force on Terrorism and Unconventional Warfare, October 28, 1991.

¹⁰⁶ Vasilyeva, Sofya, and Podrazhansky, Serhey, “The Black Budget of Yasser Arafat,” *Moscow News*, October 2, 1997.

¹⁰⁷ Israel Government Press Office April 15, 1997: “Where is the money?”

¹⁰⁸ Sofya Vasilyeva and Serhey Podrazhansky, “The Black Budget of Yasser Arafat,” *Moscow News*, October 2, 1997.

¹⁰⁹ The Daily Telegraph, December 5, 1999.

¹¹⁰ The Daily Telegraph, December 5, 1999.

2. Monopolies and the Palestine Commercial Services Company (PCSC)

In 2002, the scope of the revenues generated from PA monopolies was estimated at \$300 million annually.¹¹¹ None of this money is accounted for. The damage to the Palestinian economy goes beyond the loss in revenues - it also stifles competition and results in higher prices for fewer products. Coupled with the fact the monopolies “on basic goods such as wheat, cement, petrol, wood, gravel, cigarettes and cars are in the hands of Arafat's aides and they exploit their positions to extract high profits,”¹¹² the loss to the Palestinian economy must be staggering. Researchers have noted that “since the establishment of the PA, scores of monopolies have been created by Arafat and are being operated by individuals and organizations close to Arafat. These monopolies control and subvert almost every potentially profitable aspect of daily Palestinian life.”¹¹³

Palestinian media investigations and sources within the Palestinian territories reveal that PA officials close to Arafat control monopolies in the West Bank and Gaza. According to these reports, as well as Palestinian documents found by the IDF, Arafat’s personal economic advisor, Muhammad Rasheed, together with Yasser Arafat’s wife, Suha, and his communications advisor, Nabil Abu-Roudayna, co-own pharmaceutical and apparel monopolies.¹¹⁴ Rasheed, together with another Arafat advisor, Hassan Asfour, co-own an oil monopoly; Nabil Shaath, the Minister of Planning and International Cooperation has a computer monopoly;¹¹⁵ and Ahmed Qurie, speaker of the Palestinian Legislative Council and founder of SAMED, is a co-owner of cigarette, canned food, and dairy monopolies.¹¹⁶

¹¹¹ Naveh, Dani et al, “The Involvement of Arafat, PA Senior Officials and Apparatuses in Terrorism against Israel, Corruption and Crime.”

¹¹² Blumenthal, Tuvia, econ.bgu.ac.il/facultym/tuvia/news10e.pdf.

¹¹³ Lakind, Stacy and Carmon, Yigal, “The PA Economy – Free Market or Kleptocracy? Part I: Economic Policy”, MEMRI January 7, 1999

¹¹⁴ Should Congress Fund PLO Corruption and Violence?” The Jerusalem Cloakroom #95, www.acpr.org.il.

¹¹⁵ Shiffer, Shimon, “Bashar Assad is Playing With Fire,” *Yediot Ahronot*, Sabbath Supplement, July 19, 2002.

¹¹⁶ Should Congress Fund PLO Corruption and Violence?” The Jerusalem Cloakroom #95, www.acpr.org.il.

The economic arm of the Palestinian Authority is the Palestine Commercial Services Company (PCSC). It has not been supervised by either the PA legislature or the Finance Ministry. Instead, it has been controlled by Mohammed Rasheed, who, until December 2002, oversaw most of the economic activities in the PA territories.¹¹⁷ The Palestine Commercial Services Company still has “large minority stakes... in a Ramallah Coca-Cola bottler... and a myriad of other businesses, plus full ownership of a cement plant [worth \$50 million 2000] that had long enjoyed a government protected monopoly.”¹¹⁸ The Palestine Commercial Services Company has monopolies in flour, oil, cigarettes, iron and commercial sand; and the PA prohibits other companies from operating in these fields.¹¹⁹ The PCSC also had the single biggest holding in the Jericho casino, a \$60 million stake, until the casino was shut down. The PCSC still has a 30% stake in the Palestinian Cellular Communications Company, and an 8% stake in the Palestinian Telecommunications Company. It also has investments in the Palestine Development and Investment Company (PADICO).¹²⁰ PCSC was, until recently, the direct recipient of sales taxes – more than \$500 million in the past two years alone, collected by Israel, but owed to the PA under the 1993 Oslo Peace Accords.¹²¹ The tax receipts had been placed by the Israeli authorities in a bank in Tel Aviv in an account controlled by Arafat and Rasheed.¹²² The latest estimate of the value of the Palestine Commercial Services Company’s holdings is at least \$345 million in cash and equity.¹²³

In 1997, Mohammed Rasheed, assisted by a former advisor to Prime Ministers Rabin, Peres, and Barak – Yossi Ginnosar – opened a Swiss bank account for Yasser Arafat, for which Arafat and his personal economic advisor, Mohammed Rasheed, were the only other signatories. The Swiss bank, Lombard Odier & Cie, like other Swiss banks, had been instructed to prevent “political” money from entering the Swiss banking system, as

¹¹⁷ Bedein, David, editor, “PA Accountability”, <http://israelbehindthenews.com/nov-22-99.htm>.

¹¹⁸ *Ibid*

¹¹⁹ Lakind, Stacy and Carmon, Yigal, “The PA Economy – Free Market or Kleptocracy? Part I: Economic Policy”, MEMRI January 7, 1999.

¹²⁰ *Ibid*.

¹²¹ Orme, William Jr., “Palestinian Investment Fund, No Longer Secret, Will Close,” New York Times, July 7, 2000.

¹²² Orme, William Jr., “Palestinian Investment Fund, No Longer Secret, Will Close,” New York Times, July 7, 2000.

¹²³ “Palestinian Authority admits squirreling millions away in secret slush fund”, Agence France Presse, July 5, 2000.

a result of scandals for having handled money belonging to dictators such as Ferdinand Marcos and Mobuto Sese Seko. However, the bank evidently agreed to take Arafat's account after being assured that "in a few years' time, they will have billions at their disposal."¹²⁴ The account was opened with a \$20 million payment. The memorandum for the account stated that "all its funds were the property of the Palestinian people."¹²⁵ Shortly thereafter, the account was worth \$340 million, but by the end of 2002, the Palestinian people were looking for funds that had disappeared.¹²⁶

Personal Corruption

As of August 2002, estimates of Arafat's personal holdings were about \$1.3 billion.¹²⁷ This apparently did not include the \$340 million that Arafat was discovered to have had in the Swiss bank, Lombard Odier & Cie, in December 2002. But it did include \$500 million of the Palestine Liberation Organization's money that Arafat also controlled. Wearing three hats, Arafat is the president of the Palestinian Authority, chairman of the PLO, and head of the Fatah terrorist organization, which includes the Tanzim (originally the Fatah youth organization) and the al Aqsa Martyrs Brigades – all dedicated to committing homicide bombings and attacks against Israel.¹²⁸ As such, he controls the funds of all terrorist organizations under the PA umbrella. Experts estimate that the \$1.3 billion Arafat controls could feed three million Palestinians for a year, buy 1,000 mobile intensive-care units, fund ten hospitals for a decade, and still leave \$585 million to fund other social projects.¹²⁹

A great deal has been written about Yasser Arafat's secret bank account in Tel Aviv. The 1994 Paris Protocols require that Israel transfer taxes it collects on imported gasoline for the PA territories directly to the PA. These monies had been deposited into the

¹²⁴ Memri Special Dispatch No. 453, December 27, 2002, www.memri.com.

¹²⁵ Memri, *Ibid.*.

¹²⁶ Memri, *Ibid.*

¹²⁷ IDF Intelligence: Arafat's Wealth Estimated at 1.3 Billion US Dollars," The Jerusalem Post, August 13, 2002.

¹²⁸ Vernon Silver, "Hunt is on for Arafat's Money Pots," *Bloomberg news*, August 24, 2002.

¹²⁹ Ehrenfeld, Rachel, "Arafat's Stash - The Guy's A Billionaire," *National Review*, August 15, 2002

Chashmonaim branch of Bank Leumi in Tel Aviv, to which only Arafat and his trusted advisor, Mohammed Rasheed, had access.¹³⁰ Palestinian attacks against Israel, which began in September 2000, led the Israelis, in December 2000, to stop transferring these tax revenues to the PA, and instead to hold them in escrow. By December 2002, Israel was holding in escrow an estimated \$600 million.¹³¹

Some of Arafat's corruption shows itself simply in the form of outright theft of aid funds. For example, the Kuwaiti newspaper Al-Watan reported in June 2002, that Arafat had siphoned funds that were donated by Arab countries as aid to the Palestinians, and had deposited \$5.1 million into his personal account.¹³² Ironically, Mohammed Rasheed invested some of these siphoned funds in the Jordan Cement Company, on behalf of the Palestine Commercial Services Company, in order to profit from the rise in cement prices due to the demand for building materials in a war the PA had created.¹³³

After Al-Watan's exposé of the \$5.1 million that Arafat siphoned, a member of the Palestinian Legislative Council from Nablus, Muawiya Al-Masri, was interviewed in July 2002 by the Jordanian publication Al-Sabil. He criticized Arafat's regime, not for the first time: in 1999 Al-Masri has gone public about the PA's corruption and had nearly been killed in retaliation.¹³⁴ Undeterred, he spoke at length about the endemic corruption of Arafat and the PA: "No minister can appoint a driver or a delivery boy in his ministry without the president's consent." "There is no institutional process. There is only one institution — the presidency, which has no law and order and is based on bribing top officials."¹³⁵

¹³⁰ Ronen Bergman, "The secret millions of senior PA officials," *Yediot Acharonot*, Nov 13, 2000

¹³¹ Huggler, Justin, "12 KILLED, INCLUDING HAMAS CHIEF, IN ISRAELI MISSILE ATTACK," *The Independent* – England, July 23, 2002.

¹³² Memri (www.memri.org): Kuwait daily: Arafat deposited \$5.1 million from US Aid into personal account.

¹³³ Memri, *Ibid.*

¹³⁴ "Arafat Cracks Down on His Critics," Issue 103. <http://www.ptimes.org>

¹³⁵ Al-Sabil, July 3, 2002 (in Arabic).

Arafat even took over the Palestinian Economic Council for Development and Reconstruction (PECDAR), which had been founded under strict European conditions, as soon as it had begun operating in 1993. “His [Arafat's] became the authorized signature. Today, no amount, no matter how small, leaves the PECDAR funds without the president's signature.”¹³⁶

Palestinian documents released in January 2003 show how the Palestinian Authority is involved in the systematic theft of medicine and food supplies, which are donated to the Palestinian people by UNRWA and Arab countries. The IDF had complained about this to Arafat in 1996 after discovering food and medicine packages donated by UNRWA in the markets of Tel Aviv. In turn, Arafat, with advice from his financial advisor, General Fuad Shubaki (who was involved in smuggling arms aboard the *Karine A*) found a solution to the problem: “Both Arafat and Shubaki instructed the Preventive Security Service to confiscate all the food products from private shops and markets and to transfer them to stores belonging to the [PA] Ministry of Supply.” However, this attempt to channel the stolen food and medicine for PA’s benefit failed, and instead a senior Fatah leader in Gaza and a confidant of Arafat, the PA’s Minister of Supply, Abu Ali Shaheen (nicknamed the “Minister of Theft” by the Palestinians) continued to steal the supplies and to sell them on the black market.¹³⁷

Arafat’s corruption is not inconsistent with that of his neighbors in a region full of autocratic regimes. “Expecting him to fight corruption is like ridding the Vatican of Catholicism,”¹³⁸ Abd Al-Wahhab Al-Effendi, a Sudanese scholar, wrote in a recent article about corruption in the Arab regimes published in the London-based Arabic daily, *Al Hayat*.

“Corruption of the Palestinian Authority and other Arab regimes is actually a necessary condition for fulfilling the role imposed upon them -

¹³⁶ Ehrenfeld, Rachel, “Arafat’s Stash,” *National Review*, August 15, 2002.

¹³⁷ Abu Toameh, Khaled, “PA officials stealing aid, own documents show,” *Jerusalem Post*, January 2, 2003.

¹³⁸ Abd Al-Wahhab Al-Effendi, *Al Hayat*, August 6, 2002 (in Arabic).

to serve foreign interests and subjugate the peoples. Were the PA to give full authority to the Palestinian parliament and the legal apparatuses, and were it to obey popular will and spend its grant funds and income on education, health, services, and reviving the economy, what would be left for bribing the activists and intellectuals with appointments to ministries and the security apparatus?"¹³⁹

Siphoning off the Pension Fund

Pension funds for Palestinians working in the Israeli Civil Administration had also been transferred to the PA by the Israeli government. The PA used part of these funds to pay the salaries of the inflated police force it had created in violation of the Oslo Accords.¹⁴⁰ Other parts of the pension fund were used for an investment in telecommunications. Together, these unauthorized expenditures amounted to \$36 million. But, by September 1997, only \$20 million remained in the fund; \$104 million had disappeared.¹⁴¹ Arafat's advisor, Muhammad Rasheed then "ordered the transfer of half of the remaining \$20 million to a liquid account in a Gaza bank."¹⁴²

Crime

Counterfeiting Merchandise:¹⁴³ Under the PA's control, according to the Israeli police, massive merchandise counterfeiting enterprises are still flourishing, "making millions of dollars a year," with royalties going to "senior Palestinian Authority figures."¹⁴⁴ The merchandise includes compact discs, DVD's, clothing, cosmetics, and books. These activities are executed in cooperation with the Hamas and other Palestinian terrorist organizations, which share in the profits.¹⁴⁵

¹³⁹ *Ibid.*

¹⁴⁰ "Palestinian Authority and PLO Non-Compliance: A Record of Bad Faith," Israeli Government Publication, p. 25, November 2000.

¹⁴¹ Lakind, Stacy and Carmon, Yigal, "The PA Economy – Free Market or Kleptocracy? Part II: Fiscal Policies," MEMRI, January 8, 1999.

¹⁴² Lakind, Stacy and Carmon, Yigal, *Ibid.*

¹⁴³ Bohbot, Amir, "This is how the counterfeiting industry finances terror," Maariv Hayom, August 14, 2002.

¹⁴⁴ Bohbot, *Ibid.*

¹⁴⁵ *Ibid.*

Counterfeiting Money: The PA has been counterfeiting Israeli, Jordanian, and Kuwaiti currency.¹⁴⁶ For example, in April 2002, the IDF found “large quantities” of counterfeit Israeli currency in denominations of 50, 100, and 200- Shekel notes, in Arafat’s compound in Ramallah.¹⁴⁷

Shakedowns: According to confidential Palestinian sources,¹⁴⁸ arbitrary charges for traffic violations, demands of large bribes, kidnapping for money, and extortion of 70% – 90% of the income from private businesses, are rampant in the PA. Similar methods had been employed by the PLO when it was headquartered in Lebanon.

Car theft from Israel is prevalent among the Palestinians, frequently with the connivance of senior PA officials. According to reports by the Israeli police and eyewitnesses, cars stolen from Israel have special license plates issued by the PA.¹⁴⁹ Former PA Police commissioner, Ghazi Jabali, has been accused by the Israelis of having licensed thousands of stolen cars from Israel, for a charge of \$7,000 for a permanent license, until the PA fired him for having embezzled \$20 million from the PA. Despite that, Arafat proceeded to appoint him as a PA advisor on police affairs,¹⁵⁰ which comes as no surprise because Jabali was running the Al-Bahar company, which produced the forged license plates and was owned by Yasser Arafat’s wife, Suha.¹⁵¹

Faisal Hussein: Documents found in Orient House in August 2001 show that \$1.8 million had been funneled by the late Faisal Hussein into his private bank accounts in

¹⁴⁶ “The US funds the most corrupt/oppressive mideast regime!” The Jerusalem Cloakroom #108 www.acpr.org.il.

¹⁴⁷ Widlanski, Michael, “Bulletin: Yasser Arafat’s Headquarters Was Center for Counterfeiting Money,” *The Media Line*, April 1, 2002.

¹⁴⁸ Ehrenfeld, Rachel, field research, June 2002.

¹⁴⁹ Israeli police sources and independent eyewitnesses.

¹⁵⁰ “PA probing alleged theft of \$20mm,” *Jerusalem Post*, Sept. 4, 2002.

¹⁵¹ Shahar, Eyalil, “Company Owned by Suha Arafat Suspected of Links to Stolen Cars,” *Ma’ariv*, January 31, 2003.

Switzerland and Austria. The money had been donated by the Gulf Emirates for business development in the Palestinian territories.¹⁵²

Mohammed Dahlan: According to Palestinian and Israeli sources, Mohammed Dahlan, head of the PA Preventative Security Services in Gaza, supplements his salary by collecting “more than 1 million Shekels per month in protection money (from suppliers of oil and cigarettes, etc.), kickbacks for issuing licenses...and (since 1997), border crossing fees.”¹⁵³

Nabil Shaath and Yasser Abd Rabboh: A 1997 Palestine Legislative Council investigation into PA corruption implicated both the Minister of Planning and International Cooperation, Nabil Shaath, and the Minister of Information and Culture, Yasser Abd Rabboh. The report claimed that both men used government money for personal purposes, and determined that Shaath had embezzled ministry funds, transferring them to “accounts not subject to PA inspection.” The report also demanded that Shaath be removed from his position,¹⁵⁴ yet according to media reports, he still has a monopoly on computer hardware imported into the PA.¹⁵⁵ Shaath, in his role as Minister for Planning and International Cooperation, not only coordinates international aid and negotiations to reform the PA, but also has been the lead coordinator in the negotiations to reform the PA.

Jibril Rajoub: As the head of the Preventative Security Forces in the West Bank, Rajoub was reported to have extorted protection money from oil distributors, to have received kickbacks from the Jericho casino (until it was closed); and to have stolen intellectual property, presumably in concert with the other counterfeiting rings operating out of the

¹⁵² “First Disclosures From The Orient House Archives Robin Hood – In Reverse,” Debkafile.com.

¹⁵³ Should Congress Fund PLO Corruption and Violence?” The Jerusalem Cloakroom #95, www.acpr.org.il.

¹⁵⁴ Lakind, Stacy and Carmon, Yigal, “The PA Economy – Free Market or Kleptocracy? Part II: Fiscal Policies,” MEMRI, January 8, 1999.

¹⁵⁵ Shiffer, Shimon, “Bashar Assad is Playing With Fire,” *Yediot Ahronot*, Sabbath Supplement, July 19, 2002.

PA territories. Jibril Rajoub and his men are also implicated by the Israeli police as having been involved in car theft networks.¹⁵⁶

Jawad Ghussein: As the Secretary General of the Palestinian National Fund until 1996, Ghussein told the Haaretz newspaper, in August 2002 that Arafat “took aid money and contributions that were earmarked for the Palestinian people to his own account.”¹⁵⁷ Ghussein was in a position to know: for 12 years he had deposited \$7.5-\$8 million each month into Arafat’s personal bank account. By 1993, these deposits had totaled \$540 million.¹⁵⁸

International Aid Directed to Terror

- Iraqi support for, and encouragement of, Palestinian terrorism comes directly from Saddam Hussein, and is distributed through three entities which the Iraqi regime directs in the Palestinian territories: the Arab Liberation Front (ALF); the Palestinian Liberation Front; and the Palestinian branch of the Iraqi Ba’ath party. These organizations operate according to instructions from Iraq and receive generous Iraqi financing. Palestinian documents show that, since June 2002, the ALF branches in Gaza have received \$40,000 per month since – in an area where the average wage is less than \$2 a day.¹⁵⁹ According to these and other PA documents, Iraq has apparently so far transferred \$20 - \$30 million to Palestinian terrorists for homicide bombings in Israel. Families of homicide bombers receive \$25,000 (as of March 2002), while families of terrorists attacking Israel receive \$10,000.¹⁶⁰ Saddam funds homicide bombings and attacks on Israel committed by any and all Palestinian terror groups. Grants from Saddam are often distributed in public ceremonies, such as a rally that was arranged in Gaza in August 2001 by the Iraqi-sponsored ALF, together with the Palestinian Organization of the Arab and Socialist Ba’ath Party. During the

¹⁵⁶ “Operation Clean-up,” *Deccan Herald*, July 11, 2002, and “Should Congress Fund PLO Corruption and Violence?” The Jerusalem Cloakroom #95, www.acpr.org.il.

¹⁵⁷ Copans, Laurie, “Ex-Aide Accuses Arafat of Corruption,” *AP*, August 18, 2002.

¹⁵⁸ Copans, *Ibid*

¹⁵⁹ “Iraqi Support of Palestinian Terrorism,” IDF Document TR2 – 656 – 02, Septemeber 2002.

¹⁶⁰ Timmerman, Kenneth, “Proof That Saddam Bankrolls Terrorism,” *Insight on the News*, November 6, 2002.

rally, the families of two homicide bombers each received \$15,000, “according to the Decision of Commander Saddam Hussein... in appreciation of their bravery.”¹⁶¹

In January 2003, on Arafat’s orders, the PA confiscated \$420,000, which had been sent from Iraq to the families of Palestinian homicide bombers, declaring that “the money would be used to pay the salaries of 130,000 civil servants.”¹⁶² “The families were shocked when bank employees told them that the money had indeed arrived, but had been seized by the PA.” A member of the pro-Iraqi Palestinian Liberation Front commented: “This is the biggest scandal ever.”¹⁶³

- Saudi Arabia, like Iraq, also publicly supports homicide bombing in Israel. In September 2000, Saudi Arabia has conducted two telethons for the specified purpose of raising funds for the families of Palestinian homicide bombers. When the first telethon raised only \$10.8 million for the “Palestinian martyrs,” King Fahd ordered another one, urging “Saudis, expatriates, and private companies to contribute generously.” The Saudi Minister of the Interior, who is also the Chairman of the Saudi Arabian Committee for Support of the Intifada al Quds, Prince Nayef, also called for contributions, proclaiming that this telethon “is a continuation and assertion of the kingdom's support [for the intifada].”¹⁶⁴ This second telethon included donations of \$2.7 million from King Fahd, \$1.35 million from Crown Prince Abdullah, and \$800,000 from Defense Minister Prince Sultan – totaling \$163.3 million. Altogether, since September 2002, the Saudis have donated at least \$174 million for families of homicide bombers, including members of Hamas and the al-Aqsa Martyr Brigade.¹⁶⁵ Other Gulf States – the United Arab Emirates, Bahrain, Qatar, and Kuwait – held similar events, from which they raised \$94 million.¹⁶⁶

¹⁶¹ Iraqi Support of Palestinian Terrorism,” IDF Document, TR2 – 656 – 02, September 2002.

¹⁶² Abu Toameh, Khalid, “PA confiscates Saddam’s donations for ‘martyrs,’ demolished homes,” Jerusalem Post, January 4, 2003.

¹⁶³ *Ibid*

¹⁶⁴ Abu-Nasr, Donna, “Saudi Telethon Raising Millions for Families of Martyrs,” The Associated Press, April 12, 2002.

¹⁶⁵ Abu-Nasr, *Ibid*.

¹⁶⁶ Abu-Nasr, *Ibid*

Saudi funding, however, did not come solely from the telethons, “Prince Sultan affirms [the] Kingdom’s Support for the Palestinian Intifada,” reported a Saudi embassy press release in April 2001; \$40 million had already been given to ‘the families of those ‘martyred’ and other ‘worthies.’”¹⁶⁷

In an apparent attempt to obtain some of this money, Arafat complained to the Saudis that they had not transferred it directly to the PA, but instead had sent it directly to Hamas and “radical associations connected with it.”¹⁶⁸ He further requested “to send a committee on his behalf to discuss with the Saudis how to ensure that the Saudi money reaches its ‘real beneficiaries.’”¹⁶⁹ When the Saudis responded that by January 2001, 123,750,000 Riyals were “paid in support of the families of Intifada al Quda fatalities, prisoner, wounded and disabled, as well as needy Palestinian families,”¹⁷⁰ Arafat responded with a hand-written letter, instructing the PA representative in Saudi Arabia to “please find for me where did these funds go and who received them since the fatalities and wounded received nothing.”¹⁷¹ The Saudis responded in a letter listing all the beneficiaries of the funds, which included The Islamic Integrity Association in Gaza (a Hamas organization); Ayad Isa al-Batat, a senior Hamas operative who had perpetrated several terrorist attacks against Israel and was killed in 1999; and Ibrahim al Sarahne, a Hamas homicide bomber who had killed one Israeli and wounded 29. The list also included \$280,000 in donations from the International Islamic Relief Organization (IIRO).¹⁷² In early January 2003, the PA Minister of Planning and International Cooperation, Nabil Shaath, announced that, the Palestinian Authority had received an additional \$15 million from Saudi Arabia, and \$18 million from the United Arab Emirates.¹⁷³

¹⁶⁷ Indictment, p. 313

¹⁶⁸ IDF Document, “Large Sums of Money Transferred by Saudi Arabia to the Palestinians are Used for Financing Terror Organizations (particularly the Hamas) and Terrorist Activities (including Suicide Attacks inside Israel), Appendix E.

¹⁶⁹ *Ibid*

¹⁷⁰ *Ibid*

¹⁷¹ *Ibid*

¹⁷² *Ibid*

¹⁷³ Abu Toameh, Khalid, “PA confiscates Saddam’s donations for ‘martyrs,’ demolished homes,” Jerusalem Post, January 4, 2003.

- Sudan’s sponsorship of radical Muslim organizations began in earnest after General Omar Bashir’s military coup in 1989, and was advocated by Hassan Abdallah al-Turabi’s founding of the Popular International Organization (PIO). The PIO was the outcome of the Islamic Arab People’s Conference (IAPC) in Khartoum in April 1991, which, for the first time, integrated the doctrines of the Sunni and Shiite *Jihad*. Supported by Iran, Sudan established terrorist training camps, and became a safe-haven for terrorists, including members of al Qaeda, Hizballah, al-Gama’a al-Islamiyya, Egyptian Islamic Jihad, Palestinian Islamic Jihad and Hamas. The Sudan was added to the State Department’s list of countries sponsoring terrorism in 1993, and had its assets frozen by the U.S. government for not having complied with UN Security Council Resolutions requiring it to end all support for terrorism.¹⁷⁴

The PA Fostering Hate

Yasser Arafat himself, on many public, well-documented occasions, has encouraged children to become *shahidis* (homicide bombers), and, as of this writing, has repeated his promise to continue the armed struggle against Israel – a view apparently shared by the Palestinian Authority’s leadership.¹⁷⁵

According to statements by Arafat’s deputy Mahmud Abbas, Palestinian children are given 5 shekels (about \$1 US) for each pipe bomb they throw.¹⁷⁶ In January 2003, the UN Security Council protested the use of children as homicide bombers. The UN Under-Secretary-General Olara Otunnu declared, “we have witnessed both ends of these acts: children have been used as suicide bombers and children have been killed by suicide bombings. I call on the Palestinian authorities to do everything within their powers to stop all participation by children in this conflict.”¹⁷⁷ Otunnu then called on the Israeli

¹⁷⁴ Bodansky, Yossef, “Bin Laden: The Man Who Declared War On America,” Prima Publishing, 1999, pp. 32-37.

¹⁷⁵ Widlanski, Michael, “Defiant Arafat, Palestinian Media Revving up Attack on Israel, U.S.,” www.themedialine.org, September 30, 2002.

¹⁷⁶ Kuwaiti newspaper Alzamin (Arabic) on June 20, 2002.

¹⁷⁷ Radler, Melissa, “UN condemns Palestinians’ use of children in conflict,” Jerusalem Post, January 15, 2003.

authorities to “abide fully by the international human rights and humanitarian legal obligation concerning the protection, rights, and well-being of Palestinian children.” But the Palestinian Authority has still not been listed as a party of concern regarding its use of Palestinian children as homicide bombers.¹⁷⁸

The Palestinian education system is funded by the international donor community through UNRWA (the United Nations Relief and Work Agency). UNRWA-paid teachers, in UNRWA-built schools, are teaching from textbooks with anti-Semitic, anti-Israel, and anti-coexistence indoctrination. Such incitement not only runs counter to the Oslo Accords which Arafat signed in 1993, to “strive to live in peaceful coexistence and mutual dignity and security,”¹⁷⁹ but also runs counter to the Joint Declaration by the European Parliament, the European Council, and the European Commission Against Racism and Xenophobia,¹⁸⁰ which states that the EU:

Considers that incitement to racism, as well as the dissemination and promotion of any type of revisionist thesis concerning the Holocaust or denial that the Holocaust took place, should be considered a criminal offence at Union level and calls on all the Member States accordingly to adapt their legislation against the perpetrators of acts of racism.

Significantly, the Palestinian Authority is obligated by treaty to end such messages. as the preamble to the Oslo II Interim Accord distinctly states:

The government of Israel and the PLO reaffirm “their mutual commitment to act, in accordance with this Agreement, immediately, efficiently and effectively

¹⁷⁸ Ibid.

¹⁷⁹ Declaration of Principles on Interim Self-Government Arrangements: 1993 Declaration of Principles (Oslo Accords), September 13, 1993, <http://www.iap.org/oslo.htm>.

¹⁸⁰ Joint Declaration by the European Parliament, the European Council, and the European Commission Against Racism and Xenophobia, paragraph 4, 11 June 1986.

against acts or threats of terrorism, violence or incitement, whether committed by Palestinians or Israelis.”¹⁸¹

An Intelligence report from December 2003 details how the UN social club in Gaza would hold meetings of Tanzim, one of Yasser Arafat’s Fatah terrorist organizations, and how the UNRWA-run refugee camps are being used by Palestinian terrorists to store ammunition in schools “operated by the Relief and Works Agency,” and to smuggle arms in United Nations ambulances. “When we came into this refugee camp [Jenin],” stated Israeli Deputy Prime Minister Natan Sharansky, in April 2002, “to the place where for years no army and no soldier had entered, it became clear that practically every house, and almost every window, was booby-trapped, that the struggle would be very hard.” He continued saying, “Overwhelmingly, almost everybody who was discovered until now was a soldier with arms, with weapons in their hands and some with explosive materials, suicide bombers.”¹⁸²

The UNRWA spokesman, Paul McCann, protested that “our school teachers and doctors aren’t the ones to root out Hamas.” However, only 95 of the 11,400 UNRWA workers in the West Bank and Gaza are not Palestinians.¹⁸³ Moreover, Palestinian and Israeli sources agree that the UNRWA refugee camps are staffed mostly by members of Hamas, which also runs the workers “union” at these camps.¹⁸⁴ As former U.S. ambassador to Morocco Marc Ginsburg reported: “the refugee camps indeed are not policed by anyone but the Palestinian Authority, with the UNRWA personnel administering the lion’s share of the programs. But other organizations, including extremist Islamic organization, operate freely in the camps.”¹⁸⁵ “Israel, during recent searches of UNWRA camps, has

¹⁸¹ Ehrlich, Reuven, ed., “Incitement and Propaganda against Israel and Zionism in the educational system of the Palestinian Authority,” Center for Special Studies, June 2000, P. 12.

¹⁸² See, Israel Foreign Ministry website, www.israel-mfe.gov.il, April 19, 2002.

¹⁸³ Wines, Michael, “Killing of U.N. Aide by Israel Bares Rift With Relief Agency,” The New York Times, January 4, 2003.

¹⁸⁴ Interviews with IDF and Palestinian Sources.

¹⁸⁵ Fox News, May 1, 2002, quoted in AIPAC facts: “UNWRA camps used as terrorist strongholds”.

uncovered illegal arms caches, bomb factories and a plant manufacturing the new Qassam-2 rocket, designed to reach Israeli population [sic].”¹⁸⁶

Hate Propaganda

On August 28, 2002, Julie Stahl of CNS News reported that US aid money is funding at least one group that engages in pro-Palestinian propaganda in the US and in Europe. The United States, since 1997, through the US Agency for International Development (USAID), has given \$1.2 million to the Palestinian Academic Society for the Study of International Affairs (PASSIA). The group, according to Stahl, “teaches Palestinians how to lobby, raise money for political causes and win favorable media coverage and support.”¹⁸⁷ One assignment was to prepare a fundraising proposal for information booklets on the “al Aqsa Intifada.” There are other publications in which PASSIA advocates the right of return for Palestinian refugees to all of Israel, which would be tantamount to the destruction of Israel, by demographically overwhelming it.¹⁸⁸ UNWRA representative Saheil Alhinadi praised homicide attacks in a speech he gave in July 2001.¹⁸⁹

Examples from Palestinian Textbooks:

A 7th grade textbook includes a question referring to the poem “The Shahid,” in which the students are being asked: “which of the following is the meaning of the expression ‘honorable death’?” The answer choices are: “Death from illness, Sudden death, [or] Martyrdom (shahada) while defending the homeland.”¹⁹⁰

¹⁸⁶ Wall St. Journal, April 18, 2002, quoted in AIPAC facts: “UNWRA camps used as terrorist strongholds”.

¹⁸⁷ Stahl, Julie, “US Tax Money Funding Palestinian Propaganda,” CNSNews.com, August 28.

¹⁸⁸ Stahl, *Ibid*

¹⁸⁹ www.pmo.gov.il/english/nave/violence-5.html. (July 6, 2001)

¹⁹⁰ Ehrlich, *Ibid*.

Another example from a 7th grade textbook “National Education”: “Question: how many of the Palestinian villages have been destroyed and replaced by imperialist settlements?”¹⁹¹

Maps of Palestine do not include Israel. Maps of the PA do not include Israel either. This, in effect, seems an effort to deny the existence of Israel.¹⁹²

In the Alamari refugee camp in Ramallah, in an UNRWA-run school, “there were posters displayed prominently glorifying suicide attacks, armed struggle, and the leaders of the terrorist wing of Hamas”¹⁹³

Hamas – Islamic Jihad and Palestinians

The Palestinian Islamic Resistance Movement (Hamas) was founded by Sheik Ahmed Yassin in 1987 for the stated purpose of *Jihad* (Holy War) to liberate Palestine and to establish an Islamic Palestine “from the Mediterranean Sea to the Jordan River.”¹⁹⁴ It has both a social-political wing and a military wing. The social-political wing is involved with activities such as building hospitals, running health clinics and schools, and aiding the poor, in many cases filling the void left by the Palestinian Authority. The military wing has been engaged in countless terrorist attacks against Israel, including hundreds of both attempted and successful homicide bombings. But Hamas does not kill only Israelis or Americans; it has also executed at least 40 Palestinians, whom it alleged had collaborated with Israel.¹⁹⁵ According to President George W. Bush, “Hamas is an extremist group...it is one of the deadliest terrorist organizations in the world today.”¹⁹⁶

¹⁹¹ Ehrlich, *Ibid*, p.16

¹⁹² Ehrlich, *Ibid*, p.22

¹⁹³ www.idf.il/newsite/hebrew/010-4.jpg

¹⁹⁴ Hamas (Islamic Resistance Movement), www.ict.org.il

¹⁹⁵ *Ibid*

¹⁹⁶ “Bush Freezes Financial Assets of Three Groups Linked to Hamas”, White House News Conference, December 4, 2001. Transcript release by the U.S. Department of Justice.

The leader of Hamas, Sheik Yassin, has often publicly stated his support of homicide bombing. During a rally in support of Saddam Hussein and Iraq which was held in the Jabalya Refugee Camp in Gaza on January 2003, Yassin called on the Iraqi people to “become human bombs, using belts and suitcases aimed at killing every enemy that walks on the earth and pollutes it.”¹⁹⁷ A crowd of 3,000 Hamas supporters carried slogans calling for "Death to USA" and "Victory from Jerusalem to Baghdad."¹⁹⁸ Hamas had opened an office in Baghdad in 1999.

Hamas Funding

According to President George W. Bush on December 2001, when he announced the freezing of the assets of an American based charity, the Holy Land Foundation in Richardson, Texas, that had sent money to Hamas, “Hamas has obtained much of the money that it pays for murder abroad right here in the United States...it raised \$30 million from people in America last year.”¹⁹⁹

Hamas’ funding stems from Iran, Saudi Arabia, the Gulf States, Syria, Iraq, from the U.S., Canada and the tri-border region of South America, and even from al Qaeda. Despite religious differences between Hamas and some of its sponsors such as Iran – which contributes \$3 – \$30 million per year²⁰⁰ – millions of dollars are channeled to Hamas by Muslim governments to continue its *Jihad*.

Saudi Arabia’s sponsorship of Hamas includes not only telethons sponsored by the Royal Family; it also created “The Saudi Committee for the Support of the Al Quds Uprising” based in Riyadh, run by the Saudi Interior Minister Prince Nayef Bin Abdul Aziz.²⁰¹ Overall, this Committee “reported the transfer of \$55.7 million mostly to the families of suicide bombers and to the families of imprisoned or injured Palestinian militants.”²⁰²

¹⁹⁷ “Palestinian Authority Expresses Support for Saddam Hussein, Incitement Against US”, IDF Spokesperson January 17th, 2003, as posted on the website www.alsarifah.org/il

¹⁹⁸ *Ibid*

¹⁹⁹ “Bush Freezes Financial Assets of Three Groups Linked to Hamas”, White House News Conference, December 4, 2001. Transcript release by the U.S. Department of Justice.

²⁰⁰ Rekhess, Elie “The Terrorist Connection – the Islamic Jihad and Hamas,” "Justice", Vol. 5 (May 1995).

²⁰¹ Israeli report details Saudi funding for Palestinian militants, World Tribune.com, Thursday, July 4, 2002

²⁰² *Ibid*

The methods by which these funds were transferred and where they ended up, are unknown. However, documents found in the offices of the Hamas-affiliated Tulkarm Charity Committee record in great detail the payments to 102 Hamas terrorists that were killed in “martyr operation[s].”²⁰³ The family of each listed terrorist received \$5,340, according to the Saudi Committee documents.²⁰⁴ They listed each “martyr” and the manner in which each one died, including eight that lost their lives while perpetrating homicide bombings.²⁰⁵

In another instance, the Saudi Committee transferred money to Palestinian prisoners in the Megiddo prison in Israel. It is unknown how it was transferred.²⁰⁶

The charity most responsible for raising funds for Hamas in the U.S. and Canada was the Holy Land Foundation (HLF), a tax-exempt organization, for which the declared revenues in the U.S. for the year 2000 exceeded \$13 million.²⁰⁷ It was added to the State Department List of terror organizations in December 2001.²⁰⁸ Documents found in the Tulkarm Charity Committee offices include its correspondence with the Holy Land Foundation regarding the funding of various projects. The Committee received the money through the Tulkarm Branch of the Arab Bank, which is headquartered in Amman, Jordan²⁰⁹ – the same bank that the al Qaeda cell in Madrid used to transfer money to the 9/11 hijackers.

The HLF was founded in 1989 with offices in Texas, California, New Jersey and Illinois; and described itself as the largest Muslim charity in the United States.²¹⁰ HLF collected donations for Hamas in the U.S. under the guise of a humanitarian and charitable

²⁰³ *Ibid*

²⁰⁴ *Ibid*

²⁰⁵ Large Sums of Money Transferred by Saudi Arabia to the Palestinians are Used for Financing terror Organizations (particularly the Hamas) and Terrorist Activities (including Suicide Attacks inside Israel), IDF document, 6 May 2002, pp. 24-32.

²⁰⁶ *Ibid*

²⁰⁷ Matthew A. Levitt, testimony before the Senate Banking, Housing and Urban Affairs Committee, “Role of Charities and NGOs in Terrorist Financing,” August 1, 2002.

²⁰⁸ <http://www.state.gov/s/ct/rls/fs/2001/6531.htm>

²⁰⁹ Large Sums of Money Transferred by Saudi Arabia to the Palestinians are Used for Financing terror Organizations (particularly the Hamas) and Terrorist Activities (including Suicide Attacks inside Israel), IDF document, 6 May 2002, p. 21.

organization. The funds were then wired to Hamas charitable conduits in the West Bank and Gaza, which then transferred the funds to Hamas operatives, including homicide bombers and other terrorists.²¹¹ According to President George W. Bush, “Money raised by the Holy Land Foundation is used by Hamas to support schools and indoctrinate children to grow up into suicide bombers. Money raised by the Holy Land Foundation is also used by Hamas to recruit suicide bombers and to support their families.”²¹²

In 1993 in Philadelphia, the FBI monitored a meeting held by the HLF with high-ranking Hamas officials.²¹³ According to the FBI, “it was decided that most or almost all of the funds collected in the future should be directed to enhance the Islamic Resistance Movement [Hamas] and to weaken the self- rule government [in Israel].”²¹⁴

The Holy Land Foundation’s fundraising efforts on behalf of Hamas were already recognized in 1997, when the Israeli police raided the organization’s Jerusalem headquarters, and arrested its director, Mohammed Othman, for having distributed money to families of Hamas homicide bombers.²¹⁵ Representatives of the Holy Land Foundation do not deny this, but claim that “the money is given on the basis of need and not the political affiliation of the deceased.”²¹⁶ An U.S. government document “established that these funds were used by Hamas to support schools and indoctrinate children to grow up into suicide bombers.”²¹⁷ Moreover, support for homicide bombings is advocated in HLF documents:

“Is it not out of honesty and sincerity that we all be brothers to the martyr's widow?
Should we not stand by her and compensate her children for what they lost by their

²¹⁰ “The Holy Land Foundation for Relief and Development,” <http://www.adl.org/israel/holyland.asp>

²¹¹ Steven Emerson testimony before the House Committee on Financial Services Subcommittee on Oversight and Investigations, “Investigating Patterns of Terrorism Financing” February 2002.

²¹² “Bush Freezes Financial Assets of Three Groups Linked to Hamas”, White House News Conference, December 4, 2001. Transcript release by the U.S. Department of Justice.

²¹³ Steven Emerson testimony before the House Committee on Financial Services Subcommittee on Oversight and Investigations, “Investigating Patterns of Terrorism Financing” February 2002.

²¹⁴ Steven Emerson testimony before the House Committee on Financial Services Subcommittee on Oversight and Investigations, “Investigating Patterns of Terrorism Financing” February 2002.

²¹⁵ “The Holy Land Foundation for Relief and Development,” <http://www.adl.org/israel/holyland.asp>

²¹⁶ *Ibid*

father's martyrdom?"²¹⁸ submitted an HLF fundraising letter from 1988. In another HLF appeal from March 1993, the pledge card read, "Yes. I can and want to help needy families of Palestinian martyrs, prisoners and deportees."²¹⁹ An HLF brochure distributed at a Dayton, Ohio conference in December 1996 stipulated that at least 1000 families have benefited from a relief program provided by HLF which was "aiding distressed families of detainees, deportees, martyrs and other impoverished families to be uplifted to a more mainstream life."²²⁰

Days before the 9/11 attacks, a California based internet company, Infocom, which had been founded with Hamas money and which had shared office space, personnel, and board members with the Holy Land Foundation, was raided by the FBI, and its assets frozen. However, the HLF continued to operate. One month before the government closed down the foundation, the FBI wrote in a memo about the HLF that had it "concluded that the foundation had been designated by top Hamas officials as the movement's primary fund-raiser in the United States."²²¹ Since the FBI had known about this foundation at least since 1993, why had they taken so long?

The Holy Land Foundation's fundraising activities were not limited to the United States. In 1998, the South African National Intelligence Agency reported that a Canadian aid organization in Ontario, the "Jerusalem Fund", created in 1991, had been funneling money to the Holy Land Foundation office in Richardson, Texas, from where it was then transferred to Hamas in the West Bank and Gaza. "The Hamas infrastructure in Canada forms part of the infrastructure in the United States," the report maintained, and added that, "The Jerusalem Fund operating in Ontario is a source of funds for the Holy Land Foundation in the United States."²²² The report further noted that in addition to Hamas,

²¹⁷ Matthew A. Levitt, testimony before the Senate Banking, Housing and Urban Affairs Committee, "Role of Charities and NGOs in Terrorist Financing," August 1, 2002.

²¹⁸ "The Holy Land Foundation for Relief and Development," <http://www.adl.org/israel/holyland.asp>

²¹⁹ *Ibid*

²²⁰ *Ibid*

²²¹ "Ex-agent says criminal probe of InfoCom based on Holy Land data", The Dallas Morning News, December 20, 2002.

²²² Bronskill, Jim and Mofina, Rick, "Hamas funded by Canadian agency: report: Aid organization accused of sending money to U.S. charity shut down for alleged Hamas ties", The Ottawa Citizen, December 6, 2001

the Jerusalem Fund also supported Islamists in Iraq, Kosovo, Lebanon, and Turkey, and that since 1991 it had raised \$350,000 – \$400,000 annually.²²³

The European conduit for Hamas is the “Al-Aqsa Foundation”, The group, “operates around Europe, including the Netherlands and Belgium,”²²⁴ stated Ronny Naftaniel, director of the Center for Information and Documentation on Israel (CIDI) in The Hague. According to Naftaniel, a Palestinian named Mohammed Amar, who is currently the head of the Foundation in Germany, also directs the al-Aqsa Foundation office in Holland, from where it raised 600,000 Euros in 2000, mostly from cities in the Netherlands with large Muslim populations. Despite international recognition that Hamas is a terrorist organization, Holland’s General Intelligence and Security Services claim that “there is no proof that this money is used for terror activity, since Hamas also directs social and cultural activity.”²²⁵ Germany shut down its al-Aqsa Foundation offices in August 2002.²²⁶

The al-Aqsa Foundation has still another branch in South Africa. It uses its website to advance incitement with photos of homicide bombings; to solicit funds for Hamas terror activities against Israel; to provide medical assistance to wounded terrorists; and to promise “proper” Islamic education to nursery and primary school children. The website lists It’ilaf Al-Khayr (Union for Good) located at Nat West Bank in London, as the recipient of donations.²²⁷

In addition to funds from charities and individuals, Hamas also received \$20 million in 1998 to open the al-Aqsa Islamic Bank in the Palestinian territories. The funds came from both the owner of the Saudi al Baraka Bank, Saleh Abdullah Kamel, and from a

²²³ *Ibid*

²²⁴ Sadeh, Sharon, “Dutch tolerance may benefit Muslim extremists”, *Ha'aretz* August 11, 2002.

²²⁵ *Ibid*

²²⁶ *Ibid*

²²⁷ <http://www.aqsa.org.za>. The al-Aqsa Foundation site lists the It’ilaf Al-Khayr (Union for Good), as the primary recipient for donations, at: Nat West Bank, 60-08-22 London, UK.

subsidiary of al Baraka, the Jordan Islamic Bank. Kamel had also provided significant financial infrastructure to Osama bin Laden in the Sudan, commencing in 1983.²²⁸

The Hamas owned al-Aqsa Bank also “embarked on joint projects with Citigroup, intertwining itself with Citibank’s Israel division. Soon, al-Aqsa and Citibank shared a single database for Israel. Money deposited into al-Aqsa accounts in Europe or other parts of the Middle East became accessible from Israel [to Hamas members] through Citibank chapters.”²²⁹ By the time Citibank severed its relations with al-Aqsa, based on advice from Israeli authorities as well as from the U.S. Treasury Department, at least \$1 million had been transferred through Citibank into the al-Aqsa Bank on behalf of Hamas.²³⁰

Another bank, which was used to move money to Hamas, is the Saudi owned al-Taqwa Bank. It had been identified as being involved with Hamas as early as 1997, when Deputy Assistant Secretary of the Treasury Department, Jamie C. Zarate told Congress that the “\$60 million collected annually for Hamas was moved to accounts with Bank al Taqwa.”²³¹ The al Taqwa bank has serviced not only Hamas, but also the al Qaeda network. According to President George W. Bush, al-Taqwa, together with the al-Barakaat Bank, “provided fundraising, financial, communications, weapons-procurement, and shipping services for al Qaeda.”²³²

Other PA Terror Alliances

Terrorists who were trained in the PLO camps in Lebanon, Libya and the Sudan in the 1970s and 1980s, forged an alliance with the PLO that carried over to the PA. Even organizations with opposing ideologies such as the Catholic IRA; the communist FARC; the Marxist ETA; the Tamil Tigers (LTTE); the Japanese Aum Shinrikyo; the Shiite

²²⁸ “Al Baraka Investment and Development Corporation”, A Guide to the 9-11 Lawsuit, <http://law.about.com/library/911/blalbarakaat.htm>.

²²⁹ Steven Emerson testimony before the House Committee on Financial Services Subcommittee on Oversight and Investigations, “Investigating Patterns of Terrorism Financing” February 2002, p. 31

²³⁰ Steven Emerson testimony before the House Committee on Financial Services Subcommittee on Oversight and Investigations, “Investigating Patterns of Terrorism Financing” February 2002.

²³¹ Matthew A. Levitt, testimony before the Senate Banking, Housing and Urban Affairs Committee, “Role of Charities and NGOs in Terrorist Financing,” August 1, 2002.

Hizballah; the Islamic Algerian Armed Islamic Group (GIA); the Philippine Islamic Abu Sayyaf, and the *Wahhabist* al Qaeda,²³³ to name a few, have all found common ground, and have been known to cooperate financially and logistically in the interest of advancing terrorism. Some examples are:

- In early November 2002, the Washington Post reported that al-Aqsa Martyrs Brigade members joined the Palestinian Islamic Jihad (PIJ) organization, which is sponsored by Hizballah, Iran and Syria.²³⁴ According to the U.S. Department of State, “Iran funds Hamas and the PIJ, and it provides Hizballah with ‘substantial amounts of financial, training, weapons, explosives, political, diplomatic, and organizational aid.’”²³⁵ The PIJ leader in Gaza, Abdallah al-Shami, confirmed the connection and expressed “the hope that the PIJ and Hamas would coordinate their activities in the future.”²³⁶ The PIJ has, as well, claimed responsibility for homicide bombings in Israel.²³⁷

Hizballah’s international operations commander, Imad Mughniyeh, has currently been assigned by Iran to assist Palestinian terror organizations, especially Hamas and the PIJ: the PIJ’s March 2002 “Passover massacre” homicide bombing was guided by a Hizballah expert. And in June, “Iran gave PIJ a 70% increase in funds...and continues to train terrorists in camps in Lebanon’s Beka’a Valley and in Iran proper.”²³⁸

- The PLO’s connection to the IRA dates back to the 1970s and 1980s, when PLO and IRA operatives trained together in Libya and Lebanon’s Beka’a Valley. However, the IRA’s active involvement with the PLO was noted only in March 2002, when an

²³² *ibid*

²³³ Abu Sayyaf makes not attempt to hide the fact that its kidnaps westerners for extortion and money.

²³⁴ “Islamic Jihad Terrorists Admit to Receiving Funds and Orders from Syrian HQ,” IDF, February 5th, 2003. <http://www.idf.il/newsite/>

²³⁵ The U.S. Department of State, Annual Report, <http://www.state.gov/s/ct/rls/fs/2002/12389.htm>

²³⁶ *Ibid*

²³⁷ Samii, Bill, “Iran May Be Funding Al-Aqsa Martyrs Brigade,” Radio Free Europe, December 02, 2002

²³⁸ Levitt, Matthew, “Untangling the Terror Web: al-Qeda is Not the Only Element”, Policywatch Number 671, October 28, 2002.

IRA sniper shot to death ten Israelis and wounded scores of others. The sniper left behind a bolt-action rifle – a practice that has been identified as an Irish Republican Army (IRA) trademark.²³⁹

A second incident with IRA fingerprints was established after the Israeli incursion into Jenin in May 2002. Paul Collinson, a British explosive expert working with the Red Cross, identified hundreds of explosive devices found there and noted that "the pipe bombs I found in Jenin are exact replicas of ones I found in Northern Ireland."²⁴⁰ The Daily Telegraph quoted a U.S. government official as saying in response: "If there was clear and convincing evidence that the IRA has been training Palestinians in bomb-making techniques, then we are facing a grave and grievous situation for the IRA. It would surely lead to a reassessment of whether the IRA should be put on the designated list of terrorist organizations with a global reach."²⁴¹ Recent revelations about al Qaeda's training methods have also been identified as carrying some of the IRA's trademarks.²⁴²

The Oslo Peace Accord that Arafat signed in 1993, and which created the Palestinian Authority, was supposed to bring peace and prosperity to the region. Instead, Arafat who survived almost 40 years as the leader of a terrorist organization has managed, with international agreements and international funding, to create a terrorist state. According to testimony before the Armed Services Committee:

"Rather than prepare his people for peace, he has indoctrinated them for war. He has praised suicide bombers as "martyrs" and repeatedly has called for a jihad (holy war) to liberate Jerusalem. Arafat, the veteran terrorist, has created an environment in which terrorists flourish."²⁴³

²³⁹ Rayment, Sean, "IRA link to PLO examined in hunt for deadly sniper", Daily Telegraph, October 3, 2002.

²⁴⁰ Bamber, David, "IRA Role Seen at Bombs in Jenin," London Sunday Telegraph, April 28, 2002.

²⁴¹ Bamber, *Ibid*

²⁴² Ehrenfeld, Rachel "IRA + PLO = Terror," National Review Online, August 21, 2002.

²⁴³ Testimony of James Phillips submitted to the Terrorism Oversight Panel of the House Armed Services Committee, "Yasser Arafat and the Palestinian Authority: Credible Partners for Peace?" June 14, 2002.

By the year 2000, when Arafat could not get what he wanted through a “peace process” he reverted to a "war process" and initiated a campaign of violence against Israel.²⁴⁴ Continuing funding from Arab states and the international community maintains Arafat in power in spite of his public support of Saddam Hussein and Iraq; his support of terrorism; and his persistent use of homicide bombing as a weapon to advance terrorism. Moreover, despite the “War on Terrorism” and the ongoing violence, Arafat and his Palestinian Authority have never been either identified as a terrorist entity, or sanctioned.

²⁴⁴ Testimony of James Phillips submitted to the Terrorism Oversight Panel of the House Armed Services Committee, “Yasser Arafat and the Palestinian Authority: Credible Partners for Peace?” June 14, 2002.