The Organization and Financing of Terrorism

Chapter 3

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 18th and 19th 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 without the knowledge of the other cells in the area.

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.
Changing Dynamics and Structures – Late 20th 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

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

- COMMAND
  - Makes policy and plans and provides general direction

- ACTIVE CADRE
  - Carry out the mission of the organization

- ACTIVE SUPPORTERS
  - Provide safe houses, intelligence, logistical support, etc

- PASSIVE SUPPORTERS
  - Represent a favorable element of the political climate

Changing Dynamics and Structures – Late 20th 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
Cell and Column

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 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

The Umbrella Organization

Sheltering "non-terrorist" organization

Semi-autonomous pyramid groups take action using the network created in the periodic meetings. Their activities are disconnected from the sheltering group.
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) whiles denying all connection with illegal activities
  - Terrorists groups may see the successes and copy the model

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

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
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

- 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”

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
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

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

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
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

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

Group Size and Length of Campaign (cont.)

- Vittorfranco 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
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

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

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 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
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

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

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
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)

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

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
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

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

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

- Benevolence International Fund
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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

### 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

### 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
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

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

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
A Macroeconomic Theory of the New Terrorist Economy

Loretta Napoleoni
- 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

The Popular Armed Forces of Columbia (FARC)
Militant Palestinians
The IRA

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
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.

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 without them.

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.
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.

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.

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.
### 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

### 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

### 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
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

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

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