

THE ECONOMICS OF TERRORISM

Armed insurgent groups are often compared to criminal business organizations. Al-Qaida, for example, has been described as a “multinational of terror”. Since 11 September 2001, academics and investigators have frequently applied an organized crime model to study the structure and functioning of Islamist terror groups. Although widely accepted, this approach limits the study of political violence. From the analysis of the economics of terrorism, it emerges that armed groups generally have motivations different from those of criminal organizations. They also tend to interact with each other in the manner of a State. At least in the domain of economics, their *modus operandi* is closer to that of a State than to that of organized crime groups. Proof of this assertion is that, over the last 20 years, armed organizations have been able to create durable economic linkages, which have in turn become the foundation of a more comprehensive economic system: the new economy of terror. This peculiar economy — the monetary lifeline of modern terrorism — bridges the legal and illegal international economies.

A crucial distinction between ordinary organized crime and political terrorism springs from the differing motivations of the two phenomena. Greed is the motor of crime and accumulation is its primary accountancy rule. Thus, criminal organizations operate very much like legitimate private corporations, the ultimate goal being profit and accumulation. Their monetary flows are, therefore, managed through an accountancy system regulated by balance sheets, as in corporate enterprises. Terror groups, however, are politically motivated. Their ultimate aim is not monetary but political: to substitute one form of government with another, for example, the replacement of the Al Saud regime in Saudi Arabia with Osama bin Laden’s new caliphate, or to defend an existing regime, as was the case of the Taliban in Afghanistan until coalition forces invaded the country.

In contrast to organized crime groups, terrorist organizations are more interested in money disbursement than in money-laundering. Revenues generated by their legitimate businesses, for example, do not need to be laundered; they need to be distributed within the network of cells and sleepers around the world.

The main inflows of the payments balance of armed organizations can be divided into three main categories according to their origins: (a) legitimate business (these are activities which *per se* are not considered illegal); (b) illegal revenues which break or circumvent legal obligations; and (c) criminal activities. Legitimate business includes profits from companies controlled by armed groups—the Egyptian Islamic Jihad, for example, owned several honey shops in the Middle East—and donations from charities and individuals. Illegal revenues originate from the diversion of legal funds, but also include covert aid from foreign Governments. The range of criminal activities is broad; these represent the largest single source of income for the terror balance of payments and include revenues from kidnapping, extortion, theft, fraud, piracy, smuggling and money-laundering.

An important inflow in the payments balance of terror groups is represented by the remittances of nationals residing abroad, effected either directly or via *ad hoc* institutions such as the Irish Northern Aid Committee (Noraid) in the case of the Provisional Irish Republican Army (IRA). The Palestine Liberation Organization imposes a 5 per cent tax on the income of all Palestinians living abroad. In a similar fashion, in the late 1990s, Albanian immigrants in Germany and Switzerland donated 3 per cent of their income to fund Kosovo Liberation Army (KLA) fighters in Kosovo.

Although such remittances represent a major source of foreign exchange, immigrants’ contributions do not come only in the form of cash. During the war in Kosovo, Albanian-Americans provided KLA fighters with radios, night-vision equipment and bullet-proof vests bought from an American mail-order catalogue. Such contributions are often not technically illegal, as national laws frequently do not distinguish between legitimate remittances and sponsorship of armed groups.

When foreigners, businessmen, tourists or international aid workers are kidnapped, the payment of ransom becomes revenue; if the ransom is paid in hard currency it is also a source of foreign exchange. In 1991, for example, the Islamic Movement of Uzbekistan (IMU) kidnapped a general from the Kyrgyz Ministry of the Interior and four Japanese geologists working for a mining company near Batken, the least-developed corner of Kyrgyzstan. According to Western diplomatic sources, the Government of Japan secretly paid IMU between \$2 million and \$6 million in cash for their release.

Contemporary terrorists’ most important income-generating activity is smuggling, which is also a crime. Smuggling ranges from cigarettes and alcohol to diamonds and is an important source of

employment and recruitment for terror groups. Daniel Pearl, the journalist from the Wall Street Journal beheaded by Jaish-I-Mohammed (Army of Mohammad) while investigating the Afghan Transit Trade Agreement (ATTA) trade in Pakistan, wrote just before he was kidnapped that “beyond providing potential revenues to those in charge, smuggling offers employment to poor inhabitants of tribal areas along the Afghan border”. Much of the economics of contraband is summarized in this sentence. Smuggling is an industry that finances terrorist groups and criminal organizations. It is possibly the largest entry in the balance-of-payments books of terrorists.

Terrorist groups do not finance themselves only with illegal money; they also have access to legal sources of revenue. The 11 September 2001 attacks in the United States, for instance, were financed with clean money. Profits from legitimate businesses, money collected by Muslim charities and mosques and independent donations made to Muslims that end up supporting armed groups are not considered “dirty money”. The \$25 million in “donations and gifts” given by the Unocal Corporation to the Taliban to win a Central Asian pipeline contract came out of the company’s legal budget. Donations are legal money that can be used for terror activities. In essence, this is one of the main differences between criminal money and terrorist funding: assets and profits acquired by legitimate means and even declared to tax authorities that end up funding terror. Thus, when compared with the international illegal economy, the new economy of terror has additional financial sources, which could be estimated at between about one third and half a trillion dollars per year.

The only way to defeat modern terrorism is by developing a strategy to sever ties between the black market and grey market economy on the one hand and the clean and legitimate one on the other hand. This will take time, perhaps even decades. The first step is to wean Western economies from their dependency on laundered money, the second is to encourage Islamic financial and banking institutions to adhere to the rules and regulations of international finance by becoming part of it, the third should be rescuing regions from the grip of terrorist and criminal organizations, for example, by drying up supply and demand for the products of narco-traffickers in the Golden Crescent as well as in Latin America and Central Asia. Without such measures, the new economy of terror will continue to blossom.

Список використаних джерел

1. Rohan Gunaratna, Inside Al Qaeda (New York, Columbia University Press, 2002).
2. Milan V. Petkovic, «Albanian terrorists» (Balkanianet, 1998).
3. Ahmed Rashid, «They’re only sleeping: why militant Islamists in Central Asia aren’t going to go away», New Yorker, 14 January 2002.
4. Napoleoni Loretta, «Terror Incorporated» (Seven Stories Press, 2005).