

TRENDS



Unveiling the Muslim Brotherhood's business and funding networks

Noora Al-Habsi



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This research paper examines the Muslim Brotherhood's financial, business, and funding networks by answering the following questions: What role does funding play in the Muslim Brotherhood's ideology? What are the theoretical underpinnings of the link between the Brotherhood's finances and ideology? What are the sources of the group's funding? What role does funding plays in ensuring its expansion? What funding mechanisms does the Brotherhood use to evade scrutiny by security services, especially after 2013?

Answering these questions requires an assessment of all these aspects of the Brotherhood's operations. Pressure from national and transnational security organizations could be the most formidable challenge the organization faces considering the strict precautionary measures it takes to conceal its funding sources and the ways in which it manages its assets and expenditure. The Brotherhood's experience in manipulative maneuvers to evade scrutiny and sanctions has helped it in covering its tracks by tapping into its long history of tense relationships with successive governments and judicial authorities, especially those in Egypt.

Despite the correlation between the Brotherhood's funding and ideology since its inception as a business enterprise defined by its founder Hassan Al-Banna,² the studies that tackle this aspect of its

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1. The author would like to acknowledge that the paper benefited greatly from comments made by Dr Udi Levi and Dr Eran Lerman of the Jerusalem Institute for Strategy and Security (JISS)
 2. Hussam Al-Haddad, "Hassan Al-Banna, Founder of the Muslim Brotherhood," February 12, 2021. Islamic Movements Portal: <https://www.islamist-movements.com/37553>

operations are mostly very recent. The lack of analyses of this issue is surprising, given that the economic factor constitutes one of the essential dimensions of the organization's project. It has been claimed by some that the Muslim Brotherhood has evolved into a group with businessmen exerting primary control of matters of administration and theorizing to the extent that it is now – according to at least one of its leaders who defected – “run by bankers and not by preaching scholars.”³

This study is divided into four sections. The first section sheds light on the role of funding and the theoretical underpinnings on which the link between the Brotherhood's finances and ideology is based. In the second section, the paper delves into the group's funding sources, while the third analyzes the role of the economy in the organization's expansion. In the last section, the paper reviews the economic mechanisms adopted by the organization to resist the security pressures to which it has been subjected after 2013.

Role of funding in the Brotherhood's ideology

To those involved in addressing this challenge, it has become evident that the sophisticated financing networks used by the Muslim Brotherhood could not be easily understood or suppressed. When analyzing the Muslim Brotherhood, one must address a global movement and not necessarily the mother movement in Egypt. Moreover, the transnational nature of the movement's economic system is based on its highly secretive modes of operation.⁴

3. Mr. Abdul Sattar, my experience with the Muslim Brotherhood from Da'wa to secret organization, the Wiki Brothers website: <https://bit.ly/3cMrPpI>

4. Private communication from Dr Udi Levi, JISS

As it is essential to the Brotherhood's existence, this financial and economic structure is one of the movement's most closely-held secrets. Without its vast financial infrastructure, the movement stands to lose its capacity for survival and power to implement its policies and plans fully. In addition, dealing effectively with the Muslim Brotherhood means dealing with all its factions. The group's all-embracing infrastructure enables the various national entities to help each other and ensure each other's survival.⁵

Therefore, the Muslim Brotherhood did not randomly engage in economic activities, but instead organized and theorized a structure based on justifications that they considered "legitimate". Through this method, they were able to amplify their ideology with an economic dimension, embodied in the following three pillars:

1) Islam as a source of distinction and economic exclusivity

The critical importance of the Muslim Brotherhood ideology's financial and economic component stems from three main reasons. First is the ideological rejection of capitalism and socialism, which they view as the main factors that led to the decline of Islam's status and the rise of other ideas and doctrines. This included all secular ideologies, including nationalism (although the Brotherhood and its offshoots including Hamas's claim to be the defenders of Arab and Palestinian rights, as well as Islamist principles).

The second reason is the belief that the path to people's hearts is through economic factors. In other words, today's society and its perceived state of heresy can only be redeemed if the Brotherhood movements can show its adherents that an Islamic economy is better. Then they will also adopt Islamic political motifs. Thirdly, the quest to

5. Private communication from Dr Udi Levi, JISS

build a mass movement that underpins the Muslim Brotherhood's ideology cannot be realized without billions of dollars.⁶ The organization starts from an Islamic perspective in dealing with the problems of the state and society. This allows it to claim exclusivity in formulating an economic alternative that derives from the specificity of Islamic teachings and is worthy of serving as a role model while also differing from ideologies such as capitalism, socialism, and others.

The Brotherhood's founder was a forerunner to this trend in that he expressed his resentment at the lack of an 'Islamic' economic vision that was compatible with the perception of religion by the organization. Al-Banna once said: "We did not follow a well-known economic system, neither in theory nor in practice."⁷ He rejected the dominant world economic systems of the time because they "emerged in lands other than ours and societies different from ours, while we have in our hands the complete system that leads to a comprehensive reform under the guidelines of true Islam."⁸ Based on this vision, the organization emphasized the specificity of the Islamic approach, given that it was difficult for the economy to play its influential role in a renaissance and overall development in light of economic theories and systems alien to the society, its identity, and culture.⁹

2) *Organization as a foundation of religion*

The Muslim Brotherhood realized the importance of funding. It sought to secure its financial resources and ensure its continuity by urging its

6. Private communication from Dr Udi Levi, JISS

7. Hassan Al-Banna, "The Economic System:" Letters of the martyr Imam Hassan Al-Banna, electronic copy (PDF), p. 272.

8. Ibid, p263

9. See: "Hassan Al-Banna supports the constitutional order and acknowledges the Egyptian constitution," the Wiki Brothers website: <https://bit.ly/3dmY0wk>

members to spend money for the sake of *Da'wa*, the act of encouraging people to embrace Islam to counter the religion's perceived decline. The organization linked spending to worship and made its political activities contingent on the parallel actions of *Da'wa* allegedly required to establish God's law on earth.

The Brotherhood devoted ample space to the contributions of its members in its first documents, namely the "Law of Muslim Brotherhood Association," issued in 1930. The "law" stipulated that "each member shall pay a monthly subscription fee to the treasurer".¹⁰ The organization's General Shoura Council recommended, in its third conference in 1935, the establishment of a "Da'wa Fund" to spend on "spreading the Brotherhood's Da'wa by appointing preachers and employees who could assume this task, and publish letters and publications to assist them."¹¹ In 1938, a new subscription was created for members under the name of "Da'wa share" to support their religious sentiments while keeping the monthly subscription system applicable for all members.¹²

The organization also persisted in simultaneously brandishing a stick and the carrot to force the members to spend on it. The Brotherhood warned them that ceasing the spending implied the neglect of the duty of *Da'wa*. This is why the movement's statutes indicate that the duties of a "Muslim brother", who has pledged allegiance and has sufficient resources, are "to share part of his money for Da'wa", and that the

10. Law of the Muslim Brotherhood Association (1930), the law of the Muslim Brotherhood Association in Ismailia, is a true copy that the General Assembly approved in its third session on the first of Jumada al-Ula in the year 1349 AH - 1930 CE, Wikisource website: <https://bit.ly/39mZdRO>

11. Hassan Al-Banna, *Memoirs of the Da'wa and the Preacher*, Ibid, p. 239.

12. Abd al-Rahim Ali, *The Muslim Brotherhood: Analyzing the Secret Files* (Cairo: The General Egyptian Book Authority, 2013), p. 268.

more he fulfills these duties, “the higher will be his status in the Brotherhood.”¹³

3) Ethical and pragmatic dimensions of funding

While examining the organization’s ideology, it is necessary to note, as many specialists have done, the combination of the moral dimension of Islam’s message and the pragmatic dimension of its political project. This combination provides the basis of the movement’s function as a solid social incubator and helps promote its objectives.

The ethical dimension of what has been called ‘Islamic economics’ has increased in prominence and popularity in recent decades. In this context, the Muslim Brotherhood has adopted its concepts and tools to confirm its Islamist orientations. Islamic economy is based on the claim that Islamic teachings can offer Muslim societies a third way other than capitalism and socialism. Within such a structure, the Islamic banking system is the mainstay of the Islamic economic system, which is presented as an alternative to the morally reprehensible behavior of capitalism.¹⁴

The pragmatic dimension to this consists of the organization’s ability to benefit from the different economic models that Egypt has followed from the monarchical period until the end of Mubarak’s rule. Here, it should be emphasized that the Brotherhood’s economic thinking is characterized by “duplication,” which is based on

13. “Laws and Administrative Regulations of the Muslim Brotherhood (1944),” Collection of Administrative Laws and Regulations up to the year 1363 AH - 1944 CE, Wikisource, at the link: <https://bit.ly/2SyHksp>.

14. Timur Kuran, The Discontents of Islamic Economic Morality, https://pdfs.semanticscholar.org/3fd3/2a34f649937b8d744bdd45aca11534cd6a80.pdf?_ga=2.264065036.1094289537.1595482751-328511710.1592135646

ambiguity of the organization's position in that it has supported as well as opposed the regime.

This is evident in its attitudes towards economic policy under the Anwar Sadat regime and the period of neoliberal restructuring under Hosni Mubarak. Both periods witnessed a great boom in the activities of personalities and companies affiliated with the Muslim Brotherhood. Although fierce criticisms were made of the outcomes of successive government policies, these programs also enabled the Brotherhood to accumulate huge fortunes.¹⁵

Sources of funding for the Muslim Brotherhood

Throughout the years, the Muslim Brotherhood has worked to “decentralize” and conceal the financial networks run by the groups operating under its overarching framework. This component was critical to protect its economic infrastructure. The so-called differentiation between its various affiliates worldwide was therefore purely cosmetic, as funds raised were fed into the same financial centers. Therefore, if one source of funds was cut off, the others could still operate. From the Brotherhood's perspective, all its tools were used to preserve the financial centers. Management of the global system was thus concealed from national security agencies. Just as teachers and intellectuals have been the spiritual pillars, financiers are the material pillar of the movement.¹⁶

Therefore, from the movement's beginnings in Egypt, its founders and leaders built a worldwide financial system. From the outset, the

15. On this topic, see: Evrim Görmüş, *The Economic Ideology of the Egyptian Muslim Brotherhood: The Changing Discourses and Practices*, https://www.researchgate.net/publication/342149114_The_Economic_Ideology_of_the_Egyptian_Muslim_Brotherhood_The_Changing_Discourses_and_Practices

16. Private communication from Dr Udi Levi, JISS

financial system was based on membership taxes and on collecting *Zakat* (alms) required under the Shari'ah. As the movement grew and spread, the same *Da'wa* infrastructure was established as a substantial source of income. Every mosque that was established became a collection center for *Zakat* money), every Islamic center served as a collection center, and every businessman paid the charity tax.¹⁷

The organization's sources of funding can be approached from two perspectives. The first is the contributions of members, such as subscriptions, donations, and *Zakat*. The second is institutional contributions, which include investment projects, and funds from international affiliated organizations.

Organizing members' contributions

Whether in the form of subscriptions, donations, or *Zakat*, the members' contributions are the most important revenues of the organization. Through *Zakat*, the Muslim Brotherhood has grown and strengthened its structure during its history. It represents a financial commitment that encourages members to fulfil their religious duties before the organizational ones. That is why articles have been framed in its governance bylaws.

The organization has ensured that its members' organizational effectiveness and administrative promotion are linked to the extent of his or her commitment to pay the established subscription. The Muslim Brotherhood bylaws define working members as "those who understood the idea of the Muslim Brotherhood, pledge allegiance to it, and pledged to pay a monthly subscription".¹⁸ Subscription is an

17. Private communication from Dr Udi Levi, JISS

18. "Laws and Administrative Regulations of the Muslim Brotherhood (1944)," Ibid.

obligation that applies to Egyptian members of the organization living abroad as well. Muhammad Habib, the former deputy general guide, confirmed that “monthly subscriptions are collected from them just as is the case with members of the organization living in Egypt”.¹⁹

The organization also imposed a subscription fee on Freedom and Justice Party members. Dr. Ahmed Abu Baraka, the party’s legal adviser, said that the annual subscription for each party member was “up to 150 pounds, while the subscription fee to the party amounts to 200 pounds”.²⁰

The organization also encouraged its members and supporters to contribute to its activities through donations. Muhammad Habib has said: “the organization does not reject any donation from people belonging to it, and that these donations may increase during crises or periods of parliamentary elections and other events”.²¹ The organization also receives significant amounts from the profits of affiliated business people through donations amounting to up to one-tenth of their earnings. This was the case with the companies of businessman Safwan Thabet of the Juhayna Group, Abdel Moneim, former head of the Federation of Industries and owner of Nissan car dealership, and the Interbuild Group of the Haddad family. In addition, the donations of Khairat El-Shater and Hassan Malek amounted to 20 million pounds in 2012.²²

19. Abdul Rahman Shalabi and Muhammad Ali Zaidan, “The Brotherhood runs a hidden financial empire with a capital of 100 million pounds in Britain and Switzerland,” April 7, 2014, Hat Post website: <https://bit.ly/2SIXyiv>.

20. Muhammad Qayati, “The Muslim Brotherhood’s Funding Sources between Bahamian Banks and the Principality of Liechtenstein,” July 23, 2012, People of the Qur’an website: https://ahl-alquran.com/arabic/printpage.php?doc_type=0&doc_id=25186

21. Abd al-Rahman Shalabi and Muhammad Ali Zaidan, “The Brotherhood” runs a hidden financial empire with a capital of 100 million pounds in Britain and Switzerland.” Ibid.

22. “For the first time in the Arab press ... in names and numbers: the money lords in the Muslim Brotherhood,” July 27, 2013, Al Moujz website: <https://www.elmogaz.com/node/101663>

The Brotherhood also generated funds through the “*Zakat* and Charity Bylaws.” These bylaws addressed the formation of the “General Committee for *Zakat* in the Division” for all Brotherhood members eligible for *zakat* payment. The Committee selects an executive body consisting of a chairman and two members selected from the General Committee members by secret ballot. This body “supervises the collection and preservation of the *zakat* due.”²³

Zakat and alms funds play a very important part in the organization’s political programs. Muntasir Omran, former leader of the Islamic organization, classified it as the second-largest source of funds for the organization, as it encourages wealthy members to donate their alms and *zakat* to the Brotherhood to help it assist low-income families so long as they are members. Such assistance is considered better than spending funds on “the people of the nation who do not belong to the organization”. According to Omran, the organization instead uses this money “for the work of the party and the organization, and the poor and needy are deprived of it. This explains the source of the 650 million pounds the organization spent to make Muhammad Morsi President of Egypt.”²⁴

Local investment projects

The Brotherhood has various investments, but it is challenging to define them precisely because of its mechanisms used to counter security monitoring. The group mixes its funds with the funds of its leaders and registers its investments in the names of those considered “trustworthy” among them. Such practices have helped the group escape surveillance from national authorities and others. In practice,

23. “Laws and Administrative Regulations of the Muslim Brotherhood (1944),” Ibid.

24. Amal Gharib, “Dirty money or armed action ... Where did the terrorist Brotherhood’s money come from?” June 3, 2019, Sout Al-Ummah website: <https://bit.ly/2A8Lodx>

the circumvention of the law has reached significant levels and helped the organization secure its investments.

The organization has also mixed its funds with its members' funds to disguise its investments. Douglas Farah, a Researcher at the Center for Strategic and International Assessment in Virginia, US, has reported that it is nearly impossible to differentiate between the organization's transactions based on its own wealth and those drawn from its members' assets.²⁵ He reports that publicly available information on the Brotherhood's financial network includes holdings, subsidiaries, fake banks, and real financial institutions based in Panama, Liberia, the British Virgin Islands, the Cayman Islands, Switzerland, Cyprus, Nigeria, Brazil, Argentina, and Paraguay along with others. According to Farah, "many of these entities are registered under the names of individuals – such as Nada, Nasr Al-Din, Al-Qaradawi, and Humut – who have publicly identified themselves as Brotherhood leaders."²⁶

This accords with statements by Montaser Omran, a former leader of the organization, who stressed that "the giant economic projects that the organization's members have set up in their names are the organization's assets". He cites the example of the Bank of Piety, owned by Youssef Nada, and the Islamic centers and schools across France, Britain, the United States and other projects in many countries operating under different names.²⁷

Thanks to these operations, the Brotherhood's investments abroad have reached – according to Dr. Hussein Shehata's estimates – US\$ 2 billion.

25. Douglas Farah, *The Little Explored Offshore Empire of the International Muslim Brotherhood*. April 18, 2006. http://www.strategycenter.net/research/pubID.102/pub_detail.asp

26. Ibid.

27. Amal Gharib, "Dirty money or armed action ... Where did the terrorist Brotherhood's money come from?" Ibid.

They generate half a billion dollars in profits, which are transferred annually in bonds to Swiss banks. These bonds bear the names of fictitious companies,²⁸ which allows them to obtain letters of guarantee and bogus credits through which funds are transferred abroad.²⁹

International investment projects

Following its suppression by police and security forces in the 1950s, the Brotherhood infiltrated several Arab countries, particularly in the Gulf. It moved into Europe by establishing regulatory bodies that initially organized worship for Muslim communities, such as the Munich Mosque. Later, the group expanded into the public arena in European countries in the early 1990s, when several Islamic organizations were established that had agendas beyond their ostensible cultural and social functions. Some of them started pursuing purely commercial interests, particularly in what is known as *Halal* trade, with the result that the local group affiliates' profits increased dramatically.

Global estimates suggest the market value of *Halal* food worldwide in 2017 was US\$ 1.4 trillion with the expectation that they will reach US\$ 2.6 trillion by 2023.³⁰ According to some reports, the projected increase of global profits for the *Halal* food industry reflects the growing Muslim population worldwide; their number is expected to increase from the current 23 percent to around 30 percent of the total world population by 2030.³¹

28. For the first time in the Arab press, in names and numbers: the money lords in the Muslim Brotherhood, *Ibid*.

29. *Ibid*

30. Mahsa. Shahbandeh, Global market value of *Halal* food 2017-2023, Jun 29, 2018, <https://bit.ly/2OLP5cV>

31. *Halal* Food Market Size Worth \$739.59 billion By 2025, Grand View Research, February 2018, grandviewresearch.com/press-release/global-halal-food-market

Observers say that there are several Brotherhood organizations oversee the licensing of *Halal* meat, including the Islamic Cultural Centre of Geneva, the Islamic Foundation of Germany, the Central Council of Muslims in Germany, the Union of Islamic Organizations of France (now known as Muslims of France), and the Union of Islamic Organizations of Italy. These enterprises “generate millions of dollars”.³² Also, *Halal* trade is no longer limited to food. It now includes other sectors, such as cosmetics, household, medical tools, tourism, and banking, with an estimated total capital of US\$ 2,300 billion worldwide in 2017.³³ *Halal* tourism has grown by 30 percent globally since 2016, and Mastercard and Crescent Rating have predicted in a recent joint study that the sector’s contribution to the global economy is set to grow from US\$ 180 billion to US\$ 300 billion.³⁴

Support for some countries

After Gamal Abdul Nasser initiated the repression of the Muslim Brotherhood in Egypt, another factor has assisted the group’s economic system. Rich Arab countries – such as Qatar – opened their doors to senior Brotherhood figures who fled there in the 1950s and 1960s. Regional rivalries mainly drove this opening of the doors to the Brotherhood. It also stemmed from the understanding that connecting the organizational capacity of the Muslim Brotherhood with the financial sources of Qatar could position these countries as a major

32. Ibid

33. Maher Farghali, “Does the Muslim Brotherhood have a monopoly on the *Halal* economy in Europe?” January 20, 2019, Hafriyat website: <https://bit.ly/2AOeKOL>.

The market value of *Halal* cosmetics alone is expected to reach US\$ 54.16 billion by 2022. See: M. Shahbandeh, Global Muslim food and beverage market value 2015-2023, Statista, February 5, 2019, <https://www.statista.com/statistics/737151/global-muslim-food-and-beverage-market>

34. Debra Kamin, The Rise of *Halal* Tourism, January 18, 2019, <https://www.nytimes.com/2019/01/18/travel/the-rise-of-halal-tourism.html>

power center in the Islamic world. Billions of dollars flowed to the Muslim Brotherhood and enabled the movement to make two strategic moves:

- Expanding the movement's activities worldwide, with an emphasis on Europe and Africa, and establishing mosques, Islamic centers with the aim of promoting a genuine and complete *Da'wa* revolution.
- The establishment of an underground commercial infrastructure and real estate assets that served a useful purpose as an independent source of income for the movement.

The role of funding in Brotherhood's expansion

Since its early years of establishment, the Brotherhood gained a mass base. Through economic activities launched in 1938 under the guise of implementing Islamic Shari'ah by establishing an "Islamic transaction company," the group started selling, buying, and trading operations without receiving any usurious benefits.³⁵ At the time, the group only aimed to infiltrate Egyptian society, which was then reflected in the expansion of the Charity and Social Services Section established by the organization.

To this end, the group started providing services to citizens as the number of divisions affiliated with it reached 500 in various Egyptian cities before the organization's formal dissolution in 1948 only two decades after its foundation.³⁶ Most of the organization's projects

35. Muhammad Al-Dabouli, "The Brotherhood's Economy... From" Al-Banna Company "to" Al-Shater Complexes," June 27, 2018: <https://www.almarjie-paris.com/2084>.

36. The Brotherhood's Message, O world ... This is Hassan al-Banna, electronic copy (PDF), Shawwal 1431 AH - September 2010, p. 60.

were characterized by service. This approach allowed it to appeal to a large segment of society,³⁷ infiltrate it, and appeal to its different groups, especially the poor and marginalized, to become its politically usable social arm at election times.³⁸

The organization has exploited funding as a tool to enable it to spread and expand. Perhaps the most significant incident related to this is the so-called Salsabil case. In February 1992, the Egyptian security services, after discovering that the Brotherhood had used funding channels to camouflage its coup plans, took control of the computer company Salsabil and arresting its owners Hassan Malik and Khairat Al-Shater. Both were accused of belonging to a secret organization and holding meetings within the company to plan the regime's overthrow.³⁹ "The security services said they found discs containing a detailed plan to take over the country and establish an Islamic state", known as the "empowerment plan," which "explain[ed] how the movement [could] tighten its control over the state and society and how to penetrate state institutions and unions further."⁴⁰

Empowerment, as the document puts it, requires "the organization to penetrate the vital layers of society and its effective institutions while adhering to a specific strategy for confronting other forces in society and dealing with the forces of the outside world."⁴¹ The plan stipulated

37. Marie Vannetzel, The Muslim Brotherhood's "Virtuous society" and State Developmentalism in Egypt: The Politics of "Goodness," *International Development Policy*, August 2017, pp 220-245, <https://bit.ly/39db2eA>

38. Mustafa Desouki, "Funding Sources for the Muslim Brotherhood ... Testimonies and Facts," *Brothers Wiki* website: <https://bit.ly/2QsKUHm>.

39. Sherif Al-Sharif, "The Muslim Brotherhood and the Future of Political Islam in Egypt," *Carnegie*, October 21, 2014: <https://carnegieendowment.org/sada/57188>.

40. *Ibid*

41. "Empowerment Plan of 1992 ... Al-Shater Plans to Reign Over Egypt," January 19, 2015, *Islamic Movements Portal* website: <https://www.islamist-movements.com/25716>

the need to infiltrate several sectors, including the business sector, which it considered to be “characterized by efficiency and continuity of influence”. The document also called for economic awareness among the organization’s members as well as political and social awareness, and indicated the importance of financial institutions “concerning the advancement of society from an Islamic perspective”.⁴²

The international economy has also been exploited to support the organization’s global expansion, particularly in European countries. The Brotherhood’s approach also involves exploiting the shortcomings of its banking system to maximize its financial empire, such as investing in offshore companies and using the disparities and inconsistencies of international legislation in regulating the flow of funds.

Thanks to the financial resources of the worldwide Brotherhood network, the organization has managed to consolidate its influence in various countries by building mosques, launching societies and establishing research centers. The network has also intensified the dissemination of its various publications, practiced charitable works, and organized forums under the guise of youth and cultural coaching to gain popular sympathy and establish relations with political influencers in those countries.

Nadia Sminett, Head of the Counter-Terrorism Committee in the Belgian Parliament, said that the expansion of the Muslim Brotherhood in Europe contributed to undermining the integration of Muslims in the region’s countries. Sminett said that the issue extended “to the exploitation of their financial resources to spread extremism

42. Ibid

and use European lands as a springboard for their terrorist activities in the world”.⁴³

On the financial strength of the organization’s arms in the West, US counter-terrorism journalist Stephen J. Merley reported that the Union of Islamic Organizations of France had a capital base of \$1.5 billion, 40 percent of which had been used in the form of real estate investments in Britain, Germany, Greece, Romania, and others.⁴⁴ In 2004, the European Investment Company was set up to provide financial and investment services to the Union for several projects in Europe.⁴⁵

The survival challenge: Brotherhood’s funding strategy after the fall

The fall of Mohamed Morsi’s regime on July 3, 2013, marked a pivotal moment in the organization’s history, not just organizationally but also financially. The organization’s funds – estimated to be worth ££300 billion, or \$16.7 billion,⁴⁶ while other estimates suggest it would “exceed \$20 billion”⁴⁷ – became a central target in the Egyptian state’s war on terrorism.

43. “Find out about the most prominent financial centers of the Muslim Brotherhood in Europe and the West,” June 11, 2019, European Center for Counter-Terrorism and Intelligence Studies (ECCI) website: <https://bit.ly/35U5oMN>.

44. Imad al-Din al-Jubouri, “A Western View of the International Brotherhood (1-2),” September 7, 2013, the Kuwaiti newspaper website: <https://www.aljarida.com/ext/articles/print/1462206291441371600/>.

45. Ibid

46. Khaled Mahmoud, “Al-Sisi grabbed the property of the Muslim Brotherhood,” October 05, 2018, Carnegie: <https://carnegieendowment.org/sada/77428>

47. Mohammed Al-Dabouli, “The Brotherhood’s Economy ... From the Al-Banna Company” to the “Al-Shater Complexes,” Ibid.

The new reality that followed the collapse of the Brotherhood's regime in 2013 prompted the Egyptian state to begin a policy of depleting the organization's financial resources by adopting a judicial policy based on a series of decisions. The first decision was to form the "Committee for the Inventory and Seizure of Brotherhood Funds," which was enacted on October 2, 2013. Prior to that, a decision was issued in June 2014 to expand the proposed committee's powers and "make it a permanent working committee."⁴⁸

According to its chairman, Izzat Khamis, the Committee's activities up to January 2016 amounted to the detention of 1,370 organization members and the seizure of 460 cars, 318 agricultural acres, 1125 companies, 105 schools, and 43 hospitals. In addition, the Medical Association and its 27 branches, the Rabaa Al-Adawiya Association and its two branches, 62 private companies, and 19 money exchange companies were closed down. The value of school funds seized was estimated to be 3.5 billion pounds.⁴⁹ After that, the Committee seized the "funds of 65 Muslim Brotherhood members and 13 entities belonging to the organization, including companies, associations, and medical centers."⁵⁰

In the same context, Law No. 8 of 2015 was issued regarding "the organization of lists of terrorist entities and individuals". However, it did not meet the necessary conditions to overcome the disadvantages of judicial proceedings. The Committee faced several

48. Alaa Radwan, "After the involvement of 600 personalities ...the Brotherhood's money between the laws of "seizing the funds" and "terrorist entities," May 14, 2019, Sout Al-Ummah website: <https://bit.ly/3bjYwr>

49. See: The Press Conference of the Committee for the Conservation and Management of the Brotherhood's Terrorist Funds, "Newsroom | Press Conference for the Committee for the Conservation and Management of the Funds of the Terrorist Brotherhood | Kamel," January 24, 2016, YouTube: <https://www.youtube.com/watch?v=Styclmhnol>

50. Alaa Radwan, "After the involvement of 600 personalities ... the Brotherhood's money between the laws of "seizing the funds" and "terrorist entities," Ibid.

obstacles involving the administrative court's power "to annul its decisions because it is an 'administrative' committee, not a 'judicial' one".⁵¹ This impediment required the creation of legal mechanisms to overcome this problem, which was achieved through Law No. 22 of 2018 regulating the procedures of seizure, restriction, management, and disposal of funds of terrorist organizations and terrorists. For the first time, the legislation permitted the option of transferring the seized funds to the Treasury and not just seizing them. So long as cases under investigation concerned terrorist offenses, seizure was permissible without waiting for final court verdicts for conviction.⁵²

To set the necessary procedures for the implementation of its provisions, the law provided for the establishment of an additional committee called the "Committee for the Preservation, Inventory, Management, and Disposal of the Funds of Terrorist Groups and Terrorists." On September 11, 2018, a decision was made to seize the funds of 1,589 members belonging to and supporting the organization. The names included former President Muhammad Morsi, the organization's guide, Muhammad Badie, and his deputy, Khairat Al-Shater. The seized funds included "118 companies, 1,133 local associations, 104 schools, 69 hospitals, 33 websites and satellite channels".⁵³

Several Muslim Brotherhood leaders were able to escape Egypt. Security investigations revealed that the organization's leaders abroad "reformulated a new plan to secure financial resources for the

51. Ibid

52. Republican Decision to Form a Committee to Seize "Terrorist Funds," July 5, 2018, Mada Masr website: <https://bit.ly/2WsGzVd>.

53. Khaled Mahmoud, "Al-Sisi grabbed the property of the Muslim Brotherhood," Ibid.

organization's members in Egypt".⁵⁴ The organization's new plan has practically materialized through several initiatives, which are as follows:

1) Investing in non-industrial trade

The organization began to concentrate its investments in trade. This was confirmed by Amr Adly, Professor of Political Economy at the American University in Cairo, who explained "the organization's awareness of the danger of investing in fixed assets in anticipation of their confiscation or ease of tracing them." This is why Hasan Malik and other Brotherhood leaders did not start investing in strategic sectors with fixed assets, such as iron and cement, except after they reached power.⁵⁵

The organization has also been involved in the informal or parallel economy, which helps provide employment opportunities for about 6 million Egyptians. The government estimates its this sector's size as being worth between E£60 billion and E£80 billion. It is estimated that it could reach E£200 billion if we add to it the volume of illegal activities such as drug trafficking.⁵⁶ This is due to its profitability for the community, as there are no taxes, no fees paid to the state, and no rights guaranteed for workers.

54. Umniah Al-Mogi, Details of the Brotherhood's Networks for "Money Laundering" and Financing Terrorism, the terrorist organization practices human, sex and weapons trafficking to finance terrorism ... and a clandestine women's network that undertook money laundering and 150 suspicious remittances exposed by the security services, September 18, 2019, Al-Youm Al-Sabea website: <https://bit.ly/2yAYAHs>.

55. Amro Al-Tohamy, "The Brotherhood's Business Journey from the Thread Trade to East Africa," November 16, 2019, Middle East: <https://bit.ly/3siBlrK>

56. Ahmed Abu Ali, "Managing the Informal Economy to Achieve Sustainable Development," November 17, 2019, The Seventh Day website: <https://bit.ly/2CkkWhY>

With a share of invested capital reaching 33 percent, commercial enterprises represent an important part of the informal economy in Egypt.⁵⁷ Dr. Adel Amer, Director of the Egyptian Centre for Political, Economic, and Social Studies, noted the Muslim Brotherhood's tendency to invest in this sector due to the fact "it is not registered in the official economic institutions of the state, and the government cannot control it or seize its funds".⁵⁸

2) *Stealth and camouflage*

The Brotherhood has ensured it recruits new members unknown to the security services to compensate for those who were detained and help conceal funds. Among them is the international football player Muhammad Abu Trika.⁵⁹ According to the Seizing Committee, the organization has assigned several of its members to smuggle money abroad. The committee says that the process takes place "through companies affiliated with the organization and its members in the system of compensation with businessmen belonging to the organization and not monitored by security services".⁶⁰ The organization also secures smuggling funds inside the country by using cash bags and personal visits of Egyptians residing abroad. It uses trade agreements through companies located outside the country, manipulating the quantities or prices of goods in order to pass on the difference in financial value to entities inside the country.⁶¹

57. Ibid

58. Sabri Abdel Hafeez, "The Brotherhood's Hidden Economy: Tourism Companies and Open Markets," May 11, 2015, Elaph website, at the link: <https://elaph.com/Web/Economics/2015/5/1007021.html>.

59. Ibid

60. Ashraf Abdel Hamid, "Frightening funds with the Muslim Brotherhood ... and this is what Egypt gains from its confiscation," September 13, 2018, Al-Arabiya Net: <https://bit.ly/2VzW2kq>.

61. See: "Major General Sameh Seif Al-Yazal reveals the sources of funding for the Brotherhood and the methods of smuggling," November 31, 2013, YouTube: <https://www.youtube.com/watch?v=FwRngx9GDVM>

The organization also allied with members from the secular movement to disguise the management of its funds. A Ministry of Interior statement on June 25, 2019, revealed this following the arrest of leaders and members “on charges of managing companies” affiliated with the Muslim Brotherhood.”⁶² Those arrested included Ziyad Al-Alimi, a former MP, journalist Hisham Fouad, a member of the Revolutionary Socialist Movement, former media spokesman for the Popular Trend, Hussam Mu’nis, and activists Osama Abdel Al-Aqbawi and Hassan Mohamed Barbari.⁶³ Also detained was Omar Al-Sheniti, CEO of Multiples Financial Group and a prominent financial and economic analyst.⁶⁴

3) *Controlling flows of funds*

The organization extended its control over the movement of capital to secure the collection and fundraising operations from its members and institutions inside and outside Egypt. They reinvested them as part of its established operations out of the sight of security surveillance. The organization managed to do this through three methods:

- i) Penetration of the foreign exchange market: the organization made efforts to penetrate the foreign exchange market because its economy “relies mainly on the trade of foreign currencies, especially the US dollar.” According to Dr. Adel Amer, the organization “established many foreign exchange companies, and some of its leaders are specialized in foreign exchange and

62. The most prominent activists who were arrested in Egypt on charges of managing companies affiliated with the Muslim Brotherhood, June 25, 2019, BBC website: <https://www.bbc.com/arabic/middleeast-48765891>.

63. Ibid

64. Ibid

currency market.” The organization’s foreign exchange interests pushed it to invest in tourism. This expansion was revealed by a decision of the Brotherhood’s fund management committee that acquired eight companies.⁶⁵

- ii) Smuggling money abroad: the organization has been active in smuggling cash from hard currency out of the country “to harm the national economy and undermine the state’s development plans”⁶⁶, on the one hand, and to accumulate profits on the other. The smuggler “gets 5 percent of the value of the currency he smuggles in a single trip, which is equivalent to billions of pounds.”⁶⁷ To this end, the organization assigned several of its members to carry out this task, led by fugitive businessman Mohamed Salah Mahmoud, owner of a company running imports and exports of furniture, as he played “a major role in using his company to transfer millions of pounds to his account or the accounts of other companies owned by leaders of the organization.”⁶⁸ In September 2019, the security forces discovered the involvement of sixteen Brothers, including Mahmoud Hussein Ahmed Hussein and Ayman Ahmed Abdul-Ghani Hassanein, forming three terrorist cells planning “suspicious smuggling of funds to members of the organization abroad.”⁶⁹

65. Sabri Abdel Hafeez, *The Brotherhood’s Invisible Economy: Tourism Companies and Open Markets*, Ibid

66. Ashraf Abdel Hamid, “Frightening funds with the Muslim Brotherhood ... and this is what Egypt gains from its confiscation.” Ibid

67. Ayman Saleh, Jihad Al-Tawil and Ismail Hammad, “The Brotherhood’s Economy.” *Funding Sources: Small Projects, Smuggling, and the “Currency Mafia,”* June 29, 2016, website: <https://www.elwatannews.com/news/details/1244436>.

68. Amro Al-Tohamy, “The Brotherhood’s Business Journey from the Thread Trade to East Africa,” November 16, 2019, Ibid.

69. Hanaa Kandil, “Arrest of Brotherhood Cells Aborts the Funding Scheme to Revive the Organization’s Activity,” September 14, 2019, Al-Bawaba website: <https://www.albawabnews.com/3727903>

- iii) Money laundering: the organization has been active in money laundering through “exchange offices, companies, charities, and inciting media channels” to hide its funding sources and give them legitimacy. Investigations also revealed its exploitation of tourism and travel bureaus, social service bureaus, and Islamic centers “in money laundering and the diversion and concealment of illegal funds for trading in arms.”⁷⁰ The Brotherhood’s Funds Inventory Committee said that “there is a suspicion” of “money laundering” in the company Zad owned by Khairat Al-Shater, deputy guide of the Brotherhood.⁷¹ The Money Laundering and Anti-Terrorism Unit, along with the Seizing Committee, received “information on several names linked to the Brotherhood’s suspicious activity from bank account holders, who were carrying out transactions involving suspected money laundering.”⁷²

Conclusion

Since its inception, a focus on the development its economic and financial interests was one of the main pillars of the Muslim Brotherhood’s strategy to resist security pressures and exhaust the state through the pursuit of an economic war. Over time, this strategy was met with sustained determination by the Egyptian state, an approach that in time led to political and legislative action to destroy the Muslim Brotherhood’s financial empire.

70. Umniah Al-Mogi, Details of the Brotherhood’s Networks for “Money Laundering and Financing Terrorism,” Ibid.

71. Ibid.

72. Hanaa Kandil, “Arrest of Brotherhood Cells Aborts the Funding Scheme to Revive the Organization’s Activity.” Ibid.

While it is too early to confirm the effectiveness of the state's policy at this level, its overall success is linked to the regional and international environment in which the policy is pursued. There are several indicators that the Brotherhood has reduced control over the flow of its funds, particularly in the Arab Quartet countries, due to internal difficulties and the effectiveness of the security services in dismantling its financial networks. Concern has also grown among some of the Western governments; this is especially the case with France regarding the organization's objectives and its explicit growing anti-French hostility while the Brotherhood's affiliates continue to have legal status in the country.

However, on the other hand, several considerations hinder new efforts to eradicate the Brotherhood organization. The most important of these are:

1. The organization owes a vital part of its strength to its organizational structure and ideology. Under pressure, it may reform to reflect the approach of Western Christian parties. From such a position, Brotherhood could join a trend called post-Islamism to obtain legitimacy through an ideology that espouses, in a broader way, albeit on the surface, the peculiarities of Islamic values and Western concepts.
2. The organization has a substantial presence in political, cultural, social, and defense organizations across several countries, which allows it to guarantee its continuity regardless of its eradication in Egypt and in the countries that have declared it a terrorist organization. Indeed, the branches that have managed to gain formal or informal access to the power apparatus in many Arab and Islamic countries can provide support for the restoration and revival of the parent organization.

3. The organization's maintenance as a geopolitical balance factor at the crossroads of strategic interests entices some regional and international powers to exploit its survival and use it as a political card to play against Arab regimes. This implies turning a blind eye to forbidden or suspicious activities and movements, especially financial flows.
4. The organization's ability to re-deploy its ruling elites, including economic ones, its experience in stealth operations and camouflage techniques, and its ability to exploit regional and international interests, allows it to maneuver to present itself in modified forms depending on tactical requirements as regional and political contexts evolve.
5. Weaknesses in the global banking system in countering those involved in terrorism due to inadequate exchanges of banking information and incompatible legal procedures to prevent money laundering and control digital transactions. This is due to the disparities among international policies regarding the definition of terrorism and their differences over the assessment of danger of the Muslim Brotherhood's ideology and its role in disseminating violence and hatred around the world.

At the end of this study, and in the interest of linking knowledge to practice, the following recommendations for curbing the Muslim Brotherhood's misuse of financial and economic networks can be made:

- a) Strengthen international cooperation in the fight against terrorism and extremism and the entities and organizations that support it.

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- b) Enhance monitoring of the activities of charitable organizations, societies, and religious centers.
 - c) Reform the role of official institutions in charge of organizing and collecting *Zakat*, donations, and alms.
 - d) Intensify international sanctions against entities and organizations that are not engaged in the fight against terrorism and extremism and instead legitimize it.
 - e) Increase control over financial transfers of individuals, institutions, and companies, and enhance information exchange between countries.
 - f) Formulate legislation and laws regulating economic and financial activities to close loopholes and prevent the manipulation of commercial companies.
 - g) Strengthen governance and transparency systems in the private sector and develop mechanisms to monitor their implementation.
 - h) Support and encourage investment in *Halal* trade to prevent its exploitation by extremist religious organizations.

The international community has to make decisions that do not distinguish between the Muslim Brotherhood and the other Jihadist movements. It should be understood that all of these extremist organizations have comparable financial infrastructures. To tackle the issue, a renewed effort is needed at all levels, including Western legislation and strengthening international cooperation, to address this issue. Supervision of the activities of charities, societies, and religious centers should be enhanced. Official institutions monitoring

donations should be on alert. International sanctions against terrorist organizations and organizations financing terrorism should be tightened. Control over money transfers must also be tightened, and mechanisms to facilitate better information exchange between countries should be developed.⁷³

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