

## The Funding Methods of Bangladeshi Terrorist Groups

By Paul Cochrane

BANGLADESH RECEIVES MINIMAL attention in counterterrorism circles, the international media and academia despite the large amount of Islamist violence in the country. Occasionally, however, it enters the spotlight when major incidents occur, such as the mutiny by the Bangladesh Rifles (BDR) in February 2009.<sup>1</sup> August 17, 2005 was another day that grabbed international attention: 459 bombs were detonated in 63 out of 64 district towns within seven minutes. It was an extraordinary act of terrorism that was logistically impressive, disciplined and deadly.

The incident triggered a marked shift in the Bangladeshi government's stance on terrorism. After initially blaming external forces for the attacks—including Israel's Mossad and India's Research and Analysis Wing (RAW)—the administration of Prime Minister Khaleda Zia admitted, for the first time, the presence of Islamist militants in the country, declaring Jamaatul Mujahidin Bangladesh (JMB)<sup>2</sup> responsible for the blasts.<sup>3</sup> Some 743 suspects were apprehended, and the leadership of the JMB and its affiliated party Jagrata Muslim Janata Bangladesh (JMJB) were arrested and executed.<sup>4</sup>

1 The BDR is responsible for Bangladesh's 2,750-mile long border with India and Myanmar. On February 25, 2009, more than 1,000 BDR soldiers mutinied in Dhaka, killing 56 officers. For 36 hours, as the revolt spread to 12 other towns and cities, the BDR fought the regular army before surrendering.

2 Jamaatul Mujahidin Bangladesh (JMB) was created in 1998 by Shaykh Maulana Abdur Rahman, with the aim of capturing power through arms and implementing Islamic law. The Jagrata Muslim Janata Bangladesh (JMJB) is an offshoot of JMB, founded in 2003 following clashes with the police. Both organizations overlap in structure and personnel; JMB activists are often JMJB members.

3 Haroon Habib, "17 August 2005: Milestone of Terror," in Jaideep Saika, *Bangladesh: Treading the Taliban Trail* (New Delhi: Vision Books, 2006), p. 252. The JMB left leaflets at the blast sites, declaring: "We're the soldiers of Allah. We've taken up arms for the implementation of Allah's law the way the Prophet, Sahabis and heroic mujahidin have done for centuries...it is time to implement Islamic law in Bangladesh."

4 The six leaders were hung on April 30, 2007. See the

Today, Bangladesh faces threats from not only JMB, but from a number of Islamist terrorist groups.<sup>5</sup> These organizations are resurgent with financing coming from numerous sources, most notably non-governmental organizations (NGO). While legislation exists to curb illicit financing, it faces numerous obstacles. This article will outline the various Islamist militant groups in Bangladesh, and then address the known and suspected financing methods of such groups and the obstacles faced in countering terrorist financing.

### Bangladeshi Terrorist Groups

Nearly four years since the August 2005 bombings, JMB has resurfaced under new leadership. Raids by the armed forces in Dhaka and elsewhere have regularly uncovered JMB arms caches, ammunition, and literature.<sup>6</sup> Out of the country's 29 to 33 possible terrorist groups,<sup>7</sup> only four are officially banned: JMB, Harkat-ul-Jihad-al-Islami Bangladesh (HuJI-B), JMJB, and Shahadat-e al Hikma.<sup>8</sup> More than 100 Islamic political parties and organizations exist.<sup>9</sup>

*Bangladesh Assessment 2008* at the South Asia Terrorism Portal, located at [www.satp.org](http://www.satp.org). For information on the arrested suspects, see "Intelligence Focused Only on Accused JMB Men," *Bangladesh News*, October 28, 2008.

5 "Lack of Policy Affecting Fight Against Militancy in Bangladesh," Indo-Asian News Service, October 26, 2008. A detailed list of the organizations can be found in *Bangladesh Awami League Newsletter* 4:4 (2005).

6 According to *The Daily Star* in Dhaka, 35 out of the 50 most wanted JMB cadres are still active in four northern districts.

7 "Lack of Policy Affecting Fight Against Militancy in Bangladesh." A detailed list of the organizations can be found in *Bangladesh Awami League Newsletter* 4:4 (2005).

8 Harkat-ul-Jihad-al-Islami Bangladesh (HuJI-B), a Deobandi group, is affiliated with the Pakistan-based HuJI, and was formed by 17 Bangladeshi mujahidin that returned from Afghanistan, allegedly with financial help from al-Qa`ida. Shahadat-e al Hikma (SAH) announced in 2003 that it planned to launch an armed struggle to turn Bangladesh into an Islamic state. It was promptly banned. Its chief, Sayed Kawsar Hussain Siddiki Raja, stated at the time that SAH had 10,000 "commandos" and 25,000 fighters. SAH has since gone underground.

9 Shakhawat Liton, "Islamic Parties Boom after 1976 Ban Lifting," *The Daily Star* [Dhaka], August 29, 2006. A constitutional ban on religious parties was repealed in 1976. Liton notes that there are no exact figures on the number of parties with either the government or the Election Commission.

The Indian government, on the other hand, claims that there are 50 Islamic militant groups operating in Bangladesh, and has accused Dhaka of harboring 148 arms training centers.<sup>10</sup> "The level of operational terrorism is as active as a few years back; we've had extensive levels of terrorism," explained Major General (Rtd.) Muniruzzaman, the president of the Bangladeshi Institute of Peace and Strategic Studies (BIPSS) in Dhaka. "People who say we don't have a problem are in a state of denial."<sup>11</sup>

While militant groups have carried out terrorist attacks within Bangladesh—although none on the scale of the 2005 bombings—there has been increased activity in India in recent years, as well as links to Indian groups.<sup>12</sup> HuJI-B, which has ties to al-Qa`ida,<sup>13</sup> is allegedly carrying out contract activities in India to garner international recognition and obtain funds, explosives and munitions.<sup>14</sup> Reports in the Indian press have also indicated Bangladeshi links to terrorist attacks in Bangalore and New Delhi,<sup>15</sup> as well as the Mumbai attacks on November 26, 2008.<sup>16</sup>

10 Personal interview, Colonel Satinder Saini (rtd.), Institute of Defence Studies and Analyses, New Delhi, September 24, 2008.

11 Personal interview, Major General Muniruzzaman (rtd.), Dhaka, November 24, 2008 and April 22, 2009.

12 India's Union Home Ministry in its 2007-2008 Annual Report stated: "The hand of Pakistan-based terrorist organizations—Lashkar-e-Toiba (LeT) and Jaish-e-Mohammed (JeM)—and, increasingly of the Bangladesh-based HuJI, known to have close links with the Inter Services Intelligence, has been observed in most cases" of terrorist attacks in India. New Delhi has also accused HuJI of providing grenades to the LeT in India, in addition to coordinating attacks in India with the Students' Islamic Movement of India (SIMI), the LeT and JeM.

13 Rohan Gunaratna, *Inside Al Qaeda: Global Network of Terror* (New Delhi: Roli Books, 2003), p. 219; Bruce Vaughn, "Islamist Extremism in Bangladesh," Congressional Service Report, January 17, 2007.

14 Personal interview, Major General Muniruzzaman (rtd.), Dhaka, November 24, 2008 and April 22, 2009.

15 "Delhi Police Launches Drive to Deport Illegal Immigrants," *Press Trust of India*, July 13, 2008.

16 Personal interview, Major General Muniruzzaman (rtd.), Dhaka, April 22, 2009. According to one report, the Thuraya satellite phone recovered from the fishing trawler the terrorists used to reach Mumbai contained records of a conversation between Lashkar-i-Tayyiba chief Yusuf Muzammil in Muzafarabad, Kashmir, and "Yahya," a point man for LeT and HuJI in Bangladesh. Pakistan's Federal Investigation Agency committee report also has a reference to HuJI's involvement, and there

Yet while the Bangladeshi and Indian authorities have continued to crack down on militant organizations operating in and out of Bangladesh, this has been largely confined to the more immediate: raids, arrests and intelligence gathering. Stopping the financiers and income generating techniques of Bangladesh-based terrorist organizations remains a great challenge, with Bangladesh lacking the infrastructure as well as the political resolve to curb terrorist financing.

#### Funding Methods

Bangladesh is plagued by illicit financial transfers. It is suspected that militants regularly tap into these illegal money flows to fund their operations. More than \$1 billion in taxable goods is smuggled into the country from India, and analysts believe that some of this money ends up in the hands of terrorist groups. This is also the case with small arms sales, drugs and counterfeit U.S. dollars that enter Bangladesh from neighboring Myanmar and the Golden Triangle. Money laundering is also a prime way of generating funds, estimated to account for 12-13% of the country's GDP at \$3.4 billion.<sup>17</sup> Some 90% of revenue from smuggling is laundered: 30% of bribes, 60% of the retail sector, 35% of import-export, and 25% in tax evasion.<sup>18</sup>

Remittances from expatriate Bangladeshis working in the Middle East, the United Kingdom and elsewhere are a further area of concern. Currently estimated at \$7 billion a year through banks, remittances surged from only \$2 billion in 2006 as a result of financial institutions improving their delivery time and including value-added services.<sup>19</sup> A further \$7 billion, however, is estimated to enter Bangladesh illegally through the *hundi* system,<sup>20</sup> an

illegal alternative remittance system similar to the *hawala* network that operates in the Middle East.<sup>21</sup> Sources at the Bangladesh Bank, the country's central bank, said the government is loathe to legalize *hundi*—which would increase oversight—as it would divert capital away from the official banking sector and the financial system.<sup>22</sup>

While there is a broad consensus that such techniques are used by militant organizations, the levels of funding generated are mere speculation. Several raids on JMB safe houses in Dhaka have revealed that the properties were rented by expatriate workers in Saudi Arabia.<sup>23</sup> In the case of remittances, research by the BIPSS has indicated that large volumes of money are sent from members of the Bangladeshi community in London,<sup>24</sup> and that there are increasing signals of a diaspora link to incidents in Bangladesh. One of the most significant links to funding from the diaspora was unearthed in March 2009 when a *madrasa* in Bhola in southern Bangladesh was raided by an anti-terrorist division, turning up 10 firearms, 2,500 rounds of ammunition and radical Islamic literature.<sup>25</sup> Investigations revealed that the *madrasa* was funded by the British-registered charity Green Crescent, and that the founder, British citizen Dr. Faisal Mostafa, had close links to the JMB and its current leader, Saidur Rahman.<sup>26</sup>

The Green Crescent case highlights the lack of oversight by the authorities in regulating charities and NGOs—in Britain as well as in Bangladesh—and indicates what analysts have long suspected: NGOs are a major source of funding for militant groups. There are some 2,500 officially registered NGOs operating in Bangladesh, but

potentially as many as 100,000, with smaller initiatives registered locally.<sup>27</sup> “No one has an exact number,” said Iftikhar Zaman, executive director of Transparency International Bangladesh. Given that authorities are not even clear how many exist, monitoring and regulating NGOs has proven difficult. The Saudi Arabia-based al-Haramain Islamic Foundation, banned internationally by United Nations Security Council Committee 1267, has come under suspicion, along with other charities from the Middle East, for financing terrorism in Bangladesh. NGOs and charities have also been linked to the rise of Islamic extremism in the country, with the Kuwait-based Revival of Islamic Heritage Society (RIHS)<sup>28</sup> and the Saudi Arabian organization Hayatul Igachha (HI) connected to funding for some 650 mosques that have been used by terrorist organizations such as Ahle Hadith Andolan Bangladesh (AHAB)<sup>29</sup> and the JMJB.<sup>30</sup>

#### An “Economy within an Economy”

Financing for legitimate Islamic political groups—such as the country's largest, Jamaat-i-Islami Bangladesh (JIB), and others such as the Islami Oikya Jote<sup>31</sup>—are believed to stem from what has been called an “economy within an economy.”

Abul Barkat,<sup>32</sup> a professor of economics at Dhaka University, states that Islamic political parties have invested in 13 different economic sectors, including finance, insurance, retail, education, real estate, communication, media, health care and pharmaceuticals. “They earn to the tune of \$300 million a year

are indications that mobile SIM cards were purchased in Kolkata by Bangladeshis on behalf of the perpetrators.

17 These figures are based on research carried out by Abul Barkat, Professor of Economics at Dhaka University, in the report titled “The Economics of Fundamentalism and the Growth of Political Islam in Bangladesh.”

18 Ibid.

19 Personal interviews, members of Bangladesh Bank, Dhaka, November 25, 2008.

20 *Hundi*, or *hawala*, is an alternative remittance system (AMS) widely used in the Middle East and South Asia, particularly by expatriate workers, to send money via official or unofficial brokers with minimal (or no) paperwork involved. Many countries are trying to better

regulate AMS.

21 Ibid.

22 Personal interviews, members of Bangladesh Bank, Dhaka, November 25, 2008.

23 Personal interview, Major General Muniruzzaman (rtd.), Dhaka, November 24, 2008 and April 22, 2009.

24 There are an estimated 500,000 British citizens of Bangladeshi origin.

25 James Brandon, “UK Charity Funding Arms and Training for Bangladeshi Terrorists,” *Terrorism Monitor* 7:9 (2009).

26 “Faisal Now Admits Ownership of Arms,” *The Daily Star* [Dhaka], April 16, 2009. Faisal was arrested in Bangladesh on April 6, 2009.

27 Personal interview, Iftikhar Zaman, executive director of Transparency International Bangladesh, Dhaka, November 26, 2008.

28 The RIHS registration was canceled in 2007, but is still operating. The head of a local wing of the RIHS, a Sudanese national, was arrested in March 2009 for using the charity to train militants.

29 Ahle Hadith Andolan Bangladesh (AHAB) is a similar party to the JMB and JMJB, often working closely together, and has been linked to Jamaat-i-Islami Bangladesh (JIB).

30 Hiranmay Karlekar, *Bangladesh: The Next Afghanistan?* (New Delhi: Sage Publications, 2005).

31 Islamic political party Islami Oikya Jote was part of the Bangladesh Nationalist Party's four-party ruling coalition from 2001-2006.

32 Personal interview, Abul Barkat, professor of economics, Dhaka University, November 27, 2008.

in net profits, and invest 10-20% for political purposes, anywhere from \$30-\$60 million, including paying salaries to up to one million full timers," he said.<sup>33</sup> Muniruzzaman of the BIPSS thinks the amount is much higher than Barkat indicates. "They probably run a parallel economy," he said. Yet while front companies are undoubtedly linked to Islamic organizations, not all are militant, although the rise of an alternative economy does present further opportunities for militant groups to generate funds.

The JIB is a case in point. The largest Islamic political organization in the country, the JIB was a member of the Bangladesh Nationalist Party-led government coalition from 2001-2006. Yet while the JIB claims they have no links to militant groups, not everyone is convinced. Both JIB leaders who were executed in 2007, Abdur Rahman and Bangla Bhai, were active members of the JIB's student wing, the Islamic Chhatra Shibir.<sup>34</sup> Moreover, the JIB draws its ideology and political support from JIB.<sup>35</sup> There are also allegations that support for the JIB and the JMJB extended to the higher echelons of the BNP government and the JIB.<sup>36</sup> These links are attributed to the government's half-hearted response to Islamic extremism and violence, and initial refusal to blame the JIB for the August 2005 bomb blasts.

The questions over the JIB and its plans for the future have Bangladeshi analysts concerned about the growth of the Islamist economy, believing it is a means to build up economic power as a way of gaining political power over time. "The Jamaat [JIB] works with long term plans unlike

[the major two political parties] the BNP and Awami League," said Iftikhar Zaman, of Transparency International Bangladesh. "They have infiltrated the administration, bureaucracy, the army, media and increasingly, even NGOs."<sup>37</sup> The JIB also controls the largest bank, the Islamic Bank of Bangladesh, six universities throughout the country, and a think tank in Dhaka. Moreover, with the fundamentalist economy registering higher annual growth (7.5% to 9%) than the mainstream economy (4.5% to 5%), "it means that if it grows higher, there might be a time in 15 years where their economy will be difficult to fight in a monetary sense," warned Barkat.

#### Enforcement and Reality

In the immediate months after a military-led emergency government seized power in January 2007, a number of enforcement initiatives were put into place. A Financial Intelligence Unit was immediately established, the Money Laundering Prevention Act was re-enacted in April 2008, and an Anti-Terrorism Ordinance was passed in June 2008.<sup>38</sup> Yet continuous political undermining of the legal process,<sup>39</sup> in addition to coercion, bribery and corruption, has made the country's anti-money laundering (AML) and counterterrorist financing (CTF) measures "confined to regulations we have printed."<sup>40</sup> Furthermore, the government lacks effective knowledge and training to curb money laundering and terrorist financing. "At a recent workshop of 50 people from the financial sector, law enforcement and key ministries, the people most related to CTF and AML said, frankly, that they didn't have a clue on this sector and are comparatively weak in knowledge and implementation," explained Muniruzzaman.

The Bangladesh Bank is also struggling to implement regulations, lacking the manpower and finances to investigate foreign and domestic transactions passing through the financial system. Sources at the bank have admitted as much, conceding that some of the country's six Islamic banks are "not properly run." The country equally lacks reporting agencies, such as on car dealerships and precious stones, raising concerns that such businesses could be used to launder money and finance terrorism.

The NGO bureau is of more concern considering the thousands of NGOs and charities in the country, and a total lack of transparency by the sector in the usage of funds.<sup>41</sup> Sources at the Bangladesh Bank said the bureau has insufficient human resources to regulate the whole sector, further highlighted by the Green Crescent case in March 2009. A thorough investigation of charities and NGOs has also been suggested by the Bangladeshi media, pointing out that the bureau was run by the Ministry of Social Welfare, which was held by the JIB from 2001-2006.<sup>42</sup> Given the claims that JIB has links to the JMB, there is speculation that some of the 473 local and 25 foreign NGOs licensed during this period were not properly regulated.

#### Conclusion

Curtailing financing for Bangladeshi terrorist groups is a significant challenge for the authorities. Given groups such as HuJI's growing reach in South Asia, and links to expatriates as far away as the United Kingdom, the issue is increasingly of international concern. Tackling terrorist financing is but one of the multipronged techniques needed on the ground. Yet, with a weak state it is problematic unless substantial financial and professional assistance is provided to the central bank to implement a more proactive AML and CTF regime and better regulate the financial sector.

The mutiny by the BDR suggests that the democratically-elected government of Sheikh Hasina faces an uphill struggle in retaining power. The mutiny has shaken the military establishment and

33 Following the publication of "The Economics of Fundamentalism and the Growth of Political Islam in Bangladesh" in Dhaka University's *Social Science Review* journal, Barkat told the author that he received some 70 death threats. In JIB newspaper *Shagran*, Barkat was subjected to character assassination, but his economic statistics and findings were not refuted.

34 The Islamic Chhatra Shibir (ICS) is the JIB's student wing, operating in most universities (but banned at Dhaka University). The ICS has been involved in violence and has connections to the banned Students' Islamic Movement of India (SIMI).

35 Wilson John, "The Bengali Taliban: Jamaat-ul-Mujahideen Bangladesh," *Terrorism Monitor* 6:10 (2008).

36 For a detailed account, see Karlekar.

37 Personal interview, Iftikhar Zaman, executive director of Transparency International Bangladesh, Dhaka, November 26, 2008.

38 For details, see the Bangladesh Bank's Anti Terrorism Ordinance #28 (2008) and Money Laundering Prevention Ordinance #12 (2008).

39 Politicians have continuously undermined the judiciary through bribery and applying pressure on the judiciary to drop cases linked to political parties and prominent businessmen.

40 Personal interview, Major General Muniruzzaman (rtd.), Dhaka, November 24, 2008 and April 22, 2009.

41 Zaman.

42 "Terror-Financing NGOs Remain Unscathed," *The Daily Star* [Dhaka], November 26, 2005.

left the country's borders porous and vulnerable. Claims that leaders of the mutiny were members of the JMB are also of concern. Furthermore, although the JIB did not garner as many seats in the December elections as in previous governments, the percentage of JIB voters actually increased, indicating a shift in society toward support for more fundamentalist Islam.<sup>43</sup> The rapid growth of the Islamist "economy within an economy" is equally an area of concern for the country's political future. Furthermore, corruption is on the rise again in Bangladesh. The new civilian government criticized the Anti-Corruption Commission (ACC) established by the emergency government in 2007, for example, and the chairman resigned in protest.<sup>44</sup>

Bangladesh clearly faces a tortuous road ahead. Given the weakness of the state, high poverty levels, widespread corruption, and the bipartisan nature of politics, the situation in Bangladesh warrants more attention from the international community.<sup>45</sup>

*Paul Cochrane is a freelance journalist based in Beirut, where he has lived since 2002. He covers the Middle East and Central Asia for specialized publications, business magazines and newspapers. Mr. Cochrane's work has been featured in The Independent on Sunday, the Frankfurter Allgemeine Zeitung, Money Laundering Bulletin and Fraud Intelligence. He has written on money laundering, terrorist financing, corruption and alternative remittance systems in Lebanon, Saudi Arabia, Afghanistan, the United Arab Emirates, Egypt, Syria and the Indian subcontinent. Educated in Britain, Mr. Cochrane earned a master's degree in Middle Eastern Studies at the American University of Beirut.*

---

43 Personal interview, Major General Muniruzzaman (rtd.), Dhaka, November 24, 2008 and April 22, 2009.

44 The creation of the ACC led to the arrests of 200 officials and businessmen, and the seizure of \$30 million. Two former prime ministers—Khaleda Zia of the BNP and Sheikh Hasina Wajed of the Awami League—both had charges brought against them but were dropped as part of a political compromise in the lead-up to the elections. Bangladesh ranked 147 out of 180 countries in Transparency International's Corruption Index in 2008.

45 Recent proposals to establish Joint Working Groups on Counterterrorism with the British, American, Australian and Russian governments are a move in the right direction.