



Exposing the ETA Financial Network

Spanish Court Issues Historic Ruling

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Too often known terrorist movements are able to cloak their financial and logistical support structures in the shroud of legal and political legitimacy by capitalizing on a false distinction between the violent and ostensibly non-violent wings of their organizations. Many terrorist networks around the world exemplify this model and unfortunately achieve a modicum of legal and political legitimacy through their associated fronts in the West, where it happens that much of the world's terrorist financing takes place.

By playing a name game in which functional sub-units of a terrorist organization operate under aliases distinct and separate from the movement's known paramilitary apparatus, associated individuals and entities often plausibly deny any foreknowledge or responsibility for terrorist violence carried out in the name of the movement or cause. Willfully blind financial operatives, political strategists, media organs, and activists that constitute the backbone of the organization often then evade conviction if not prosecution for supporting or belonging to a proscribed terrorist group. Through a façade of legal legitimacy, these individuals and entities can act with relative impunity to advance the given movement's violent agenda.

The Basque ethno-separatist group, Euskadi Ta Askatasuna (ETA) illustrates this phenomenon. Since its founding in 1959, ETA has undertaken a terrorist campaign to realize an independent Basque state in what is currently northern Spain and southwestern France.

Through a transnational network of non-government organizations including political parties, cultural and youth organizations, media and front businesses, ETA has acted through a concert of legal political activism and illegal political violence and crime.

In general, this strategy has proved successful as politicians and the public alike have sometimes been inclined to adopt a Pollyannaish disposition towards the glue binding all of ETA's agents of influence together – a commitment to terrorist violence as a political expedient.

In the public consciousness, the intention of ETA's political wing to engage the electoral process in March 2007 seemed to trump the fact that the organization was not adverse to bloodying airports or murdering innocent civilians.

The old adage that the "left hand knows not what the right hand does" has held sway for too long. But no longer is this the case in Spain where an historic judgment was found and a precedent set to prevent terrorist organizations from masquerading as non-governmental organizations.

On 20 December 2007 the highest Spanish judicial body, the National High Court, reached a guilty verdict for 47 individuals and entities associated with ETA in what is known as the 18/98 trial. The fruit of an eight year investigation led by Spain's leading anti-terrorism judge, Baltasar Garzon, the guilty verdicts have helped expose ETA's web by revealing that closely linked organizational structures operating under distinct names were in reality extensions of the same ETA body.

This judgment is significant because it helps dispel the unfounded notion that different subunits of terrorist organizations are discrete from one another. This judgment should have implications – at least in Spain – for other terrorist organizations that aim to keep one leg inside the law and the other out.

ETA's Financial Activities

ETA has been credited with building a sophisticated financial network essential to its survival and the longevity of its terrorist campaign. During the 1970s, ETA raised most of its funds through a 'revolutionary tax' that it illegally imposed on small and medium businesses of the Spanish Basque region in addition to proceeds from criminal activities that included bank robberies, kidnappings of businessmen and extortion. Eventually, the group improved its strategy to sustain a highly centralized organizational structure with semi-clandestine networks based in France and Spain and perhaps some countries in Latin America.

A notable development was the creation of a centralized financial network, organized around the banned Udalexte Empresas, ETA's main financial body which was based in Spain.¹ Other structures fulfilled fundraising and channeling tasks such as the Basque Socialist Coordination (KAS), ETA's general staff that was outlawed in 1998 for allegedly laundering funds derived from kidnapping and racketeering through a web of front businesses and organizations;² its successor EKIN, banned in March 2001 on suspicion of double accounting;³ and the Batasuna political party banned in August 2002.⁴

The Spanish National High Court corroborated much of this information based on extensive evidence and reportedly stated that "the ETA terrorist organization is made up of not only armed activists, but also non-armed members of a network of organizations, which comprises its mass, institutional, media, international, and ideological fronts, among others.⁵ In addition to KAS and EKIN, the summary named Xaki (ETA's international network), the Joxemi Zumalabe Foundation (a collective disobedience sub-unit) and other ETA "entrails" such as the now defunct Basque newspaper, *Egin*, which functioned as an information service to all wings of the organization, and its parent organization the Orain Group.

Assessing ETA's post-verdict financial structure may prove difficult, as many key leaders have been prosecuted and ETA-linked organizations shut down. However, it is possible to assume that those political parties and media outlets linked to the organization are at a minimum collaborating operationally or possibly even financially.

In regard to ETA's financial future, there is no better predictor than the past. Therefore it is worth examining the criminal methods that ETA has historically used to raise and move money.

In recent years, ETA's financial structure has tended to emphasize the interpenetration between the formal economy and the criminal economy.⁶ With an estimated annual budget of over €10 million in 2002,⁷ ETA's portfolio of assets and activities has been transnational, diversified and linked to the formal financial system.

Sources of funding remained derived to a minor extent from traditional activities such as extortion and kidnappings, as exemplified by the June 2006 arrest of 12 ETA members, including one of the group's founders Julen Madariaga, for having extorted "revolutionary taxes" in a racketeering case spanning 20 years.⁸

However, the group gradually diversified into low-level and organized crime activities. ETA has allegedly generated revenue from the sale of counterfeit clothes and handbags in southern Spain.⁹ Reports also claim a possible involvement in cigarette smuggling, the most recent case relating to a 2004 investigation by Swiss authorities of a decade-old cigarette and money laundering operation involving over US\$1 billion, suspected of having bankrolled ETA.¹⁰

1. Kaldor, Mary & Muro, Diego, "Religious and Nationalist Militant Groups," (LSE Publications: 2003), p.177.

<http://www.lse.ac.uk/Depts/global/Publications/Yearbooks/2003/2003Chapter7e.pdf>

2. Carbajal, Gil, Spain/ETA Correspondent Report, Voice of America (May 28, 1998).

<http://www.globalsecurity.org/military/library/news/1998/05/980528-eta.htm> 3. http://ehwatch.org/docs/pp_cronics_eng.doc

4. "Fast Facts: Look at Spain's ETA," Fox News (December 03, 2004). <http://www.foxnews.com/story/0,2933,113922,00.html>

5. "ETA's Heart," El Pais, December 20, 2007.

6. Napoleoni, Loretta, "The new economy of terror," Democracy & Terror (January 26, 2005).

<http://www.mafhoum.com/press7/225E61.htm>

7. Linan Macias, Juan Miguel, "Counterterrorism: An Example of Co-operation," Speech for the seminar on The role of the EAPC in combating terrorism, NATO On-line library (February 22, 2002). <http://www.nato.int/docu/speech/2002/s020222i.htm>

8. Bright, Arthur, "Raid on ETA shadows peace process with terror group," The Christian Science Monitor Online (June 21, 2006).

<http://www.csmonitor.com/2006/0621/dailyUpdate.html?s=mesdu>

9. Trocki, Victor, "Rise in Counterfeit Market Linked to Terrorist Funding," Carratu International (June 26, 2002).

<http://www.pressbox.co.uk/Detailed/6073.html>

10. "Money Laundering: Switzerland Gives In On Fraud," Intelligence Online, n. 478 (June 11, 2004).

The group has been implicated in narcotics trafficking since at least 1984 and is currently purported to be involved in high-profile narcotics-for-weapons schemes, meaning that it uses cocaine, heroin and hashish to pay for illegal arms shipments.¹¹ Such an operation was uncovered in 2001 by Italian police. It involved the supply of heavy weapons, such as missile launchers and explosives, to the ETA by the Camorra crime organization based in Naples, Italy, in return for cocaine and hashish shipments.

The agreement allegedly provided that the Camorra, through its representative Felice Bonneti, would secure the weapons originating from Pakistan and Uzbekistan via military contacts in the Czech Republic. In return, ETA would provide cocaine supplied by narco-terrorist groups in South America, presumably the Revolutionary Armed Forces of Colombia (FARC), in exchange for a quota of the weapons delivered to ETA¹².

Finally, the group is also linked with arms trafficking operations originating in or transiting through the former Yugoslavia which is also known as the "Balkan Link." ETA is suspected of having had connections with prominent arms and narcotics traffickers in Croatia and Bosnia such as Mohamad bin Saleh bin Hmeidi, a Tunisian linked to a Bosnian Faction in the Croatian Army, and Radian Koradji, a former Bosnian Serb leader wanted for war crimes.¹³

For storing, moving and laundering money, ETA seems to favor low to no regulation jurisdictions. These jurisdictions provide alternatives to the high-regulation jurisdictions of the US and Europe, which terrorists perceive as risky due to more stringent regulations.¹⁴ Consequently, ETA has been known to hold accounts in offshore tax havens such as Switzerland¹⁵ and to have financial interests in countries such as Nicaragua, Mexico, Cuba, Venezuela, Uruguay, and the Dominican Republic.¹⁶

One recent example involves the August 2004 arrest in Mexico of several ETA suspects accused of setting up a covert financial network to funnel funds from Spanish to Mexican banks for ETA member activities in Mexico. Reportedly the funds were sent as cash transfers and cashier's checks so that the transactions and individuals would be difficult to trace or identify.¹⁷

Conclusion

ETA has engaged in a dizzying array of licit and illicit ways to support its organization's terrorist violence. The Spanish court's verdict revealed the far-reaching extent and shape that terrorist networks can take via their seemingly legal front organizations.

Criminal activity is another means that terrorist groups use to raise money to support their cause. To combat the financing of terrorism, it is imperative that financial institutions and other at risk institutions remain cognizant of the realities of terrorist movements and their guises. Terrorist movements include not only the paramilitary arm but also the entire network of financiers, facilitators, logisticians, political parties and other affiliated non-government organizations.

These associates and fronts can take on many shapes and sizes and may seem innocuous at first glance. However, it is necessary for institutions at risk to implement enhanced due diligence procedures whereby these individuals and entities are screened and identified. Rigorous know your customer and your customer's customer procedures are the bedrock of the fight against terrorist financing.

11. Curtis, Glenn E. & Karacan, Tara, "The Nexus Among Terrorists, Narcotics Traffickers, Weapons Proliferators, and Organized Crime Networks in Western Europe," Library of Congress (December 2002), p. 9. http://www.loc.gov/rr/frd/pdf-files/WestEurope_NEXUS.pdf

12. Ibid, pp. 9-10.

13. Ibid. p. 11.

14. Gillespie, James, "Follow the Money: Tracing Terrorist Assets." Paper prepared for a Seminar in International Finance, Harvard Law School (April 15, 2002), p. 7. http://www.law.harvard.edu/programs/pifs/pdfs/james_gillespie.pdf

15. Curtis, Glenn E. & Karacan, Tara, "The Nexus Among Terrorists, Narcotics Traffickers, Weapons Proliferators, and Organized Crime Networks in Western Europe," Library of Congress (December 2002), p. 13. http://www.loc.gov/rr/frd/pdf-files/WestEurope_NEXUS.pdf

16. Turbiville, Graham H., "ETA Terrorism, the Americas, and International Linkages," *Crime & Justice International*, Volume 20, Number 81 (July/August 2004), pp. 4-5. <http://www.cjcenter.org/documents/pdf/cji/Cji0407-08.pdf>

17. Thompson, Barnard R., "ETA guerillas in Mexico – innocents abroad?" *Mexidata* (March 15, 2004). <http://www.mexidata.info/id155.html>