

REGIONAL SECURITY

TERRORISM TODAY: HOW IT IS FINANCED

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The globalizing world is encountering non-traditional forms of conflict with increasing frequency. These forms of conflict are often characterized by “the power of the weak,” that is, by the ability of the aggressive minority to terrorize the “big” countries and call the shots. Terrorism is becoming an active way for various political forces to fight for power and influence. “Terrorism is the way people choose to fight who do not have and do not see the possibility of having a legitimate and legal way of declaring their interests and defending them. In this sense terrorism is eternal and the struggle against it, or, to be more precise, the efforts to prevent it, should be concentrated primarily in the socioeconomic sphere. We need to recognize the profound crisis in which contemporary civilization finds itself and to search for new ways to structure and develop it.”¹

Whereas until recently international terrorism was understood as a various transborder organizational phenomena, frequently not interlinked, but

interactive at the international level, at present, as it becomes increasingly in tune with the meaning of its name, it is turning into an organization with a single control center. In October 2003, six terrorist groups announced they were joining to form the Qa’eda al-Jihad (Jihad Base) organization and declared war on “Zionism and crusaders.” This terrorist “international” comprises al-Qa’eda, the Egyptian Jihad, the Yemen Jihad, the Aden-Abyan Army, the Saudi Ahfad Al-Sahaba and the Algerian al-Jama’a al-Salafiya al-Daawa. Al-Muatazz Al-Yamani was elected the leader of the new alliance.²

Terrorists today have drawn conclusions from the bitter lessons of the past, whereby their dependence on sources of financing, primarily on sponsor states, was their most vulnerable spot. For a variety of reasons, these states soon stopped protecting terrorists, curtailed their financing, and even surrendered them to other countries. So terrorist organizations began looking for ways to become independent and finance themselves.

¹ O.A. Belkov, “Mezhdunarodniy terrorism—slova i smysly,” *Vlast*, No. 2, 2002, p. 24.

² Analytical Reference of the CIS Antiterrorist Center for October 2003.

An important feature of terrorism today is its well-structured and organized nature. On 9/11 in the U.S., terrorists demonstrated how highly professional they were at planning, preparing, and carrying out large-scale terrorist acts. For example, they were able to create reliable rear support, including in other states, build global, regional, and national systems for financing their acts, set up channels for the easy conveyance of weapons and ammunitions, organize combat training centers and camps, and create mechanisms for cooperating with similar organizations.

In this way, terrorism today has turned into a completely self-sufficient force with its own interests. First, it has created a perfect military-political organization, the main advantage of which is its financial independence. Second, its network structures in different countries are financed through sophisticated channels, which makes it hard even for the world's leading special services to expose them. Terrorists make active use of the latest technology—offshore Internet banks, in which they have created monetary support and information transfer systems that are difficult to detect. Third, they do not stop at any form of criminal activity to ensure the financial and material support of their organizations. During the Cold War, political terrorism usually did not engage in other kinds of criminal acts, but today it has become an extremely profitable worldwide business with a developed “labor market” and appropriation of capital amounting to billions of dollars (weapons trade, drug smuggling, and so on). For example, during the war in former Yugoslavia, the Croatian and Albanian forces were sent annual deliveries of weapons and military hardware totaling more than 2 billion dollars. The main flow of drugs also reaches the world markets through the active zone of terrorist groups.

It is difficult to expose sources and channels of financing because funds are gathered through third persons or organizations that function under plausible covers. At this level, it is essentially impossible to expose the true intentions of both the sponsors and the sponsored organizations.

The military achievements of the U.S. and their allies in Afghanistan and the continuous onslaught of the antiterrorist coalition forces on the Taliban and al-Qa'eda's military and financial structures have caused them to lose their foothold in the country and be deprived of a significant part of their monetary and personnel resources. Between 11 September, 2001 and November 2003, the assets of terrorists (more than 200 million dollars) were frozen in 148 countries of the world and more than 1,400 bank accounts belonging to 300 associated organizations were arrested.³ As a result of these measures, they had to renege on some major campaigns and resort mainly to ineffective, but frequent, “demonstrative” incursions.

But their organizations are gradually restoring the channels of financial and political support and continuing to procure and send money to their activists, using the most sophisticated methods for this, which is particularly evident from the recent activity of the Taliban movement.

It will not be possible to completely eradicate terrorism in the near future, particularly since we have no mechanism to adequately protect us from it. But the threat can be minimized by cutting off its financial support. This is an urgent problem requiring an urgent solution. It is not a case of exposing and preventing specific acts, but of intercepting all terrorist activity.

³ See: *Washington ProFile*, 19 September, 2003.

Where the Money Comes From

Terrorist organizations are born and thrive on money, weapons, and a reliable place to hide. Their subsequent healthy development requires time, space, and (again) money to reproduce and build their human and material resources. Financial resources are used for the following purposes:

- creating a material and technical base (computer support, state-of-the-art communication means, transportation, the latest weapons);
- recruiting new members;
- military training of shock teams and mercenaries;

- preparing and carrying out terrorist acts;
- ensuring support of the organization's members in the regions and abroad ("sleeping" (secret) agents are trained, wait for the command, but do not know what assignment they will be given and are always ready to act);
- carrying out social campaigns with the aim of luring sympathizers onto their side (building hospitals, schools, hostels; financial aid to the needy);
- PR campaigns in the mass media to give their organizations the image of fighters for freedom, justice, and the protection of public interests.

According to official data from the PRC, "the terrorist forces led by bin Laden have given much financial and material aid to the 'East Turkistan' terrorists."⁴

Access to weapons also implies a network of training centers with qualified personnel. Special-profile experts are needed to train terrorists and diversionists, who can only be found in state defense and security structures.

A reliable place to hide also means sponsor states that provide the necessary conditions for terrorists in their own country and beyond it. According to western experts Kazimir Kowalski, Joseph P. Cangemi, Robert Lukabo, and G. Edward Fuqua, terrorists today are trained militarized groups with their own military bases who receive support from nations and governments.

Today's terrorist organizations are financed by foreign and domestic resources through a widespread infrastructure of sources. Self-financing is achieved with the help of domestic sources—revenue from legal activity, as well as from semi-legal and criminal structures. Foreign sources also constitute quite a large percent: aid from sponsor states, money injections from religious, humanitarian, charity, and other organizations, as well as from well-to-do individuals, and the targeted collection of donations, which are largely made through particular religious and social groups in countries in the West and Middle East.

Almost all the well-known experts on terrorism are unanimous in their opinion that it is very difficult to trace the financial channels used by terrorists.

Sponsor States

The financial independence of today's terrorists does not mean that they refuse help from countries that offer it. Quite often sponsor states offer them money, weapons, and their territory, and create all the necessary conditions for them to function. According to a version by the U.S. State Department, terrorism today is supported by seven countries: Iraq, Iran, Cuba, Libya, North Korea, Syria, and Sudan. Despite pressure from the United States, these countries are not taking (or have not completely taken) the measures necessary for completely breaking their ties with terrorists.⁵

It is convenient for terrorists to have a sponsor state since this spares them the task of looking for the money to implement their dastardly deeds, but this contact is also their Achilles' heel. First, their financial dependence turns them into a policy tool for sponsor states. This is shown in particular by Libya and the Palestinian organizations, as well as by well-known terrorists, such as Abu Nidal, Ahmed Jibril, Ilich Ramirez Sanchez (a.k.a. Carlos the Jackal). In their search for patrons, they changed countries and sometimes even their convictions.

Second, under pressure from other state or international sanctions, sponsor countries stop supporting their "sponsees," evict them, and at times even surrender them to the other side. (For example, the government of Sudan handed Carlos over to France where he was sentenced to life imprisonment.) So terrorists today are looking for independence, including financial.

⁴ "East Turkistan" Terrorist Forces Cannot Get Away with Impunity, Information Office of the State Council Monday, 21 January, 2002, p. 22.

⁵ [<http://usinfo.state.gov/>].

It is interesting to note that on the recommendation of Osama bin Laden, Taliban leader Mullah Omar did not begin building an Afghan state, in particular, he stopped convening the Kabul Council, which was performing the role of the country's government. "Mullah Omar, it appears, has made his choice between building an Afghan state and accepting the theses of bin Laden, according to which, until the Muslim community as a whole is subjected to repression, there is no need to create an Islamic state in an individual country. Internationalism holds sway over nationalism."⁶

We believe that Osama bin Laden did this deliberately. If a state is created in Afghanistan, the world community would be able to put political, diplomatic, and other pressure on its government to hand over "terrorist No. 1," and eliminate the terrorist training bases and camps. If viable, the Kabul Council could also be influenced in some way. For this reason, the U.S.'s frequent demands to evict Osama bin Laden from Afghanistan, reinforced by international sanctions against the Taliban, fell on deaf ears. Mullah Omar simply ignored them.

Talking about sponsor countries, it should be noted that accusations of backing terrorism are frequently used for political purposes. For example, O. Schröm, a German journalist, describes an incidence when Ronald Reagan's presidential administration officially accused the Soviet Union of participating in a special-purpose program for training international terrorists and rendering them assistance, including supplying them with weapons. A book by Claire Sterling called *The Terror Network. The Secret War of International Terrorism* was taken as the basis for these assertions. But an experts' examination of the information in this book carried out by CIA agents showed that several western special services gave the journalist false facts for the purpose of disinformation.⁷

Individuals and NGOs as Sponsors

Money can come as help from the diaspora, like-minded supporters, and religious groups abroad (for example, people from Northern Ireland living in the U.S. who support the Irish Republican Army). According to some data, descendents of people who emigrated from the Ferghana Valley, some 700,000 Saudi Uzbeks and approximately 2 million Afghan Uzbeks, make up one of the financial sources of the Islamic Movement of Uzbekistan (IMU). An organization like al-Qa'eda receives much of its money from wealthy private foundations and individuals from oil-producing countries. According to the estimates of experts, in the CIS, religious extremists and terrorists are helped by some 60 international Islamic organizations, more than 100 foreign companies, and dozens of banking groups. A. Malashenko, an expert from the Moscow Carnegie Center, believes that the situation in Chechnia has developed due to solidarity "between the Chechen separatists and international Islamic organizations, such as Tayba, the Saar Foundation, Al-Igasa (with headquarters in Saudi Arabia), al-Qa'eda, Muslim Brothers, the Kuwait Social Reform Society, the Palestinian Hamas group, the Qatar Charity Society, the Algerian Al-Jama'a al-musallyaha (Armed Community), and others."⁸

According to the Russian Federal Security Service, the key structure involved in the unofficial financing of mercenaries and extremists in Chechnia, as well as of the Wahhabis in Daghestan, is the international Islamic organization, Al-Haramain, which has its headquarters in Riyadh and the general director of which is sheikh Aqeel Bin Abdul Aziz Al-Aqeel. It was created to support the mojahideen in Afghanistan; since 1997 it has been actively financing the Daghestani Wahhabis, who are trying to overthrow the constitutional structure and create a "great Islamic state" in Chechnia and Daghestan and secede from Russia. It has branches in Georgia and Azerbaijan, and in recent years it has also been illegally operating in Russia. Under the guise of an international charity organization, it carries out reconnoitering

⁶ O. Roy, "Kriegsziel erreicht? Bin Laden bewirkt den Untergang der Taliban," *Internationale Politik*, No. 12, December 2001, p. 55.

⁷ See: O. Schröm, *Pod teniu shakala. Carlos i zachinateli mezhdunarodnogo terrorisma*, Ai-Erkin, Bishkek, 2002, pp. 207-208.

⁸ See: *Internationale Politik*, No. 3, March 2002, p. 67.

and insurgent activity against Russia. This structure created the Chechen Support Foundation, the employees of which supply gangs with weapons, food, and medication from the border regions, pay the mercenaries fighting on the side of the extremists, and control the money supposedly spent on “religious undertakings and celebrations.” The emissaries of Al-Haramain are citizens of the Kingdom of Saudi Arabia and can be found among the warlords.⁹

Among the sponsors of the IMU are representatives of well-known religious and political organizations, such as Muslim Brothers, Hezbollah, and Hizb ut-Tahrir, as well as small groups and individuals in Afghanistan, Iran, Pakistan, Saudi Arabia, Sudan, Turkey, and other countries. Analysts in Uzbekistan claim that the head of the Turkish Refah (Welfare) party, Necmettin Erbakan, who was once even prime minister of Turkey, gave Tohir Yoldosh, head of the IMU, \$100,000 in 1997. And acting under the protection of Erbakan in Germany (Cologne), a commercial organization of Turkish emigrants, Millii guruh (National Revival), signed a contract the same year with Tohir Yoldosh on the purchase and gratuitous transfer to the IMU of weapons costing hundreds of thousands of dollars.¹⁰ The supreme court of Uzbekistan established that the activity of the militants who organized the explosions in Tashkent on 16 February, 1999 was financed by Tohir Yoldosh, who allotted \$920,000 for this purpose.¹¹ Some Uzbek experts are saying that official Tashkent’s information is not objective, but unfortunately do not have their own version to offer.

The author of the article “Kto razygryvaet kozyrniu kartu very...” (“Who is Playing the Trump Card of Faith...”) states that the flow of money going to the Islamic extremists in the Ferghana Valley comes from England and the U.S. “This is where all the largest centers of the aggressive Muslim organizations are located.”¹²

According to the data of Kyrgyzstan’s special services, in 2003 the IMU received \$400,000 from international sponsors to shift the conflict from Afghanistan to Central Asia. Experts claim the involvement of some members of this organization in the explosions at the Oberon market in Bishkek at the end of 2002 and in Osh at the beginning of 2003.

Charity organizations are exempt from taxes and camouflaged by humanitarian campaigns gather and can transfer large sums of money to whomever they want. As a rule, for this purpose, they use Islamic banks. It is believed that Islamic banks are manipulated, frequently unbeknown to themselves, by such humanitarian organizations as Afghani Hezb i-Islami, the Committee of Charity and Solidarity in France, and the Islamic Relief Agency and Let’s Save Bosnia Today in the U.S.

Based on the data received from informed officials in the U.S. administration, on classified documents (including those presented by agents of the American special services, which they found on Abu Zubeyda, one of Osama bin Laden’s closest associates, who they caught on 28 March, 2002 in Pakistan) and on the results of his eighteen months of research Gerald Posner, author of the best seller *Why America Slept: The Failure to Prevent 9/11*, came to the following conclusion: three members of the Saudi royal family, as well as an air force marshal, one of the former Pakistani intelligence directors, Mushaf Ali Mir, were involved in financing al-Qa’eda operations, in particular the 9/11 terrorist act.

On 15 August, 2002, 600 relatives of the 9/11 terrorist act victims, as well as of the firemen and rescue team members who were killed, who founded an association called Families United to Bankrupt Terrorism, made civil appeals in American courts against the three Saudi princes. Among them were Sultan bin Abdul Aziz Al Saud (minister of defense and aviation), Turki Al-Faisal Al Saud (former head of the General Intelligence Service), and Muhammad Al-Faisal Al Saud (head of three foreign banks). What is more, this list also featured eight Islamic charity organizations, as well as several Saudi companies accused of financing al-Qa’eda. The claims against these physical and legal entities filled a total of 259 sheets of paper. On the same day, the District Court of the District of Columbia accepted the appeal for review. In the event of a positive verdict (a total of tens of billions of dollars), certain Saudi assets in the U.S could be arrested.¹³

⁹ See: *Komsomol’skaia pravda*, 27 June, 2000.

¹⁰ See: Said Burhoniddin Qilich, “‘Islamskoe dvizhenie Uzbekistana’: khronika prestuplenii” [www.stability.uz].

¹¹ See: *Slovo Kyrgyzstana*, 10 June, 1999.

¹² *Pravda*, 28 July, 2000.

¹³ [http://news.findlaw.com/cnn/docs/terrorism/burnettba81502cmp.pdf].

Incidentally, the mentioned princes still deny all the accusations against them, emphasizing (as for example the richest of them, al-Waleed bin Talal, did in the name of the entire royal family) that the accusations were preposterous and that the appeals essentially stood no chance of being satisfied.¹⁴ But according to reports in the western mass media (in particular *Financial Times*), the Saudi oligarchs have begun withdrawing their money from the U.S.

Revenue from Legal Activity

In this respect, spheres that permit rapid capital turnover are the most attractive (banking transactions, commerce, the restaurant business, construction). International terrorists are forming their own production enterprises, financial structures (for example, the Bank of Credit and Commerce International—BCCI, investment concerns, foundations), construction and transportation companies, agricultural farms, lumber businesses, and so on.

Most of these enterprises belong to members of terrorist organizations, as well as their like-minded supporters. The revenue of enterprises for mining diamonds and precious metals in the Congo and Sierra Leone, a fishing company and ostrich farm in Kenya, export-import companies in Great Britain, Kenya, Luxembourg, Russia, the U.S, Germany, and other countries, commercial ships (from 23 to 80) and freight planes all goes to al-Qa'eda's independent financing. Some sources have it that Osama bin Laden also uses the honey business in Yemen and other Middle East countries to transport drugs, cash, and weapons. As for the IMU's sources of financing, the chairman of its political divan (council), Tohir Yoldosh's deputy on religious questions, Zubair ibn Abdurahman, stated that "we have our own enterprises, including in Tashkent, and they are helping us."¹⁵

Use of the Banking System

Dirty money is laundered through the banking system in the interests of terrorists. This mainly works by means of transactions through Islamic banks using the "double accounting system." The large amount of assets in thousands of accounts belonging to terrorists testifies to the degree of infiltration in this area. Western experts, in particular, Roland Jacquard, the president of the Paris-based International Observatory on Terrorism and the Center for the Study of Contemporary Threat Factors, have information that Osama bin Laden and his associates started using the banking system of former Soviet Muslim republics for transferring significant amounts of money.¹⁶

Due to the increase in the price of oil at the beginning of the 1960s, the countries that produced it needed to invest their oil dollars in the world economy, which they wanted to do by bypassing the western financial structures. The idea of creating a system of Islamic banks was proposed by King Faisal of Saudi Arabia in 1964 at the first meeting of the Organization of the Islamic Conference (OIC). In 1975, the Islamic Development Bank (IDB) was opened in Jiddah with a total capital of 2 billion Islamic dinars (1 dinar was equal to 1 standard unit of the European communities).¹⁷

The system of Islamic banks is extremely rich in deposits. But not one of its banks is among the ten largest in the world, and was never used to deposit the assets of oil-producing countries. Roland Jacquard thinks the reasons for this are partly the fact that the world economy, primarily the United States, would

¹⁴ See: *Nezavisimaia gazeta*, 5 September, 2003.

¹⁵ Radio Azattyk, 8 June, 2001.

¹⁶ See: R. Jacquard, *In the Name of Osama Bin Laden: Global Terrorism and the Bin Laden Brotherhood*, Duke University Press, Durham, 2002.

¹⁷ See: *Vostok/Zapad: Regional'nye podsystemy i regional'nye problemy mezhdunaronykh otnoshenii*, Textbook, ed. by A.D. Danilevskiy. Moscow State Institute (University) of International Relations, Rossiiskaia politicheskaiia entsiklopediia Publishers (ROSSPEN), Moscow, 2002, p. 276.

never agree to the mass drainage of Arabian deposits, and Saudi Arabia would never dare oppose the U.S. or even other western banks in this delicate matter. Due to this ambiguous and timid stance by Saudi Arabia, the Islamic banks are restricted to the status they have today: wealthy and financially powerful banks which almost always lurk in the shadows of the international financial markets.¹⁸

The West's complicated attitude toward these financial structures can also be seen in the example of the well-known bank, Dar al Mal al Islami (DMI), and a branch of the Faisal Islamic Bank Group. With an initial capital of 315 million dollars, DMI and its investment societies turned over billions of dollars on the international financial markets. They wanted to use their Geneva Office as a bridge to the western world, but this was not welcomed by the authorities in European countries. However, the African continent threw its doors wide open to them.

The relatively isolated position of these banks forces them to look for other ways to survive. In most cases, along with their main deposit functions, they are creating currency exchange shops, through which the money of shadow structures and gains received on the black market are changed into hard currency. These enormous amounts of course slip past the classical banking system.

This unenviable status of the Islamic banking sector in the world very much suits international terrorists, who find it hard to adapt to the tough control and declaration system of the international financial structures. (Western banks as a rule do not permit a single transaction with a set amount of money without being sure where the money comes from and who the payer and receiver are.) Islamic extremists use these banks to finance their organizations through agents or under the cover of legal entities. It is believed that in most cases these banks have no inkling of what is going on.

Business activity in semi-legal spheres is revenue from prostitution, gambling, and the "revolution tax:" major terrorist organizations periodically require that their supporters pay them.

Criminal Financing Methods

As a rule, political terrorism did not in the past engage in other criminal acts, resorting to them only in extreme cases. For example, in Colombia, terrorist groups did business in drugs, exchanging them for weapons. But today most of them use criminal self-financing methods and try to legalize the capital they need to organize and carry out their acts. In this respect, certain experts are claiming that a criminal component is emerging in terrorism today, which is basically not true. There is no such thing as non-criminal terrorism, any terrorism is a criminal act and bloody murder.

Nevertheless, we should not confuse criminal terrorism with criminal ways of financing present-day terrorism. In terms of motivation, the latter is classified as political, religious, criminal, and so on, since violence can be expressed either in political struggle, or in strictly criminal activity. Criminal terrorism differs from political in that its purpose is to receive profit from any type of illegal act. Criminal methods of financing terrorism imply using any kind of criminal activity for obtaining money to prepare and carry out terrorist acts.

At a meeting of the council of heads of security agencies and special services of the CIS states held on 28-30 October, 2003 in Bishkek, Russian FSS Director N. Patrushev emphasized that revenue from illegal economic activity is one of the sources for financing terrorist groups, just as is revenue from drug trafficking.

Terrorist organizations obtain a significant amount of their financial resources from criminal or unofficial shadow activity in the following areas: contraband transactions with precious stones and metals (specialists claim that al-Qa'eda has been smuggling gold and diamonds through the United Arab Emirates and Pakistan), as well as dealing in counterfeit goods; the illegal dispatch of immigrants; the manufacture and sale of forged money and bonds; embezzlement in the financial sphere (taxes, insurance, credit cards); robbing banks, enterprise and company cash registers, and cash messengers; stealing

¹⁸ R. Jacquard, *op. cit.*

paintings and robbing museums. For example, in the past seven years, approximately 500 canvases by world-renowned artists have disappeared from the Grozny Art Museum in Chechnia. At the request of Interpol in November 2001, two paintings on this list were removed from the auctions at Sotheby's in London (their initial bidding price was \$90,000) and returned to Russia.¹⁹ Nor do terrorists have any qualms about trading in stolen cars. Their profit from this type of crime is more than the revenue of the car giants and amounts to approximately 21 billion dollars a year.

On 27 March, 2003, 19 Chinese commercial agents carrying a large sum of money were shot to death and burned in a bus that was going from Bishkek to Kashgar. According to the law enforcement agencies, this crime was committed by militants from the East Turkistan Liberation Organization.

In recent years, terrorists are increasingly interacting with organized criminal groups based on mutual interest. In so doing, each side uses the potential of its "partners" to achieve its goals. The most active terrorists participate in the illicit production, transit, and circulation of drugs. The structures of organized crime, on the other hand, are interested in using terrorist methods for getting rid of their competitors, divvying up spheres of influence, and so on.

The Drug Business

An analysis of the situation in Afghanistan shows that in an atmosphere of military political and economic instability strong ties form among terrorism, the drug business, and illicit trade in arms. The results of the antiterrorist operation in this country are not having any effect on the level of opium and heroin production, or on their transit through Central Asian states. With the arrival of the new administration, the production of drugs in Afghanistan has even increased somewhat.²⁰

According to an annual U.N. review on the monitoring of illegal planting of opium poppy for 2003, Afghanistan produces more than 75% of its world volume. Drugs are pernicious for Afghanistan itself, since they prevent stabilization of the situation in the country, and their smuggling is related to organized crime and terrorism, which pose a threat to the whole world. The U.N. International Drug Control Committee (UNIDCC) is expressing its concern about the fact that the "continuing production of opium in Afghanistan and, as a result, the illicit circulation of opiates and related criminal activity are undermining economic and social stability and creating a threat to peace and security in this region."

According to the U.N., the annual revenue of transnational crime from illicit drug trafficking reaches 400 billion dollars. In the golden crescent countries, the total revenue from the drug business amounts to approximately 45 billion dollars a year. Whereas in Afghanistan 1 kg of heroin costs \$1,000 and in Bishkek \$6,000-8,000, in Moscow the wholesale price is as high as \$50,000 and the retail price is \$100,000-170,000, while in Europe and the U.S. the price is hiked 200-fold. So it is profitable for drug dealers to send heroin to Western countries where there is a vast drug market.²¹

According to the evaluations of CIS specialists, the main source for financing the Taliban was revenue from the Afghan-Pakistani drug mafia (more than 10 billion dollars a year), and U.S. experts assess the annual revenue of the Taliban at 7 billion dollars.²² Some of this money goes to feed terrorist activity in the region. At first, the Islamic extremists concealed their involvement with the drug business, then they began saying that drugs are also jihad against the infidels. First, deliveries go to infidels, and second, the money obtained is used to buy weapons to fight infidels.

The drug business creates prerequisites for corruption in the law enforcement structures of the region's countries. There is the great temptation to claim for themselves at least some the vast amount

¹⁹ See: S. Bazhanov, "Zakupaiut oruzhie na sredstva ot krazhi kartin," *Novosti razvedki i kontrrazvedki*, No. 5-6 (165), 2002.

²⁰ See: Iu. Spirin, "Zhertva chuzhogo kompromissa," *Izvestia*, 29 August, 2003.

²¹ See: "Sodeistvie stabil'nosti Tsentral'noi Azii," *Papers from an International Conference of 15-19 May, 2000*, Tashkent, 2000, p. 39.

²² See: *Komsomol'skaia pravda*, 5 October, 1999.

of loot that circulates in this sphere. Often people are engaged in this business who have close kinship ties with state bureaucrats. Criminal groups are gradually merging with corrupted officials, including (which is more dangerous) with employees of the “power” structures, whose job it is to combat the drug business.

The Central Asian states should view the fight against drugs and corruption as an important part of the fight against terrorism.

Taking Hostages, Kidnapping People, Extortion, Racket, Blackmail

In the CIS, the first hostage for ransom was seized in the Caucasus in the summer of 1994 (the son of Elzon, a Kizliar Cossack ataman), for whom \$50,000 had to be paid. In 1999, there were already 1,500 cases of kidnapping in the Northern Caucasus. The total amount of payments for kidnapped people, in the opinion of experts, amounts to 200 million dollars (more than the Russian Federation budget for Chechnia). Mr. Boris Berezovskiy made it possible to pay the ransom for journalists by forking out millions of dollars. Among the more well-known kidnappings were Ruslan Khasbulatov’s brother, for whom a ransom of \$100,000 was paid,²³ an NTV film crew for 2 million dollars, an ORT film crew for 1 million dollars, Italian photo correspondent Mauro Galligani for 800,000 dollars, and two Ingushetian FSS officers for 1.5 million dollars. Authorized representative of the Russian President V. Vlassov was released only after 7 million dollars in ransom was paid.²⁴ In 1999, during attacks by IMU gangs on Kyrgyzstan, the parliamentary deputies seized were returned for \$50,000.²⁵

The same year, a member of a terrorist group, N. Chotchaev, a Russian citizen on the federal wanted list for kidnapping, including the 13-year-old son of the head of the Stavropol Territory, for whom 1 million dollars was demanded, was arrested for organizing a series of bombings in the Kyrgyz city of Osh.²⁶ It is interesting to note that three PRC citizens and one Turkish citizen, members of an underground anti-Chinese separatist structure called Free Turkestan, which is closely associated with the Turkish terrorist organization Boskurt, also belonged to this criminal group.

The members of the terrorist East Turkistan Liberation Organization arrested in Bishkek kidnapped Chinese businessman Khairullo Imin, for which they received a ransom from his brother in Urumqi, the PRC, of \$100,000. This money was sent through Turkey to terrorist training camps in Pakistan.²⁷

Along with kidnappings, terrorists use racket and extortion. Even large corporations, oil-producing companies, and airline companies pay “safety” money. In July 1999, a Chinese citizen armed with a Makarov pistol was detained in Almaty, who was involved in organized racket at the city’s central market. The criminal chose only Uighurs as his victims, periodically traveled home to the Xinjiang-Uighur Autonomous Region (XUAR) of China, where, according to the national security structures of Kazakhstan, this “visitor” financed an underground terrorist organization with the revenue from his racket.²⁸

A similar incidence took place in Bishkek where the members of an extremist organization swindled Uighur commercial agents out of \$55,000. In November 2001 in Bishkek, a trial ended on a criminal case of members of the East Turkistan Liberation Organization (Shark Turkistan azatlyk tashkilyaty). On

²³ See: R. Khasbulatov, “Ya vykupil v Chechne brata za 100 tys. doll.,” *KP*, 25 February, 1998.

²⁴ See: *Speech by A. Schmid. Materialy mezhdunarodnoi nauchno-prakticheskoi konferentsii 18-19 apreliia 2001 goda “Mezhdunarodnyy terrorizm: istoki i protivodeistvie,”* ed. by Ye.S. Stroev and N.P. Patrushev, Secretariat of the Interparliamentary Assembly of the CIS member states, 2001, p. 54.

²⁵ See: N. Omuraliev and A. Elebaeva, “Batkenskiesobytiia v Kyrgyzstane,” *Tsentral’naia Aziia i Kavkaz*, No. 1(7), 2000, p. 25.

²⁶ See: *Delo No.*, 8 December, 1999.

²⁷ See: “Killery jihada,” *Vechernii Bishkek*, 4 January, 2002.

²⁸ ITAR-TASS, 21 July, 1999.

the defendant's bench were Chinese citizens, Muhammad Tohtoniaz and Ablemit Kerim, an Uzbekistan citizen, Otabek Akhadov, and a Turkish citizen, Kasarji Jalal Mahmud. Along with other crimes, they killed the chairman of the Kyrgyzstan Uighur Society, Nigmat Bazakov, who refused to finance their activity, and kidnapped a Chinese businessman (in order to receive a ransom).

These incidences show that while the world community is looking for ways to join efforts to fight new threats to global security, international groups of terrorists are blithely carrying out joint crimes, including obtaining funds for financing their sallies.

Investment in Legal Business

The significant profit obtained by criminal methods is laundered by devious means and finally incorporated into legal trade and economic circulation. Terrorists are creating "cover" companies for this; special terminals (under the guise of different agencies and charitable organizations), their own (or controlled by them) financial credit and commercial organizations (banks, companies, foundations, insurance companies, and so on). What is more, terrorist organizations invest in legal business by means of non-commercial charitable organizations.

In so doing, they use the following main channels:

- a network of financial and credit structures, with the help of which money is transferred to dummy agents or organizations (the main forces and resources for combating the financing of terrorism are concentrated here, and the recommendations of the Financial Action Task Force on Money Laundering (FAFT)²⁹ are aimed at it); systems of Islamic banks spread essentially throughout the whole world;
- non-traditional financial operations (including with the aid of underground "bankers:" the structure acts on a "gentleman's agreement"—the funds transferred to the "banker" go to the person he indicates); non-banking operations—the transfer of funds through tourist agencies; work with financial agents (lawyers, notary publics), money transfers on the Internet; conveyance of cash by special couriers; the exchange of cash at currency exchange shops (according to British specialists, on the order of 4 billion pounds Sterling annually).

Today's terrorists are using the following states and territories, where there are centers for legalizing their illegal financial resources: Vanuatu, Hong Kong, Western Samoa, Cambodia, Nauru, Singapore (the Asia Pacific Region); Zambia, Mauritius (Africa); Great Britain, Gibraltar, Cyprus, Ukraine, Switzerland, and the Isle of Man located in the Irish Sea (Europe); Antigua and Barbuda, Aruba, the Bahamas, the British Virgin Islands, Dominica, the Cayman Islands, the Netherlands Antilles (Caribbean Basin); the U.S.A. (North America); the United Arabian Emirates (Southwest Asia); Argentina, Venezuela, Panama, Chile, Ecuador (South America).

The countries and territories which do not cooperate with the FATF in combating the legalization of criminal revenue and financing terrorism include Ukraine, Egypt, Guatemala, Indonesia, Myanma, Nauru, Nigeria, and the Philippines.

Suppressing the Financing of Terrorism

Terrorism today is so widespread and brutal that an international system must be created to fight it. And suppressing its financing is a vital task to be urgently addressed, whereby it is just as difficult as fighting terrorism itself.

²⁹ FAFT was founded by leading industrial nations (the U.S., Japan, Germany, Great Britain, France, and Italy) and the European Commission in 1989. At present, 31 countries and two international organizations are the members of FATF.

First, in most cases, terrorist acts, as opposed to other kinds of international criminal activity, do not require large amounts of money to organize and carry out. Specialists believe that \$500,000 was spent on the preparations for 9/11. But on average no more than \$10,000 are spent on a single terrorist act, which makes it difficult to expose them. Second, it is extremely difficult to trace the flows of money going to these ends. Third, the new independent countries do not have any experience with tracing money being pumped through different channels.

All the same, an antiterrorist strategy, including suppressing the financing of terrorism, has essentially been drawn up. At the G-7 and Russia summit in Lyon in July 1996, a packet of measures made up of 40 recommendations was adopted. This packet contains specific proposals on the four main areas: refusing to offer refuge; depriving criminals and terrorists of the necessary resources (countries should exchange information on combating money laundering); protecting national borders (the matter concerns strengthening the fight against organizations engaged in illicit arms trade and people smuggling); exposing and preventing crimes, including terrorist acts committed with the use of state-of-the-art technology.³⁰

The Final Report on the assembly of ministers responsible for fighting terrorism in the G-8 countries (Paris, 30 July, 1996) set forth recommendations to adopt measures suppressing the financing of terrorist activity, which envisaged:

- to prevent and take steps to counteract, through appropriate domestic measures, the financing of terrorists and terrorist organizations, whether such financing is direct or indirect, through organizations which also have, or claim to have charitable, social or cultural goals, or which are also engaged in unlawful activities such as illicit arms trafficking, drug dealing, and racketeering. These domestic measures may include, where appropriate, monitoring and control of cash transfers and bank disclosure procedures;
- to intensify information exchange concerning international movements of funds sent from one country or received in another country and intended for persons, associations, or groups likely to carry out or support terrorist operations;
- to consider, where appropriate, adopting regulatory measures in order to prevent movements of funds suspected to be intended for terrorist organizations, without impeding in any way the freedom of legitimate capital movements.³¹

What is more, corresponding measures are also being undertaken by the international community. For example, the European Union sponsored a conference on the problem of financing terrorism held in Luxembourg in 1997 and a similar seminar in Vienna in 1998. At the London conference on terrorism on 7-8 December, 1998, principles shared by the Group of Eight were formulated, including a plan of action. It stipulates ensuring that all structures participating in the fight against financing terrorism cooperate and exchange information with each other, and other specific measures. The declaration of the Second Inter-American Specialized Conference on Terrorism adopted in 1998 in Mar del Plata (Argentina) contains recommendations for the member states of the Organization of American States (OAS) on deterring the financing of terrorism.

The search for efficient ways to cooperate led to the creation of the U.N. International Convention for the Suppression of the Financing of Terrorism adopted by the General Assembly of the United Nations in resolution 54/109 of 9 December, 1999. Art 8 reads: "Each State Party shall take appropriate measures, in accordance with its domestic legal principles, for the identification, detection and freezing or seizure of any funds used or allocated for the purpose of committing the offences set forth in Art 2 [of the Convention] as well as the proceeds derived from such offences, for purposes of possible forfeiture."

This Convention sets forth how people should behave with respect to commercial enterprises whose funds might be used to support terrorism. It also states the measures to be taken against those who support

³⁰ See: J. Shaeffer, *The G-7 Countries Adopt a Packet of Measures on the Fight Against Crime and Terrorism*, ERF20 4 7 USIA. Wireless File, 3 July, 1996, pp. 5-6.

³¹ See: *Ministerial Conference on Terrorism. Agreement on 25 Measures*, Paris, France, 30 July, 1996.

terrorism. All money which passes through the territory of the signatory states to the convention must be carefully traced. Sums of money confiscated under Art 8 should be used to compensate for the consequences of terrorist acts.

International organizations, in particular the OSCE and U.N., are taking measures to look into the problem of laundering money in Central Asian countries used for financing the activity of terrorist organizations, as well as to draw up legal and administrative mechanisms for fighting them. For example, between 10 and 12 October, 2003 a seminar was held in Dushanbe on the technical and legislative aspects of the fight against laundering money and questions related to financing terrorism, the initiator of which was the OSCE Center in Dushanbe, the U.N. Office for Drug Control and Crime Prevention (UNODCCP), and the Prosecutor-General's Office of Tajikistan. On 14 October, 2003, a consultative assembly was held in Tashkent under the aegis of the OSCE, the UNODCCP, and the Central Bank of Uzbekistan on the fight against money laundering and financing terrorism. During its work, the OSCE representatives emphasized that in this area the main problem of the Central Asian countries is not having a specific legislative base for fighting this kind of crime, and also expressed their willingness to render Uzbekistan the necessary assistance in these issues.

Why is the international community unable to effectively suppress the financing of terrorism? First, the well-known assertion from the Cold War era is still alive and well that says "for some a terrorist, for others a freedom fighter." For example, Russia calls someone a terrorist and demands that person's extradition, while other countries consider him a representative of the national liberation movement and refuse. Second, one of the main reasons why the search for the link between various foundations and terrorists is so ineffective is the low level of cooperation and interaction among the countries fighting terrorism, including with respect to intercepting the financial flows of its support. (This is the main obstacle to international cooperation.) Third, the methods of financial control over laundering money obtained by criminal means have become outmoded. At the same time, we should not only be fighting terrorism, but also the types of organized crime that go along with it, such as the drug business, arms smuggling, illegal migration, and so on.

The war against this evil requires vast amounts of money. The more a state or antiterrorist coalition spends on an antiterrorist war, the more successful it will be. Here it is appropriate to present the statement by Chinese thinker Sun-ji, who back in the fifth century B.C. said: "...to grudge titles, awards, and money and not know the position of the enemy is the height of inhumanity. He who grudges this is not a commander of the people, not an aide to his sovereign, not the master of victory."³²

When we talk about fighting this evil, society hopes that specialists will find a universal way, a "magic recipe" for eradicating it, but this is essentially impossible. An international mechanism must be created capable of reliably tracing and closing all channels used to finance international terrorism, and political and religious extremism in the world monetary system. We should not limit ourselves to publishing lists of these organizations and the most dangerous criminals, corresponding sanctions must be imposed on sponsor countries and anyone giving refuge to terrorists.

The world community must look the problems of poverty and impoverishment square in the eye, first and foremost by breaking the vicious circle of injustice. As Karl Liebknecht said: "Any injustice corrupts both sides: it corrupts he who tolerates injustice, as well as he who commits injustice."

The roots of socioeconomic and political inequality creating fertile ground for extremist ideologies must be exposed. If we do not change the ingrained and customary stereotype of "rich North-poor South," the marginal elements will forever be a social base for feeding terrorism and other manifestations of extremism.

³² N.I. Konrad, *Izbrannye trudy*, Moscow, 1977, p. 44.