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Expert Talk



Modes and strategies of terrorist financing in South Asia

by Sadia Sulaiman and Ankur Kumar, Research Analysts, World-Check Singapore (TIRU)

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In the wake of the 9/11 terrorist attacks on the US, South Asia attracted world attention due to the extent and spread of terrorist networks operating there. Besides the myriad indigenous groups present, the region is home to Al-Qaeda, currently located inside Pakistan's autonomous tribal areas. The terrorist threats emanating from this region are of local, regional and global concern.

Several historical and structural factors contribute to an environment conducive for terrorist activities. The relatively recent statehood of South Asian states (India and Pakistan were both founded in 1947) has provided only a thin veneer of cohesion among an extraordinary heterogeneous grouping of old nations and ethnolinguistic groups. Secessionist tendencies remain strong. In addition, inter-state border and territorial disputes create geopolitical uncertainty that drains state resources, and porous and undefined borders along with sharp ideological contests and vast inequalities of wealth all remain perennial concerns. The convergence of these factors helps create the right environment for terrorist groups to not only organize and stage plots, but more importantly to gain access to the funds necessary for carrying out their local, regional and global terrorist campaigns.

The South Asian terrorist groups can be broadly divided into Islamist groups like al-Qaida, Lashkar-e-Tayyiba (LeT), Tehrik-i-Taliban Pakistan (TTP), Jammāt-ul Mujahideen Bangladesh (JMB), and separatist and nationalist groups including the United Liberation Force of Assam (ULFA), Liberation Tigers of Tamil Eelam (LTTE) and Maoist groups operating in India. The general fundraising techniques of these groups are more or less similar. While these groups vary in their size, objectives, tactics and strategies, their financing strategies can broadly be defined under the following categories.

Donations & Charities

Donations, whether voluntary or coerced, from people with shared ideological or religious beliefs has emerged as an important source of terrorist financing in South Asia. Since South Asia contains a considerable Muslim population, it is easy for the Islamic charities to convince people to pay their Zakat - compulsory proportion (2.5%) of one's savings each year to be given to the poor - to them. Such raising and transferring of funds is no longer limited to the domestic context in countries directly affected by terrorism. It also has widespread implications for the international community in its efforts to eliminate terror financing.

In this context, funds raised through diaspora communities have become a crucial source of terrorist financing in the region. There are several ways in which separatists and Islamists utilize them to generate sufficient funds to carry on their activities. One of the most sophisticated and effective ways used has been to operate a network of international non-profit organizations (NPOs), which enables them to generate and transfer funds easily from any part of the world to an intended target area where investment or procurement opportunities exist. These NPOs act as effective fronts and also enable these terrorist entities to gain legitimacy. This deliberate siphoning of funds from well developed, more regulated economies to more porous, less

regulated ones poses a serious terrorist financing threat. Recently a UK-based charity, Green Crescent, was found supporting and funding militant activities in Bangladesh. The charity is headed by a UK-based Bangladeshi expatriate, Faisal Mostafa who is suspected of links with Jammat-ul Mujahideen Bangladesh (JMB), an Islamist militant group.

One of the terrorist groups most adept at using NPOs is the Liberation Tigers of Tamil Eelam (LTTE). The LTTE is an ethno-nationalist Tamil separatist movement battling for the establishment of a separate Tamil state in North and East Sri Lanka. The Tamil diaspora emerged primarily as an aftermath of civil war and race riots of the 1970s and 1980s in Sri Lanka which led to large-scale emigration. The Tamil diaspora currently scattered throughout the world numbers around 800,000, and their biggest concentration is primarily based in United Kingdom, India, Canada, Australia, Germany and Switzerland. *Jane's Intelligence Review* report by John Solomon and BC Tan of World-Check indicate that the LTTE raises about 80-90 percent of their total finances from overseas. The report estimates total revenue LTTE raises is around claim 300 million dollars a year through its legitimate and illegitimate businesses and fronts. Donations to LTTE's vast and sophisticated network of NPOs have played a major role in funneling this money back home to fund the separatist struggle. One such NPO is the Tamils Rehabilitation Organization (TRO), which has offices in many countries such as the UK, Canada, Australia, Sri Lanka. In the aftermath of the 2004 Asian Tsunami, certain NPOs, such as the TRO, raised millions of dollars, a majority of which reportedly went into the funding of the LTTE.

Since 9/11 has inevitably resulted in a closer look at these NPOs and their sources of funding. Raising funds abroad and channeling them back has become tougher. However, support from the diaspora and their contributions and support will continue to play a significant role in financing of terror activities.

Criminal Activities

The criminal activities in South Asia like theft, money laundering, bank robberies, kidnapping for ransom, are another source of channeling funds to the militants. A major case in point is the Tehrik-i-Taliban Pakistan (TTP), which is engaged in several criminal acts, such as looting, taxing locals in FATA and the NWFP in addition to bank robberies and kidnappings for ransom. In August 2008, Pakistani law enforcement agencies disrupted a financial racket of TTP which was operating in Karachi with the help of Lashkar-i-Jhangji and other militant outfits. The outfits were involved in bank robberies, robbing people who had withdrawn cash from banks and security firms and kidnapping for ransom. It is also reported that these groups train and then recruit people in security firms, banks and money changer firms to meet their financial needs, which poses a direct threat to the banking industry in the country.

The TTP is also forcibly taking over marble and emerald mines in NWFP and FATA and raise considerable finances from these sources, which poses a threat to legitimate businessmen involved in this industry.

The Indian separatist group in the Northeast, ULFA, has used extortion since its inception in 1979 from major business groups, oil exploration firms and tea business firms. Apart from these major entities, there are also reports of ULFA expanding its extortion base to include petty traders, villagers and salaried people, demanding regular payments in small increments.

Narco Trade

The cultivation of Narcotics is also an important source of terror financing in South Asia. While Afghanistan's flourishing opium cultivation and its large scale funding of the Taliban and other anti-governmental organizations is widely known, terrorist entities such as the Maoists in India and the LTTE in Sri Lanka have also benefitted greatly from this profitable business. It takes shape both in the form of direct cultivation by the militants as well as charging a tax from people who cultivate it in return for "protection."

The Naxalites are regarded as one of the most deadly internal security threats facing India. Their connection with narcotics cultivation is well documented. According to the Narcotics Control Bureau in India, the Naxals thrive on money earned through illicit cultivation. A report they released in 2007 found out that of the total marijuana seized in the country, a disproportionately high percentage of it came from the Maoist controlled pockets in the states of Madhya Pradesh, Maharashtra, Chhattisgarh and Andhra Pradesh. These states are affected deeply by the Naxalite violence. Prakash Jaiswal, then minister of state for home affairs in India, informed the government in April 2008 that cannabis cultivation and its trade has become a source of finance for the Naxals in Andhra Pradesh, Bihar, Jharkhand and Orissa. He further stated that Maoists get "protection money" from narcotics traders who engage in trafficking and also safe passage money from narcotics smugglers.

The LTTE's connection with narcotics is less substantiated. But it is often accused of heroin trafficking in the Golden Crescent and Golden Triangle regions to countries including India, Sri Lanka, Canada, Germany, Italy, France, Scandinavian countries, Myanmar and Thailand. The earlier cited Jane's Intelligence Review report indicates that a portion of the drug market in Montreal amounting to US \$1 billion is controlled by Sri Lankan expatriates, having links to the LTTE.

Hawala or Hundi

Till now we have focused on the main sources of raising funds for terror activities. South Asia, unlike more advanced and regulated western economies, is also famous for a less regulated informal value transfer system or Hawala transactions. Hawala transaction or hundi system is one another important channel through which terrorists and their sympathizers move money across the globe. Pakistan, India, and the Persian Gulf states are home to the largest concentration of Hawala transactions. According to 2002 statistics, Pakistani officials estimate that over \$5 billion in

transactions take place through hawala networks every year. A recent US State Department report by Assistant US Secretary of State for International Narcotics and Law Enforcement Affairs, David T Johnson, has revealed that remittances to India sent through legal, formal channels in 2007-2008 amounted to USD 42.6 billion, of which 30–40 percent of transactions were carried out through hawala. The report suspects that some of these transactions are directly linked to terrorist financing in India.

In October 2008 the Mumbai police Crime Branch found out that the Indian Mujahideen, a militant group in India, was receiving money from the Gulf countries through the hawala networks and the Western Union Money Transfer. Similarly Kashmir-based separatist groups such as Hizbul Mujahideen (HM) and LeT are also suspected of using hawala transaction as a source to fund their activities.

Conclusion

Terrorist financing in South Asia remains a key dimension of the larger struggle to counter terrorism in the region. Although there has been a growing awareness about sources of terrorist funding and efforts have been made to enact regulation to counter it, there is much more to do. There are regulations and initiatives by states to keep a strong vigil on various businesses in an attempt to stop terrorist financing at its source. But without adequate understanding of the terrorist groups, their funding techniques and where they operate, laws and their enforcement will likely fail to be effective. The unprecedented 9/11 attacks have dramatically shown the international community the need for a stronger response to stop the financing of militant groups. South Asia has become an epicenter of terrorism and insurgency. Therefore all initiatives and responses should take a hard look at how South Asian groups raise funds and what more can be done to stop them.