

Financing Terror: A Strife 4-part Series

The entries forming this series are all reprinted from the Strife blog (at strifeblog.org), where they were posted during January - February 2015. All web references were last accessed on 15 May 2015.

Introduction

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Al Qaeda, ISIS, and the Taliban are household names these days. Yet, in the climate of the 'War on Terror', how do organisations like these survive and even thrive? It takes more than just strong leadership and organisational skills to uphold the proper functioning of terrorist groups – it takes money. Terrorism is the culmination of costly planning. It includes the dissemination of ideology, maintenance of logistics, recruitment and training of operatives and perpetration of the terrorist act itself. Financial activity related to terrorism accounts for an estimated 5% of annual global output, or about \$1.5 trillion USD.¹

The events of September 11th 2001 thrust the issue of terrorist funding into the limelight of the global arena.² Globalisation of communication, the internet, and banking systems have enabled terrorist organizations to expand their activities and financial mechanisms needed to finance these activities. While state-sponsorship was previously a primary source of funding for terrorist activity, international cooperation through UN resolutions and economic sanctions have dissuaded state actors from sponsoring terrorist activities, leading to the substantial decrease of this method of funding. Terrorist organisations have, as a result, increasingly turned to diverse and alternative sources of revenue, such as criminal activities – including drug trafficking, credit card fraud, and kidnapping for

ransom – as well as private sources of funding through charities and individuals.³

The methods and resources used to fund terrorism vary from region to region, and from group to group. Limiting the financial resources available to terrorist organisations is a crucial step in the fight against terrorism, and both national governments and international bodies have taken steps to address this.

The attacks of September 11th had highlighted the shortcomings of UNSC Resolution 1267,⁴ which called upon UN member states to identify, seize, and freeze financial resources of the Taliban, Al Qaeda and their affiliates, but which lacked any means of enforcing its provisions. In response to these shortcomings, the UN adopted UNSC Resolution 1373 in 2001,⁵ which required all UN member states to criminalise direct or indirect support for terrorism, including terrorism funding.

As one of the leaders in the 'War on Terror', the US government issued the USA Patriot Act which created strict legal measures to counter terrorist financing. Also, the Financial Task Force (FATF), an inter-governmental body created in 1989 by the G7 in order to combat money laundering and terrorist financing, issued a revised series of recommendations on how to combat money laundering and terrorist financing. The World Bank and the IMF have since developed assistance programs for countries to ensure compliance with the FATF's recommendations.

¹ Jennifer L. Hesterman, *The Terrorist-Criminal Nexus: An Alliance of International Drug Cartels, Organized Crime, and Terror Groups* (CRC Press, 2013), p. 167.

²[http://www.9-](http://www.9-11commission.gov/staff_statements/911_TerrFin_Monograph.pdf)

[11commission.gov/staff_statements/911_TerrFin_Monograph.pdf](http://www.9-11commission.gov/staff_statements/911_TerrFin_Monograph.pdf)

³<http://www.fatfgafi.org/media/fatf/documents/reports/FATF%20Terrorist%20Financing%20Typologies%20Report.pdf>

⁴ <http://www.state.gov/j/ct/rls/other/un/5110.htm>

⁵<http://www.un.org/en/sc/ctc/specialmeetings/2012/docs/United%20Nations%20Security%20Council%20Resolution%201373%20%282001%29.pdf>

Current international efforts to combat this phenomenon have been largely focused on commitments by UN member states. This is problematic, as it does not provide a framework or incentive for non-UN member states or entities to effectively combat terrorist financing. Furthermore, current international legislation on terrorist financing is generic and does not take into consideration the unique situation of each state. Whereas the United States may easily implement some of the legislation nationally, it is very difficult for a state such as Syria - in the midst of a civil war and a hotbed of terrorist activity and chaos - to properly implement international legislation on terrorist financing. Ironically, it is precisely states such as Syria, Afghanistan, and Iraq which may benefit the most from a crackdown on terrorist financing.

On a strategic level, despite a growing international focus on combating terrorist funding, increasingly sophisticated methods of financing terrorism have meant terrorists can often stay one step ahead of authorities. The illegal activities used by terrorist groups to finance their activities often do not leave a cash trail, making them difficult to track.⁶ Thus, terrorist financing continues to remain a major stumbling block to curtailing terrorist activity.

Each of the following authors in this series examine a different method of terrorist financing, using modern and varied case studies, offering a new look at who and what is funding today's terror activities. Arne Holverscheid discusses the role of private Kuwaiti donors in financing rebel groups in Syria affiliated with terror organisations and blurring the lines between good and bad, friend and foe. Claire Mennessier examines the involvement of Pakistan in financing terror groups, and the motivations and challenges presented by this involvement. Samuel Smith addresses the frightening trend of kidnapping for ransom as a source of finance for terror groups through a case study of the Abu Sayyaf Group in the Philippines and Southeast Asia. Finally, Drew Alyeshmerni sheds light on the use of charities as a cover for terrorist financing and the implications that defining

⁶ <http://www.cfr.org/terrorist-financing/tracking-down-terrorist-financing/p10356>

certain organisations as terror groups may have upon the eradication of this source of financing.

The financing of terrorism continues to be a global challenge and an increasingly important aspect of counterterrorism efforts. We hope this series generates further academic interest in the subject and leads to a more detailed understanding of the sophisticated and varied ways of financing terror.

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Part I: Private Kuwaiti donors in Syria's Civil War

Arne Holverscheid

What happened to President Bashar al-Assad? When Syria descended into civil war in 2011, he was the perfect enemy for the Western public: supported by his ally Iran, he preferred watching his people die and his country be torn apart than give in to demands for freedom, democracy and civil rights. The line between good and evil, between friend and foe seemed clear: it was the Syrian people and their democratic ambitions versus Bashar Assad and his powerful friend, Tehran.⁷

Now, after almost four years of fighting, this clear line has become more and more blurred. The Syrian opposition has radicalised: extremists, among them jihadist and Islamist groups, seem to have become the dominant actors.⁸ The Free Syrian Army (FSA), once bearer of hope for Syria in the Western world, is weaker than ever.⁹ States from the Arabian Peninsula, considered allies of the United States and Western countries, have joined the fight and have been financing rebel groups in Syria.

⁷ 'The Long Road to Damascus: There are Signs that the Syrian Regime May Become Still More Violent', *The Economist*, 11 February 2012.

⁸ Jonah Schulhofer-Wohl, 'How the U.S. Fragmented Syria's Rebels', *The Washington Post*, online at <http://www.washingtonpost.com/blogs/monkey-cage/wp/2014/09/22/how-the-u-s-fragmented-syrias-rebels/>

⁹ <http://bigstory.ap.org/article/d79bd31fdc2448ca9f1a5618b21ce242/west-backed-syria-rebels-shaken-multiple-fronts>

Many of these rebel groups allegedly belong to the spectrum of Islamist extremism, which is arguably just as opposed to liberal democracy as Assad.¹⁰ But in this complex conflict, private donors from the wealthy state of Kuwait have played a significant part in further blurring the lines in a manner which is much less conspicuous yet leaves a lasting impact.

According to the Koran, giving alms is ordained by Allah. Donations are meant for 'the poor and the needy...for those in bondage and in debt, in the cause of Allah, and for the wayfarer' (Sura 9.60).¹¹ Kuwaiti donors have taken their religious duty very seriously during the ongoing conflict and have made substantial humanitarian contributions to ease the suffering of the Syrian population.¹² The Kuwaiti government has so far refused to go beyond financial contributions and arm Syrian rebels but many private donors and fundraisers have decided to do exactly this. Meanwhile the relatively liberal Kuwaiti political system has allowed them to advocate and conduct fundraising activities freely among the Kuwaiti public.¹³ Many within the Sunni majority even openly criticise the government for not arming the Syrian opposition, and influential Salafi figures have joined the efforts to raise money for the Syrian cause.¹⁴

¹⁰ Jamie Dettmer, 'Syria's Saudi Jihadist Problem', *The Daily Beast*, online at <http://www.thedailybeast.com/articles/2013/12/16/syria-s-saudi-jihadist-problem.html>, (last accessed 24.04.15); Mariam Karouny, 'Saudi Edges Qatar to Control Syrian Rebel Support', *Reuters*, online at <http://www.reuters.com/article/2013/05/31/us-syria-crisis-saudi-insight-idUSBRE94U0ZV20130531>

¹¹<http://www.usc.edu/org/cmje/religious-texts/quran/verses/009-qmt.php#009.060>

¹² 'Kuwait Launches Syria Relief Campaign', *Al Arabiya English*, 13 January 2014, online at <http://english.alarabiya.net/en/News/middle-east/2014/01/13/Kuwait-s-emir-appeals-for-Syrian-relief-aid.html>

¹³ Sylvia Westall and Mahmoud Harby, 'Insight: Kuwaitis Campaign Privately to Arm Syrian Rebels', *Reuters*, <http://www.reuters.com/article/2013/06/27/us-syria-kuwait-insight-idUSBRE95P0TG20130627>

¹⁴ Lori Plotkin Boghardt, 'The Terrorist Funding Disconnect with Qatar and Kuwait', *The Washington Institute for Near East Policy*, online at <http://www.washingtoninstitute.org/policy-analysis/view/the-terrorist-funding-disconnect-with-qatar-and-kuwait>

Donations are mostly collected using Twitter and other social media networks and are delivered personally by couriers who travel to the Turkish-Syrian border. Hundreds of millions of dollars are estimated to have entered the Syrian civil war in this way, and the proportion of funds that goes to radical groups is hard to determine. However, donors tend to support and actively encourage those rebels who are specifically aligned with their own religious or ideological beliefs. The Kuwaiti fundraising scene is dominated by extreme religious figures, and it has become clear that large donations were sent to prominent groups in the jihadi spectrum. Particularly close connections have been established with Ahrar al-Sham and Jabhat al-Nusra. The latter is known to be an al-Qaeda affiliate, and both groups are reported to have recently come to an agreement with the Islamic State (IS),¹⁵ halting the fight against each other in order to challenge common enemies. In addition, the Sunni majority in Kuwait have recently developed a more sympathetic view towards IS, resulting in a rift between donors about who to support, reflecting the overall competition between al-Qaeda, al-Nusra and IS.¹⁶

In a 2013 report, Human Rights Watch identified individuals responsible for the funding of an attack on villages and civilians in the countryside of Latakia, Syria's most prominent seaport.¹⁷ Fighters of Ahrar al-Sham, IS and Jaish al-Muhajireen wal-Ansar killed around 190 people and abducted over 200 civilians during the attack. Among the six primary figures who financed and organised the ambush were three Kuwaitis who actively used Twitter and YouTube to fundraise for the planned attack. One of them, Sheikh Hajje al-

¹⁵<http://bigstory.ap.org/article/c71e3be959414e69bde25f792e18aad6/ap-sources-al-qaida-reach-accord-syria>

¹⁶ E. Dickinson, 'Kuwait: the Crisis in Syria Comes Home', *European Council on Foreign Relations*, online at http://www.ecfr.eu/article/commentary_kuwait_the_crisis_in_syria_comes_home323, (last accessed 24.04.15); Joby Warrick, 'Private donations give edge to Islamists in Syria, officials say', *The Washington Post*, online at http://www.washingtonpost.com/world/national-security/private-donations-give-edge-to-islamists-in-syria-officials-say/2013/09/21/a6c783d2-2207-11e3-a358-1144dee636dd_story.html

¹⁷http://www.hrw.org/sites/default/files/reports/syria1013_ForUpload.pdf

Ajami, even travelled to the Latakia region and met the jihadists for whom he was fundraising. This journey suggests a high degree of cooperation between private donors and rebel groups and the possibility that donors are able to exercise control over the rebel groups they support.

Examples like this show the effect private donors are having on the Syrian civil war. Under the protection of Kuwait's liberal and constitutional monarchy, they raise funds for extremists and jihadists who are aligned with their ideological beliefs and who are reportedly linked to acts of terrorism. By supporting these groups and strengthening their position, the donors implant their radical Salafi view of Islam into the conflict, fostering sectarianism among the Syrian opposition and reducing the chances for moderate forces to gain the upper hand. They also exacerbate the ongoing competition between al-Qaeda and the IS over support from such donors, and are arguably partly responsible for the recent upswing in sympathy for the IS among the Sunni community in Kuwait. With the increasing friction between rebel groups and the apparent rivalry between two of the largest terrorist organisations involved in the conflict, a peaceful reunification seems less and less likely.

Now, after almost four years, who is the enemy in Syria? For the Western world, 'Assad' no longer seems to be the only enemy. The conflict lines in Syria have blurred; extremists and terrorists have multiplied and the Alawite regime almost seems like a good alternative. The case of Kuwaiti private donors shows that when determining friend and foe, the situation is extremely complex. Syria has become far more than a proxy war between world powers. Private self-interests as well as opposing religious and ideological beliefs play an increasingly significant role in determining Syria's conflict lines; conflict lines which must be understood in a wider regional context.

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Part II: Pakistan as a state sponsor of terrorism

Claire Mennessier

For the last 25 years, Pakistan has been involved in the sponsoring of terrorism on a national and international scale. As a result of its role in the development of terrorism in Afghanistan and Indian Kashmir, Pakistan is a good example of a country which is both a supporter and a victim of terrorism.

The early 1980s saw a rise in state sponsorship of terrorism.¹⁸ State sponsorship, where a government lets a terrorist group act with relative impunity, is beneficial to both the sponsor state and the terrorist group. On the one hand, it allows states to carry out a limited risk and low-budget foreign policy while denying any association with the terrorist group by claiming ignorance or incapacity.¹⁹ On the other hand, terrorist groups that enjoy state support have been found to be more destructive than those without, as they are 'more able and willing to kill large numbers'.²⁰ Indeed, sponsor-states provide them with, *inter alia*, safe havens, funding, arms, training and intelligence. Perpetrators of terrorist acts also enjoy more freedom as the sponsor-state can protect them from direct coercion and legal claims.²¹

State sponsorship of terrorism is less widely denounced than individual acts of terrorism. One reason is that outside governments fear state-sponsored retaliation.²² Another is that it is a widely misunderstood phenomenon, which stems from the difficulty of reaching a definitional consensus on state sponsoring.²³

¹⁸ Daniel L. Byman and Sarah E. Kreps, 'Agents of Destruction? Applying Principal-agent Analysis to State-sponsored Terrorism,' *International Studies Perspectives*, Vol. 11 (2010), pp. 1-18.

¹⁹ Lieutenant Colonel J. P. Terry, 'Countering State-Sponsored Terrorism: A Law-Policy Analysis,' *Naval Law Review*, Vol. 159 (1986), pp. 159-180.

²⁰ Daniel L. Byman, *Deadly Connections: States that Sponsor Terrorism* (Cambridge University Press, 2005).

²¹ Terry, 'Countering State-Sponsored Terrorism', p. 2.

²² Scott S. Evans, 'The Lockerbie Incident Cases: Libyan-Sponsored Terrorism, Judicial Review and the Political Question Doctrine', *Maryland Journal of International Law*, Vol. 18, No. 1 (1994), pp. 21-76.

²³ Kerry A. Gurovitsch, 'Legal Obstacles to Combating

However, under international law, states have to take all reasonable measures to prevent terrorist acts. Lack of due diligence by states and toleration of such acts both create liability. And if the existence of state-sponsored terrorism can be established, then the sponsoring state may be violating Article 2(4) of the UN Charter.²⁴

The United States Department of State routinely lists a number of states which it claims sponsor terrorism.²⁵ Its current formal list includes Cuba, Iran, North Korea, Sudan and Syria. This list represents a good example of flawed policy response, as much of the enigma caused by state sponsorship today includes countries that are not even on the list; Pakistan being one of the important potential omissions. These 'new' state sponsors present an additional threat as they are often linked to Sunni jihadist groups such as Al Qaeda.²⁶

Political scientists have classified Pakistan as an 'active' state sponsor of terrorism, as it seems to deliberately provide critical support to terrorist groups, in the form of money, weapons, training and intelligence.²⁷ Over the last 25 years, Pakistan's Inter Services Intelligence Directorate (ISI), the intelligence service of Pakistan and the Pakistani Army, both backed by the Pakistani government, have developed an elaborated nexus of terrorist apparatus and have assisted in their growth.²⁸ Both the Taliban and Pakistani terrorist group Lashkar-e-Taiba (LeT) provide good examples of such terrorist apparatus, as they have arguably worked and flourish under the sponsorship and protection of Pakistan. Nonetheless, Pakistan's role in the sponsoring of international terrorism needs to be presented in a balanced way, as explained below.

International State-Sponsored Terrorism', *Houston Journal of International Law*, Vol. 10 (1987), pp. 159-180.

²⁴ John A. Cohan, 'Formulation of a State's Response to Terrorism and State-Sponsored Terrorism', *Pace International Review*, Vol. 14 (2002), pp. 77-119.

²⁵ Daniel L. Byman, *The Changing Nature of State Sponsorship of Terrorism*, Saban Centre Analysis Paper, 2008.

²⁶ *Ibid.*, p. 8.

²⁷ Arjun Subramaniam, 'Challenges of Protecting India from Terrorism', *Terrorism and Political Violence*, Vol. 24 (2012), pp. 396-414.

²⁸ Byman, 'Changing Nature', p. 8.

Aided by the United States, Pakistan played an instrumental role in the creation and development of the Taliban on the political scene of Afghanistan in the 1990s.²⁹ At the height of the Cold War and the struggle for control of the Middle East and Central Asia, the United States and Pakistan recruited the *mujahideen* from, *inter alia*, Pakistan, Afghanistan and Saudi Arabia. The United States also supplied training and weaponry in order to fight the Soviets that had invaded Afghanistan.³⁰ This is how the Taliban became the main laboratory to prepare future Islamic *mujahideen* and how LeT was created.³¹

It has been argued that Pakistan and the ISI had a long strategic and mutually beneficial relationship with Osama bin Laden and his terrorist affiliates.³² On the one hand, it would have proven difficult for bin Laden to operate freely within the Pakistani borders and to use Pakistan as a base to conduct international terrorist operations without the ISI. On the other, bin Laden's relationship with ISI went beyond the Afghan movement, as he provided funding for the Pakistani-sponsored attacks within Kashmir and ultimately in India's large cities, such as Mumbai in 2008. While former Pakistani President Pervez Musharaf promised Pakistan would break its links to the Taliban after 9/11, it is unclear today whether ISI and the Pakistani Army continue to back the Taliban.³³

Additionally, Pakistan's sponsoring of terrorism in the Punjab and Kashmir has been part of the country's long-term foreign policy of securing the independence of Kashmir from India. During the period of British colonial

²⁹ Larry P. Goodson, *Afghanistan's Endless War: State Failure, Regional Politics, and the Rise of the Taliban* (University of Washington Press, 2001), pp. 111-118.

³⁰ 'Sleeping With the Devil: How U.S. and Saudi Backing of Al Qaeda Led to 9/11', online at <http://www.washingtonsblog.com/2012/09/sleeping-with-the-devil-how-u-s-and-saudi-backing-of-al-qaeda-led-to-911.html>, (last accessed 24/04/15).

³¹ Poonam Mann, 'Fighting Terrorism: India and Central Asia', *Strategic Analysis*, Vol. 24, No. 11 (2008), pp. 2035-2054.

³² Bruce Riedel, 'Pakistan and Terror: The Eye of the Storm', *The Annals of American Academy*, Vol. 618 (2008), pp. 32-45.

³³ Riedel, 'Pakistan and Terror', p. 15.

rule, Kashmir had developed its own mode of regional nationalism, which didn't easily fit into the national vision of India or Pakistan. At the time of India's independence from Britain in 1947, the Maharaja of Kashmir's decision to accede to India, which came with the promise of a plebiscite that never occurred, led to the movement for *azaadi*, or the movement for independence from the Indian State.³⁴ Consequently, the Indian state started pursuing a 'catch and kill campaign', through which Kashmiris were governed through force, not law, and were rejected as potential militants. The Indian state response to this complex social and political problem was, and still is, one of violence and repression, creating a culture of impunity.³⁵

As a result of India's repressive policies toward the Kashmiris and Pakistan's aspirations for accession of Kashmir, what began as a national, indigenous, secular movement for independence soon became a Pakistani-sponsored radical Islamist crusade to control Kashmir.³⁶ ISI, through its proxy networks such as LeT, Harkat-ul-Mujahideen (HUM) and Harkat-ul-Jihad-al-Islami (HUJI), provided money, carried out training and propaganda, and educated and indoctrinated Kashmiri militant groups within Pakistan and Afghanistan. By training operatives in Afghanistan, ISI could easily deny the Indian charges that Pakistan was sponsoring terrorist attacks.

It has been postulated that ISI is the main body channelling financial and material resources across the borders to *jihadi*-linked groups, protecting them from government counterterrorism measures and looking the other way as they recruit and raise money.³⁷ If this is the case, it would mean that ISI aims to fully control the *jihad*. As stated by a former

HUM militant, 'the moment ISI feels that the *jihadi* body is becoming powerful, it incites trouble in that party or tries to split it. Breaching the bigger groups by throwing money, arms and vehicles or by putting new leaders in the driving seats is their style'.³⁸ This sentiment is clearly reminiscent of Pakistan's political agenda to maintain power against India in the Kashmir Valley.

A potential long-term concern is the increasing number of Islamic religious schools, *madrassas*, which provide free education, food, housing and clothing.³⁹ When the United States and Saudi Arabia funnelled millions of dollars and weapons into Afghanistan in the fight against Soviet occupiers, the United States and Pakistani dictator Mohammad Zia-ul-Haq promoted *madrassas* as a way to recruit troops for the anti-Soviet war.⁴⁰ Following the withdrawal of the Soviets from Afghanistan in 1989 and the cessation of US aid to the *mujahideen* fighters, huge caches of arms remained with the Afghan Northern Alliance and the ISI, which were subsequently used to arm the *jihad*. With the *madrassas* considered an important supply line for the *jihad*, it is understandable how *madrassas* are seen as a catalyst to the *jihadi* expansion. Despite promises by Pakistan to control *madrassas*, their number has grown since 9/11 and few have registered with the government: in 2000, only 4350 of the estimated 40,000 to 50,000 *madrassas* in Pakistan had registered with the government.⁴¹ With many schools now being financed by wealthy Pakistani industrialists and countries such as Saudi Arabia and Iran, the Pakistani state has lost its control of the *madrassa* institution, rendering it even less controllable. With less state supervision, *madrassas* are now more prone to the preaching of violent versions of Islam.⁴²

³⁴ Helen Duschinski, 'Reproducing Regimes of Impunity', *Cultural Studies*, Vol. 24, No. 1 (2010), pp. 110-132.

³⁵ Haley Duschinski and Bruce Hoffman, 'Everyday Violence, Institutional Denial and Struggles for Justice in Kashmir', *Institute of Race Relations*, Vol. 52, No. 4 (2011), pp. 44-70.

³⁶ Jessica Stern, 'Pakistan's Jihad Culture', *Foreign Affairs*, Vol. 79, No. 6 (2000), pp. 115-126.

³⁷ Mann, 'Fighting Terrorism', p. 14.

³⁸ Ghulam Hasnain, 'Ready for Jihad', *Outlook*, Vol. 40, No. 37 (2000), pp. 34.

³⁹ Stern, 'Pakistan's Jihadi Culture', p. 19.

⁴⁰ Anita Demkiv, 'Pakistan's Fata, Transnational Terrorism and the Global Development Model', *Journal of Global Change and Governance*, Vol. 2, No. 1 (2009), pp. 1-20.

⁴¹ Stern, 'Pakistan's Jihadi Culture', p. 19.

⁴² Ashok K. Behuria, 'Fighting the Taliban: Pakistan at War with Itself', *Australian Journal of International Affairs*, Vol. 61, No. 4 (2007), pp. 529-543.

Involvement in the financing of terrorism doesn't come without a cost. One of the costs of 'outsourcing' terrorism to militant groups for Pakistan is that it now faces a typical principal-agent problem: the agenda and interests of Pakistan (the principal) and those of the non-state actors (the agent) are not fully aligned anymore. Some terrorist groups have ties to a wide range of *jihadists* who, in addition to serving Pakistan's interests in Kashmir, are also engaged in other struggles, some of which are directed against the government of Pakistan.⁴³ A recent example of this backlash is the Pakistani Taliban attack on the Army Public School in Peshawar, Pakistan in 2014, which claimed 140 lives, 132 of them children. This attack showed the Pakistani government's shortcomings in its fight against terrorism, attacked by a group that it inadvertently helped create, underscoring the urgent need for a new anti-terror strategy.⁴⁴ Pakistan's leadership has since agreed on a comprehensive anti-terrorism action plan, which includes the establishment of special courts to expedite the trials of terror suspects and a 5000 strong counter-terrorism force.⁴⁵

Is Pakistan's new counter-terrorism strategy too little, too late? Caught between the need to protect itself against an internal enemy and having to partner with militant forces to fight external threats, positive results in the fight against terrorism may be limited. Pakistan's anti-terror strategy is rife with such contradictions.

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Part III: Kidnapping for ransom in the Philippines

Samuel A. Smith

The international community has been relatively successful in restricting terrorist financing, so terrorist organisations have turned to alternative means to fund their organisations.

⁴³ Byman and Kreps, 'Agents of Destruction', p. 1.

⁴⁴ Zachary Laub, 'Behind Pakistan's Taliban War', *Council on Foreign Relations*, 17 December 2014.

⁴⁵ RT, 'Pakistan Agrees on New Terrorism Plan, Pledges to "Eradicate Taliban"', *RT*, 25 December 2014.

The Abu Sayyaf Group (ASG) is currently one of the most prominent terrorist organisations in the Philippines and Southeast Asia and is but one example of a terrorist organisation that engages in kidnapping-for-ransom (KFR) activity. The ASG's KFR activity is believed to stem from past organisational devolution and finance restrictions. The ASG's penchant for kidnapping suggests that the group is more interested in personal wealth and material gain than political ends.

Terrorist groups, like any other type of organisation, require funding to maintain their operations. There are numerous methods that allow terrorist groups to generate cash flow. One such method is kidnapping-for-ransom (KFR), which has become increasingly popular amongst terrorist groups around the world.⁴⁶ In a speech made at Chatham House in London, David Cohen, Secretary of the U.S. Treasury Department, described KFR as a 'serious threat' and estimated that terrorist organisations have earned approximately \$120 million in ransom payments between 2004 and 2012.⁴⁷ KFR is becoming more transnational in character, with one study estimating that there has been a 275 per cent increase in kidnappings of foreign nationals in the decade preceding 2008.⁴⁸

Kidnapping activity, whether used as a political tool or for economic extortion, is useful in understanding a terrorist organisation's ideology and *modus operandi*. The kidnapping-for-ransom activity by the ASG suggests that economic goals are the preference of its members. This inclination leaves the group bereft of any real drive towards the goal of liberating the Moro Muslim people.

⁴⁶ M. O'Brien, 'Fluctuations between Crime and Terror: The Case of Abu Sayyaf's Kidnapping Activities', *Terrorism and Political Violence*, Vol. 24, No. 2 (2010), p. 320.

⁴⁷ D. Cohen, 'Remarks by Treasury under Secretary Cohen: "Kidnapping for Ransom: The Growing Terrorist Financing Challenge"', *Primary Sources*, Council of Foreign Relations, 2012.

⁴⁸ M.K.N. Mohamed, 'Kidnap for Ransom in South East Asia: The Case for a Regional Recording Standard', *Asian Criminology*, Vol. 3 (2008), p. 62.

It is necessary to first discuss the nature of kidnapping-for-ransom and the issues aligned with the statistics documenting its activities. The criminological concept of the 'dark figure of crime' refers to criminal offences that are unobserved and/or unreported, consequently leaving the true figure of crime unknown.⁴⁹ KFR does not escape the 'dark figure of crime'. One study estimates 12,500 to 25,000 incidents occur globally each year, with only 10% of these kidnappings actually reported.⁵⁰

Explanations for this vary. Sometimes victims and their families are coerced into silence. Sometimes the payment of the ransom is usually seen as a better option. Some reports approximate that only 11 per cent of kidnapping victims are released without payment. However, when payments are made, around 40 per cent are released unscathed.⁵¹ KFR is double-pronged: terror is instilled during the kidnapping and subsequent negotiations, and any monetary gain made from the hostage taking may be put to further terror-related activities. KFR is also understood to be cyclical, as successful ransom payments create a stronger incentive to conduct further operations.⁵²

There have been a substantial number of reported kidnappings conducted by the Abu Sayyaf Group (ASG) in the Philippines which indicate the behavioural trends of the group, such as the tendency to drift between terrorist and criminal activity.⁵³ When the group formed in the early 1990s, it was ideologically driven and sought to liberate the Moro Muslim population in the southern Philippines and in Southeast Asia more broadly.⁵⁴ The ASG initially degenerated into bandit factions after suffering leadership decapitation through the killing of its spiritual leader Abdurajak Abubakar Janjalani in 1998.⁵⁵ Janjalani's younger

brother unsuccessfully attempted to reunite the fragmented organisation from 2002 until his death in 2006.⁵⁶ The ASG lost its ideological drive, and any radical Islamic elements are arguably only superficial; a legacy of ASG's previous Islamic nationalist and separatist views.⁵⁷ It is debated whether the ASG still actively seeks to achieve its former ideological goals today. Experts claim that there are only a few individuals who are pushing for Islamist goals and these individuals lack any sort of power or leadership within the organisation.⁵⁸

After the Philippine government cut off external funding to the group through counterterrorism measures beginning in 2006, the group reorientated themselves toward the pursuit of criminal activity for financing.⁵⁹ The ASG has grown particularly fond of using KFR as their primary source of income, alongside other illegal activities such as the selling of counterfeit goods, narcotics, and serving as bodyguards for local politicians.⁶⁰ The ASG is believed to have earned \$35 million in a 16-year period between 1992 and 2008 from kidnapping activity.⁶¹ In 2010, the ASG received around \$704,000 in ransom payments from a mere 11 kidnappings.⁶² During these kidnappings, the ASG did not apply any serious pressure on the Philippine government.⁶³ Zac Fellman, a researcher for the Center for Strategic and International Studies, suggests that the execution of hostages appears to only occur when the ASG fails to receive payment in exchange for hostages.⁶⁴

The ASG has conducted kidnappings since its formation in the early 1990s. However, the frequency of kidnappings grew dramatically after Janjalani's death in 1998, when a power

⁴⁹ P. White and S. Perrone, *Crime, Criminality and Criminal Justice* (Oxford University Press, 2010), p. 27.

⁵⁰ F. Zuccarello, 'Kidnapping for Ransom: A Fateful International Growth Industry', *Insurance Journal West*, June 2011.

⁵¹ Ibid.

⁵² Cohen, 'Kidnapping for Ransom'.

⁵³ O'Brien, 'Fluctuations', pp. 327-329.

⁵⁴ Ibid., p. 322.

⁵⁵ Ibid., p. 328.

⁵⁶ Ibid., p. 329.

⁵⁷ R.C. Banlaoi, 'The Sources of the Abu Sayyaf's Resilience in the Southern Philippines', in *CTC Sentinel*, Vol. 3, No. 5 (2010), pp. 17-19.

⁵⁸ Ibid., p. 19.

⁵⁹ Z. Fellman, 'Abu Sayyaf Group', in *Homeland Security & counterterrorism program transnational threats project*, case study number 5, Centre for Strategic & International Studies, 2011, p. 2.

⁶⁰ Banlaoi, 'Abu Sayyaf's Resilience', p. 19.

⁶¹ O'Brien, 'Fluctuations', p. 321.

⁶² Fellman, 'Abu Sayyaf Group', p. 7.

⁶³ Ibid., p. 6.

⁶⁴ Ibid., p. 6.

vacuum saw bandit leaders rise to power.⁶⁵ While there was only one recorded incident of kidnapping for ransom in 1997, this number later jumped to 140 people being ransomed in 2000 and 2001.⁶⁶ This dramatic spike can be attributed to the lack of a strong ideological leader to steer efforts towards political and religious objectives.

Kidnapping activity quietened down after 2002, when the younger Janjalani attempted to control the fragmented group.⁶⁷ Since another loss of leadership in 2006, there have been two dramatic increases in KFR activities by the ASG: one increase took place in 2008 and another 2013.⁶⁸ During KFR hostage situations, the ASG failed to apply pressure on the government to change policies or release fellow terrorists from prison, focusing instead on the demand for funds.⁶⁹

The ASG's main recruiting pool is from disadvantaged and marginalised youths from impoverished areas of the southern Philippines.⁷⁰ There are some instances of Muslim parents volunteering their sons to fight with the ASG for a monthly payment of rice worth around \$200.⁷¹ This reinforces the theory that ASG membership is determined by economic needs rather than political radicalisation. If material and financial incentives are the main motivator for the ASG to continue functioning, increasing legitimate economic opportunities for the population in the Philippines and Southeast Asia would theoretically greatly shrink ASG's recruitment pool.

Overall, ASG's organisational fragmentation and lack of a strong religious leader to provide direction for its Islamist agenda have led to its descent into a financially motivated criminal organisation without political goals. This, in combination with further restrictions on other

traditional terrorist financing institutions and the *hawala* informal money transfer system coming under inquiry, has led to the surge of KFR activity. This is likely to continue as long as drivers for ASG recruitment remain.

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Part IV: Charities and terrorism in the Middle East

Drew Alyeshmerni

In Judaism, it's *tzedakah*. In Islam, it's *zakat*. In Christianity, it's tithing. Each major religion sees the importance of giving charity, whether for the sake of doing good or as a religious obligation. Other influences on an individual's propensity for charitable donations include political affiliation, religion, race, sexual orientation, country of origin, interests or concerns.

Charities provide local or international assistance and are often regulated by government entities such as the Internal Revenue Service in the United States and the Charity Commission in the United Kingdom. These organisations try to make sure that charities operating in conflict zones do not have ties to terrorism. Nevertheless, charities have diverted money towards terrorist groups in the Syrian Civil War and in the Israeli-Palestinian conflict.

Due to the large number of local and international organisations raising funds for Syrian relief efforts, the Charity Commission issued an alert in April 2013 titled 'Safer Giving Advice for Syria'.⁷² Their concerns have proved prescient. In February 2014, British citizen Abdul Waheed Majid joined an aid convoy heading to Aleppo with the Birmingham-based 'Children in Deen' organisation. While in Syria, he abandoned his convoy, joined the Al Qaeda-linked al-Nusra Front, and drove a truck full of explosives into a prison wall. His suicide

⁶⁵ O'Brien, 'Fluctuations', p. 328.

⁶⁶ Fellman, 'Abu Sayyaf Group', p. 3.

⁶⁷ O'Brien, 'Fluctuations', p. 328.

⁶⁸ National Consortium for the Study of Terrorism and Responses to Terrorism, START, Global Terrorism Database, 2014, online at <http://www.start.umd.edu/gtd>>

⁶⁹ O'Brien, 'Fluctuations', p. 321.

⁷⁰ Ibid., p. 330.

⁷¹ Ibid.

⁷² The Charity Commission is responsible for registering eligible charitable organisations in the United Kingdom and investigating cases of malpractice or misconduct by charitable organisations. See <https://www.gov.uk/government/organisations/charity-commission/about>.

mission – partially funded by unsuspecting individuals' charitable contributions – caused dozens of civilian deaths and allowed hundreds of dangerous prisoners to escape.⁷³

Events such as Majid's suicide mission have sparked great concern over the destination of funds raised by charities who claim to be doing humanitarian work but are actually directly or indirectly supporting terrorist groups. Since February 2014, the Charity Commission has opened an investigation into 86 aid groups suspected of supporting extremists, including 37 charities involved in providing aid to war-torn Syria.⁷⁴ In addition to Children in Deen, these charities include Aid Convoy, Syria Aid, and Al-Fatiha Global. The investigations are still underway and dozens of other charities are being monitored for their fundraising activities in the UK.

The phenomenon of using charities as funding fronts for terrorist activities is not new. After the September 11 attacks the United States government initiated the Terrorist Finance Tracking Program (TFTP) in order to identify, track and pursue terrorist groups' sources of funding.⁷⁵ Through the TFTP, the US government has uncovered and shut down over 40 designated charities used as Potential Fundraising Front Organisations, or PFFOs.⁷⁶ In August 2010 the US entered a TFTP agreement with the European Union.⁷⁷ This

⁷³ Sophie Evans, 'Investigation Launched into Birmingham Charity Used by "British Suicide Bomber" to Travel to Syria and Carry out Attack,' *Mail Online*, online at

<http://www.dailymail.co.uk/news/article-2571460/Children-Deen-used-British-suicide-bomber-travel-Syria-carry-attack.html>

⁷⁴ Tim Ross et al., 'Charity Commission: British Charities Investigated for Terror Risk,' *The Telegraph*, online at <http://www.telegraph.co.uk/news/worldnews/islamic-state/11203569/Charity-Commission-British-charities-investigated-for-terror-links.html>

⁷⁵ 'Terrorist Finance Tracking Program (TFTP),' *U.S. Department of Treasury*, online at <http://www.treasury.gov/resource-center/terrorist-illicit-finance/Terrorist-Finance-Tracking/Pages/tftp.aspx>

⁷⁶ 'Protecting Charitable Organisations – E,' *U.S. Department of Treasury*, online at http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-e.aspx

⁷⁷ 'Terrorist Finance Tracking Programme,' *European*

agreement enables the sharing of intelligence between the US and the EU, although there are limits to the efficiency of the US in preventing the flow of funds to terrorist organisations. Prime examples of these limits are the attitudes and actions by other countries against organisations such as Hamas, a US-designated terrorist organisation that operates throughout the Levant, Israel, and the Palestinian territories.

Charitable organisations identified as PFFOs for Hamas in the US are not designated as such in the EU and UK. One such organisation is Interpal, the Palestinian Relief and Development Fund. Interpal, a UK-based charity, is allegedly designed to hide the flow of money to Hamas.⁷⁸ According to the US Treasury, Hamas raises tens of millions of dollars per year throughout the world by using charitable fundraising as a cover.⁷⁹

While Hamas supports a wide array of humanitarian projects in the West Bank and Gaza Strip, their work is also a primary recruiting tool for the organisation's military wing,⁸⁰ which is responsible for carrying out acts of terrorism against Israel. These include the June 2014 kidnapping and murder of three Israeli teens, the firing of 11,000 rockets since 2005 upon southern Israel's civilians, and the use of cross-border tunnels to carry out attacks within Israel. In stark contrast to the findings of ongoing investigations into organisations feared to be funding terrorist operations in Syria, the UK's Charity Commission claims that Interpal does not support terrorism and terror groups.⁸¹ Additionally, the EU has actually removed Hamas from its list of designated

Commission, online at http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/crisis-and-terrorism/tftp/index_en.htm

⁷⁸ 'Protecting Charitable Organisations', online at http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-i.aspx

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*

⁸¹ 'UK Charity Commission: Interpal not Supporting Terror Groups,' *Charity and Security Network*, online at http://www.charityandsecurity.org/news/UK_Charity_Commission_Interpal_Not%20Supporting_Terror

terrorist organisations.⁸²

What is the effectiveness then of the Charity Commission's policy aimed at eradicating the abuse of charitable organisations by Syrian-based terror groups when potential fundraising front organisations for other groups such as Hamas, still considered a terrorist organisation in countries such as Egypt and the United States, are allowed to freely operate on British and European soil?

In the case of Hamas and Interpal, the joint EU-US TFTP agreement and system checks erected in the UK's Charity Act of 2006 to audit charities suspected of abuse are proving to be tools influenced by public opinion surrounding the political climate on any given day. In the case of the few dozen Syrian-linked charities in the UK being investigated by the Charity Commission, one has to wonder if the only reason they are being investigated is because of the intense publicity surrounding events that relate Syria to Britain, like Majid's suicide mission, the beheading of a British aid worker, and the migration of 500 British jihadists to the Islamic State. Would those charities have even been flagged for review if not for these events? And if not for these events, would the Islamic State or the al-Nusra Front have been considered terrorist organisations, or would they have been considered nationalist liberation organisations for the Sunnis of the Middle East, much like Hamas for the Palestinians? The point is that public opinion seems to influence the policy of those organisations charged with investigating charities suspected of funding terrorist groups.

After exploring these two different cases in Syria and Palestine, we must ask ourselves the following questions: how far are the policies used to oversee and investigate charities indeed founded on justice, or are they simply based on political interest and public opinion? Is it important for individual donors to do their due diligence when determining where to make their international charitable contributions, or must donors simply put their trust in

governmental bodies that may potentially be influenced by politics and public opinion?

In order to ensure that charitable contributions go directly to the cause individuals care about, it is certainly advisable to dig a little deeper in researching the charities concerned. Other countries' information on charities to should be carefully examined, considering whether there is a correlation between the activities of such charities and the operations of terrorist organisations. Unless individual citizens do the necessary research, they may unwittingly be supporting a cause other than the one they intended.

⁸² 'EU court takes Hamas off terrorist organisations list,' *BBC*, online at <http://www.bbc.com/news/world-middle-east-30511569>