

# The Organization and Financing of Terrorism

## Chapter 3

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## Changing Dynamics and Structures

- Terrorist groups must organize in the same manner as any other rational human group, and they have to operate in secret
- Michael Collins, leader of the IRA studied revolutionary tactics from the 18<sup>th</sup> and 19<sup>th</sup> centuries and developed a method of isolating small units of terrorists
  - Small units were called cells
  - Each cell had its own mission
  - Each cell operated w/o the knowledge of the other cells in the area



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## Changing Dynamics and Structures (cont.)

- Modern terrorism began to emerge after the Second World War
- After WW II most terrorist groups tended to follow the IRA model of small units or cells
- Around the 1990s, many large terrorist groups developed more dynamic methods of organization

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## Changing Dynamics and Structures – Late 20<sup>th</sup> Century Cells

### James Fraser and Ian Fulton

- Terrorist groups can be analyzed using the following factors:
  - Structure of the organization
  - Its support
- Groups employ variations of command and control structures, but are frequently organized along the same patterns no matter what causes they endorse
- Typical organization is pyramidal
- Structure is often impacted by the need for secrecy

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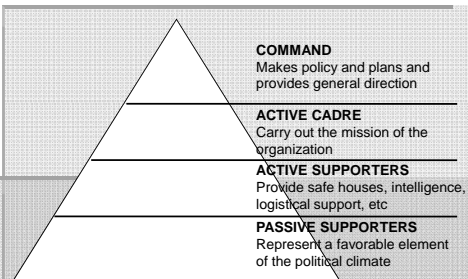
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## Changing Dynamics and Structures – Pyramid Organization (Fraser & Fulton)



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## Changing Dynamics and Structures – Late 20<sup>th</sup> Century Cells (cont.)

### Anthony Burton: Two basic structures of terrorist subunits

- **Cells**
  - Most basic
  - 4 to 6 people
  - Usually has a specialty, e.g. - tactical or intelligence
- **Columns**
  - Created from groups of cells
  - Semiautonomous
  - Variety of specialties with a single command structure
  - Primary function is combat support

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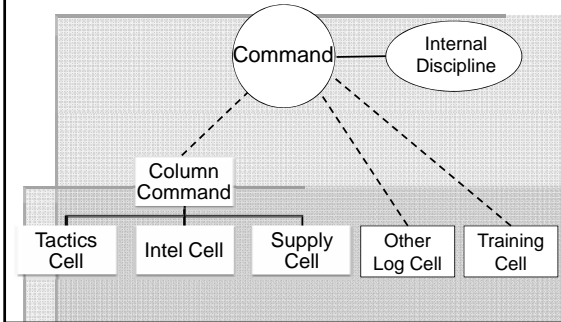
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## Cell and Column




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## Newer Models: Umbrella Organizations and Modern Piracy

- **Umbrella organization**
  - Legitimate groups form umbrellas under which terrorist groups could operate
  - Several small pyramids gather under a sheltering group that manages supplies, obtains resources, creates support structures, and gathers intelligence
    - Sheltering group convenes periodic meetings with suppliers, sympathizers, and terrorist leaders affording terrorists to resupply, select targets and plan
  - Will not be directly involved with terrorism
  - Claims to be a legitimate organization representing a political cause
    - Sinn Fein

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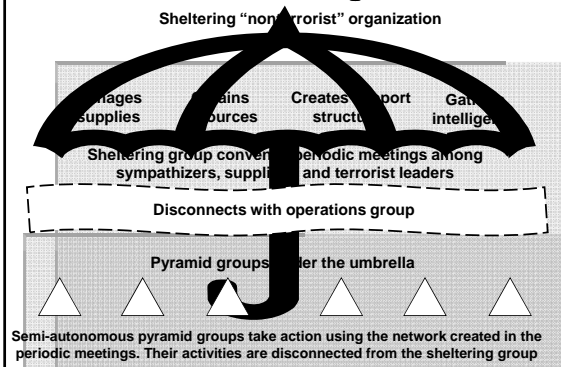
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## The Umbrella Organization




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Newer Models: Umbrella Organizations and Modern Piracy (cont.)

- Piracy – Gal Luft and Anne Korin
  - Organized crime provides an ideal model for terrorists
    - A seemingly legitimate business (the sheltering organization)
    - Provides cover for the pirates (the pyramid organization) while denying all connection with illegal activities
  - Terrorists groups may see the successes and copy the model

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Newer Models: Umbrella Organizations and Modern Piracy (cont.)

- Virtual, chain, and hub organizations
  - **Virtual organizations:** created through computer and information networks
  - **Chain organizations:** involves small groups linked by some type of communication where members periodically cooperate
  - **Hub organization:** has a centralized group with semiautonomous groups supported in other regions

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Newer Models: Umbrella Organizations and Modern Piracy (cont.)

- The terrorist network
  - Can range from simple to complex
  - A complex all-channel network is composed of:
    - Groups
    - Logistical systems
    - Overlapping relationships among groups, individuals, and technology

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Newer Models: Umbrella Organizations and Modern Piracy (cont.)

- The terrorist network (cont.)
  - The second concept in the network is the node
    - A node can refer to any critical function in the network
  - Can range from a group to support systems
    - Bomb-making factory
    - Cyber-café

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Newer Models: Umbrella Organizations and Modern Piracy (cont.)

- The terrorist network (cont.)
  - The key to these networks is their ability to operate in a technological setting
  - Violence takes place on two levels:
    - Organized small groups
    - Disruptive violence from demonstrations
  - Members can be quickly assembled into temporary structures for a particular action, then disperse
    - "Swarming"

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Managing Terrorist Organizations

- Terrorists need to organize like any other group
- Terrorist leaders face special organizational problems
  - Secrecy
  - Decentralization
  - Training
  - Internal discipline
  - Gaining immediate tactical support for operations

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## Managing Terrorist Organizations (cont.)

- Terrorist groups require secrecy
  - Dominates the operational aspects of the group
  - Secrecy hampers communications
  - Secrecy leads to a high degree of autonomy (decentralization)
  - Not the most efficient, but an operational necessity
  - Can lead to misunderstandings or splinter groups

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## Managing Terrorist Organizations (cont.)

- Terrorist group leaders often rely on internal discipline for control/cohesion
  - However, this can sometimes lead to the disintegration of the group
- Decentralization makes it difficult to get immediate tactical support for operations
  - Operations almost always require active supporters
  - Thus, most of the terrorist commander's time is spent developing networks, not conducting ops

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## Group Size and Length of Campaign

- Ted Robert Gurr's analysis of terrorist groups
  - Most terrorist actions involve only a few people who generate more noise than injury
  - Although it is popularly believed that political revolutionaries dominate terrorist groups, the majority of successful groups embrace other doctrines, such as nationalism or religion
  - In most instances, only a large group can achieve results by mounting campaigns of terror; a small group cannot do so

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### Group Size and Length of Campaign (cont.)

- Length of terrorist campaigns
  - Most terrorist campaigns end within 18 months of the initial outburst of violence
  - Terrorism is short-lived because it seldom generates support

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### Group Size and Length of Campaign (cont.)

- Implications of Gurr's analysis
  - Gurr's conclusions imply that most terrorist organizations are small, short-lived operations, which are law enforcement problems
  - If terrorism is the result of a popular social issue, sympathizers can enhance the power of the group
  - Strong support for a group is more important than the actual number of operatives

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### Group Size and Length of Campaign (cont.)

- Vittoriofranco Pisano
  - Between 1975 and 1985, there were a tremendous number of terrorist actions in Italy
  - Only large groups were involved in sustained actions or a terrorist campaign
  - Everyone else became "single-incident" terrorists
    - They could only mount one operation

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## Group Size and Length of Campaign (cont.)

- Christopher Hewitt
  - Reflects Gurr's position
  - Small groups do not have resources to damage an opponent over an extended length of time
    - Cannot launch a campaign
  - Terrorist campaigns are more important than isolated acts of terrorism
    - Demand extensive logistical networks

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## Group Size and Length of Campaign (cont.)

- Christopher Hewitt (cont.)
  - Argues that terrorist campaigns became important after WWII for the following reasons:
    - Campaigns of large terrorist organizations accounted for most of the terrorism around the world
    - Large terrorist organizations can bring change in government politics
      - Problem beyond means of local law enforcement
      - Large groups represent political threats

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## Group Size and Length of Campaign (cont.)

- Neil Livingstone
  - State sponsorship of terrorism
    - Describes terrorism as "warfare on the cheap"
  - A nation could support a terrorist group, giving it the ability to wage a terrorist campaign
    - Hezbollah
      - Hezbollah not only has state sponsorship, it evolved in a country where the national government could not control internal affairs
      - Hezbollah's size is partially due to growth in a failed state

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## Group Size and Length of Campaign (cont.)

- Michael Scheur
  - If state sponsorship and failed state approaches are applied to Islamic militants, it will be impossible to understand both the organizational characteristics and the growth of al Qaeda and related groups
  - Jihadist groups are large, but for a different reason
    - Militant Islamic theology is popular with tens of millions of Muslims throughout the world
    - This theology is responsible for the size of the group

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## Financing Modern Terrorism

- It takes money to fund organizations, and resources to support operations
  - James Adams
    - Another method for attacking terrorism is that governments need to stop the flow of money
- A terrorist operation does not cost a lot of money, but the overall budget for a terrorist operation is quite high

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## Financing Modern Terrorism (cont.)

- Martin Navias
  - Argues that the major strategy counterterrorism should be aimed at is waging “financial warfare” with financial weapons
- The National Strategy for Combating Terrorism endorses this approach by targeting two areas:
  - 1) The sources of financing
  - 2) The mechanisms used to transfer money
- Critics argue that “financial warfare” will not be effective because terrorists do not respond to formal controls

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## Funding: Sources and Networks

- Relationship between terrorism and economic systems is multifaceted
- Three major categories can help explain the structure of financing
  - 1) Unlawful raising and distribution of funds
  - 2) Lawful raising and distribution of funds (formal regulated economy)
  - 3) Using financial weapons against the terrorists (economic targeting as a force multiplier)

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## Funding: Sources and Networks (cont.)

- Terrorists around the world use a variety of criminal methods to raise funds
  - Middle Eastern terrorists engage in smuggling and document fraud
  - Central Asian terrorists trade illegal arms, launder money, and distribute drugs
  - Latin American terrorism is tied to drug production and public corruption
  - U.S. domestic terrorists engage in fraud schemes and robberies
  - International terrorists also engage in fraudulent activities in America

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## Funding: Sources and Networks (cont.)

- Other sources of illegal income
  - Kidnapping
  - Extortion and protection rackets
  - Robbery
  - Online activity in identify theft
    - Gaining access to bank and credit card accounts
  - Security fraud
  - Embezzlement schemes
  - Traditional crime

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### Funding: Sources and Networks (cont.)

- **Underground Networks and Organized Crime**
  - When terrorists move goods, people, weapons, money or contraband, they must use undergrounds networks
  - These networks take time to establish
  - Terrorists often utilize existing criminal networks
  - Thus, terrorism and organized crime are often linked

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### Legal Sources of Funding: Charities

- In addition to traditional crime, terrorists raise money through legal operations
- Frequently employed legal activities include:
  - Soliciting contributions
  - Operating businesses, to include banks
  - Running Nongovernmental Organizations (NGOs)
  - Creating charities

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### Funding: Sources and Networks (cont.)

- Terrorists sometimes set up phony charities or skim proceeds from legitimate organizations
  - Benevolence International Fund
    - Formed in U.S.
    - Received tax-exempt status from IRS
  - Al Rashid Trust
    - Taliban front

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## Funding: Sources and Networks (cont.)

- Charities are difficult to investigate
  - They can be formed overseas and established in states with weak financial regulations
  - May be state supported
  - May hide true purpose
  - May be supported by legitimate business that is unaware of their true activity
  - If established by a terrorist group, may be difficult to infiltrate

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## Non-Traceable Funding: The Hawala System

- Any international terrorist groups move money through an ancient trading network call the ***hawala*** system
- It is a legitimate means of transferring money without using money or moving funds across international borders
  - Originated in China
  - Based on long term trust relationships and knowledge that each dealer is reliable for all debts

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## Non-Traceable Funding: The Hawala System (cont.)

- Advantages of the Hawala system:
  - Money moves with no record
  - Money crosses international borders with ease
  - Money can be easily bartered for contraband
  - Tax records do not exist

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## Legitimate Business Operations

- Some terrorist groups use legitimate businesses to fund operations

- Osama Bin Laden, Sudan 91-96

- Construction
    - Farming
    - Heavy machinery



- Domestic political extremist groups

- Books
    - Tapes
    - Videos



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## A Macroeconomic Theory of the New Terrorist Economy

- Globalization

- Collapse of the USSR in 1991 left the US as the world's sole superpower
  - US economic policies focused on reducing trade barrier between nation-states

- **Globalization** is based on the belief that international trade barriers should be removed so that commerce/industry can develop in a free market

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## A Macroeconomic Theory of the New Terrorist Economy

- Globalization (cont.)

- Some countries prospered
  - But other countries grew weaker
  - Terrorism took hold in some of the areas left behind in the rush toward globalism
    - This changed the nature of terrorist financing

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## A Macroeconomic Theory of the New Terrorist Economy

- **Loretta Napeoleoni**
  - Argues that globalization and the fall of the USSR created the **"new economy of terror"**
    - The macroeconomic shift began at the end of WWII with anti-colonial revolts and the Cold War's "war by proxies"
    - Both sides often used underground methods to finance their operations
  - Argues that modern day terrorists evolved from these struggles and sought autonomy from their sponsors

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## A Macroeconomic Theory of the New Terrorist Economy

- **Loretta Napeoleoni (cont.)**
  - The result: joined criminals in underground economies
    - The Shining Path
    - The Popular Armed Forces of Columbia (FARC)
    - Militant Palestinians
    - The IRA

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## A Macroeconomic Theory of the New Economy (cont.)

- **Loretta Napoleoni (cont.)**
  - In other cases, terrorist groups tried to gain control of the legitimate economy
    - Forcing out businesses often weakens the state itself
    - ETA
  - This creates pockets in the world where **failed states** are left to govern with little economic and political power

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A Macroeconomic Theory of the New Economy (cont.)

- Loretta Napoleoni (cont.)
  - Because they are strong enough to resist the state, terrorist groups grow by running their own underground economies and providing some form of political stability
  - Terrorist groups form a **shell state**
    - This is defined as an organization that acts like a government in a place where the government is unable to enforce law or provide for other forms of social order

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A Macroeconomic Theory of the New Economy (cont.)

- Loretta Napoleoni (cont.)
  - Globalization has not only created economic vacuums where shell states can form, but has also fueled the growth of a global underground economy
    - Drugs
    - Arms
    - Contraband
    - Human trafficking
  - Terrorists funded themselves through these activities and cannot exist w/o them

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A Macroeconomic Theory of the New Economy (cont.)

- Loretta Napoleoni (cont.)
  - Modern terrorism and shell states
    - Modern terrorism is supported by groups in shell states that routinely change both their organizational structures and political goals to maintain income from an international underground economy
      - Often hide their views with religious or patriotic slogans
    - The prime goal of the group thus becomes obtaining and maintaining funds
    - Sometimes these groups become involved in legitimate markets and can even affect the global economy

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A Macroeconomic Theory of the New Economy (cont.)

- **Mario Ferrero**
  - Modern radical Islamic groups use violent activities as a means of providing economic stability
    - Jihadists can't keep out or fire "slackers"
    - Slackers threaten stability by competing for limited resources
  - Jihadists used increased rhetoric and violence to drive away all but the most loyal members
  - This leaves enough resources to support the true believers

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A Macroeconomic Theory of the New Economy (cont.)

- **Macroeconomic theory and counterterrorism**
  - If macroeconomic theories are correct, they may have meaning for the nature of counterterrorism
  - Counterterrorism policies should be aimed at providing the world's populace with economic stability, opportunity, and participation in the mainstream economy

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A Macroeconomic Theory of the New Economy (cont.)

- **Macroeconomic theory and counterterrorism (cont.)**
  - **Economic policies to counter terrorism**
    - Supporting states in threat of failure
    - Providing opportunities for people to participate and benefit from economic systems
    - Eliminating underground economic networks
  - Poverty does not cause terrorism, but economic and political failures may result in a shell state where terrorism can be organized and funded

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## The Narcoterrorism Debate

- **Narcoterrorism** is a controversial term linking drugs to terrorism in one of two ways:
  - 1) Drug profits used to finance terrorism
  - 2) Use of terrorism by drug gangs to control production and distribution networks
- The narcotics trade is a primary source of money for terrorist groups

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## The Narcoterrorism Debate (cont.)

- **Steven Casteel**
  - An executive with the DEA
  - Told a US Senate committee that terrorism and the drug trade are intertwined
- Believes that globalization has intensified the relationship between terrorism and drugs

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## The Narcoterrorism Debate (cont.)

- **David Adams**
  - Hezbollah and Hamas use the Latin American drug trade to raise funds
- **Joshua Kransa**
  - If people are willing to expand the definition of national security beyond the framework of military defense, drugs pose a security problem
  - The drug trade threatens political and economic stability while disrupting society

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## Narcoterrorism: Another View

- Reasons for rejecting narcoterrorism
  - Selling drugs is only one method, and the drug problem is not caused by terrorism
  - The term “narcoterrorism” is an attempt to take political advantage of the fear of terrorism
  - Combining the drug problem with terrorism confuses two different issues

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## Narcoterrorism: Another View (cont.)

- The 9/11 Commission
  - Dismisses the idea that drugs were linked to al Qaeda’s attack on NY and Washington, DC
  - No evidence that indicates that bin Laden used underground drug networks or narcotics trafficking to support the 9/11 attacks

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## Narcoterrorism: Another View (cont.)

- David Kaplan
  - Charities are responsible for the bulk of terrorist financing
- Pierre-Arnaud Chouvy
  - Narcoterrorism is a convenient term for appealing to public emotions and giving the police more power
- Civil libertarians
  - If govt.'s link drugs with terrorism, they can reinvent the meaning of crime
    - Drug dealers will become terrorists
    - A frightened public will grant the govt. expanded powers to combat drugs

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