



Ten myths about terrorist financing

Terrorist
financing

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Abstract

Purpose – The purpose of this paper is to present ten myths of terrorist financing policy.

Design/methodology/approach – It is argued that post 9/11 literature on terrorism misunderstands the relationship between the component parts of a political movement with an armed wing and thus misrepresents the nature of terrorist financing applies the literature on crime as a business to policy on terrorist financing and concludes that there are loosely-organised networks that engage in the fund-raising processes of the political movement as a whole as well as its armed wing.

Findings – Financing methods vary with type of group and over time. That terrorist/paramilitary funding increasingly parallels the business of organised crime and that what is claimed to be known about terrorist funding is mostly erroneous. That funds seized have not been primarily for terrorist financing and that the seizure has done more harm than good.

Practical implications – Thought needs to be given to the impact of funding seizures more than simply in terms of newspaper headlines.

Originality/value – More effective impact can be made upon terrorist financing if a more complex approach is taken, rather than perpetuating the existing myths, which alienate more communities than they deter terrorists.

Keywords Terrorism, Financing, Crimes

Paper type Research paper

Like “terrorism”, “myths” are hard to define. Essentially, they are sacred stories accounting for the origin of the world and various natural phenomena. In common parlance they are considered falsehoods, which offends those who hold them sacred. “Terrorism” was once used to denote a specific form of political violence, but is now more frequently used as a pejorative term. In September 1977 Antony Arblaster published an article in which he reviewed 11 mid-seventies books on terrorism and brought “myths” and “terrorism” into the same bed. At the time, he identified nine major problems with the literature, most of which remain relevant. I published a commentary on the review in the early 1980s (Arblaster, 1978; Tupman, 1988, 1998a) and, following Arblaster (1978), I have, in this paper, selected ten basic myths from the policy discussions of terrorist financing.

The top ten myths:

- (1) We know what “terrorism” is and how it differs from insurgency and other forms of political violence. (converse myth: everything we do not like can be called “terrorism”).
- (2) We also can draw a clear distinction between terrorism and organised crime (there is a converse myth here too: there is no distinction between terrorism and organised crime).



- (3) The armed wing of a political movement is funded in exactly the same way as every other sector of that movement and therefore every activity of that movement is involved in terrorist financing. This myth overlaps intellectually with the next one.
- (4) Terrorist organisations are Weberian pyramids with everything controlled by a small group that holds the purse strings. There is no autonomy for individual cells, regional organisations, no sectoral separation by function. This is at odds with the whole notion of a cellular structure which revolutionaries created as early as 1860 to prevent penetration by the security forces. It is also a distortion of the power relationships between the elements of a political movement with an armed wing. Funding will follow the same rules for the same reasons. Funds are raised for specific operations; for overground activities; for prisoner support; for poverty relief, for associated organisations such as sports clubs. Each activity is kept independent, although undercover activists may well be planted within those organisations. Sleeper cells also exist, separate again to be activated for a specific purpose only.
- (5) Terrorism is a homogenous phenomenon. It is not. There are many different types of group and the funding mix will consequently also be different.
- (6) All a terrorist group does is fight. In fact, there is a fundamental misunderstanding of the services delivered to a population by a political movement with an armed wing. Violence and contract enforcement are essential service where the state is weak. Stamping out underground banking services is not a good idea because it allows these groups to provide them instead. The Maoist provision of land reform was key to successful Rural Guerrilla warfare, and the problem for Urban Guerrillas was finding a substitute where they could provide services/economy, etc. to some degree. Security, contract enforcement, policing are all areas into which these groups can move.
- (7) *al-Qaeda* was a sophisticated multi-million pound business with tentacles into stock markets, the internet.
- (8) There is something called “New Terrorism” which is so different that it invalidates all previous knowledge about terrorism. It can thus be dealt with in exactly the same way as drugs, so the experience from the “successful” war on drugs can be applied to a “successful” war on terrorism. Follow the money!
- (9) Huge amounts of money have been seized since 9/11 undermining terrorist organisations all over the world. In fact, of the small amount seized, a large percentage has had to be returned, as it was found by courts to have been seized illegally.
- (10) There is no difference between terrorist money laundering and all other forms of money laundering. This debate has been ducked by FATF. Originally the argument was about the fact that in “normal” money laundering, there is a predicate offence, whereas in “terrorist” “money laundering”, the offence occurs subsequently. There is no room to deal with this debate here.

The oversimplification of the relationship between the component parts of a political movement with an armed wing leads counter-terrorist policy down roads where unsophisticated action can produce the reverse of the result desired. What we refer to

as terrorism is the condition in a geographical area (not always contiguous) where the state has broken down such that individuals and groups are resorting to violence, either to build a new state, to restore some of the services that the state used to provide such as contract enforcement and security or to end a period of perceived exclusion. The condition of the state breaking down, which occasionally may be caused by a deliberate ideological attack upon it or by subversion from another state, is similar to that described by Gambetta (1993) in his account of the Sicilian Mafia and facilitates a parallel growth in organised crime, self-defence organisations and family and friend based illicit enterprises (see below). Some of these even create an underground or overground civil society, separate or not from that of the rest of the state but often connected to other parts of the international NGO community.

All these organisations need finance and all may become involved in the pursuit of the creation of a separate state, a different type of state or the end of exclusion by the majority community or the elite. Several will have predated the outbreak of the condition as terrorism. They will seek to preserve separate identities and therefore separate funding streams, but will interpenetrate each other. What becomes the armed wing of the movement may follow the path described by Gambetta of first licensing enterprises, then providing contract enforcement and then perhaps even taking them over for their own benefit. It may not be the political movement that initiates this process, but individuals, local or regional organisations. A number of different relationships may develop and change over time, such that an alternative state, civil society and economy may emerge. The organisations that possess coercive force will become increasingly important, leading to a variety of relationships between organised crime and the armed wing of the movement. In addition, different types of funding stream, from support from overseas through to engagement in illicit business may impact upon the structural arrangements. Involved. This paper will briefly examine some of the conceptual frameworks available.

Definitional myths

When discussing terrorism, the definitional problem still remains central (Schmid and Jongman, 1988). Schmid (2008, 2009) is even now revisiting his “academic consensus definition” of terrorism. Terrorism is primarily a pejorative term. Any study of a terrorist organisation raises questions about the legitimacy of the state and the morality of challenging it by violent means (Arblaster, 1978). Although individual terrorists are charged before the courts with individual criminal acts, the phenomenon is primarily a political one. There has long been a debate in political theory about the relationship between a just cause and the employment of illegal means to achieve it (Aristotle 350 BCE, Locke, 1689). Opponents seek to call organisations “terrorist” to prevent them gaining the status of “national liberation movements”. An officially recognized national liberation movement, such as the PLO, the ANC, or SWAPO before the independence of Namibia, can qualify for observer status at the UN (76th Plenary, 1988). This in turn facilitates financial support from other states. The UN also continues to find this a political conundrum, especially where the Arab-Israeli dispute is concerned. The USA has followed British legal practice in evading the problem of defining terrorism and terrorist offences and instead listing proscribed movements. Its list includes Hizbollah, Hamas and the PFLP, who will all one day have to be involved in the negotiation of a comprehensive peace settlement in the Middle East.

Nevertheless, Executive Order 13224 (2008) blocks their assets and property (Executive Order 13224, 2008), a process against which there is no right of appeal, nor even a mechanism by which “undesignation” is possible is itself illegitimate and has been found illegal by the European Courts. Amazingly, the USA only removed Nelson Mandela’s and the ANC’s designation as terrorist in June 2008, passing a special Act of Congress in order so to do. Someone has forgotten that the secret of counter terrorism is renegotiating entry to the peaceful political process.

Paramilitarism is a more useful concept than terrorism. It has become more acceptable to refer to “the paramilitaries” in the context of the Northern Ireland peace process (Joint Declaration, 2003). The term “paramilitary” includes those groups that maintain some form of violent capacity and yet are not in any way part of the State as well as those groups encouraged to perform violent acts out of uniform. It also permits the inclusion of private enterprises employed by the state. It prevents the exclusion of groups because a commentator may approve of their cause. Although institutions employed by the State and individuals employed by the State may be used to terrorise opponents of the State one would not want to call them paramilitary unless they were being used in a freelance way. Using the term paramilitarism also enables the inclusion in this study of organised crime groups where these groups seek to challenge the State’s monopoly of legitimate coercive force or provide force because the State has failed to provide it, for example, to enforce contracts. Also by using the term paramilitarism it is possible to look at ideological groups of right and left, religious groups or cultural groups without getting involved in the question as to the legitimacy of their cause or their tactics (Joint Declaration, 2003). Finally, it permits a broader view of the violence used by such groups, expanding the scope for study beyond bombs and shootings (Wilkinson, 1981).

Terrorism and organised crime as businesses

Gambetta and others have argued that organised crime is increasingly a business (Smith, 1980; Gambetta, 1993; Chu, 2000, Ruggiero, 2000). It follows the successful contemporary business model characterised by networks, or loose associations of individuals and groups (Smith, 1980; Chu, 2000). It is no longer dominated by centralised, hierarchical organisation (Chu, 2000). Gambetta has also argued that violence, as an aspect of “protection” is itself a business; that it is a service that can be bought and sold (Gambetta, 1993). There is a third relevant aspect of Gambetta’s analysis which began with a study of the Sicilian Mafia, but has been developed further by Andvig *et al.* (2000) in their survey of corruption. Where the state is weak, it is difficult for suppliers and purchasers of goods to enforce contracts (Gambetta, 1993; Andvig *et al.*, 2000). Those who can sell violence can, in effect, become contract insurers and enforcers. It is only a short step to becoming licensers of business activities and a further short step to hijack some of those activities (Gambetta, 1993; Andvig *et al.*, 2000). Organised crime, too, has a problem of contract enforcement. It is no good taking someone to court for failure to pay for a consignment of illegal narcotics.

It follows that, if organised crime is a business, and if paramilitarism follows the fundraising methods of organised crime, then analysis is required of the business aspects of paramilitarism. There is little study of paramilitarism/terrorism as an economic phenomenon and the methods by which organisations fund themselves (Napoleoni, 2003).

Those paramilitary organisations that survive for a significant period of time do so by engaging in many activities other than violence. It may be good propaganda to argue that all these activities are controlled by the armed wing, but it is not necessarily an empirical truth. Many of these organisations predate the founding of the armed wing and have independent leaderships and funding streams. Elsewhere, this author has argued that successful terrorist groups survive by resorting to funding methods copied from organised crime (Tupman, 1998b). They have to recruit; they have to train; they have to engage in peaceful political activity, where this is legal, they have to support prisoners' families and they have to obtain legal services. The individuals that engage in these latter activities are much more loosely organised than the individuals that engage in the paramilitary violence, yet are associated with them in a non-hierarchical relationship (Tupman, 1998b). In this sense groups have moved away from the hierarchical "army" model of paramilitarism towards the "core group" model increasingly developing in organised crime too, as suggested in the UN Office on Drugs and Crime (UNODC) typology discussed in the parallel article and summarised in the next paragraph.

The UNODC carried out a study of 40 organised crime groups in 16 countries, from which they deduced five "broad typologies of criminal groups" UNODC (2002). Within each they anticipate the discovery of further types or sub-types. The first group, the "standard hierarchy", tend to use violence, be medium sized (50-200 people) and begin their operations with extortion. The second group, the regional hierarchy, interestingly enough is portrayed as often having a strong social or ethnic identity and being involved in multiple activities. The researchers comment that regional hierarchies appear to operate a "franchise model" where regional groups pay money to the centre in order to use the name of a criminal group (UNODC, 2002). The third type, "clustered hierarchy" is said to be extremely rare, consisting of a number of criminal groups with arrangements to minimise conflict between them and to regulate that conflict when it occurs (UNODC, 2002). The last two categories, "core group" and "criminal network" represent states of "disorganization" that are not, at first sight, applicable to the armed component of paramilitary organisations although there may be some common ground with the phenomenon of the *Autonomistas* which emerged after the Red Brigades in Italy. They may also provide a better way of thinking about the relationship between the IRA and the Republican movement as a whole or that between ETA and *Herri Batasuna*.

The typologies as presented appear to be clusters on a continuum from hierarchical to "unorganised". There is no clear set of variables provided on which the typology is based, although there are references to the ability to use violence as well as to the type of business engaged in. The authors assert that most such typologies are based on structure and that they did attempt to develop typologies on a different basis, but unsuccessfully (UNODC, 2002). Smith (1980) however, developed a spectrum of business activity for the purpose of analysing licit and illicit business that would benefit from an update and a comparison with the present typology. Nevertheless, it provides quite an interesting conceptual framework for comparison between organised crime and paramilitary groups. The standard hierarchy, for example, is clearly comparable to the classical Leninist communist party. FARC and Shining Path would fit this category and perhaps some of the armies of the Shan States, with the proviso that they control large areas of remote rural territory, apparently unlike any of the gangs mentioned in the UNODC typology. The Medellin and Cali cartels would have

been comparable and like FARC were Colombia based. The IRA would be closer to the regional hierarchy in the 1970s. But both before and after the ceasefire it may have become more akin to the clustered hierarchy or even, as the ceasefire progresses, to the core group. These points will be revisited passim below.

Returning to Gambetta's second point, paramilitary organizations are well placed to sell violence to organised crime and to replace them as traditional purveyors of violence. Paramilitaries need weapons. In the process they have to set up smuggling services. They thus have a second business activity from which they can sell spare capacity. It is only a small step from that realization to the linked idea that it makes sense to smuggle small volume, high value goods in order to obtain the funds necessary for the weapons themselves. Drugs and high value raw materials such as diamonds and other precious and semi-precious stones are obvious commodities. But equally, it may reduce exposure to the intelligence services to keep such organisations at arms length and semi-privatise them once they are up and running. Where smuggling organisations pre-exist, it is often better to come to one-off deals with them, as the IRA did with the arms shipments from Libya back in the 1970s.

As regards Gambetta and Andvig third point, it is increasingly alleged that paramilitaries "license" illicit businesses to operate in their areas of control, for a price. Those paramilitaries that survive over a period of years can also take on a broader "policing" role, particularly where they have effective control of neighbourhoods or regions. Gambetta's second and third points are also relevant to the potential role of paramilitaries in a globalising economy. Organised crime groups engaged in financial crime or in the movement of illicit commodities may find it more efficient and cost effective to hire paramilitary services for contract enforcement and for escort duties. The Chechen gangs in Moscow shared a coercive apparatus for this purpose, the system being known as *obshak* in Russian. A more sophisticated model of organised crime in Russia is the *Krysha* where a police or army unit provides the same service.

Policing a contract between drug producers, traffickers and sellers which involves relationships between a number of countries requires a fairly sophisticated and mobile enforcement organisation. ETA for example, is geographically positioned in Europe and Latin America in such a way as to be able to provide this, although this is not to allege that it does. The organisations moving human beings from China to Western Europe via Russia, Moldova, and other places in former Communist countries, may also require such a service. To provide it for the purposes of the prostitution industry may be unacceptable to political paramilitaries but to provide it for people seeking employment may be perfectly acceptable and also seen as part of their campaign of economic warfare. Such evidence as exists suggests that the Chinese organised crime community likes to keep this sort of operation within the Chinese diaspora but some of the organisations operating out of the former East European communist states may require enforcement services in order to get paid as well as to provide escort to the individuals concerned. The rise of the Kosovar Albanians in this industry paralleled a need for money to buy arms to fight the Serbian army. Who did what in the name of what cause is practically impossible to unravel.

The global economy certainly exists under conditions of a weak state similar to those described by Gambetta when the Mafia grew in southern Italy. The "war on terrorism", by making more activities illegal, may be creating new areas of global economic activity in which contract enforcement cannot be carried out legally.

Consequently, those organizations that can sell violence can expand their areas of operations. EU and US policy may be aimed at destroying terrorism but in fact is embedding it further into the illicit economy.

The organization of organised crime has also converged to some degree with paramilitary organisation, copying the cellular structure. Increasingly it consists of networks of people who may only come together for a specific operation and the rest of the time may be engaged in completely different organisations and completely different and even legal work, especially where these individuals are lawyers or accountants (Sheptycki, 2000). The same individuals engaged collectively in illegal activity may simultaneously be engaged in legal activity. This is equally true of the IRA. Post 1968 paramilitary activity was based on five man cells, or Active Service Units (ASUs) in the Northern Ireland context. These are operationally autonomous but will have required logistical and other support, which may have involved fund raising as well as other activities on a sub-provincial basis and quite independent of the central Army Council, the body that allegedly “runs” the IRA (Tupman, 1998b). The recent £26 million bank robbery in Northern Ireland illustrates how much we need to know the degree to which these operations were audited by a central body, or whether the IRA has followed organised crime in becoming what Reuter has described as “non-organised” (Reuter, 1985; Statement, 2005). This leads on to the question of other shared features of the environment which mean that organised crime and paramilitarism operate in the same kind of way, to which return will be made in the conclusion.

Neither “paramilitarism” nor “organised crime” are uni-dimensional phenomena. They consist of a variety of types of organization. In the case of organised crime, the organizations have in common the pursuit of profit by criminalized means, including violence, and in the case of “paramilitaries” the pursuit of political goals by violent as well as other criminalized means including illicit business. Organised crime can also play political roles, even pursue political power, to protect its illicit profits, and paramilitaries can pursue profit in order to further their political goals, including engaging in “economic warfare”. Increasingly, both engage in a mixture of legal and illegal activities and are less and less hierarchically organised in order to make law enforcement penetration of their organisation more difficult.

The problem and mythology of sources

It is important to remember that the nature of the sources on paramilitarism/terrorism is problematic. Like many others, the present author has been briefed by practitioners on a non-attributable basis in the past. Where corroboration cannot be obtained the researcher has always to be concerned about being used as a propaganda tool. The figures given in my article on the IRA’s finances had to be justified by reference to press sources, and these were often dubious. (Tupman, 1998b). At one stage newspaper stories were all about security forces’ successes against the IRA’s financial network. At another the IRA’s links with the US were exaggerated to bring pressure to bear on visiting US politicians. Stories are exaggerated in order to sell newspapers and the *Sunday Times*, in particular, clearly thought for many years that IRA scare stories kept its readers interested. Nevertheless, it has received a number of major security forces leaks over the years and devoted more space and depth to Northern Ireland than its broadsheet rivals, due to the tradition established by the Insight Team of the early 1970s.

The problem of verifiability needs to be borne in mind constantly when considering the pseudo data of which my IRA-PLC prospectus consists.

The same must be said about the data on *al-Qaeda*. The main source of information for the period in the Sudan, for which most information exists, is a tainted one: the supergrass (Jamal, 2001) and the evidence he gave in the trial of bin Laden's associates in Manhattan in early 2001 (Jamal, 2001). It is tainted because he admits he had to flee *al-Qaeda* after he was discovered to have embezzled some of its funds. It also suffers the same problems as all defector testimony: the danger of repeating a story that his interrogators want to hear and the danger of exaggerating what he knows in order to increase his importance. Nevertheless, it is the most important published source for this period.

Intelligence services may provide information but are bound to exaggerate the nature of the threat in order to obtain greater resources to fight the threat. There is a political interest in playing down the nature of the threat as the public may see them as failing to cope. Although it might conversely be argued as in a recent TV documentary that governments of the new right deliberately play on the fears of the population to push through their political agendas. A lot more work like Napoleoni is required before sense is made of paramilitary funding. Equally a lot more work is required on organised crime and the UNODC project is a useful first step, although it is more of an heuristic device at present than a true typology (UNODC). Nevertheless, it has its uses for developing insights into paramilitary organisation as much as organised crime.

The structure of paramilitaries: overground political movement, armed wing, NGOs and businesses

A brief revisit to IRA PLC

The data is worth re-examining. A closer examination of the "businesses" described and the expenditure figures reveal some structural aspects not brought out by the previous article. It is assumed that the IRA limits itself in size to 100 paramilitary operatives in Northern Ireland. These could not also be in charge of the protection rackets, the money collecting from taxi drivers, the building companies, the shebeens/clubs, the frauds and the pirate CD sales. Other groups of individuals must have carried out these activities, and would themselves have had costs, although some allowance was made in the category "semi-retired staff in Ireland". The picture presented by the data approximates to an organised crime group of UNODC type 2, 3 or 4 (see below). The question is, which of the models is being followed. It will soon be possible to know with greater certainty as deals are done with the Assets Recovery Bureau to complete the peace process.

The IRA were not primarily in business for the purposes of making money but needed to have ways of making money in order to stay in business. Although "IRA-PLC" was a catchy title, it would be more correct to talk of "Republican Movement PLC". The former title gives the impression that the IRA controls all branches of the Republican Movement and this cannot safely be asserted. Sinn Fein, the women's movement, social clubs, Gaelic Sports associations, the Catholic Ex-servicemen's Association, prisoners' support organisations and various licit and illicit businesses are all organisations within a broader movement. Who controls whom, who interacts with whom and who funds whom and how are not only matters for research but also frequently matters of political controversy and occasionally

matters disputed before the courts. The money-making ventures alluded to in my prospectus may or may not be under the control of the Army Council, may or may not pay a percentage to the Army Council and may or may not take place in areas considered to be under Republican Movement “control”. The final stages of the peace process have thrown these activities into stark relief. Some of the businesses, particularly pubs, clubs and licit leisure activities have come in from the cold. Others have not: franchising of illicit businesses providing the most obvious case. But who will now provide the coercive apparatus to enforce contracts in the illicit marketplace?

From 1979, there is evidence of the emergence of a network of different individuals specialising in different roles. To that extent the structure of the IRA appears to have then been converging with the changing structure of organised crime. A network of specialists is coordinated by a central planner for a one-off purpose or for a more long-term enterprise. Just as organised crime has its “enforcers”, its specialists in violence, so too do the IRA. Equally organised crime has its smuggling or transportation specialists. Here, the IRA either has its own or buys in a specialist from organised crime, as it did to move the consignment of arms and explosives from Libya (Interview, 1995). This might point to a centralised laundering operation via a financial specialist employed for the purpose either in the USA or Caribbean. Equally it might point to a number of different operations, by region or by spectacular.

There was some evidence that the IRA moved into contract enforcement and licensing for those involved in illicit businesses in both Northern and Southern Ireland. There was evidence of organizational change, but changes in the organization of “terrorist” incidents may have more to do with security requirements than with the impact of fund-raising activities. One of the most interesting aspects of the IRA is the way in which it has succeeded in maintaining its political priorities despite its ventures into a variety of questionable fund-raising areas. The mechanisms by which it preserved a high degree of integrity and thereby legitimacy with significant sections of the Catholic community in Northern Ireland, Southern Ireland and the USA require further study. This raises a further relevant question: does a paramilitary have to shed businesses as fast as it creates them, in order to maintain legitimacy and integrity? And is this also true for organised crime?

This analysis needs to be extended to Islamic civil society and some discussion of the elements of Hamas, Hizbollah, the Taliban and the Somali Islamic Courts would be appropriate here. Levitt (2006) is the main proponent of the argument that, in the case of Hamas, no distinction should be made between the military, political and social welfare wings. His argument is, however, from the particular to the general. It consists of descriptions of individual incidents where links to armed activity can be made and from that argues that all the activities of non-armed organisations linked to Hamas should be considered terrorist. Likewise, all funding to those organisations should be considered terrorist funding. It is difficult to think of a way that Levitt would consider any activity legitimate. Poverty relief is terrorist because it gives Hamas a good image and therefore recruits terrorists. Football teams are terrorists because the majority of members of a particular team became suicide bombers.

This is not a proportionate argument. If more than 99 per cent of your personnel are not members of the armed wing, the less than 1 per cent “sleeping” or “underground” is not a reason for closing down the organisation. Lambert (2009) for example, argues that there is no more activity by terrorist organisations within charities in the UK that

there is by criminal organisations in general. Of course that will raise the question, what proportion of the organisation would make it closeable? Analogous surely is the relationship between the mob and the Teamsters in New York. The government did not close the Union because of the McLellan Committee's reports of corruption, it prosecuted the individuals concerned, although the AFL-CIO expelled the union. The same goes for financing. Evidence of occasional use of an institution for funding terrorism is a reason for prosecuting the individuals responsible, not for closing down an organisation, the majority of whose work is for poverty relief.

On the other hand, Prothero (2008) writing in the *Observer*, argues that Hizbollah keeps its armed wing completely separate from its other activities and clandestine. The paper quotes a "US military study" as arguing that Hizbollah is completely decentralised. It would be useful to know if that is the case in terms of funding as well, although the picture in the case of training is less clear, with camps described as being in Lebanon, Syria and Iran. There just is not enough data available to be certain as to whether it is possible to argue safely from western civil society to Islamic.

Types of group

I have discussed the problem of typologies in a parallel paper presented at the Department of Law at the University of Aberystwyth. A brief summary follows. The major conclusion of the piece is that it is difficult to typologise by financing, as groups resort to a variety of financing activities over time, just as state supporters and ideological justifications also change. Successful counter-terrorism is conscious of the possible changes that can be nudged along as opposed to driving for "total victory", World War II-style as show in Table I.

Type of group or scenario	Source of funding
<i>Domestic terrorism</i>	
1. Anticolonial/nationalist	State-sponsored, also donations
2. Ethnic religious and cultural minorities	Donations, kidnappings and increasingly by criminal enterprise
3. Ideological minorities, left	Bank robberies
4. Ideological minorities, right	Wealthy individuals
5. Government sponsored domestic groups	Employers
6. Urban guerilla, i.e. groups large enough to have serious chance of overthrowing government	Donations, revolutionary tax, criminal enterprise
<i>International terrorism</i>	
7. Exiles	Bank robberies and some donations
8. Exiles auxiliaries	Funded by "exiles"
9. Internationalists	Tends to be a "war chest" left over from previous activity
10. Catspaws	State sponsored
11. Counterrevolutionaries	State sponsored and also wealthy individuals
12. Islamic fundamentalist (now more frequently referred to as jihadist)	Charities, individuals
13. Unorganised imitators	If funded at all, not really unorganised, but many trained in Afghanistan in credit card fraud and similar small scale white collar crime

Table I. Source: Tupman (1987)

The big nationalist groups can obtain state sponsorship and create governments in exile with all the trappings. The smaller nationalist groups can copy their big brothers and impose a “revolutionary tax” which is easy to depict as crude extortion.

The ideological and religious minorities are the ones that have to turn to crime. It is the combination of survival and the difficulty of achieving the goal that create the requirements for long-term funding and the conditions where methods are borrowed from organised crime. During and up to the late 1960s such paramilitaries primarily funded themselves by bank robberies. These groups may also have been sporadically funded directly or indirectly through the Soviet Union or East German secret services and parts of the PLO certainly provided training. There was also a period when a safe haven was provided in Algeria. Cuba and North Korea have frequently been accused of performing similar roles.

The internationalist category’s South American origins tend to suggest that they would probably have carried out bank robberies but they were also funded from stashes of money left over from kidnappings at which they were extremely good, \$66 million dollars being paid for the release of the Born brothers and several \$30 million dollar hits being made in the late 1960s and early 1970s (Christian, 1989). These kidnappings were probably pioneered by Basque exiles.

There was a fairly clear relationship between type of political aim and fundraising activity until the discovery of less high-risk illegal activities during the early 1970s. Structures began to change during this period as law-enforcement response became more professional. Any group that had not adopted a cellular structure was forced to do so or risk destruction. The groups that survived are the ones already enumerated above. Survival in the short-term may have been due to the existence of a rural refuge, or the strong support of a closed ethnic group, or an overseas diaspora, or, very rarely, the support of the international community. In the longer term, it was how those factors were turned to economic as well as political advantage that determined whether a group survived or vanished.

The al-Qaeda problem. new terrorism?

The *al-Qaeda* headquarters operation is only sporadically paramilitarily active, although it has raised money for longer-term campaigns such as Chechnya or Iraq. Its operations outside Afghanistan consist of major spectacles that are planned over a long period of time. Contrast that with the IRA and ETA at the height of their activities where six events occurred on average per day, such a pace being sustained over a period of time as is occurring in contemporary Iraq. It may be that *al-Qaeda* finances itself the way it does because of the sorts of operations it wishes to engage in or it may be that it acts sporadically because of the nature of its cash flow. The 9/11 Report suggests that it receives the majority of its funding during the month of Ramadan, because that is when charitable donations are given and its when donors are most vulnerable to being approached (Roth *et al.*, 2004a). At the end of Ramadan the leadership of *al-Qaeda* has a fairly good idea of what it has got to spend for the year. The IRA and ETA had more stable cash flows, with a variety of ongoing fund-raising operations.

Thus, insofar as *al-Qaeda* exists, it appears to facilitate links between separate organisations in at least 24 individual states. It is even becoming acceptable to talk of it as a “franchise” operation. In its present guise it does not appear to have the support of

a particular state, although in the past it has operated freely in first the Sudan and, until the invasion, in Afghanistan. Osama Bin Laden (1998) has claimed that he made a massive financial loss on his time in the Sudan and it is very unlikely he made much profit out of Afghanistan. In December 2004 he announced that operations in Iraq were costing \$200,000 per week.

Multi-national operations are not new. Wadi Haddad and George Habash recruited foreign irregulars during the period when they used a variety of European and South American activists to assist them in hijacking planes and, of course, in taking OPEC hostage. Second, there was an attempt in South America to create a multi-state operation known as the Revolutionary Junta. This transferred its operations, small as they were, to Europe under the brand of Accion Directe. There has also been talk in the past of a very loosely organised "International" of the right or of neo fascist organisations in Europe and North America (Wilkinson, 1981). It may be unwise to shrug off this phenomenon as it shares with the *al-Qaeda* movement the ideology of anti-Zionism and may therefore have shared funding sources.

What is new about *al-Qaeda* is not the international scale of its operations but its ability to sustain those operations, with all the implications that has for funding. The other 'new' thing is the willingness to use terror as a tool simply to beget more terror, as a recruiting strategy, rather than with specifically political objectives. Although even this is anticipated by Fanon (1965) who argued in "the Wretched of the Earth" that violence was necessary to liberate people from colonialism (Fanon, 1965). Violent acts are vital to show that the colonial oppressor can be resisted.

Funding al-Qaeda: the myths

There was a period when Osama was presented as Superman: the billionaire terrorist, master plotter and, of course, the classic "Public Enemy Number One" so beloved of American law enforcement strategy (Poveda, 1989). In the Sudan period, *al-Qaeda's* funding and Osama bin Laden (1998) business affairs were difficult to disentangle as they involved organizations which perform totally legitimate functions as well as being used as conduits for his activities. He used the *hawala* system as well as Islamic banking. "His" companies made profits from legitimate business.

Extortion from private individuals has taken place on a scale unimaginable in the west to the tune of over \$1 million per individual. Wealthy individuals in the Islamic world now have to choose between risks: detection by the US or murder by *al-Qaeda*. Equally charitable donations by governments to foundations that dole out money to Islamic causes will have to be more carefully monitored by the donors as will the performance of the charities themselves.

If the Sudanese authorities confiscated all 35 of these businesses when they expelled *al-Qaeda*, then this image collapses. If front companies were created outside the Sudan, however, they may still exist and *al-Qaeda* is a richer organization than is now thought. In a globalised political system, many things other than weapons need to be transported: money, information, orders and potential soldiers. These required new businesses and created new business opportunities. The 9/11 report authors argue that once he was in Afghanistan bin Laden no longer needed such sophisticated communication systems, but the rest of the network outside Afghanistan surely still did. Which is the myth? Osama the cash-free mountain ascetic, or Osama the sophisticated stock-market manipulator? Or both?

Roth *et al.* (2004a) argue, in a background paper to the 9/11 Report that it is a myth that bin Laden financed *al-Qaeda* through his share of the family wealth. Equally it is a myth that he financed the organisation through the proceeds of the sale of his Sudanese businesses. Recent intelligence has it that in 1994 the Saudi Government forced the bin Laden family to sell Osama's share of the family company and place the proceeds in a frozen account (Roth *et al.*, 2004a). It also claims that from 1970 until 1993/1994 he only received a million dollars a year from the family (Roth *et al.*, 2004a). Again recent intelligence now declares that the Sudanese government appropriated his assets when he left (Roth *et al.*, 2004a). There is earlier evidence that he claimed to have lost \$150 million on agricultural and construction projects in the Sudan (Astill, 2001).

If this picture is correct, and there must be some debate as to whether all the front companies vanished with bin Laden's departure from the Sudan, as there were supposed to be companies in other parts of the Muslim world, it does explain why the "spectaculars" were so painstakingly planned and such occasional events. There simply were not enough funds left over for them. This is a possible explanation for the need to "franchise" the operation as *al-Qaeda* was not financially capable of launching attacks in the many places its leadership may have wished.

The al-Qaeda franchise operation

Al Qaeda was formed in 1988. In Osama Bin Laden (1998) formed an umbrella organisation called "The Islamic World Front for the struggle against the Jews and the Crusaders" (*Al-Jabhah al-Islamiyyah al-'Alamiyah li-Qital al-Yahud wal-Salibiyyin*). This organisation included the Egyptian groups *al-Gama'a al-Islamiyya* and *al-Fihad*, the Egyptian Armed Group, the Pakistan Scholars Society, the Partisans Movement in Kashmir, the Jihad movement in Bangladesh and the Afghan military wing of the "Advice and Reform" commission led by bin Laden himself. These pre-existing groups would have had their own sources of funding.

Those who argue that *al-Qaeda* has become a franchise need to specify the kind of franchise operation (Robinson, 2004). *Al Qaeda* is not one where the centre provides training, logo and initial investment, and insists on the franchisee following exactly the ingredients of the product as centrally devised. It is more like the situation in the UK pub trade, with some operations run on a tenant basis, some by a manager and some as owner of a "free house", all of which receive a mix of products to sell. Bin Laden has said that al Zarqawi's operation costs \$200,000 per week, or \$10.4 million per year (MEMRI 837). Al Zarqawi is presumably the "owner" accepting bin Laden's logo in order to receive a steady supply of "product": men, arms, materiel and funding. Other organizations, such as the Chechens, that pre-existed the formation of the Front will be in a similar relationship to the centre, unless they have lost their leadership and have had to turn to bin Laden and his associates for assistance with reconstruction. Still others will have been founded from next-to-nothing during the Afghan period and since and will be dependent on the centre for their ideological position as well as their materiel.

Some of the contradiction between the two views of bin Laden and *al-Qaeda's* funding may thus be resolved by a reminder of just what the latter really consists of and by considering the different projects simultaneously taking place. There are three different types of *al-Qaeda* activity that require funding. First, there are the

insurgencies proper in Afghanistan and Iraq. Second, the individual groups comprising *al-Qaeda* continue to require funding for their domestic causes, be these in North Africa, East Africa, South East Asia, the Caucasus, the Balkans or the Indian sub-continent. Arms, training and subsistence all cost money, although many of the necessary arrangements were already in place before the destruction of the training camps in Afghanistan. It is unclear how many *al-Qaeda* veterans made their way home and how many have stayed to fight in Afghanistan. Individual soldiers in individual conflicts were funded by approaches to the charitable foundations and expansion of these numbers will have been disrupted by the steps taken after September 11.

Thirdly, separate funding is required for the cells that remain in Western Europe and the USA. Western Europe still remains a recruitment target and perhaps a target for a spectacular atrocity, as does the USA. The problem is predicting the nature of the planned atrocity and the funding that might be required to achieve it. Previous operations suggest a diversity of *modus operandi*, including illicit business such as petty fraud and false documentation and the use of legal businesses as cover. The Moroccan group (Moroccan Islamic Combat Group) held responsible for the Madrid bombing apparently funded themselves by cheque card fraud using a microcamera and faking a bank robbery (Telegraph, 2004). There has also been a successful prosecution in Leicester of members of a group who were convicted of, amongst other offences, the manufacture of counterfeit credit cards used to raise funding for terrorism (Leicester Constabulary, 2003).

The picture given by the Monograph writers suggest that *al-Qaeda* is not now a business, although it may have been run as one during the Sudan period. The picture of funding during the period in Afghanistan is primarily of funding through individuals and charities, although there is allegation that as well as the direct delivery of funding per fighter provided for a particular conflict, there were *al-Qaeda* operatives within the charities “skimming” a small percentage on individual transactions.

The creation of front companies for operations against the American Embassy in Kenya and Tanzania now appear to belong to the same period and not to have been used again. Unlike the IRA, which has had more money than it required to cover its outgoings for some years, *al-Qaeda* has had several periods of relative penury. Yet it has shown a remarkable ability to recover from setbacks, leaving a question mark about the existence of a warchest of investments, despite the inability of the Monograph authors to find any evidence for this.

In lieu of a conclusion: what has actually been seized from whom, and how has it affected the paramilitary world as portrayed above?

Since the big seizures of funds relating to al Barakat and al Taqwa, sums seized have been relatively small. On 1 April 2008, the Chair of the Senate Finance Committee called on the office of Terrorism and Financial intelligence to explain why it had stopped issuing details of funds seized (US Senate Committee on Finance, 2008). Might it be the case that recent court cases have led to a number of seizures being declared illegal and thus the actual total to be falling? The UN reported that \$112 million was seized in the three months after September 11 2001, but only \$24 million in the following two years (UN High Level Panel Report, 2004).

Al Barakat used to transfer \$140 million per annum, mostly from Somalis working overseas to their families back home. After 9/11, funds of the bank were seized,

its overseas operatives blacklisted and some even ended up in Guantanamo, by 2006 all these blacklistings had been listed, though \$9 million remained frozen in the US (BBC News, 2006). This started the controversy about hawala banking, which was not ended by the 9/11 Commission's announcement that the majority of the money to finance the operation did not go through the hawala system, but rather by wire transfer into normal US banks in which Atta and others held accounts (Roth *et al.*, 2004b, Appendix A).

It is extremely difficult to get any figures about money frozen after the initial post 9/11 seizures, several of which have turned out to be wrongly targeted. Seizures of charity funds have been contested in the USA, occasionally successfully, but frequently, the funds are swallowed up by legal and administrative fees. There is international monitoring of compliance by states, banks and businesses of procedures laid down by the FATF and others, but I have not been able to find a statement of funds seized, funds released, cases proved and cases disproved.

Without these figures, it is impossible to measure the impact of counter-terrorist financing policy. If it is the case that law enforcement measures cannot actually destroy a business, be it paramilitary or organised crime in orientation, but can only disrupt its activities for a period of time, or enable other groups to take over the business, then what should next be researched is whether law enforcement measures can be used to change the way the business is structured. That will have implications both for policy against organised crime and for policy against terrorism. The argument implicit in this paper is that changing the relationship between the components of a political movement and its armed wing is the most likely to underpin a successful counter-terrorist policy and that various myths are not only obstructing this strategy, but also actually forcing the non-violent elements into subordination to the armed wing as the only viable survival strategy.

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