

# TERRORISM FINANCING. CONNECTIONS TO ORGANIZED CRIME<sup>\*)</sup>

Florica Marin<sup>\*\*)</sup>

## Abstract

*The authoress enumerates the sources of terrorism financing and their utilisation types. By her opinion, currently there are close connections between terrorism and organized crime, and thus aptly to increase the menaces to democracy and to fundamental human rights.*

**Keywords:** *terrorism financing; sources of financing; connections with organized crime*

**Introduction. 1.** The main cause of the emergence and development of the interference phenomenon between organized crime and terrorism is the disappearance of some of the traditional sponsors of international terrorism, which resulted in direct negative effects in terms of financial and logistical insurance needs of terrorist organizations. The disappearance of these sponsors has made terrorist structures to focus on organized crime as the main source of funding. Etymologically, the concept of funding means to maintain or support with money a person or institution, being synonymous with the term of subsidy.

**2.** From an economic perspective, terrorist actions can be supported with both financial funds and logistical (movable and immovable assets) or information resources and with human factors (people directly included in the functional mechanisms of terrorism).

In general, the financing of terrorism has two main sources<sup>1)</sup>:

– the first source is the financial support provided by countries or organizations with an infrastructure large enough to collect and provide terrorist organizations with funding. The so-called state-sponsors of terrorism came in decline in the recent years and were gradually replaced by other forms of support. An individual with sufficient financial resources can also provide terrorist groups with substantial funding.

– the second major source of funds for terrorist organizations is the indirect gain from activities that generate income.

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<sup>\*\*)</sup> Director in the Ministry of Justice; e-mail: m.florena@yahoo.com.

<sup>1)</sup> Magda Ferchedău-Muntean, *Terorismul - istoric, forme, combatere. Culegere de studii*, Omega Publishing House, Bucharest, 2001.

3. Like in the case of criminal organizations, the income of a terrorist group may result from crimes or other illegal activities. The current international context has made the terrorist extremist organizations active in the Euro-Asian area to turn to organized crime as the main source of funding and human resources development, the convergence process being developed by the direct involvement of those organizations in actions specific to organized crime, namely an involvement mainly in:

- drug dealing;
- trafficking in arms, ammunition and explosives;
- illegal migration and human trafficking;
- smuggling of alcohol and tobacco, as well as of other consumer goods;
- economic crimes;
- currency and travel documents counterfeit;
- money laundering.

Such activities generate huge funds for the financial and logistical support of terrorist activities, their distribution being made both at macro (strategic) and micro (operational) level

4. The strategic level of any terrorist organization is the one that involves the largest absorption of funds, having the following objectives:

- development of the organization infrastructure;
- coaching and training of members;
- purchase of machinery and weaponry (including weapons of mass destruction and biochemical compounds);
- buying support of officials in the states whose territory they act in (corruption).

5. Considered to be one of the most profitable illegal „business” activities of major organized crime cartels, drug trafficking has lately become the main source of terrorist networks funding. Called by some specialists „narcoterrorism”, drug trafficking appears to be a stable occupation of some terrorist organizations which developed real networks of takeover, production, refining and sale of such substances. The most important drug trafficking routes have as points of departure states which are known to be traditional sponsors and supporters of terrorism.

Another important source of terrorist organizations financing has proven to be the involvement in illegal business activities, an important share in this segment being the alcohol and tobacco smuggling. Thus, organized crime groups consisting of residents of Arab origin, with terrorist connections, developed in Eastern European countries, networks of illegal entry of such products, in certain situations organizing also their counterfeiting in such territories and their export to the West. The massive profits from organized crime activities must reach their

destination, namely to those required components of the terrorist organization, rising the issue of the ways in which this is performed.

The analysis of profile information showed the existence of two main ways:

- direct distribution of funds to the organization, immediately after obtaining them;
- legalization and transfer of amounts of money obtained from money laundering operations.

**6.** Financing of terrorism is different from traditional *money laundering*. In the case of money laundering, the proceeds of illegal activities are washed or layered in ways that make them appear legal, and the ultimate goal is usually to gain larger amounts of money. For terrorism financing, the source of funds or funding is often „lawful” and the ultimate goal is not necessarily to attract more funds.

Calls to the community to request and collect funds for various declarative but false purposes are very effective methods for raising funds that support terrorism. Often, such fundraising is carried out on behalf of organizations with charitable or benefaction status, which can address the community particularly by sensitizing patriotic, human, national, historical feelings etc. Community members are convinced that they give money to a good cause. In most cases, charity is apparently legal for the community giving such funds.

From a technical perspective, the methods used by terrorists and their associates to raise funds from illegal sources differ little from those used by traditional criminal organizations. Although it seems logical that money from legal sources do not require laundering, there is a need for terrorist groups to hide or disguise the links between the group and legitimate funding sources. Thus, terrorist groups must similarly find ways to launder such funds in order to use them later without drawing the authorities’ attention. From the examination of financial activities relating to terrorism, it appears that terrorists and their supporting organizations generally use the same methods for money laundering as criminal groups. Some methods found to be used more intensively by terrorist groups refer to: cash smuggling (both by courier and bulk cash), structured deposits or withdrawals from bank accounts, purchase of various types of monetary instruments (traveller’s checks, bank checks, and payment orders).

The difference between legal and illegal income raises an important legal issue regarding the application of the same measures against money laundering, to terrorist financing. Money laundering was generally defined as a process in which funds obtained through or generated by a criminal activity are transferred or disguised to conceal the link between the crime committed and the funds raised. On the other hand, the ultimate goal of terrorism is not obtaining profit from fundraising.

When terrorists or terrorist organizations obtain financial support from legal sources (donations, sales of publications, etc.), the detection and tracking of these funds is more difficult.

7. Other important aspects of terrorism funding making detection more difficult refer to the size and nature of the transaction involved. Funding needed to trigger terrorist attacks does not require large amounts of money, and related transactions are usually not complex.

However, there are similarities in how international organized crime and terrorist organizations transfer money or try to hide the origin of funds. International terrorist groups need money to attract and keep members around the world adhering to these groups, as well as to ensure the loyalty of other groups that have common goals. Thus, there is a need to create schemes to attract, collect and distribute money to operative forces trained for terrorist attacks. Thus, there is the need to circulate money, and such need makes terrorist funds to be vulnerable to detection and financial investigation.

8. For an overview of the *main sources of funding* and of the means used in the movement capitals that terrorist organizations use to support their networks, we emphasize that people investigated for conducting certain terrorist operations conducted money remittance operations through worldwide spread alternative systems. Often, funds were remitted abroad through such alternative money remittance networks (ATS), being collected by foreign citizens of various nationalities, residing in several countries involved in the fight against terrorism. In other cases, individuals have made cash payments in various countries, involving large sums of money that went to the same account. The funds collected were then transferred to Asia or the United States of America.

The most common tool used in particular by the Al-Qaeda organization in order to support terrorist cells is represented by the „international remittance system”, the so-called „Hawala”.

Hawala<sup>2)</sup> is an alternative remittance system without involving financial institutions, which first appeared in China and on the Indian subcontinent, being mentioned in texts of Islamic jurisprudence since the eighth century and even earlier. The whole mechanism works only on the basis of trust between the parties. In fact, the very term „hawala” in Arabic means „trust”. The network services are attractive mostly for their speed, but also for the discretion of transactions carried out in the absence of any documents. Furthermore, the „hawala” system makes it possible to transfer funds without establishing their origin or the identity of the payer. Network services are known for their efficiency, speed, anonymity for all those involved and lack of any documents.

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<sup>2)</sup> <http://www.antitero.ro/strategii.html>, of June 4, 2009.

Spaces in which dealers operate are modest; they need only a telephone or a fax. Consequently, the costs for the proper course of business are insignificant compared to the huge costs borne by banks in order to maintain an infrastructure that they are fully dependent on.

This situation is especially reflected in the more advantageous fees charged by „hawala” operators for each amount remitted. A feature of the system is the lack of remittance forms for such funds, the entire mechanism operating solely on the trust between the parties. The records kept are often insignificant and encrypted in a language that contains only initials or numbers, difficult to be related to certain people.

Operations carried out under „hawala” do not involve physical or electronic funds transfer. Also, the confidentiality provided to the clients is one of the main reasons for which this payment system is considered ideal by terrorists and drug, weapons or human beings traffickers aiming the laundering of proceeds obtained from such illicit activities. Drug dealers constantly call upon the services provided by local dealers for laundering the money resulted from the industry. The explanation comes from the fact that „hawala” accepts the transfer of funds without establishing their origin or the identity of the payer. In turn, the beneficiary does not have to show identification documents other than the password being served initially by e-mail or fax<sup>3)</sup>.

**9.** Globalization is the irreversible process by which the world increasingly becomes a planetary system state, national sovereignty no longer being strictly linked to the geographical configuration of borders due to the way of expression and action of population migration, free capital market, foreign investments, terrorism, transnational organized crime and fast and rich flow of data, news, information, ideas, cultural values, financial transactions etc.

Globalization has made technology available to all citizens of the planet. Technology has always been the economic instrument of choice for powerful states, but this situation now became a general one. Because of the globalization process, their proliferation and transfer to a global scale was highly promoted. By the world of „www”, all kinds of increasingly sophisticated weapons and technologies can be obtained legally, or illegally, and criminal and terrorist groups can speculate on this phenomenon<sup>4)</sup>.

**10.** A phenomenon that facilitates the access to technologies that can be used in terrorist acts or other criminal activities is generated by the proximity of civil

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<sup>3)</sup> Irina Caunic, *Financiarul* Newspaper, <http://www.financiarul.ro/2007/06/07/retele-invizibile-de-transfer-al-fondurilor-hawala> (of July 10, 2009).

<sup>4)</sup> Emil Hedeşiu, *Contracararea crimei organizate transfrontaliere*, National Defence University Publishing House, Bucharest, 2005, p. 190.

and military technologies that create products, services and dual-use equipment<sup>5)</sup>. Thus, there is a real proliferation of weapons encompassing the latest technology. The use of GPS systems, satellite telephony and secure communications over the Internet provides criminal networks and terrorist groups with access to the same level of information that once was available only to the most developed nations.

**11.** The convergence of criminal organizations with terrorist ones represents the greatest threat to democracy and fundamental human rights. The link between terrorism and crime has taken a new dimension due to a reduction, in the last decade, in the financing of terrorist groups by some states, and due to the outbreak, at the U.S. initiative, of the global war against international terrorism. One of the consequences is that terrorist organizations are forced to expand their areas of action both to attack and to hide, but especially to ensure their own funds and specific logistics materials by criminal activities.

As we have already pointed out, the main difference between terrorist groups and organized crime networks is the fact that while terrorist groups are involved in violent acts having mainly political and religious reasons, most of the organized crime networks are concerned, in relation to political power, only with obtaining, through corruption, of the necessary protection for the activity of their organization, being motivated primarily by profit<sup>6)</sup>. However, in assessing contemporary threats to the rule of law, it has become increasingly difficult to distinguish between political and criminal motives<sup>7)</sup>. It is likely that in the near future, the stage of convergence between organized crime and terrorism to be permanently replaced by a new stage, a more dangerous one, namely the cooperation between these groups. Organized crime and terrorism, although they occupy separate and distinct positions, having different goals, they can coexist on the same crime level and can converge to a central point where a single entity simultaneously exhibits features of terrorism and organized crime.

The links between organized crime networks and terrorist groups in the context of globalization can be defined by several forms of manifestation:

– Alliances, which may include short or long term agreements and which are usually used to gain experience or operational support (access to routes facilitating smuggling activities), are similar to those in the real economy, being defined by purpose, periods of time and method of financing. The most common alliances occur in smuggling operations, such as the „drugs-for-weapons” exchange or the illegal traffic in human beings. The main shortcomings in the

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<sup>5)</sup> William J. Hartman, *Globalization and asymmetrical warfare*, Air command and staff college, Air University, Maxwell Air Force Base, Alabama, April 2002.

<sup>6)</sup> Stephens Mora, *Global Organized Crime*, Woodrow Wilson School Policz Conference 401A Intelligence Reform in the Post-Cold War Era, January 6, 1996.

<sup>7)</sup> Tamara Makarenko, *Conexiunile dintre terorism și criminalitate*, Jane’s Intelligence Review, Great Britain, 2004.

construction of such projects are related to: suspicions about the security of each entity; possible divergences concerning priorities and strategies, the danger of rivalry.

– Extension of operational tactics, which led to actions having political purposes carried out by organized crime networks, and to criminal actions specific to organized crime but carried out by terrorist groups. However, these mutual taking-over of methods have uses of a different nature and motivation. Thus, organized crime networks resort to terrorist tactics, but not in order to change the political status of a country, but to secure and protect its operational-criminal environment. However, this is an atypical and extreme approach that leads to the violation of one of the basic rules of organized crime, namely anonymity.

– Motivational convergence refers to those entities which, by the actions taken, pass from their specific initial position to the other end of organized crime-terrorism binomial. Thus, criminal groups act increasingly more in virtue of political motivations, up to the desire to directly influence the political, economical and social environment from the radius of a given territory, city or state, this being a situation specific to the mafia-type organizations. Secondly, terrorist groups are finally beginning to use their political rhetoric as a cover only for conducting criminal activities for profit, their ideological base being compromised.

The Black Hole<sup>8)</sup> occurs when the convergence of criminal and political motivation within a single group allows it to gain economic and political control of a state which is thus a prisoner of criminals. The black hole can contribute to the development of a state that has no authority and shows characteristics specific to anarchism, or may give rise to a criminal state. Basically, this is a captive state. Using terrorist tactics to maintain power and control over such states (or regions), elites use their official positions to engage in profitable illegal activities in their own benefit, or to create safe areas for other criminal or terrorist organizations.

**12.** In Romania, the prevention and fight against money laundering, terrorism and terrorist financing is in accordance with the general provisions of the Criminal Code and of the Code of Criminal Procedure, as well as in accordance with the special provisions of:

- Law no. 656/2002 on the prevention and sanctioning of money laundering;
- Law no. 535/2004 on the prevention and fighting against terrorism;
- Law no. 39/2003 on the prevention and fighting against organized crime;
- Law no. 78/2000 on preventing, discovering and sanctioning corruption offences in Romania;
- Banking Law no. 58/1998;
- Governmental Decision No. 479/2002 for approval of the Organization Regulations of the National Office for Prevention and Combat of Money Laundering.

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<sup>8)</sup> Tamara Makarenko, *op. cit.*

Also, in the fight against these criminal phenomena, Romania fulfils its obligations by ratifying international conventions in the field, exemplifying the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, concluded in Strasbourg, on 8 November 1990, and the United Nations Convention against trans-border organized crime, adopted in New York on 15 November 2000.

On October 29, 2001, F.A.T.F. held a special session in Washington and decided to extend its mandate in the fight against terrorism. The group adopted eight recommendations to stop terrorist organizations in obtaining and transferring funds for their criminal activities, namely:

- ratification and implementation of UN instruments in the field;
- incrimination of the financing of terrorism, terrorist acts and terrorist organizations;
- freezing and confiscating terrorist assets;
- reporting of suspicious transactions related to terrorism;
- providing assistance to authorities charged with the application of legal acts related to terrorism financing investigation;
- establishment of obligations to comply with money laundering and fast remittance systems fighting requirements;
- ensuring that entities, especially non-profit organizations, can not be used to finance terrorism;
- strengthening of customer identification measures in SWIFT<sup>9)</sup>, domestic and international transfers.

At the same time, F.A.T.F. showed a set of practices for blocking terrorist assets and fighting the abuse of fast remittance systems, pointing out the following strictly necessary measures to be taken as soon as possible:

- establishment of central authorities competent in this field and the clear specification of the judicial bodies' powers;
- facilitation of the cooperation and communication with foreign governments and international institutions;
- facilitation of communication with the private sector;
- adequate compliance of the private sector and its control;
- priority investigation of these phenomena, working with intelligence services and providing appropriate feedback with the private sector;
- publishing the lists of suspected terrorists.

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<sup>9)</sup> SWIFT Network (Society for Worldwide Interbank Financial Telecommunication) is a communication system based on the principle of mutual transmission of information between two banks or between any two participants. The bank which initiated the sending and the receiving bank (recipient of the message) are not directly related, the message being transmitted through the operating centre which the country initiating the message is connected to (<http://www.dreptonline.ro/utile/swift.php>).



Given the existence and severity of criminal phenomena presented, their links and trends, the institutions authorized to counter organized crime have to cooperate with those specialized in anti-terrorism, since any identified criminal network shall be evaluated also in terms of the possibility that such network is an internal structure of a terrorist group<sup>10)</sup>. Developments between transnational organized crime networks and terrorist groups in the context of accelerating the globalization process, demonstrate that the identified threats to the security of democratic states should not be regarded as free-standing phenomena because they are constantly changing, and that the features of entities outside the law, their motives and applied tactics change over time, rapidly adjusting to the developments of international life in all spheres of activity.

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<sup>10)</sup> Emil Hedeșiu, *op. cit.*, p. 196.