

## **“Terrorist Financing and the Criminal Underground”**

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Today, a variety of transnational terrorist groups threaten an unusual range of regimes and interests.<sup>1</sup> With the 11 September 2001 attacks, Osama bin Laden and Al Qaeda demonstrated how it is possible to use terrorism as a ‘global instrument’ to ‘compete with and challenge’ traditionally organized state power and mobilize new global conflicts.<sup>2</sup> The threat of terrorism today lies not only in the weapons that terrorists can yield, but also in their ability to procure and use those weapons through innovative, discreet and complex fund raising and fund transfer techniques. This has changed the entire complexion of conflict in the 21<sup>st</sup> century. In the new paradigm, the state is but “one of several protagonists in the conflict, confronted by one or more armed movements... each challenger for state power ... surrounded by criminal networks ... and (the struggle) ... financed by means of criminal activities (drugs, arms, forced labor).”<sup>3</sup> As Martin van Creveld predicted, “future wars will not be fought by armies, but by groups whom we today call terrorists, guerrillas, bandits, and robbers.”<sup>4</sup> This has led to the possibility that the distinction between terrorism, organized crime and warfare would disappear, especially in the context of asymmetric conflicts.

These developments reflect the changes in trends and patterns of terrorism in recent years. The international strategic environment of the post-Cold War era has transformed the nature, quality and support structure of terrorist groups. With the gradual demise of state sponsorship, transnational terrorist groups have learned to take advantage of prevailing political and economic conditions, especially opportunities provided by the ease in trans-border mobility, advances in communications technologies, and a global financial system networked through electronic information systems, to raise and move funds for their activities around the globe.<sup>5</sup> This, criminality, and the exploitation of the resources of both domestic and international charitable organizations and legitimate business enterprises, have helped sustain global terrorism even in the absence of state sponsorship.

The evolving combination of terrorism and transnational crime is fast becoming one of the most defining and threatening aspect of modern day conflicts. Some analysts argue that the emerging nexus (or alliance) between the two now follows a logical progression culminating in ‘hybrid organizations’<sup>6</sup>, or even in what have come to termed known ‘black-hole syndromes.’<sup>7</sup> In both dynamics, analysts maintain, the objectives, methodology and organizational structure of terrorist and criminal entities would become increasingly undistinguishable. This paper examines the context of the terrorist and criminal nexus from a utilitarian perspective. It argues that even as terrorists and criminals leverage each other’s respective capabilities, these interactions are only for mutual convenience and are temporary, usually devoid of any long-range strategic importance. Hence, conflating the crime-terror nexus to a point where it loses any clear meaning can be problematic, both conceptually and from more pragmatic counter-terrorism perspectives. An understanding of how terrorists are taking to crime however, would help counter-terrorism agencies to respond to the evolving terrorist threats.

*Terrorist Finance and the Criminal Underground, in Michelle Innes Ed, Denial of Sanctuary, Understanding Terrorist Safe Havens, West Port, Connecticut, London: Praeger, 2007*

## The Context

“Money in the hands of the terrorists is money that kills.”<sup>8</sup> Like in a commercial enterprise, access to finance and means of transfer is crucial for sustaining terrorist organizations and vital in formulating and implementing their activities. As former US Attorney General John Ashcroft put it, “Terrorists cannot terrorize without money, without resources. Training costs money, planning costs money, and explosives cost money, plane tickets cost money.”<sup>9</sup> Back in the nineteen sixties, James Adam noted how “in the progression from fringe radicals to recognized terrorists, all groups” must first acquire the “income... armaments and recognition that will help sustain” them and their operations. .”<sup>10</sup> Further, in order to survive, terrorist groups need to bridge the economic divide that separates those living hand to mouth from those with enough capital to plan ahead, pay for arms, recruitment, training, and travel, to build a propaganda base among the people the organization claims to represent.<sup>11</sup> They have also to pay for safe haven,<sup>11</sup> According to one estimate, Osama bin Laden paid over US \$100 million to the Taliban during the five years he was in Afghanistan.<sup>12</sup> The same was the case when he was in Sudan, where his organization provided important financial support to its host state, instead of the other way around.<sup>13</sup> A successful terrorist group therefore, must necessarily be able to build and maintain an effective financial infrastructure for generating funding, the means to launder those funds, and ways to make the funds available for committing terrorist operations.<sup>14</sup>

Different terrorist networks operate with very different structures and sources of financial support. Some are state-sponsored and financed, some operate as quasi-states (with regional or territorial control and financed by their participation in the drugs trade or by other linkages to global crime), while still others are decentralized, widely dispersed and partially state funded.<sup>15</sup> Such groups raise money from their domestic supporters, as well as from diasporas spread across the globe.

The end of the Cold War saw a marked decline in the state funding of terrorism worldwide. Terrorist groups then began to rely on a variety of sources for funding and logistical support, exploiting front organizations, legitimate business and nongovernmental organizations, as well as turning to self-financing criminal activities such as kidnapping, narcotics, and even petty crime. Like criminal entrepreneurs, many terrorist groups now break into high-risk, high-profit criminal ventures such as narco-trafficking and human smuggling, even going as far as extortion, protection, racketeering, and credit card fraud, as well as the illicit sale of gold, diamonds, and other precious gems.<sup>16</sup>

Transnational terrorist groups have also mastered trans-border movement of funds, using a variety of means. These include use of credit or debit cards, wire transfers, and cash smuggling (by courier or bulk cash shipments). Some groups are also known to make extensive use of underground banking networks (particularly the *hawala* system)<sup>17</sup>

and unregulated offshore jurisdictions - locations with limited bank supervision, no anti-money laundering legislation, ineffective law enforcement regimes, and a culture of no-questions asked banking secrecy.<sup>18</sup> This cross-order movement of capital has been especially facilitated by the process of globalization. With information-age technology, it has become rather easy for the money manipulators to 'find and penetrate states whose laws (or lack thereof) make them susceptible to criminal financial transactions.'<sup>19</sup>

It is in the realm of financial logistics that terrorism and organized crime converge. As Rupert H. Kupperman has noted, "the growing interconnectivity of organized crime, with its vast resources and its ability to move money, share information, exploit and manipulate modern technology... has forever changed the way terrorists do business. Terrorists have always sought leverage to penetrate international power and influence. A major change today is that otherwise small and insignificant terrorist groups can join with organized crime to exercise disproportionate leverage."<sup>20</sup>

### **The New Dynamic**

In its resolution No. 1373 (2001) adopted on 28 September 2001, the United Nations Security Council noted with concern "the close connection between international terrorism and transnational organized crime, illicit drugs, money-laundering, illegal arms-trafficking and illegal movement of nuclear, chemical, biological and other potentially deadly materials."<sup>21</sup> Prior to September 11 however, organized crime and terrorism were often considered in isolation. Consequently, very little has been written on the subject. The criminality and terrorism nexus, however, is not new. One of the oldest manifestations of terrorism was in the nature of crimes committed by armed brigands known as the Thugees who were active in Western India for about four centuries, until they were ruthlessly eliminated by the British. The most obvious manifestation of the symbiosis between terrorism and organized crime has been the drug trade, which is also one of the oldest criminal enterprises. What have changed are the increasing entanglement and expanding scale and scope of the relationship, enabling both transnational criminals and terrorists to threaten vital national and international interests.

Despite important differences, both terrorists and organized crime syndicates supplement each other to bridge the gaps in their respective capabilities. The relationship, in other words, is mutually beneficial. Terrorists gain resources, as well as expertise in money laundering and money transfer techniques. Terrorist groups also use drug cartel assets or personnel to enhance, support, conceal or conduct terrorist activities. The groups that have used narcotics trade to further their political objectives include the Revolutionary Armed Forces of Colombia (FARC) and 19<sup>th</sup> of April Movement (M-19) in Columbia, Sendero Luminoso (Shining Path) in Peru, Contras in Nicaragua, Omega 7 in Cuba, the Palestine Liberation Organization (PLO) and its factions, Palestinian Hamas and Lebanese Hezbollah in the Middle East, the Red Brigades in Italy, the Basque ETA in Spain, Kurdish and Armenian rebels and the right wing Gray Wolves of Turkey, the Liberation Tigers of Tamil Eelam (LTTE) in Sri Lanka, the United WA State Army, the Burmese Communist Party in Myanmar, and Al Qaeda and the Taliban in Afghanistan.

Similarly, criminal entrepreneurs benefit from terrorists' military skills and networking. For example, well known drug trafficker Joseph Murray used his extensive criminal contacts to obtain munitions (estimated at US\$ 1.7 m in 1984) including rockets, rifles, and hand grenades for the Provincial Irish Republican Army (PIRA). PIRA and Murray did not share a similar ideology; rather this was based on expectations of mutual gain. Murray obtained weapons for PIRA to make a profit and PIRA used Murray to obtain weapons.<sup>22</sup> Similarly, Omega 7, the Cuban terrorist group, collected money from drug cartels in exchange of information, including surveillance notes and photographs about individuals identified by the traffickers. In addition to exchange of information, The FARC in Columbia provided the traffickers information and the use of hidden airfields against protection payments. A combination of mutual expertise also lets both have greater access to fraudulent documents, such as passports and customs papers, as well as access to illegal weapons.<sup>23</sup>

### **Factors contributing to the Crime-Terror Nexus**

Crime syndicates and terrorists tend to thrive in areas of lawlessness with ineffective governance, which are further destabilized by war and internal conflict.<sup>24</sup> In recent years however, a number of new factors have contributed to the growing synergy among terrorism and crime.

With changes in global economy and its technology infrastructure, globalization has altered the dynamics of both legitimate and illegitimate business. As conflicts translate into armed confrontations, demand-supply asymmetries involving weapons, information, skills and controlled goods have spurred the trading of these goods in the gray market. These changes have enormously impacted on terrorist group objectives, organizational structures, tactics, and weaponry for terrorist groups. It has become possible for individual terrorists, terrorist organizations, and their support networks to operate in a relatively unregulated environment. This facilitation is most manifest in the realms of terrorist financing, in which it is now possible for small groups and even private individuals to fund terrorism at a level previously maintained by their state sponsors.<sup>25</sup> Similarly, by exploiting advances in technology, finance, communications, and transportation in pursuit of their illegal endeavors, crime syndicates have now become highly diversified entrepreneurs.<sup>26</sup> Their organizational structures now resemble those of transnational corporations. 'Think global act local' has become as much a part of transnational crime as it is of transnational business.<sup>27</sup> Thus both criminals and terrorists have been remarkably successful in exploiting to their advantage enormous regulatory discrepancies in the globalized world.<sup>28</sup> The globalization of financial, commercial, transportation and communications networks has enabled buyers and sellers to locate each other, identify points of common interest, and establish terms of cooperation.<sup>29</sup>

The globalization-induced dilution of national boundaries has also facilitated cross-border population transfers. This has led to significant migrant populations in most developed countries. Migrant communities often function as support bases for both

organized crime and terrorist groups. In many instances, migrant settlements are the ultimate destination for illicit commodities or laundered profits generated by criminal networks.<sup>30</sup> For terrorist groups such as LTTE, the Babbar Khalsa International (BKI), and PIRA, these are primary generators of revenue, collected either voluntarily, or through coercion.<sup>31</sup> Similarly, financial market liberalization, techno-banking, diffusion of industries across borders, the international spread of consumer goods (trade flows), and the revolution in communications and data transfer technology have also facilitated networking among terrorists and criminals. Demand for and cross-boundary movement of 'labeled' consumer goods in computer software, compact discs, videos, clothes and various pharmaceuticals products, for example, has increased the propensity for counterfeiting and piracy. The criminal enterprise has been able to embed illicit products in vast amounts of imports and exports that now characterize international trade.<sup>32</sup> According to a report by the Alliance against Counterfeiting and Piracy, an industry organization working in the field of Intellectual Property Rights, the piracy and counterfeiting of consumer goods and electronics results in average losses of over £5 million per year in the United Kingdom alone. Criminals have also latched onto the Internet to extend the reach of their enterprises. Credit card fraud using information obtained through the Internet is one example. Another is the innovative (and now infamous) financial fraud scams such as those conducted by Nigerian criminal groups.<sup>33</sup>

The modern technology and information revolution, moreover, has helped metamorphose hierarchical entities - both criminal and terrorist- into cellular structures. In a recent statement, Chilean Ambassador Heraldo Munoz, the head of Security Council committee monitoring United Nations sanctions on Al-Qaeda, remarked how the terrorist group "had been going through a major change since 2001, shifting from a centralized network with a strong hierarchy to a decentralized movement."<sup>34</sup> What we see now more and more is the emergence of a professional sub-culture of terrorists - 'free floating surrogate warriors.' Within groups terrorist cells have grown smaller, more amorphous, and autonomous. Increasingly, funding is being generated locally through a combination of legitimate and criminal activities. As Brachman and Forest illustrate in their chapter on virtual camps, Al Qaeda continues to spread its message of hatred against the West among supporters and sympathizers. It continues to recruit new members for global jihad, though decentralized cells spread across the globe, and a robust and techno-savvy propaganda and communication network<sup>35</sup> At the same time crime syndicates have become 'Global Mafiosi' comprising major criminal conglomerates, increasingly negotiating strategic alliances with one another.<sup>36</sup> They have become more decentralized and fluid through a process of innovation that involves rationalization, brutalization, militarization and internationalization.<sup>37</sup> This has made their leadership easily replaceable and hence dispensable, thus ensuring continued and un-interrupted operations.

## **The Nexus, Convergence Model**

With an “overall decrease of state financial support” for terrorism in the last two decades, combined with interdiction of terrorist finances, regulation and control of charitable and other non-governmental front organizations, terrorist groups are increasingly taking to crime to generate funds to sustain their activities. But terrorist groups using the crime route to raise money are not an entirely new development. In the past, many terrorist organizations have engaged in low-level local crime to finance their activities. Groups such as the Irish Republican Army and German’s Red Army Faction raised money “the old fashioned way,” such as robbing banks, while groups like PKK used extortion.<sup>38</sup> FARC in Columbia collected taxes from people who cultivate or process illicit drugs on lands, which were under its control. Lebanese Hezbollah and the United Self-Defense Forces of Colombia (AUC) trafficked in drugs themselves, while others in many parts of the world such as the Abu Sayaff Group, use ransom money raised through hostage taking operations.<sup>39</sup>

What some analysts have found is an emerging convergence between terrorist groups and organized criminal networks to the extent that a single entity simultaneously exhibits criminal and terrorist characteristics.<sup>40</sup> For example, Chechen terrorists may primarily be interested in creating an independent state, but their interests are also served by maintaining a degree of instability so that they can continue engaging in extremely lucrative criminal activities. Some Irish factions may be less interested in having a peace settlement, as it may deprive them of the profits being obtained from criminal activities. Similarly, most members of the Islamic Movement of Uzbekistan (IMU) appear to be primarily interested in profiting from the regional drugs trade, though at the same time they remain devoted to promoting a militant and extremist view of Islam.<sup>41</sup> This trend, analysts argue, is symptomatic of a growing overlap of objectives among terrorists and the criminals. While criminal enterprises are interested in influencing the politics of target states, terrorist groups look for creating an environment conducive to the exploitation of opportunities provided by criminal activities.<sup>42</sup>

The nexus or convergence between terrorist organizations and transnational crime is based on the symbiotic relationship between the two, a dynamic that allows both entities to profit financially.<sup>43</sup> This nexus, which includes one-off, short-term and long-term agreements, exists along a continuum and is usually meant for exchange of expertise (money-laundering, counterfeiting or bomb-making), or for operational support (access to smuggling routes). A study of criminal and terrorist organizations undertaken by the Library of Congress found the nexus between the two entities in three broad patterns. As the study concluded, the first form of contact between the two types of groups is ‘alliances for mutual benefit.’ In this the terrorists enter agreements with transnational criminals solely to gain funding without engaging directly in commercial activities or compromising their ideology. “The second pattern is direct involvement of terror groups in organized crime, removing the ‘middleman,’ but maintaining the ideological premise of their strategy. The third pattern is the replacement of ideology by profit as the main motive for operations.”<sup>44</sup> Though the study found the second pattern to be the most prevalent, it nevertheless suggested a natural progression that “seems to occur from the first category toward the third.”<sup>45</sup>

The most obvious convergence has been in the field of transnational smuggling operations involving, especially, drugs, illegal weapons, and people. This synergistic merger of the international networks of drug traffickers and terrorist organizations depicts a well-organized web of drug cartels and terrorist groups, such as narcotics in Columbia, weapons in Cuba and Mexico, and money laundering in Panama. The interaction within the web of associations is often based on expectations of mutual benefit, as with organizations that launder money for drug traffickers, who also launder money for arms traffickers and terrorists.<sup>46</sup> Even without the expectation of mutual benefit, the interaction takes place for profit. As transnational criminal organizations have proven the value of flexibility, mobility, and pragmatism, terrorists with strong ideologies are also tempted to “diversify.”<sup>47</sup> Whether the motivation is profit or ideology, or some combination of both, the end product is disruption and destabilization through violence.

Interactions between terrorism and the drug trade, have also gone by the subscript macro-terrorism. This type of activity is one in which groups or associated individuals participate, not only in aiding or abetting drug trafficking endeavors by providing security, but also become involved themselves in the cultivation manufacture, transportation, or distribution of narcotic substances, in order to finance their terrorist activities. The term is understood to mean the attempts of narcotics traffickers to influence the policies of government by the systematic threat or use of violence.<sup>48</sup> There are instances where criminal organizations run the drug trafficking operation, while the terrorist organizations control the territory where the drugs are cultivated, processed and transported. This has been the way that terrorist groups such as the Revolutionary Armed Forces of Colombia (FARC), Lebanese Hezbollah, and Al Qaeda used money from drug trade to further their political agendas. The erstwhile Taliban regime directly taxed and derived financial gain from Afghanistan's rampant opium trade.<sup>49</sup> According to the 2000 report of the *Observatoire Géopolitique des Drogues*, about 80 percent of the Taliban's financial resources, estimated at \$75 million, was derived from their tariffs on opium and heroin. Even though the Taliban's spiritual leader Mullah Mohammed Omar prohibited poppy cultivation in July 2000, the regime managed to profit from opium's subsequent scarcity, which led to a sharp increase in prices in 2001.<sup>50</sup> The Taliban's current insurgency is being supported through exhortation from the opium trade. The drug trade also funds a significant part of the economies of Syria and Lebanon. It is no secret that while Damascus has funded terrorist organizations such as Hezbollah, the Popular Front for the Liberation of Palestine-General Command, and Palestinian Islamic Jihad, Beirut continues to host numerous terrorist groups including Hezbollah and Hamas.<sup>51</sup> The strategic alliance between IMU, and Afghan drug mafia and Central Asian criminal groups was to ensure that drug shipments transit safely between Afghanistan, the Russian Federation and the Caucasus.

The terrorist groups may be involved in all aspects of the drug trade, from cultivation, production, transportation, and wholesale distribution to laundering the proceeds from the trade. . The money derived from the narcotics trade provides them with a degree of autonomy, flexibility and relative freedom from scrutiny.<sup>52</sup> According to

Frank Cilluffo, Director of the Counterterrorism Task Force, Center for Strategic and International Studies, “Whether the terrorists actively cultivated and trafficked the drugs or ‘taxed’ those who did, the financial windfall that the narcotics industry guarantees has filled the void left by state sponsors.”<sup>53</sup> Conversely, terrorists also see narcotics as a weapon system aimed at weakening their enemy. Not only does it pay for itself, the huge profit in hard currency gets into the banking system and the main economic arteries of the target societies through money laundering. As Rachel Ehrenfeld notes, “the directions of the flow are ideologically attractive.”<sup>54</sup> Drugs go to the target countries, where they corrupt and kill. In a testimony before the US Senate Subcommittee on Security and Terrorism of the Committee on Judiciary, Alvaro Jose Baldizon Aviles noted how the “drug traffic destroys and corrupts American youths so as to weaken and harm future generations, provides a mechanism whereby American youths finance liberation movements,” and how the “network used for cocaine distribution is used for traffic of weapons bought on the black market.”<sup>55</sup> This is probably the argument that Osama bin Laden used when he advocated using narcotics trafficking to weaken Western societies by supplying them with addictive drugs.<sup>56</sup> In the ultimate analysis, drugs and terrorism frequently share common elements of geography, money, and violence.

In addition to the narcotics trade, terrorist groups have also engaged in other crimes, such as fraud and human trafficking. LTTE amassed huge payoffs from human smuggling mostly to the European states. In October 2001, the Egyptian Rizik Amid Farid, a suspected *mujahideen*, was discovered by the Italian Police in the southern Italian port of Gioia Tauro on a container ship at Genoa, hiding in a steel container bound for Toronto. The container was furnished as a makeshift home with a bed, water, supplies for a long journey and a bucket for a toilet. Farid was born in Egypt but carried a Canadian passport. Unlike most stowaways, he was smartly dressed, clean-shaven and appeared well rested as he emerged. He was found to be carrying two mobile phones, a satellite phone, a laptop computer, several cameras, batteries, airport security passes and an airline mechanic’s certificate valid for four major American airports. In another incident in May 2003, Hezbollah operatives were caught while attempting to smuggle Hamad Masalem Mussa Abu Amra, an explosives expert into Gaza strip in a vessel disguised as a fishing trawler. Thai criminal networks helped facilitate smuggling of small arms into Sri Lanka and the Indonesian conflict zones of Aceh, Sulawesi and Maluku to arm terrorist groups.<sup>57</sup> In Albania, which is considered a terrorist transit point, organized crime rings help smuggle terrorists from the Black Sea to Western Europe. Same is the case with Bosnia, Russia, Albania, the Federal Republic of Yugoslavia, Croatia, Austria, Germany and Italy where the criminal elements, help the transit of terrorist elements. These links help criminal groups who gain access to state-controlled arms stockpiles through corruption, coercion and theft, to supply arms and weaponry to terrorists and insurgents. Victor Bout, an ex-KGB officer turned criminal, supplied arms to the Taliban and in the process, established connections with Al Qaeda. Under the cover of a legal business organization called Transavia Export Cargo set up in 1993 in Belgium, Victor Bout could traffic in light weaponry, anti-aircraft equipment, munitions, tanks and even helicopter parts in Afghanistan, Angola, Uganda, UAE, South Africa and many other countries., Bout is reported to have supported the operations of terrorist organizations such as the Taliban, Total Independence of Angola (UNITA) and the

Lord's Resistance Army and the Revolutionary United Front (RUF) of Sierra Leone substantively.<sup>58</sup>

**Points of convergence:**

*Organizational/Operational/Tactical:*

Terrorists and persons engaged in organized crime are rational actors, operating clandestinely against the state (except where the state is complicit or actively engaged in the process). Both use violence or threats of violence as a means to achieve their objectives. Some of the tactics used by both are the same: bombings, kidnappings, assassination, attempts at intimidation and coercion and extortion (either in the form of protection money or "revolutionary" taxes). While criminal activities provide funds to terrorist organizations, organized crime syndicates use terrorist tactics such as bombings, and kidnappings to add "credibility" to their extortionist demands. For example, in a series of attacks, the Colombian drug cartels assassinated Lara Bonilla (30 April 2004), bombed the US embassy in Bogotá (November 1984) and threatened to kill US citizens in retaliation for seizure of drugs by Columbia's Special Anti-Narcotics unit. Subsequently in association with the terrorist group M-19, the drug syndicates raided Colombia's Palace of Justice, assassinated 11 judges, and destroyed large number of documents pertaining to Colombian nationals awaiting extradition to US.<sup>59</sup> Similarly, in the 1990s, the Italian mafia, in response to government's anti-mafia drive, responded with terror attacks against the Uffizi Gallery in Florence and St. John Lateran Church in Rome.

In many cases, criminal and terrorist groups have also developed the capacity to simultaneously engage in criminal and terrorist activities on their own. Here the point of convergence is operational tactics, which the two entities learn from each other and adopt for their own purposes. This is manifested in criminal groups using terror tactics to influence the political process and terrorists engaged in organized crime to replace or recoup financial support from state sponsors.

Both in terms of organizational structure and recruitment process, organized crime syndicates and terrorist groups now demonstrate strategic and tactical convergence. Both have assumed networked structures resembling modern business enterprises, organized into small cells without a central command. This has enabled them to become more amorphous and discreet. Both now exploit advances in computing, telecommunications and data transfer capabilities, to plan and coordinate their activities around the world. Both often use similar methods – underground financial networks, human couriers – to make, move and launder money.<sup>60</sup> Their support and recruitment bases now overlap. For example, elements within the Chechen Diaspora in Russia, which had been the backbone of the Chechen criminal network, turned to terrorism by providing support for attacks in Moscow and Volgondonsk. Ethnic Albanians in Europe running prostitution and drug rings had links with the Kosovo Liberation Army (KLA). Similarly there has been a significant increase in the recruitment of imprisoned criminals into

terrorist organizations. Many members of the Palestinian terrorist groups are been recruited from internment camps in Jordan. Caucasian prison converts are considered assets for non-Western terrorist groups because of their ability to blend easily into their societies and avoid undue law enforcement scrutiny. In a study J. Michael Waller, of the Washington, D.C. based Institute of World Politics detailed out how “Islamists terrorists view conversions of non-Muslims to Islamism as vital to their effort.” According to Waller, the strategic goal for terrorist groups here is twofold: “to dominate the voice of Islam around the world; and to exert control over civil and political institutions around the world through a combination of infiltration, aggressive political warfare, and violence.”<sup>61</sup> Richard Reid, the infamous ‘Shoe Bomber’ was a criminal who converted in a British prison. Jose Padilla, the so-called ‘Dirty Bomber’ was exposed to Islam in a US prison. Christian Ganczarski, a German convert who coordinated logistics for the Djerba bombing in April 2002, and Pierre Richard Robert, implicated in terrorist attacks in Morocco, were recruits with criminal backgrounds. Common experience in prison generates a level of trust that can easily translate into common ventures.<sup>62</sup> According to, “It is in the prisons where political operatives recruit specialists whom they need to run their networks,” noted Alain Grignard, a Belgian law enforcement official. “The prisons of today are producing the terrorists of tomorrow.”<sup>63</sup>

Often, crimes committed by both types of organization differ in motive but not in substance. Points of convergence in such cases are where terrorist resources, or the profits of transnational criminals, are mixed. As James Adams noted, in the 1990s, terrorism became big business, with an annual turnover of US\$2 billion dollars , mostly financed through criminal activities – such as Columbia’s FARC and ELN, financed substantially from drugs money in connivance with the Columbian drug mafia. The Chechens were financed by petro-dollars as well as proceeds from organized crime activity such as protection racketeering and drug trafficking.<sup>64</sup> Both terrorist organizations and crime syndicates delve into check, credit and debit card fraud, fraud in commercial loan transactions, counterfeiting, computer intrusion and wire transfers, smuggling such as transactions in conflict diamonds (guns-for diamond trade), CD and video piracy etc to make and move money. In the Bank of New York case, for example, huge amounts that originated with criminal activity were laundered through legitimate accounts of corresponding banks in Russia.<sup>65</sup> This not only masks criminality in fund transactions, but also makes the money easily accessible to terrorist groups through legal channels. A major source of terrorist funding in recent years has been the abuse of charitable organizations, shell companies and offshore trusts.<sup>66</sup> In many offshore centers such as Antigua, the Bahamas, Cayman Islands, Labuan (Malaysia), Malta, Mauritius and Vanuatu there are minimal regulations on international business companies and trust arrangements.<sup>67</sup> This helps the promoters mask their true identities and the value, nature and location of their assets, creating opportunities for criminal money laundering and financing of terrorist activities (reverse money laundering).<sup>68</sup> Both organized criminals and terrorist groups are adept at avoiding behaviour that trigger reporting requirements on suspicious transactions that could lead to law enforcement investigation. This was demonstrated from the fact that 9/11 plotters took care to move money through regular banking channels in small amounts to avoid detection.

### *Motivational/Ideological*

In certain cases crime groups have displayed distinct political motivations, which often go beyond obstructing anti-crime legal and judicial processes. Instead, organized crime syndicates seek direct involvement in the political processes and institutions of a state, especially in the economic sector. 'Political criminal' groups in Russia and Albania, for example, seek to control the weak political structures of their respective areas. Similarly, 'criminal terrorists' use political grievances to justify what would normally be regarded as purely criminal acts. Here the point of convergence is an interchangeable membership and recruitment base. In a sense these entities are terrorists during the day and criminals at night.<sup>69</sup>

### *Geographical*

Bases of operations for both types of organization also converge in areas with little governmental control, weak law enforcement and open borders. One such area is in the Russian Far East, where relative lack of central control from Moscow has enabled transnational criminals and terrorist groups to heavily infiltrate governmental and law enforcement structures.<sup>70</sup> Similarly, terrorist groups in Myanmar sustain themselves through a thriving drug trade along the Golden Triangle, comprising vastly un-policed areas in Southern China, Laos and to a lesser extent Northern Thailand.<sup>71</sup> Another significant manifestation of this is the emergence of geographic pockets in which specialized criminal activities are conducted, supporting the spread both of crime and terrorism. Specific areas in Russia and in the Balkans, for example are considered to be reliable sources of small arms, while Algerian based criminal groups are known specialists in producing counterfeit documentation.<sup>72</sup>

### **The 'Black Hole Syndrome'**

Some analysts have stretched the nexus or convergence between the criminals and the terrorists to demonstrate what is termed as the 'black-hole syndrome.' For example, Tamara Makarenko argues that the "convergence between criminal and political motivations within a single group allows it to subsequently gain economic and political control over a state." This syndrome is manifested in fractured or contested states or states which lack centralized control over its territory, such as Afghanistan, Sierra Leone, Somalia, Liberia, North Korea, and Myanmar. In some cases authorities in these states, use terror tactics to retain power and use their official position to engage in lucrative illicit activities for financial gain. The territories under their control become transit points and safe havens for criminal or terrorist organizations.<sup>73</sup>

### **Points of Divergence:**

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The crime and terrorism nexus however, need not be conflated unduly. For one thing, terrorist groups are not entirely dependent on criminal activities, rather they have “diversified portfolios” for fund raising.<sup>74</sup> Even though there is some common ground between organized crime and terrorism and overlap of modus operandi, there are several important differences. Terrorism is usually a mixture of politics, ideology, propaganda and warfare, and terrorists often see themselves as political actors. Political ideology, radical religious viewpoints, social and economic alienation, or revenge usually drive the terrorists, not necessarily a desire for financial gain.<sup>75</sup> Organized crime, on the other hand, shies away from publicity, does not usually confront the state, and while trying to infiltrate the political establishment for logistical reasons, generally has no political ambitions. Organized crime groups are essentially entrepreneurs, pragmatic rather than ideological, and their political activities are almost invariably intended to protect their illegal activities. Furthermore, many criminal acts are demand-and-supply driven, such as the drugs trade, which has a strong demand component; while there is arguably no international demand for terrorism. For the terrorists, money is a means to an end, not an end in itself. Terrorists’ targeting can be quite precise. But the nature of its intended victims, not to mention the destructive consequences of asymmetric violence, is less discriminate than those hurt by organized criminal activity.

Often, the association of terrorist groups with criminal organizations may erode their political support base. This has been more pronounced in cases of group involvement in the drug trade. For example, the diaspora support for Omega 7 in Cuba declined, once the group’s involvement with narco-trafficking was known, even to the extent that former supporters began to cooperate with law enforcement authorities it.<sup>76</sup> Indulgence in some form of crime such as drug trade may also be a transgression of a terrorist group’s religious or political philosophies. But some groups have managed to get around the problem by developing their own interpretation of religious texts, as with Sunni Taliban and the Shiite Hezbollah extremists. For them, even though Islam forbids consuming drugs such as opium, it nevertheless permits producing and selling them. As discussed earlier, the Taliban’s decree against puppy cultivation was a tactical move to garner more revenue as prices increased.

Similarly, the notion of the black-hole syndrome is problematic. As Phil Williams noted, “both terrorist and criminal organizations flourish in lawless areas where the state is weak, but there is a huge gap between this and obtaining joint control over the state.”<sup>77</sup> However there can be a dual dynamic in some hybrid organizations. These combine a political agenda and quest for power, with a desire to profit from illegal activities and a willingness to use violent methods. Cooperation takes place between criminal enterprises and terrorist organizations, as in the case of the Madrid train bombings, in which the attacks were carried out by a strange mix of ‘long time extremists and radicalized gangsters.’<sup>78</sup> The danger lies in the fact that for most of the terrorist groups who now need independent sources of funding and remain ‘self-financing’, crime is often the path of least resistance. Crime is self-starting and requires no particular training or expertise – as for example Al Tawhid, the network of the late Abu Musab al-Zarqawi, which got its “start trafficking in forged documents and immigrant smuggling between the Middle East and Europe.”<sup>79</sup>

## Conclusion

During the Cold War era, competing states provided support and sanctuary to various terrorist groups to advance their respective political and foreign policy objectives. As state sponsorship declined, terrorist groups began to self-finance their activities by exploiting loopholes in the international financial system as well as by increasingly imbedding in crime. Moreover, post September 11 public delegitimation of terrorism<sup>80</sup> has pushed the terrorist groups to the subterranean underground where support and sanctuary could easily be arranged by manipulating or adopting the tactics and the structures of criminal organizations. This has led to a new concern with some analysts pointing to a scenario where a combination of criminality and terrorism could give the terrorist groups a disproportionate advantage in terms of skills and capabilities vis-à-vis the states they fight against. As Robert Kupperman notes, the benefits accruing from the global interconnectivity of organized crime could enable even smaller terrorist groups to engage in disproportionate acts of violence.<sup>81</sup> Others like Tamara Makarenko project that the increasing nexus between the criminals and the terrorists might lead weak and fragmented states to become 'black-holes' where the pursuit of political objectives with criminality would become the order of the day.<sup>82</sup>

In this paper we have argued that the nexus between crime and terrorism is based on expediency and mutual convenience. However, even as terrorists and criminals leverage each-other's capabilities, these interactions are temporary and usually devoid of any long-range strategic importance. The possibility of this convergence of interest and tactics leading to a stage where elements of criminality and terrorism become indistinguishable is remote. Hence, conflating the crime-terror nexus to a point where it loses any clear meaning can be problematic, both conceptually and from counter-terrorism perspectives. Besides, as terrorists increasingly embed themselves in crime, they run the risk of exposures to law enforcement action.

A range of factors determine the effectiveness of a terrorist organization. These include leadership, command, control and communication structures, military capability, finances and its support base. However, as groups like Al Qaeda demonstrated, physical basing of the groups with a hierarchical structure is no more as salient as the potency of the ideology which propels these groups into violence. Even though the top leadership of Al Qaeda is in disarray its message of hatred and call for revenge against the West resonates well with disparate groups and individuals across the world. After September 11, these groups and their associates and affiliates have lost their ability to generate resources in a structured manner. However, they are still capable to carry out their activities by exploiting the dynamics of the alternative sanctuary in the world of crime. This criminal sanctuary supports 'new terrorism' in various ways – to generate funds and procure other logistics necessary for their operation, to facilitate movement of personnel and money across national borders and most importantly to gain anonymity against law enforcement action. This does not necessarily suggest that the criminal enterprise has substituted state

sponsorship for the terrorist groups. From both motivational and organizational perspective, the criminals and terrorists retain distinctive characteristics.

As global counter-terrorism efforts gained rapidly in scope and intensity, terrorist groups have developed new strategies not only to avoid attrition and interdiction, but also to supplement and complement their respective capabilities. In this terrorist groups have significantly leveraged their links with crime. This fatal combination of political and economic motivation, with terrorist and criminal strategies and tactics, now pose an unprecedented and complex threat to international security. Terrorist use of organized crime has significant potential to jeopardize terrorist finance interdiction strategies. Alternatively, however, criminal enterprises provide opportunities for law enforcement infiltration. The conventional law enforcement response to crime has been within the limited context of domestic jurisdictions. But as terrorist support bases become increasingly embedded in criminal structures, and terrorism begins to masquerade as organized crime, it is necessary that the knowledge of criminal operations be leveraged to understand evolving terrorist tactics. In the final analysis, successful anti-terrorist and anti-crime strategies depend on how the security and policing agencies understand the new paradigm and calibrate their responses appropriately.

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