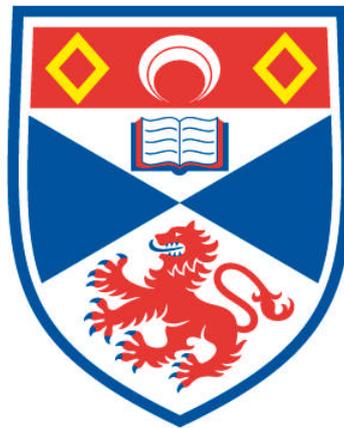


**POWER, VALUE, AND THE INDIVIDUAL EXCHANGE:
TOWARDS AN IMPROVED CONCEPTUALIZATION OF
TERRORIST FINANCE**

Timothy Simon Wittig

**A Thesis Submitted for the Degree of PhD
at the
University of St Andrews**



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**Power, Value, and the Individual Exchange:
Towards an Improved Conceptualization of
Terrorist Finance**

A Thesis Submitted to the School of International Relations of the
University of St Andrews in fulfillment of the Requirement for the
Degree of Doctor of Philosophy

Timothy Simon Wittig

30 July 2009

To Sarah

That's me.

ABSTRACT

This thesis finds that the term ‘terrorist financing’ is a misnomer in that much of the activity encompassed by that term involves neither terrorism nor money. Instead, terrorist financing more accurately refers either to the flow of economic and material value to ‘terrorist’ actors or specific material expressions of support to ‘terrorism,’ however that contested term is defined. This finding not only directly challenges the dominant ways terrorist finance is now conceptualized, but also provides the first unified coherent conceptual framework capable of supporting systematic analysis of the topic. This thesis arrives at this conclusion by first critically examining the various – and often contradictory or incoherent – normative, legal, and political contexts that dominate ‘orthodox’ thinking on terrorism and terrorist finance, and then relocating the financing of terrorism squarely in context of the everyday realities of how terrorism and terrorist actors interact with global and local political economies. This thesis goes beyond existing critical works on terrorist financing, and constructs the necessary conceptual foundation for a vastly more coherent, systematic, and ultimately useful understanding of the financial and economic dimensions of terrorism.

I, Timothy Wittig, hereby certify that this thesis, which is approximately 100,000 words in length, has been written by me, that it is the record of work carried out by me and that it has not been submitted in any previous application for a higher degree.

I was admitted as a research student in September 2004 and as a candidate for the degree of PhD in September 2005; the higher study for which this is a record was carried out in the University of St Andrews between 2004 and 2009.

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INTRODUCTION

Since 2001, a body of ideas has evolved about the threat of ‘terrorist finance’ that has driven and justified various coordinated exercises of state and private sector power aimed at ‘fighting’ terrorism by ‘attacking’ its financial underpinnings. Almost in parallel, however, a literature deeply critical of many of these ideas has emerged from within and outside academia, arguing that such ‘orthodox’ understandings of terrorist finance are severely dysfunctional, and at worst malignantly so. In particular, these critiques demonstrate that such ‘orthodox’ approaches to conceptualizing terrorist finance are in many ways incoherent, incomplete, and inconsistent with both thorough theoretical investigation and empirical observation. At the same time, however, this ‘critical literature’ on terrorist finance offers no coherent solutions to address the problems they identify. This dissertation therefore seeks to take the first significant step *beyond* these critiques to construct an improved conceptual framework that can serve as a foundation for further – and better – research on terrorist finance within international security discourse.

As such, the research question of this thesis is,

How can the conceptualization of terrorist finance be improved; given the failings of current approaches to researching and analyzing terrorist financing that have been cited in the critical literature as well as the policy failures associated with these intellectual failings?

To answer this question, the thesis employs primarily poststructuralist methods, but with the explicit aim of creating a framework for analysis of terrorist finance that is applicable to both positivist research as well as analysis that incorporates more critical and constructivist perspectives. In particular, this dissertation first explores how orthodox understandings of terrorist finance generally ‘ask the wrong questions’ about terrorist financing; then presents an analysis of what, epistemically, the ‘right questions’ are; and ultimately proposes a new

typology of terrorist financing activity centered around the contextualized dynamics of individual-level political-economic interaction. In particular, this thesis finds that the term ‘terrorist financing’ is a misnomer in that much of the activity encompassed by the term involves neither terrorism nor money. Instead, terrorist financing more accurately refers either to the exchanges of economic and material value that empower ‘terrorist’ actors, or specific material expressions of support to either ‘terrorists’ or ‘terrorism’-related socio-political movements – however this contested term is defined. This typology and the improved conceptualization presented in the thesis, it is argued, constitute a framework for representing terrorism-related financial activity within which knowledge of the political economic dimensions of terrorist actors can be produced; knowledge that ultimately will be both more accurate and more useful than that currently available in existing discourse.

After the terrorist attacks of September 11th 2001, and the consequent declaration of a ‘Financial War’ on terrorism, ideas regarding the financial activities and interactions of terrorist actors coalesced into what de Goede calls a “qualitative assemblage”¹ of ideas about terrorism-related economic activity that over time achieved enough “resonance”² among disparate discourses to ultimately form what this thesis refers to as an ‘orthodox’ approach to representing and conceptualizing terrorist finance. This ‘orthodox’ ideational framework – despite being often incorrect, incoherent and internally contradictory – came to govern how governments, the private sector, and academia comprehended, researched, and responded to these activities and interactions. In general terms, the orthodox approach, as elucidated *ad hoc* in various scholarly, journalistic, quasi-academic, and governmental literature, states that ‘terrorist financing’ is a significant, discrete, and politically unproblematic (albeit empirically complex), international security threat that must be uncovered, confronted, and as much as

¹ Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008), 293.

² de Goede (2008), 293.

possible stopped, and therefore analysis of it should focus on uncovering the dark mysteries of *who finances terrorism and how they do it*. Although the exact ways in which this ‘orthodox’ approach has been conceptualized and articulated has evolved over time (in particular from simplistic and linear views, to more of a focus on complex networks and systems), the core of this framework – that ‘terrorist financing’ is a finite, bounded phenomenon that is, incontestably, in itself a threat that should and can be confronted – has remained intact. This is significant to International Relations because this ‘orthodox’ view has provided potent justification of and explanation for various coordinated exercises of state and private sector power that affect not only those that are – or at least are perceived to – involved in ‘financing terrorism,’ but also local, national, and global societies at large.

As this ‘orthodox’ view of terrorist financing has gained wide currency in spheres of academia and practice, a growing ‘critical’ literature has challenged both the accuracy and the utility of this ideational framework. A diverse set of critiques argues that orthodox perspectives that hold terrorism-related financial activity is necessarily a threat in itself are not necessarily true, given that neither ‘terrorism’ nor ‘finance’ can be viewed in such unproblematic and universalizing terms, and therefore that how one perceives terrorists and those involved with them financially is necessarily subjective and politicized and driven by certain securitized perspectives about financial activity perceived to be ‘linked’ to terrorism or terrorists. This means in turn, these critiques argue, that it is simply not accurate to in some universal way conceptualize ‘terrorist financing’ as a threat, because it demonstrably depends on one’s perspective of these contested topics, and, furthermore, that by doing so, conceptions of terrorist finance have in some cases become simply a convenient tool to advance certain political or normative interests over others. In other words, the critical literature implies that because the orthodox perspective on terrorist financing is at core a

universalizing project structured to serve certain narrow political and institutional interests it is simply incapable of systematically producing accurate knowledge about the financial realities of terrorist actors, because it necessarily alters, obscures, or even summarily excludes certain interpretations for reasons other than their analytic worth. In the second instance, the critical literature argues that, largely because of this incapacity to systematically produce accurate knowledge about the reality of terrorist financing, ‘orthodox’ approaches to terrorist financing are not even especially useful to the political and institutional objectives – e.g. counterterrorism, safeguarding of the neoliberal financial system, protection of liberal democracy from threats, etc – whose interests the ‘orthodox’ approaches were ostensibly meant to serve in the first place.

A major gap in the critical literature, however, is that no coherent alternative to the orthodox approach exists. This thesis seeks to fill this gap, and takes the first significant step towards doing so by constructing the ontological and epistemological foundation for an improved conceptualization of terrorist financing that would be capable of systematically producing knowledge about the realities of terrorist finance that is both more accurate and more useful than that using either simply the orthodox or critical perspectives. To accomplish this, this thesis first examines problems with how knowledge of terrorist financing is produced, and then attempts to advance this knowledge by developing a epistemic view of terrorist financing that revolves around the concept of value chains and is based upon a superior conceptual and methodological approach. In this way, the thesis in effect applies poststructural methods and approaches of investigation to the objective of creating a foundation for better empirical/positivist research, as well as critically minded theoretical investigation.

This dissertation is divided into five chapters and a conclusion, each of which aims to progressively improve how terrorist financing is represented and thus how it is conceptualized. As such, it should be explicitly noted, the thesis therefore is about reframing debates about and research into the financing of terrorism in ways that could be used to produce more accurate and useful theories and frameworks of analysis about terrorist financing. Given that such future research could take many forms and sit within a variety of different discourse – from Terrorism Studies to Security Studies to Criminology to International Political Economy, this thesis therefore is ambitious in what it could ultimately lead to, but nevertheless focused in its research objective.

Chapter One begins this project by first explaining the baseline assumption upon which this dissertation rests: that terrorist financing is currently poorly conceptualized. This is done by introducing both orthodox and critical approaches to analyzing terrorist financing and discussing how neither literature presents a coherent conceptual approach to analyzing terrorist finance that can systematically produce knowledge about the topic that is both accurate and useful. While Chapter One does not thoroughly examine these literatures (leaving this to Chapter Three), it establishes both that terrorist financing is currently poorly conceptualized and in general terms what problems must be addressed to build an improved framework for understanding and analyzing the issue. In particular, the chapter discusses not only how orthodox approaches have actually produced inaccurate knowledge about terrorist finance, undermined efforts of the so-called ‘Financial War’ against terrorism, led to a variety of anti-liberal social consequences, and justified an unexamined expansion of state power, but also how more critical approaches to the issue, despite their value as critiques, have not presented much in the way of viable alternatives to such orthodoxies. Chapter One also discusses the methodology by which this dissertation will go beyond these critical

perspectives by formulating an improved conceptualization of terrorist financing; one that is intended to produce knowledge about terrorist finance that is both more accurate and more useful. It discusses how this dissertation in effect aims to build a conceptualization of terrorist finance that is capable of systematically producing ‘practical wisdom’ about the financial activities of terrorist actors and the various intellectual and practical meanings and conclusions one can draw from analysis of these activities. In particular, this is achieved through a combination of research methods meant to first illustrate the empirical realities of terrorist finance, second to problematize ‘orthodox’ representations of terrorist finance, third to conceptually reframe the issue, and fourth and finally to present a new alternative framework within which a more coherent, nuanced, and ultimately useful representation of terrorist financing can be produced.

Chapter Two illustrates and discusses the empirical realities of terrorist finance, via a case study of terrorist financing along the Georgian-Chechen border, and some preliminary impressions about the conceptual implications raised by them. As a whole, this chapter creates a baseline for understanding the critiques introduced in Chapter 1 and discussed in more detail in Chapter 3, in order to move beyond them in the rest of the dissertation. The Chechen case is particularly significant because it encompasses virtually the full range of activities evident throughout the literature of which terrorist financing is comprised, providing views of terrorist finance from global and national levels to its everyday realities at level of the individual. The chapter finds that terrorist financing activity is empirically complex, inherently politicized and contested, and conceptually intersubjective, and ultimately challenges many assumptions about the role of the state, power, and agency within International Relations.

Chapter Three directly engages with both the ‘orthodox’ and the ‘critical’ literatures on terrorist financing in order to problematize existing conceptualizations and representations of terrorism-related financial activity. The chapter begins by summarizing the main features of the ‘orthodox’ conceptualization of terrorist finance, and then traces the evolution of this approach through three rough ‘generations’ of literature from both within and outwith academic discourse. The chapter then analyzes the major deficiencies in this literature via an examination of the critical literatures. This literature – more accurately a disparate collection of works that question the power/knowledge dynamics of current understandings of terrorist financing – provides a compelling picture of problems in existing conceptions of terrorist financing. In particular, these critiques demonstrate that knowledge of what constitutes terrorist finance, who finances terrorism, how it is financed, and the mechanisms used by governments and other actors to analyze and respond to terrorist financing activity is both generally theoretically deficient and often not well-grounded in the observed empirical realities of the financial activities and contexts of terrorist actors. This chapter surveys these deficiencies, an exercise that serves primarily to identify the bases upon which an improved conceptualization can be built. Furthermore, although these critiques successfully identify the specific deficiencies that exist in current understandings of terrorist finance, this chapter will demonstrate that they provide little guidance on explicitly how these shortcomings could be addressed. The chapter’s conclusion summarizes the major obstacles to an improved theoretical understanding of terrorist financing, which the dissertation will progressively overcome. More simply, and in context of the empirical realities illustrated in Chapter Two, this chapter concludes that current discourse on terrorist finance in essence ‘asks the wrong questions’ of the evidence, which in turn has led to a destructive spiral of deficient theoretical foundations producing deficient empirical evidence, which then incorrectly informs theory, and so on. Primarily this is the case because existing discourse tends to erroneously privilege

analysis of the particular methods and actors involved in financing terrorist groups over other knowledge that, I argue, is more conceptually central to terrorist finance.

Chapter Four reframes how terrorist finance is conceptualized and presents an alternative conceptual foundation upon which an improved representation of the issue can be built. First, it addresses the conclusion of the previous chapter and posits what the ‘right questions’ are to ask about terrorist finance. These questions indicate that, given the inherent power/knowledge dynamics behind transformation of ideas about terrorist financing into a hardened orthodoxy described in Chapter One, the right theoretical questions about terrorist financing should revolve around the structural and functional aspects of, first, the dynamics by which economic resources are instrumental to terrorist capabilities, and, second, what economic activity tells one about how terrorists interact with society/ies at large. Second, from this alternative conceptual foundation, this dissertation is then able to systematically build an improved framework for understanding terrorist finance. It finds that terrorist financing is properly – and most profitably – understood as a security issue, but one that revolves around the dynamics of political economic interaction, and perceptions of those interactions. Locating the issue as such carries five crucial implications, namely that analysis of terrorist finance should: (a) be conducted at the level of individual political-economic exchanges (rather than at a macro or ‘system’-level); (b) engage more closely with the historical, cultural, and societal realities of the diverse political economic orders in which it occurs; (c) recognize that terrorist ‘finance’ often is more accurately about the exchange of value, not money; (d) engage more closely with political theory to understand the intersubjective and self-limiting political logic that appears to govern terrorist financing activity; and (e) explicitly accept that knowledge of terrorist finance is necessarily subjective and thus always in part a product of the relevant socio-political contexts that influence how

knowledge and language are produced and used in the contemporary world. This chapter discusses how locating terrorist financing as a security issue that focuses on political economic interaction supports a conceptualization of the issue that can be used as a foundation for a new framework that coherently integrates the multi-dimensional and highly context-contingent dynamics of power competition and value exchange within the individual transactions that comprise the financial activities and contexts of terrorist actors. However, it also discusses how locating it as such is problematic given that ‘International Political Economy’ (IPE) discourse is only beginning to incorporate such concepts and tools into International Relations discourse, with some notable exceptions discussed in the chapter. The chapter concludes by arguing that although significant amounts of theoretical and empirical work remain, the ‘right questions’ formulated in this chapter represent the foundation for a more accurate and more useful conceptualization of terrorist financing, which can be used as a foundation for further empirical and theoretical research on the topic.

Chapter Five presents a typology of terrorist finance that represents it dichotomously as political-economic activity that either is part of the ‘value chain’ of terrorist actors, or is along a ‘continuum of material support’ for varied socio-political activities related to terrorism. This dissertation aims to build an improved conceptual framework of terrorist finance upon which more coherent, comprehensive, and useful research about the financing of terrorism can proceed. This typology as presented is meant to be a viable framework within which systematic research about terrorist financing can proceed, and with which a more accurate, coherent, nuanced, and comprehensive understanding of terrorist finance can be built. As such the typology is in part intended to be the foundation for future research and theoretical development, and a brief discussion is included on some possible future applications of it.

The dissertation concludes by arguing that the alternative conceptualization constructed in this thesis, and in particular the typology presented in Chapter Five, addresses (or at least has the potential to address) the deficiencies in current understandings of terrorism-related financial activity raised in the critiques, and as such both represents in itself an improved theoretical understanding of terrorist financing, but – just as importantly – is a framework within which further research can be undertaken to further improve this understanding. This latter point is crucial because this dissertation does not have the scope to systematically specify many of the issues raised by its alternative theoretical understanding, and thus many of the actual conclusions about terrorist financing remain for subjects of future research. Despite these limitations, the improved conceptualization of terrorist financing presented herein and the accompanying typology of the ‘reality’ of terrorist finance nonetheless represent a significant contribution to ‘terrorist financing studies’ in particular, and therefore also to debates on terrorism, contemporary international security, and international relations, in addition to related fields of practice. Furthermore, the conclusion argues that this typology – and the reworked conceptual framework developed herein on which it is based – helps terrorist financing more fully engage in International Relations discourse by producing a clear analytic framework upon which further research can be based and sets of hypotheses about terrorist financing that can be tested. For these reasons, it is argued, this dissertation in general and the typology in particular have reframed and improved how terrorist financing is represented and, ultimately, conceptualized. The conclusion emphasizes this point by outlining how this dissertation could be applied to build a more formalized and systematic program of research on terrorism-related financial activity.

CHAPTER 1

Improving the Conceptualization of Terrorist Finance: Critique and Beyond

Despite clear significance for contemporary international relations, the underlying reality of what has become known simply as ‘terrorist finance’ remains poorly conceptualized. This situation is surprising given that the collective global effort to counter the financial activities, contexts, and dimensions of terrorist actors is a major – and indeed was the original – ‘front’ of the “Global War on Terror” (and its successors),³ and the issue itself touches upon many important – and unresolved – issues of contemporary international security, international relations, and political economy. In response, a growing number of critiques from within academic discourse, government, journalism, and the private sector have attempted to document and demonstrate both the intellectual shortcomings of current, ‘orthodox’ perspectives of terrorist finance, as well as the impact these failures have had on society and policy. However, this is where this critical literature stops, and thus ultimately where this dissertation begins. This dissertation aims to build an improved conceptual framework of terrorist finance: not to provide ‘final’ answers to these questions, but to provide the necessary conceptual foundation upon which more coherent, comprehensive, and useful research about the financing of terrorism can proceed.

This chapter begins this project, first by introducing and outlining the major problems with current approaches to conceptualizing terrorist finance. It does so by framing these approaches as either ‘orthodox’ or ‘critical,’ simply to illustrate the fundamental debate

³ Although the administration of President Barack Obama has ceased using “Global War on Terror,” and similar phrases, it has continued to emphasize ‘fighting terrorism’ as a national security priority (see for example Oliver Burkeman, "Obama administration says goodbye to 'war on terror'," *The Guardian*, March 25, 2009.) Therefore, for sake of simplicity, this thesis will describe this continuity of policy, but not rhetoric, as “the Global War on Terror (and its successors).”

ongoing within terrorist financing research between those that generally accept the dominant ways the issue has been represented versus those that dispute the conceptual foundations of these dominant approaches. As will be discussed, however, neither of these perspectives produce a coherent or useful conceptualization of terrorist finance. Orthodox approaches fail for reasons outlined in the critical literature, but critical approaches also generally lack any coherent alternative way of representing the issue. Ultimately, this first section below discusses the baseline assumption of this thesis that terrorist financing is currently poorly conceptualized, and that the specific place and contribution of this thesis is to construct a framework for representing terrorist finance that both addresses the problems raised in the critical literature and moves beyond such critique to produce a viable alternative. In its second section, the chapter frames this complex project as a contribution to the idiosyncratic International Relations niche sub-field of ‘terrorist financing studies.’ It explains that the issue of ‘terrorist finance’ is at core a securitized problem of politicized representation, meaning that this dissertation’s attempt at improving conceptualization of the issue must focus on constructing an alternative way of representing terrorism-related financial activity; specifically one that, compared to existing representations, is more coherent, more nuanced, and more useful to relevant communities of thought and practices alike. The third section of the chapter discusses the methodology of the thesis. The fundamental methodological strategy of this dissertation is to improve the conceptualization of terrorist finance by developing an alternative framework for representing terrorism-related financial activity. As discussed below, this strategy is achieved through a combination of research methods meant to build a framework within which ‘practical wisdom’ about terrorist finance can be produced.

Introduction

This thesis sets out, most simply, to improve understandings of terrorist finance. More specifically, its research question can be stated as:

How can the conceptualization of terrorist finance be improved; given the failings of both 'orthodox' approaches to researching and analyzing terrorist financing, as well as the lack of any coherent alternative framework from the critical literature?

In other words, this dissertation begins from the premise that terrorist financing is poorly conceptualized, both because what can be termed 'orthodox' approaches are not capable of systematically producing accurate and useful knowledge about the realities of terrorist financing, and because more 'critical' approaches offer few viable remedies to accompany their valuable diagnoses. From this premise, the dissertation seeks thus to fill a gap; applying lessons learned from the critiques yet, importantly, moving beyond them in order to forge an improved conceptual understanding of terrorist finance. This introductory section frames this dissertation's project to so improve the conceptualization of terrorist financing. As such, it is worthwhile to first examine more closely the subject of this project, the phenomenon that has become known as "terrorist finance."

This dissertation understands terrorist financing to be, as de Goede writes, "a cultural imaginary and political problem in need of (security) intervention."⁴ She argues that the topic of 'terrorist finance' originated from and remains driven by how it is "mediated" as a security concern, and as such is at core a topic of politicized representation.⁵ In particular, she writes, how terrorist financing is understood and how it is acted upon relates closely to how it has been represented across various "media" (e.g. academic discourse, think tank, private sector and governmental analyses, journalistic reporting, and popular culture) in ways

⁴ de Goede (2008), 292.

⁵ de Goede (2008), 292.

that have produced potent images of “terrorist money” as a securitized problem.⁶ As it is so ‘mediated,’ this thesis must confront and deal with certain idiosyncrasies peculiar to the study of terrorist finance.

Most centrally, terrorism-related financial activity is represented as *a significant international security threat that must be countered in order to fight terrorism and safeguard the legitimate financial system*. This is the foundational perspective upon which most existing approaches to dealing with the financial activities, contexts, and dimensions of terrorist actors rest, as will be discussed throughout the thesis. This perspective, which is generally referred to below as the ‘orthodox’ approach, emerged primarily – but not exclusively – within the context of the historical moment following the terrorist attacks on the United States on September 11, 2001 and the accompanying declaration of a ‘Financial War’ against terrorism, and has evolved into the dominant ideational framework about terrorist financing.

Although it is the ideational basis of most efforts to combat the financing of terrorism, this orthodoxy has manifestly failed to produce knowledge about terrorist finance that is coherent, comprehensive, or particularly useful. Representing terrorist financing in these terms has also therefore manifestly failed to achieve the intellectual, policy, or operational goals towards which this representation was originally directed at achieving.

For instance, although there is not currently a consistent understanding of which activities and behaviors constitute terrorist financing versus which do not, nevertheless potent laws and regulations oblige banks across the world to develop and deploy – at great cost – methodologies and policies to calculate the ‘risk’ that a specific financial transaction

⁶ de Goede (2008), 293.

constitutes terrorist financing activity, even though without such understanding such ‘calculations’ naturally are almost certain to be inadequate. Similarly, intelligence and law enforcement agencies in many countries have taken legal and lethal action against people determined to be ‘financing terrorism,’ despite the fact that no coherent explanation currently exists for either how or why certain actors and behaviors are involved in financing terrorism but similar actors and behaviors are not, or a viable framework to identify, contextualize, and otherwise give meaning to global and localized trends and variations in terrorist financing currently exist. This is significant to International Relations because, in the above and other ways, the ‘orthodox’ representation of terrorist finance has not only been used to produce knowledge used by governments, the private sector, and academia to comprehend and research terrorist financing, but also which has provided potent justification of and explanation for various coordinated exercises of state and private sector power against those individuals, charities, socio-political movements, and others that are – or at least are perceived to be – involved in ‘financing terrorism.’

Almost in parallel to the rise of these orthodoxies, a growing discourse – referred to below as the ‘critical’ approaches – has challenged both the accuracy and the utility of such ‘orthodox’ representations of terrorist finance. As introduced below and detailed in Chapter 3, while these critical approaches present in aggregate a compelling critique of the theoretical and conceptual foundation of existing understandings of terrorist financing, they do not present a coherent viable alternative framework for understanding the issue. This chapter introduces this critical literature and summarizes its major claims, but argues that while the central claims of these critiques are correct, the conceptual implications of the problems they raise have yet to be taken seriously, let alone remedied. In particular, the critical literature fails to offer a coherent alternative epistemological framework that would address the problems

extant in ‘orthodox’ approaches to terrorist finance. More simply, while the critical literature has successfully challenged ‘orthodox’ representations of terrorism related financial activity, it has not taken the logical next step and proposed a viable alternative approach to representing the issue.

This thesis aims to accomplish this. In particular it does so by reorienting representations of terrorist financing away from its current focus on “who finances terrorism and how they do it,” and towards a more socially-embedded understanding of how the exchange of value impacts and reflects the capabilities, behaviors, and relationships of terrorist actors. The thesis also presents the foundations for a formalization of this alternative representation in the form of a typology that represents terrorist finance as either the process by which terrorist actors access value chains or the dynamics by which various individuals and communities express material support for terrorists or terrorism-related socio-political causes. This alternative representation, the thesis demonstrates, is not only more intellectually sound, but also more politically useful, especially for liberal democracies confronting terrorism and related security threats.

Baseline Assumption: Terrorist Finance is Poorly Conceptualized

The baseline premise upon which this thesis rests is that *terrorist financing is poorly conceptualized*. This assumption is based on the emergence and ultimate critique of what can be referred to as an orthodoxy about terrorist financing, the key ideas of which not only inform, justify, and drive various efforts to research and combat terrorist financing, but also which have been robustly and convincingly challenged by an emerging set of critical works. This section surveys the key areas in which this literature challenges existing conceptualizations and representations of terrorist finance. This section briefly surveys these

critical works, and introduces the main challenges they present to orthodox perspectives, namely on grounds that ‘orthodox’ ideas about terrorist financing largely produce knowledge about terrorism-related financial activity that is not only often – if not mostly – inaccurate, but also not particularly useful to the various research and practitioner communities involved analyzing and responding to terrorist financing. This section concludes by discussing that while these critical works offer important challenges to existing poor conceptualizations of terrorist finance, they nevertheless offer little in the way of a viable alternative conceptualization of terrorist finance that would resolve the problems raised by the critical literature.

It must be emphasized that using the oppositional ‘orthodox’ and the ‘critical’ terminology herein is not meant to imply that these perspectives are rigid or reified intellectual positions.⁷ In fact, both literatures encompass widely varying and often internally contradictory perspectives about terrorist financing. The orthodox/critical dichotomy is used here simply to more clearly illustrate certain important elements about how terrorist financing is conceptualized, especially to the reader who is not a specialist in terrorist financing nor familiar with the idiosyncrasies, explained below, of researching the topic. Aware of these potential shortcomings, this thesis employs the orthodox/critical terminology in order to, first, highlight simply that there is an ongoing, deeply contentious debate within terrorist financing discourse about the very conceptual foundations of the topic. Second, setting so-called orthodox and critical approaches against one another helps illuminate the place of this particular thesis project, namely to provide a new conceptual approach that not only is a

⁷ As has been the concern concerning the emergence of the so-called “Critical Terrorism Studies” approach. See especially Jeroen Gunning, "Babies and bathwaters: reflecting on the pitfalls of critical terrorism studies," *European Political Science* 6, no. 3 (2007): 236–243; and John Horgan and Michael Boyle, "A case against 'Critical Terrorism Studies'," *Critical Studies on Terrorism* 1, no. 1 (April 2008): 51-64.

viable alternative to the deficient ‘orthodox’ approaches, but also builds on but ultimately moves well beyond mere ‘critique.’

‘Orthodox’ Approaches: An Introduction

As a stand-alone topic, the study of terrorist financing has existed for only a few decades; the first monograph published in 1986.⁸ As relatively briefly introduced below and discussed in more detail in Chapter 3, what can be termed as an ‘orthodox’ approach has emerged since then. This orthodoxy reflects not an explicitly and coherently formulated ideational framework, but rather a general and (mostly) shared perspective about how to address a particular problem of international security, namely how to ‘fight’ the security threat represented by terrorism-related financial activity. As such, the orthodox approach to conceptualizing terrorist finance is, in essence, what Cox termed a “problem solving” perspective, which ultimately, as he famously wrote, “takes the world as it finds it.”⁹ However, given that, as the critical literature demonstrates, the ‘world’ of terrorism-related financial activity remains incorrectly, incompletely, and inconsistently described in ‘orthodox’ literature, by ‘taking the world as it finds it,’ orthodox approaches have ultimately produced, as will be discussed, not only deep misunderstandings of the problem of terrorist finance, but also, unsurprisingly, the failure of actions based on them.

The rise of such orthodox conceptualizations of terrorist financing occurred because, as de Goede has described, a “qualitative assemblage” of similar thinking on terrorist finance developed over time, which eventually achieved “resonance” among disparate discourses that each concerned the ways in which ‘terrorist money’ represented a security threat.¹⁰ These

⁸ This was *The Financing of Terror* by James Adams (New York: Simon & Schuster, 1986)

⁹ Robert Cox, "Social Forces, States, and World Orders: Beyond International Relations Theory," *Millennium* 10, no. 2 (1981)..

¹⁰ de Goede (2008), 293.

resonating discourses included suspicions about corporate and Western government money laundering from those on the political Left,¹¹ and objections to financial aid for Palestinian nationalist groups from those on the Right,¹² but primarily revolved around the belief that targeting terrorist financing represented a useful strategy with which to prosecute the ‘Global War on Terror’ in the historical moment following the terrorist attacks of 11 September 2001 (hereafter “9/11”).¹³ She cites the following statement from a senior U.S. Government official as exemplary of what I refer to here as the ‘orthodox’ conception of terrorist finance:

The campaign to keep money out of the hands of terrorists has become a centerpiece of the overall war against terrorism... Focusing on and attacking terrorist money flows is important for several reasons. Financial records and audits provide blueprints to the architecture of terrorist organizations. By following the money trail through financial information sharing worldwide, we can save lives by unearthing terrorist cells and networks.¹⁴

Importantly, de Goede argues that once this ‘qualitative assemblage’ (or the ‘orthodox approach’ as referred to herein) emerged, this representation of terrorist finance around the securitized threat posed by ‘terrorist money’ became a self-referential intellectual framework largely decoupled from the discourses that had combined to produce it. Once this occurred, this ‘orthodox’ conception of terrorist finance gained near universal currency among governments and thus also in the private sector,¹⁵ as well as wide acceptance throughout academic discourse,¹⁶ which led to the production of research aimed at solving the problem of terrorist finance, which did indeed ‘take the world as one finds it,’ however poorly conceptualized that ‘world’ actually was. Chapter 3 traces this evolution of this orthodox approach in terms of what this thesis observes as three general ‘generations’ of orthodox

¹¹ For example, Loretta Napoleoni argued in *Terror Incorporated: Tracing the Dollars Behind the Terror Networks* (New York: Seven Stories, 2005) that there existed a “new economy of terror” that she “calculated” to be \$1.5 trillion, to which multinational corporations and Western governments were major contributors.

¹² See for example Rachel Ehrenfeld, *Funding Evil: How Terrorism Is Financed--and How to Stop It* (Chicago: Bonus Books, 2003); and Steven Emerson, *American Jihad: The Terrorists Living Among Us* (New York: Free Press, 2003).

¹³ de Goede (2008), 293.

¹⁴ Juan Zarate, quoted in de Goede (2008), 293.

¹⁵ See Ibrahim Warde, *The Price of Fear* (Berkeley, CA: University of California Press, 2007).

¹⁶ de Goede (2008), 293.

terrorist financing literature. Although detailed in that chapter, it is useful to summarize the major elements of this evolution here.

The first ‘generation’ of terrorist financing discourse refers to those descriptions of terrorist financing that analyze the problem only as a tangential logistic issue to the political and operational realities of terrorist groups. Reflecting an evolution in the study of terrorism generally, the earliest of this literature focused on the financial links between states and terrorist groups, while the later works offer broader, but still superficial, descriptions of terrorist financing as tangential to other, larger issues. As will be discussed in Chapter 3, ‘first generation’ analyses of terrorist finance tend to be narrow discussions of financial activity related to terrorist actors, often raised as mere tangents to broader discussions of terrorism and terrorists. As such, conceptually, this first generation literature tends to assume a linearity in the reality and the meaning of financial activity to terrorist actors, which in turns produces an epistemic perspective that favors certain – usually ideological or geopolitical – variables over others. For example, first generation literature often depicts the financing of a given terrorist actor as simply the product of a hidden network of ideologically driven sponsors – or often a sympathetic state sponsor. In addition, first generation orthodox analyses of terrorist financing are generally characterized by a more superficial and less rigorous use of empirical evidence, and tend to rely – often uncritically – on tertiary sources, official documents and statements, and pieces or sets of data that are either low quality or heavily recycled. The result is that first generation orthodox literature is of very little use for studying or ultimately understanding the complex, intersubjective realities of terrorist finance.

The second generation of ‘orthodox’ literature begins to view terrorist financing as a topic distinct from, although intimately related to, the problem of terrorism. This generally heavily descriptive literature offers a more comprehensive description of terrorist financing, explicating the complex, variable, and global nature of the issue, but does so with little critical perspective about what theoretical contexts are needed for more contextualized, nuanced, and ultimately useful understandings of the topic. In general, this second generation of orthodox literature is paradigmatic, and is characterized by uncritical utilization (mostly acceptance, but at times rejection) of popular or official claims and conclusions regarding ‘who finances terrorism and how they do it.’ This literature also tends to be overly deterministic about the complex realities of terrorist financing, a problem often manifested in analyses that begin with an *a priori* assumption about the involvement of a certain actor or behavior in financing terrorism, and then an analysis of how this actor or behavior could – often rather than has been – used to finance terrorism. For example, belonging to this generation of orthodox literature are those uncritical discourses that represent *hawala* as a ‘terrorist financing method,’ despite presenting little or no actual case evidence of the use of *hawala* to ‘finance’ terrorist acts or actors, or, even when there such evidence, offering only vague notions about the precise instrumentality of *hawala* services to a particular terrorist act or actor. The result is that although the second generation of orthodox literature places a greater emphasis on empirical research – especially to identify the methods and actors involved in financing terrorism – the empirical evidence produced is, more often than not, grossly underdetermined. In other words, although this literature presents a more robust empirical basis for analysis of terrorist financing, the meaning and conclusions drawn from this data are generally poorly formulated, which then in turn negatively influences any follow-on research seeking to augment this knowledge.

The third generation of terrorist financing literature attempts to fill these conceptual gaps in understandings of terrorist financing. In general, this generation of literature can be characterized by a focus on analyzing terrorist financing as a more holistic problem encompassing various economic, political, social, cultural, institutional, and historical factors. As Chapter 4 argues, engaging in the full complexity of terrorist financing activity is crucial to properly conceptualizing and representing it, and engagement in these factors helps address the problem of underdetermination of empirical data present in the second generation literature. However, as will be discussed, severe problems with this ‘orthodox’ literature remain, primarily, as the critical literature describes, because it too is based on poorly formulated – or even simply incorrect – assumptions and conceptualizations about terrorist finance. In one example discussed later, while frameworks such as Makarenko’s ‘Crime-Terror Nexus’ offer an integrated, coherent conceptualization of terrorist financing, it is ultimately self-referential and, in this case, continues to rest on the mistaken¹⁷ assumption that one can draw such clean lines between ‘good’ and ‘bad’ money. The result is that while the third ‘generation’ of orthodox literature offers some useful analytic theories and hypotheses about terrorist financing, it nevertheless fails to fully engage with and correct the underlying failings of orthodox approaches to terrorist financing, meaning ultimately that such literature remains too incoherent and, overall, of limited usefulness for conceptualizing, let alone understanding or confronting, terrorist finance in any systematic way.

Orthodox Approaches and the ‘Financial War’ on Terrorism

As mentioned above, orthodox representations of terrorist financing originated from a combination of different discourses that ultimately achieved ‘resonance.’ Nevertheless, these

¹⁷ See discussion in Chapter Three, as well as Marieke de Goede, "Hawala discourses and the war on terrorist finance," *Environment and Planning D: Society and Space* 21 (2003): 513-532; and Marieke de Goede, "The Risk of Terrorist Financing: Politics and Prediction in the War on Terrorist Finance," *Constructing World Orders Conference, Standing Group on International Relations, Transnational Politics of Risk Panel* (Den Haag, September 9-11, 2004).

conceptualizations and representations of the issue are ultimately most closely tied to ideas about how to ‘fight it,’ and thus to the ongoing ‘Financial War’ on terrorism that emerged out of the historical moment following the terrorist attacks of 11 September 2001. Therefore to understand ‘orthodox’ conceptualizations of terrorist finance, it is important to begin with a brief examination of how terrorist financing is ‘fought.’

The ‘Global War on Terror’ (and its successors) currently being waged by the United States and allied governments¹⁸ began in fact in the financial arena. On September 24th 2001, President George W Bush announced in the White House Rose Garden that,

“At 12:01 a.m. this morning, a major thrust of our war on terrorism began with the stroke of a pen. Today, we have launched a strike on the financial foundation of the global terror network.”¹⁹

This strike froze the assets of 27 “terrorist organizations, individual terrorist leaders, a corporation that serves as a front for terrorism, and several nonprofit organizations,”²⁰ and was in fact the first public response to the al Qaeda attacks on the United States not quite two weeks prior. President Bush, flanked by Treasury Secretary Paul O’Neill and Secretary of State Colin Powell, used the symbolism of the moment to emphasize that such financial ‘strokes of the pen’ would be a major component of a long battle by the United States and its allies to fight both al Qaeda specifically and ‘terrorism’ in general. He stated at the time:

“Make no mistake about it, I’ve asked our military to be ready for a reason. But the American people must understand this war on terrorism will be fought on a variety of fronts, in different ways. The front lines will look different from the wars of the past ... We will lead by example. We will work with the world against terrorism. Money is the lifeblood of terrorist operations. Today, we’re asking the world to stop payment.”²¹ [emphasis added]

¹⁸ See footnote 3 regarding use of the “Global War on Terror” terminology.

¹⁹ "President Freezes Terrorists' Assets: Remarks by the President, Secretary of the Treasury O'Neill and Secretary of State Powell on Executive Order," September 24, 2001, <http://www.whitehouse.gov/news/releases/2001/09/20010924-4.html> (accessed October 27, 2007).

²⁰ Ibid.

²¹ Ibid.

The President and his cabinet officials made clear that the financial front would be a wide-ranging campaign not confined to targeting simply the assets of those directly financing terrorist attacks, but also aimed at any state, individual, business, or organization that facilitated, supported, or in any way interacted with the ‘financial infrastructure’ of terrorism. Secretary O’Neill stated clearly,

“This order is a notice to financial institutions around the world, if you have any involvement in the financing of the al Qaeda organization, you have two choices: cooperate in this fight, or we will freeze your U.S. assets; we will punish you for providing the resources that make these evil acts possible.”²²

Similar financial ‘strikes’ to the ones immediately after 9/11 continued apace for several years following, resulting in the freezing or seizure of hundreds of millions of dollars worldwide.²³ In addition, several thousand individuals have been designated by the United States, European Union, United Nations, and other official bodies for their known or suspected role in financing terrorism, effectively blacklisting them from any dealings with any bank or other financial institution within the legitimate global financial system.²⁴ This Financial War has also expanded to include a vast surveillance apparatus for monitoring the financial transactions of individual people and organizations by national and international intelligence and law enforcement agencies, either using their own capabilities or via required reporting of ‘suspicious activity’ by financial and charitable sector actors.²⁵ Overall, the Financial War closely reflects former U.S. Secretary of Defense Donald Rumsfeld’s vision

²² Ibid.

²³ No comprehensive statistic of the exact amount frozen or seized is available. Although United States, the United Kingdom, and other countries have frozen or confiscated hundreds of millions of dollars under counter terrorist financing related provisions, much of this money has been subsequently been ‘unfrozen,’ actions that are often not reported or reported much later. Discussions of these problems can be found in Thomas J Biersteker and Sue E Eckert, "The Politics of Numbers in the Financial “War” on Terrorism," *International Studies Association Annual Convention* (San Francisco, March 26-29, 2008); and Warde, 2007.

²⁴ See “Designations and Blacklists” section of Chapter 3.

²⁵ Especially via suspicious activity reports (SARs) and currency transaction reports (CTRs). For a discussion of terrorist financing related surveillance and reporting, see for instance, Sue Eckert, "The U.S. Regulatory Approach to Terrorist Financing," in *Countering the Financing of Terrorism*, ed. Thomas J. Biersteker and Sue E. Eckert (New York: Taylor & Francis, 2007); and R.T. Naylor, *Satanic Purses: Money, Myth, and Misinformation in the War on Terror* (London: McGill-Queens University Press, 2006).

that “the uniforms of this conflict will be banker’s pinstripes and programmers grunge just as assuredly as desert camouflage.”²⁶ This “Financial War” therefore became not only an important component of the so-called ‘Global War on Terror,’ but also as a driver of ideas that terrorism-related financial activity not only represented a threat to international and national security, but also which could indeed be ‘fought.’

Within this context, underlying the ‘Financial War’ are, to generalize, two different strategic ideas about how to fight terrorist finance: the ‘financial warfare’ and ‘financial intelligence’ approaches. Although these two approaches are extremely different, if not contradictory, they both stem from and drive a set of ideas about terrorist financing that has evolved into an orthodoxy about the topic, and one that as we will see below produces both inaccurate and counterproductive knowledge about terrorist finance.

Financial Warfare

The first strategy of the fight against terrorist finance, which can be called the *financial warfare* approach, holds essentially that it is possible to degrade the operational capabilities of terrorists by disrupting their financial networks. Using the threat of terrorism, the common justification of financial warfare can be succinctly explained by combining several clichés present in recent parlance, money is the ‘lifeblood’ of terrorism, which can be “cut off,” “fought,” “combated,” “countered,” “crushed,” and “disrupted” in order to “starve” terrorists of their financial “oxygen.” More specifically, this approach seeks to degrade terrorist actors’ ability to commit terrorist acts, or more simply, to stop or at least lessen terrorism by targeting the money that enables terrorist operations. Those who help finance terrorists or help sustain or support larger terrorist organizations or movements, just as those who train or lead them, must be considered as security threats in themselves, and therefore must also be

²⁶ Donald Rumsfeld, "A New Kind of War," *New York Times*, September 27, 2001.

confronted with direct action. The U.S. National Security Strategy describes this strategy in the following terms:

*Our priority will be first to disrupt and destroy terrorist organizations of global reach and attack their ... finances. This will have a disabling effect upon the terrorists' ability to plan and operate.*²⁷

The idea that terrorist financing is itself an international security concern may seem an obvious point, but terrorist financing was in fact not seen as an explicitly security issue until relatively recently. Prior to the expansion and formalization of the counter terrorist financing regime in the post-9/11 period,²⁸ the international community and individual states had weaker regimes against money laundering, drug trafficking, criminal finance, and other finance-related ‘public bads,’ including terrorist financing.²⁹ None of those issues, however, were considered an issue of national or international security, even if that which the financial activity supported was, i.e. terrorist acts. This began to change after the 1998 bombings of the U.S. embassies in Kenya and Tanzania, and accelerated greatly after the terrorist attacks in the United States on September 11, 2001. After the 1998 bombings, the United States pushed the international community to recognize that both “assisting” terrorism, including through its financing, as well as “acquiescing” to such activity are on par with actually “organizing, instigating...or participating” in terrorism.³⁰ In 1999, this principle was further codified by United Nations Security Council Resolution 1269, which called on states to, “prevent and suppress in their territories...the financing of any acts of terrorism,” and to “deny those who plan, finance or commit terrorist acts safe havens.” This marked a significant change to the previous representation of terrorist finance as one of many forms of

²⁷ National Security Strategy of the United States of America, 2006.

²⁸ For a description of this evolution, see Peter Reuter and Edwin Truman, *Chasing Dirty Money* (Washington DC: Institute for International Economics, 2004).

²⁹ See for example Eleni Tsingou, "Who Governs and Why: The Making of the Global Anti-Money Laundering Regime," in *Global Financial Integration Thirty Years On: when it came and to where it might*, ed. Geoffrey Underhill, Jasper Blom and Daniel Mügge (Cambridge: Cambridge University Press, 2010).

³⁰ UNSCR 1189, 1998

illicit financial activity, and can be explained by the concept of securitization. According to Buzan and Waever,³¹ securitization occurs when the perception of a policy or political issue evolves into being seen as essential to survival, i.e. a threat to one's 'security,' which "is dependent on both the status of the actor promoting the securitization of the issue, and on whether similar issues are generally perceived to be security threats."³² Once an issue has become securitized, this legitimizes otherwise or previously illegitimate acts as 'necessary' and 'extraordinary' means to resolve the security problem.

Under the regime in the late 1990's, financial activity would be considered a security issue if it "assisted" terrorism. In effect, this securitized 'terrorist money,' and thus broadened the scope of actors that could be considered to be involved in terrorism – i.e. not just those that planted the bombs but also those who paid for them to do it – and also therefore those that could be subject to counterterrorism efforts. In other words, previously legitimate acts (providing financial support for those deemed to be terrorists by the United Nations) became not only illegitimate but also a threat to international security. This process of securitization accelerated in the historical moment following the 11 September 2001 terrorist attacks.

This (new) idea that represented certain (terrorist-related) financial activity as a security threat was put into practice within the Financial War through actions and exercises of power such as asset seizures, targeted sanctions, designations, blacklisting, travel bans, laws and regulations that oblige, under penalty of multimillion dollar fines or criminal prosecution,³³ providers of financial services to identify and report terrorist financing activity. In one of

³¹ See for example Ole Waever, "Securitization and Desecuritization," in *Security: a New Framework for Analysis* (Boulder: Lynne Rienner, 1998).

³² Waever (1998).

³³ For example, in a typical case the Swedish Financial Supervisory Authority fined Forex, a northern European foreign exchange conglomerate, 50 million kronor (\$7.8-million) for failing to demonstrate adequate implementation of internal counter terrorist financing and anti-money laundering policies. *Deutsche Presse-Agentur*, "Foreign exchange bureau fined by financial watchdog," October 1, 2008.

many possible exemplars, the following statement by then-United States Secretary of Treasury John Snow illustrates the core representation of terrorist finance as a security threat:

The work to track and shut down the financial network of terror is one of the most critical efforts facing us today, and we have achieved important successes in the mission to bankrupt the financial underpinnings of terrorism. Raising and moving money is now harder, costlier, and riskier for al-Qaida and like-minded terrorist groups. We have frozen and seized terrorist assets, exposed and dismantled known channels of funding, deterred donors, arrested key facilitators, and built higher hurdles in the international financial system to prevent abuse by terrorists. ...

A robust international coalition is currently working to combat terrorist financing and to focus the world's attention on previously unregulated, high-risk sectors such as charities and hawalas. We have begun to focus our collective attention on our growing concern about the use of cash couriers by terrorists groups. In these efforts, we have enlisted the private sector worldwide — banks, money service businesses, broker-dealers, and the charitable community — to serve as the frontline in this battle. These efforts are contributing to our success.³⁴

Unsurprisingly, the relationship between such ideas of financial warfare and how terrorist financing is represented is significant. First, financial activity related to terrorism (i.e. “the financial network of terror” mentioned above) is seen to be an enemy that can be identified, targeted, and, eventually, destroyed. This idea stems from the implicit and explicit conflation of terrorist financing and financial warfare as other contemporary security issues, particularly “asymmetric,”³⁵ “emerging,”³⁶ “transnational,”³⁷ or “globalized”³⁸ threats to international order and/or liberal democratic systems. Second, it greatly expands the scope of individuals and groups who were to be considered threats and enemies, including ‘preemptive strikes’

³⁴ John Snow, "The Global War on Terrorist Finance," *US Department of State Economic Perspectives*, September 2004, 2.

³⁵ Robert Kimmit, "The Role of Finance in Combating National Security Threats," *Soref Symposium, The Washington Institute*, May 10, 2007, <http://www.washingtoninstitute.org/templateC07.php?CID=337> (accessed May 28, 2008).

³⁶ See for example John S. Pistole, "Identifying, Tracking and Dismantling the Financial Structure of Terrorist Organizations," *Testimony to U.S. Senate Committee on Banking, Housing and Urban Affairs* (Washington DC, September 2003, 2003).

³⁷ See for example Jeanne K. Giraldo and Harold A. Trinkunas, "Introduction," in *Terrorism Financing and State Responses, A Comparative Perspective*, ed. Jeanne K. Giraldo and Harold A. Trinkunas (Stanford, CA: Stanford University Press, 2007).

³⁸ See for example Napoleoni (2005).

against those posing an identified risk. For example, under the USA PATRIOT Act,³⁹ a jeweler would be considered a security threat (and therefore might be fined or imprisoned) if he did not comply with the law's requirements to report activity that could indicate terrorist financing. These sanctions would apply even if the jeweler did not actually interact with terrorist actors or if he did, did not intend to do so. This has also led to a wide expansion of discourse on how to improve the regulation and monitoring of 'risky' financial behavior.⁴⁰

The emergence of 'financial warfare' as a strategy not only against terrorists but also against financial activity linked to terrorists engendered a securitized view of this financial activity, which revolve around representations of terrorist financing as a distinct threat that can be identified and fought. According to de Goede, this securitization of terrorism- or terrorist-related financial transactions on one hand served to decouple terrorist financing conceptually and practically from other financial public bads like corruption or money laundering, which remained an issue of financial sector governance, rather than national and international security.⁴¹ This had the effect of de-problematizing terrorist financing,⁴² in that it engendered certain universalizing assumptions about financial and economic activity that could be linked to terrorists or terrorism, namely that such associated activity represented a security threat and must be countered. As the critical literature and this dissertation shows, however, terrorist financing is an inherently 'problematic' issue that relates to many intrinsically contestable issues of international relations, and thus such assumptions simply must be nuanced within a coherent representational framework (like that which is proposed in this thesis).

³⁹ Sections 326 and 314(a) of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act.

⁴⁰ See for example Michael Jacobson, "Extremism's Deep Pockets: The Growing Challenge of Fighting Terrorist Financing," *The Politic*, Winter 2008.

⁴¹ de Goede (2008).

⁴² de Goede (2008), 292.

Paradoxically, the securitization of terrorist money also led directly to the application of certain concepts and policies designed for financial crime issues, especially money laundering, to the issue of terrorist finance. The concepts so applied can be summarized by the common belief that terrorist financing is in essence “reverse money laundering,”⁴³ in that terrorist financing involves obscuring the illegitimate end use of money, whereas traditional money laundering is the process of obscuring the illegitimate origin of money. However, as the critical literature on terrorist finance and this thesis observe, this occurred not because such conceptualizations were appropriate for terrorist financing, but because it allowed terrorist finance to be presented as a depoliticized issue that could be understood via existing (money laundering/financial crime) conceptual frameworks and addressed via existing regulatory and policy approaches, with only relatively minor modifications.⁴⁴

In summary and for a combination of reasons (most especially the post-9/11 Financial War), the emergence of the strategy of financial warfare led to the deproblemization and depoliticization of the intrinsically problematic and politicized issue of terrorist finance. This in turn exacerbated existing and produced new concepts and assumptions about terrorism-related financial activity that, as will be discussed below and later in the thesis, have proved out to be misapplied, empirically or conceptually deficient, and even tangibly destructive.

Financial Intelligence

The second strategy of the Financial War has been the greatly expanded use of what is often termed “financial intelligence,” or in other words the exploitation of knowledge of the

⁴³ See for example Tim Parkman and Gill Peeling, *Countering Terrorist Financing: A Training Handbook for Financial Services* (London: Gower Publishing, 2007), p34.

⁴⁴ de Goede (2008), 292.

financial activities of terrorists as a tool against them, specifically to identify, monitor, and ultimately act against terrorist actors. Financial intelligence is therefore a lens through which other terrorist threats can be better understood and confronted. In practice, it is a difficult and resource-consuming combination of extensive investigations, research and analysis of the various social, cultural, political, economic, and financial complexities relevant to the particular case, and decision making reliant on subjective judgment calls as much as, or even more than, objective fact.⁴⁵ The strategy is based, however, on the belief that the value of financial intelligence often outweighs the value of actually stopping the terrorism-related financial activity being monitored. For example, in a complex operation the US Central Intelligence Agency successfully deployed Pakistani-American agents to infiltrate a money-services business in Pakistan to such an extent that it was able to essentially “run al-Qaeda’s bank”⁴⁶ for over a year, collecting a host of valuable information about the operations of those who used its services. It was reported that this financial intelligence operation helped lead to the arrest of Khaled Sheik Muhammad and played a role in preventing several terrorist attacks.⁴⁷ The financial intelligence approach has also led to intensified governmental efforts to track, monitor, and analyze potential terrorist financing activity, including the establishment of “Financial Intelligence Units (FIUs)” in nearly every country in the world and other governmental organizations with this explicit mission.⁴⁸ The value of the financial intelligence strategy in the larger counterterrorism context has been widely recognized, here described by former CIA Executive Director Busy Krongard in terms of the initial inter-agency group tasked to combat terrorist financing with the US government in the wake of 9/11:

⁴⁵ See for example Kimmit, 2007.

⁴⁶ Ron Suskind, *The One Percent Doctrine: Deep Inside America's Pursuit of Its Enemies Since 9/11* (New York: Simon & Schuster, 2006).

⁴⁷ Suskind, 2006.

⁴⁸ See the Egmont Group’s worldwide list of FIUs at http://www.egmontgroup.org%2Flist_of_fius.pdf. Other examples include the U.S. Treasury’s Office of Terrorism and Financial Intelligence (TFI), the Federal Bureau of Investigation’s Terrorist Financing Operations Section (TFOS).

“The financial area was the most successful, coordinated area in the entire government in the war on terror. From what this group did, we got enormous benefits from it. It was the best example of real coordination of any, I think. They worked quietly, under the radar. Everyone benefited.”

Compared to ‘financial warfare,’ the financial intelligence approach in many ways represents a more nuanced and contextualized securitization of financial activity linked to terrorism. It forces responses to terrorist financing to be set firmly within broader operational, political, and other contexts, and thus forces at least some understanding of these contexts. Financial intelligence also rests on the assumption that financial activity is a security issue – and thus also ‘securitizes’ the activity itself – but largely does much more directly in the context of actual terrorist actors, instead of just in context of ‘terrorism’ in general. This implies that a more nuanced, contextualized way of understanding terrorist financing is not only possible, but desirable, especially if it could be tied to a more explicit awareness of and engagement with one’s own intellectual, political, and operational goals.

However, as the critical literature states and as will be discussed below, there currently exists no coherent conceptual framework to support such a nuanced and contextually sensitive approach: that is, no consistent concept of what activities constitute terrorist financing versus which do not; no coherent explanation for how or why certain actors and behaviors are involved in financing terrorism but similar ones in similar times and places are not; and no viable framework to systematically identify, contextualize, and otherwise give meaning to global and localized trends and variations in terrorist financing, all of which would be vital to any systematically successful effort to collect and exploit financial intelligence against terrorist actors.

The 'Orthodox' Conceptualization of Terrorist Finance: A Summary

The above sections summarize how the Financial War – in both its ‘financial warfare’ and ‘financial intelligence’ strategic formulations – led to the emergence of a securitized concept of financial activity related to terrorism that engendered a transformation of ideas about terrorist financing and the consequent creation and hardening of certain ideas about the issue. In summation, efforts to ‘combat’ the financing of terrorism (CFT) were framed in terms that could be presented as apolitical efforts to ‘secure’ the financial system against terrorist money, even though, as this dissertation and the critical works below demonstrate, doing so is intrinsically and unavoidably a political project involving the promotion of certain actors and interests against and instead of others. This occurred because there was indeed a (temporary) politicized transformation in how ideas of terrorist financing were represented that were largely a product of various political and institutional changes in the post-9/11 moment.

More specifically, the evolution of a securitized view of terrorism-related financial activity led to the emergence of three subsidiary ideas about terrorist financing that have also helped drive thinking and action related to terrorist financing that, as the critical literature describes, is not particularly accurate or useful. These three ideas are, in essence, the core beliefs of ‘orthodox’ representations of terrorist finance. The first is that *terrorist actors possess financial 'infrastructures' and 'networks' that can be identified, undermined, and destroyed*. In particular, these so-called infrastructures and networks are primarily represented as any activity or actor that has economic or financial interaction with a terrorist. However, as this idea entails certain *a priori* assumptions about both who is a ‘terrorist’ and the meaning one should attach to these interactions, this thesis will show that characterizations of such ‘networks’ must be significantly contextualized and nuanced to accurately represent terrorism-related financial activity. The second is that *there is a strong correlative – if not*

causal – relationship between financial activity and terrorism, or, pithily, ‘money is the lifeblood of terrorism.’ This idea entails the assumption that if terrorists have more (or less) money, there will be generally be more (or less) terrorism. This relationship is far more complex and nuanced than this implies, however, as this thesis will demonstrate. The third idea is that analysis of terrorist financing should focus on uncovering the abovementioned ‘infrastructures’ in order to diminish terrorism, and thus should *revolve primarily around discovering “who finances terrorism and how they do it.”* Ultimately, as Chapter 3 discusses in detail, attempts to answer these questions underlie and drive ‘orthodox’ representations of terrorist financing.

An (Incomplete) Critical Literature Emerges

Nearly coincident with the development of these ‘orthodox’ approaches, a critical literature has evolved that raises direct and fundamental challenges to the definitions, assumptions, and systems and practices of power underpinning more orthodox representations of terrorist finance introduced above. Unfortunately, as will be discussed, like other ‘critical’ approaches in International Relations discourse in general and the terrorism debates in particular, these critiques do not offer a coherent alternative framework that would address the trenchant critiques raised. Horgan and Boyle remark that so-called ‘Critical Terrorism Studies’ (CTS) has so far failed – yet has the potential – to “offer a fully informed theoretical position, or set of related positions”⁴⁹ that could produce an improved approach to terrorism research. A similar criticism could be leveled at the critical literature described below, although unlike ‘CTS’ the critiques of terrorist financing orthodoxies have no pretense of being a unified discourse or school of thought, or anything other than a collection of independent works that each in their own way persuasively challenge various deficiencies in

⁴⁹ Michael Boyle and John Horgan, "A Case Against Critical Terrorism Studies," *Critical Studies on Terrorism* 1, no. 1 (2008), 62.

the 'orthodox' literature. This section introduces these critiques and some of their major claims to an extent that a reader who is not a specialist in 'terrorist financing studies' will be familiar with the literature and its problems.

In aggregate and to generalize, the 'critical literature' argues that there exist major deficiencies in how terrorist financing is understood, and thus also in the institutions and practices that are based on this deficient thinking. This critical literature ranges widely, from policy-focused works such as those by Reuter & Truman,⁵⁰ Sproat,⁵¹ Bierstecker & Eckert,⁵² and Cassara,⁵³ to critiques of specific issues within terrorist financing discourse such as from Passas⁵⁴ (alternative remittance systems), Gunning⁵⁵ (charities), and de Goede⁵⁶ (regulation); to the fundamental if somewhat polemical challenges to the basic discursive foundations of the orthodox terrorist financing literature from Warde⁵⁷ and Naylor.⁵⁸

For context, of the 168 publications cited in the *Terrorist Financing Bibliography* produced by the Targeting Terrorist Finances project of Brown University's Watson Institute, thirteen⁵⁹

⁵⁰ Reuter and Truman, 2004.

⁵¹ Peter Sproat, "The social impact of counter terrorist finance policies in the UK," *Crime, Law & Social Change*, no. 44 (2005): 441-464.

⁵² Thomas J Bierstecker and Sue E Eckert, "Taking stock of efforts to counter the financing of terrorism and recommendations for the way forward," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008).

⁵³ John Cassara, *Hide & Seek: Intelligence, Law Enforcement, and the Stalled War on Terrorist Finance* (Washington DC: Potomac Books, 2006).

⁵⁴ Nikos Passas, "Fighting terror with error: the counter-productive regulation of informal value transfers," *Crime, Law & Social Change*, no. 45 (2006): 315-336.

⁵⁵ Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008).

⁵⁶ Marieke de Goede, "Financial Regulation and the War on Terror," in *Global Finance in the New Century: Beyond Deregulation*, ed. Libby Assassi, Duncan Wigan and Anastasia Nesvetailova (London: Palgrave, 2007).

⁵⁷ Warde, 2007.

⁵⁸ R.T. Naylor, *Satanic Purses: Money, Myth, and Misinformation in the War on Terror* (London: McGill-Queens University Press, 2006).

⁵⁹ These are: Amicelle, A. (2008) "Migrant Remittances Marginalized: An Unintended Consequence of the Fight against Terrorist Financing?" Paper presented at the annual meeting of the ISA's 49th Annual Convention, Bridging Multiple Divides, San Francisco, California, 26 March 2008. Bierstecker, T. and S. Eckert (2008), "Measuring Success in the Financial War on Terror'." Paper presented at the annual meeting of the ISA's 49th Annual Convention, Bridging Multiple Divides, San Francisco, California, 26 March 2008; Bierstecker, T. J. and S. Eckert, eds. (2007). *Countering the Financing of Terrorism*. Routledge: London New York. Alyson Bailes (ed.), Oxford: Oxford University Press; Bierstecker, T.J. with P. Romaniuk (2004) "The

can be considered to be ‘critical’ works in that they critique the conceptual and political foundations of current conceptualization of the financing of terrorism, or the impact of such poor conceptualizations. While the bibliography leaves off several significant works, including those by de Goede and Naylor (cited above), in general a common theme runs throughout this literature that terrorist financing is currently poorly understood and poorly researched.

Major Criticisms of Orthodox Approaches to Conceptualizing Terrorist Finance

Even though compared to the overall body of writing on terrorist financing, ‘critical’ works represent only a small fraction, the critical literature robustly challenges existing conceptualizations of terrorist financing, in ways introduced below. To summarize, however, these works argue that existing understandings of terrorist financing are at best severely dysfunctional, or at worst malignantly so. In aggregate, these works’ critique can be summarized that despite the emergence and relentless prosecution of the global ‘financial war’ against terrorism, governments, the financial industry, and academia alike have no clear, systematic approach for understanding of the financial activities and economic foundations of terrorist actors. However, as shall also be discussed below and later in the thesis, these

Return of the State? Financial Re-regulation in the Pursuit of National Security After September 11." In *Maze of Fear. Security and Migration After 9/11*, John Tirman (ed.), New York: The New Press, 2004; Cassara, J. (2006) *Hide and Seek: Intelligence, Law Enforcement, and the Stalled War on Terrorist Finance*. Potomac Books, Inc.: Dulles, VA; Heng, Y.K. and K. McDonagh (2008), —*The Other War on Terror Revealed: Global Governmentality and the Financial Action Task Force’s Campaign Against Terrorist Financing*.|| *Review of International Studies*, 34: 553-573; Passas, N. (2006) —*Setting Global CFT Standards: A Critique and Suggestions*.|| *Journal of Money Laundering Control*, 9(3): 281-292; Reuter, P. and E. Truman (2004) *Chasing Dirty Money: The Fight Against Money Laundering*, Washington, DC: Institute for International Economics Vlcek, W. (2008), —*Development vs. Terrorism: Money Transfers and EU Financial Regulations in the UK*. *British Journal of Politics and International Relations*. 10(2): 286- 302; Vlcek, W. (2007) —*Hitting the Right Target: EU and Security Council Pursuit of Terrorist Financing*.|| Paper presented at the Biennial Conference of the European Union Studies Association, Montreal, Canada, 17-19 May 2007; Vlcek, W. (2007), "Along-side Global Political Economy - A Rhizome of Informal Finance," Paper presented at the annual meeting of the International Studies Association 48th Annual Convention, Chicago, Illinois, 28 February 2007; Warde, I. (2008) —*The Price of Fear: The Truth behind the Financial War on Terror*.|| University of California Press; Warde, I. (2007), —*The War on Terror, Crime and the Shadow Economy in the MENA Countries*. *Mediterranean Politics*, 12(2): 233-248.

critical works do not generally provide any viable alternative conceptualization of terrorist financing that would address the problems the works raise.

Orthodox Approaches Produce Deficient Knowledge about Terrorist Finance

It is hardly difficult to highlight examples of reliable observers stating that knowledge of terrorist financing produced within existing, ‘orthodox’ framework is grossly deficient. In their large, mostly critical anthology, Bierstecker & Eckert concisely state, “terrorist financing remains a little understood and inadequately researched topic,”⁶⁰ and remark that the poor state of understanding of terrorist finance represents a “humbling ... admission of how little we know.”⁶¹ In particular, they describe the inadequacy of existing knowledge regarding some issues that are often mentioned as central to ‘fighting’ terrorist finance, writing,

*“There is still a great deal we do not know about the magnitude and different mechanisms of charities diversion, the use of informal value transfer systems, trade diversion and commodities, and about cash smuggling,”*⁶²

Peter Reuter and Edwin Truman, two economists writing for the International Monetary Fund, question the efficacy of the assumptions underlying dominant, ‘orthodox’ approaches to understanding terrorist finance, stating explicitly:

*“The fact is that, to date, an elaborate system of laws and regulations that affects the lives of millions of people and imposes several billion dollars in costs annually on the American public has been based to a substantial degree on untested assumptions that do not look particularly plausible.”*⁶³

⁶⁰ Bierstecker and Eckert, "The Politics of Numbers in the Financial “War” on Terrorism," (2008).

⁶¹ Bierstecker and Eckert, "Taking stock of efforts to counter the financing of terrorism and recommendations for the way forward," (2008).

⁶² Thomas Bierstecker and Sue Eckert, “Conclusion” in *Countering the Financing of Terrorism*, Routledge, 2008 New York, 301.

⁶³ Reuter and Truman, 2004, 7.

Similarly, Nikos Passas of Northeastern University describes the impact of the deficiencies in conceptualizing terrorist finance as “fighting terror with error,”⁶⁴ and several other reliable analysts raise similarly fundamental doubts, such as that analytic conclusions reflect politicized *a priori* assumptions⁶⁵ and are simply not supported by available evidence.⁶⁶ In some respects there is nothing inherently wrong in the former, as terrorist financing is an inherently political and politicized topic, but, as this dissertation discusses, the question of *whose* politics is being served by representations of terrorist finance is a centrally important issue, especially when such representations produce knowledge of terrorist financing that is misleading or results to undesirable consequences. For example, Ibrahim Warde, a professor at the Fletcher School at Tufts University, calls the dominant discourse on terrorist financing “lackadaisical”⁶⁷ and describes how,

*“fixed ideas about terrorist financing [are] well entrenched, and axioms and assumptions [are] thoroughly internalized. Facts and factoids [are] made to fit within [a preexisting] worldview. Neither policy makers nor the media [give] much play to later stories that [debunk] the dominant terrorist financing narrative.”*⁶⁸

R.T. Naylor, a criminology professor at McGill University, agrees (albeit more forcefully – and polemically), saying about the overall discourse on terrorist financing that,

*“When the conventional tale is broken down into constituent parts, it is hard to find anything in it that stands up to scrutiny.”*⁶⁹

These are serious claims that cannot be easily dismissed, especially in context of the efforts expended to combat the financing of terrorism described above. Indeed, knowledgeable observers from outside academia echo these sentiments closely. For instance, Lee Hamilton, head of the 9/11 Commission, stated,

⁶⁴ Passas, “Fighting Terror with Error,” 2006, 315-336.

⁶⁵ Warde, 2007.

⁶⁶ Warde, 2007; Reuter and Truman, 2004; Gunning, 2008.

⁶⁷ Warde, 2007, 4.

⁶⁸ *Ibid.*, 6.

⁶⁹ Naylor, *Satanic Purses*, 2006, 6.

“despite all of our sophistication, we have neither starved the beast nor produced very good intelligence on how exactly these organizations continue to finance themselves.”⁷⁰

Furthermore, John Cassara, a former CIA case officer and retired Treasury agent who was one of a handful of people to have worked on many of the U.S. Government’s counter terrorist financing initiatives both before and after the September 11th terrorist attacks, describes in his book that in general, US-led efforts to combat terrorist financing “have been looking in the wrong places.”⁷¹ These critiques are seconded in the following candid statements from interviews with people from various fields of counter terrorist financing practice:

“We don’t know what to look for.”⁷²

– Chief of Financial Crime and Intelligence of a major global banking group

Efforts by the financial industry to detect and stop terrorist financing are “*elaborate theater.*”⁷³

– Senior compliance officer of a major global banking group

Regulations meant to combat terrorist finance are based on “*quite a few myths.*”⁷⁴

– Senior official in the International Monetary Fund’s AML/CFT section

“We need all the help we can get. Most of what we know [about terrorist financing] is from news reports.”⁷⁵

– Intelligence analyst, U.S. Department of the Treasury

“In my opinion, terror finance policy makers are still not...asking the right questions.”⁷⁶

– Former CIA officer, U.S. Secret Service agent, and senior Treasury official

“It is impossible to point to...objective criteria for making decisions [about terrorist financing risk].”⁷⁷

– Managing Director for AML/CFT compliance of a major global banking group

⁷⁰ Lee Hamilton, et al., Preliminary Report of the Council on Global terrorism: State of the Struggle against Global Terrorism (Baltimore, MD: Brookings Institute Press, 2006), 18.

⁷¹ Cassara, 2006, 197.

⁷² Name and employer withheld. Interview with the author (London, November 2004).

⁷³ Name and employer withheld. Interview with the author (Amsterdam, May 2009)

⁷⁴ Name withheld. Interview with the author (Washington, DC, June 2007)

⁷⁵ Name withheld. Interview with the author (Washington, DC, February 2008).

⁷⁶ John Cassara, email exchange with the author, (Washington, DC, May 2009). This statement has been paraphrased slightly for clarity of expression.

⁷⁷ Name and employer withheld. Author notes of Ca confidential presentation to a financial industry professional association. (New York, April 2009). The speaker was referring to ‘risk based’ decisions about activity suspected to be involved in terrorist financing.

Such criticism of the prevailing discourse on terrorist financing has even seeped into popular culture sources. For example, Nick Kochan, a journalist and author of best selling ‘factual thrillers’ about money laundering and terrorist financing recognizes the need for “a new mindset on terrorist financing,”⁷⁸ which ultimately echoes Biestecker and Eckert’s more scholarly call for a “more mature phase of research”⁷⁹ into terrorist finance.

Given such withering, cross-cutting, and fundamental-level criticism, it is worth asking why this is the case, and also even, how can this be? What are the reasons behind the development and, to date, virtually uninterrupted continuation of such a deeply faulty discourse? These are important questions, especially for this thesis. However, given that one could easily – and likely would be required to – spend at least an entire dissertation itself to thoroughly answer them, this section will only briefly sketch out what appear to be some key interrelated themes lying behind the gross failure of orthodox approaches intimated above.

First, it is likely that an issue underlying the intellectual deficiencies of orthodox representations of terrorist finance relates to how the issue has been formulated in terms of ‘protecting’ the world (but most especially Western and liberal states, their societies, and their financial systems) from terrorist finance. In particular, de Goede and others have argued persuasively that what is referred to here as ‘orthodox’ discourse perceives terrorist financing as a way itself of understanding and therefore addressing contemporary risks, many of which were not terrorism.⁸⁰ In particular, the argument goes, ‘terrorist finance’ was

⁷⁸ Nick Kochan, "Terrorist financing: the need for a new mindset," *Nick Kochan: Political Risk and Economic Opportunities*, http://www.nickkochan.com/docs/terrorist_financing/mindset.htm (accessed May 30, 2007).

⁷⁹ Bierstecker and Eckert, "Taking stock of efforts to counter the financing of terrorism and recommendations for the way forward," (2008).

⁸⁰ See for example de Goede, (2004).; and Louise Amoore and Marieke de Goede, "Governance, Risk and Dataveillance in the War on Terror," *Crime, Law and Social Change* 43, no. 2 (2005).

conceptualized and represented in ways that, although demonstrably deficient for actually understanding and confronting financial activity of and related to terrorist actors, were nevertheless useful (because as a securitized issue, it had greater potency) for identifying and governing perceived risks from globalization and the political-economic power of non-state actors.⁸¹ Simply put, this was accomplished by representing ‘terrorist financing’ using an analogous strategy as was used for other ‘bad’ financial activity, namely as an undesirable element that can be identified and ultimately separated from desirable economic activity, if not stopped outright. In this way, ‘terrorist finance’ is to terrorism as ‘money laundering’ is to crime, ‘kleptocracy’ is to corrupt national leaders, and, at times, ‘black market’ or ‘illicit finance’ is to unregulated, unrecorded, informal, extra-state, or even just non-Western economic activity.⁸²

The problem, however, starts with the fact that, as many authors have noted, segregating ‘good’ from ‘bad’ economic activity is – conceptually and practically – ultimately an illusion, albeit at times a useful one. For example, Amoore and de Goede (quoting Coutin) observe,

*“the legitimate and illegitimate spaces of globalization are more “mutually constituting and interdependent” than is normally assumed... In the field of money laundering and terrorist finance, there is increasing evidence that the ‘upper worlds’ and ‘underworlds’ are more closely linked and difficult to separate than is assumed in much policy literature”*⁸³

Carolyn Nordstrom, an anthropologist who has conducted several years of field research on extra-legal economies, further argues that in this attempt to separate the legitimate from the illegitimate, huge swaths of global economic – and crucially therefore also social and political – activity are in effect ‘deleted’ from our collective understanding. She writes:

⁸¹ See for example Mareike de Goede (2004).; and Amoore and de Goede (2005).

⁸² For further discussion of these analogies, see R.T. Naylor, *Wages of Crime: Black Markets, Illegal Finance, and the Underworld Economy* (London: Cornell University Press, 2002); and Carolyn Nordstrom, *Global Outlaws: Crime, Money, and Power in the Contemporary World* (London: University of California Press, 2007).

⁸³ Amoore and de Goede (2005), 168.

Leaving illegal economic activities out of the globalization debate...is part of a much larger process. While there are excellent studies of extralegal activities in the world, none are incorporated into formal governmental and international organization economic indices....Deleting the illicit from formal economic analyses is not mere happenstance: it is linked to political and economic control. Such control...require that the figures on the extrastate and practices that underlie them are neither transparent nor accountable.”⁸⁴

Although more research is required to trace precisely how this trend has impacted existing conceptualizations of terrorist finance, even this brief discussion helps put into context the development of such a deficient ‘orthodox’ discourse on terrorist financing. As will be evident in the thesis, if not already so, ‘orthodox’ ways of conceptualizing and dealing with terrorist financing are grounded in declarations of such activity to be illegitimate and associated attempts to conceptually – and ultimately practically – segregate this ‘bad’ activity from its ‘good’ counterparts. And therefore, at the very least, if illegitimate economic activity is, as Nordstrom claims, summarily ‘deleted’ from systems of research and analysis, and if terrorism-related financial activity is considered to – and in many cases already naturally does – involve such extra-legal and illegitimate activity, then it is certainly no surprise that research and analysis of terrorist financing is currently so deficient.

Another factor that appears to have contributed and exacerbated deficiencies in how terrorist finance is currently conceptualized relates to the rise of the so-called ‘risk society.’ The central – yet often hidden – political dynamic of a risk society is, according to Beck, “how to feign control over the uncontrollable,” via a process of “targeted governance.”⁸⁵ According to Amoore and de Goede, this represents the key strategy for governing how terrorist financing is understood and dealt with:

⁸⁴ Carolyn Nordstrom, "Extrastate Globalization of the Illicit," in *Why America's top pundits are wrong: anthropologists talk back*, ed. Catherine Lowe Besteman and Hugh Gusterson (Berkeley, CA: University of California Press, 2005).

⁸⁵ Ulrich Beck, "The Terrorist Threat: World Risk Society Revisited," *Theory, Culture & Society* 19, no. 39 (2002), 41.

It is possible to argue that targeted governance in the war on terror is one way in which control over the uncertainties of globalization is feigned...Risk management via targeted governance, then, rests upon the representation of two worlds of globalization: one populated by legitimate and civilized groups whose normalised patterns of financial, tourist and business behaviour are to be secured; and another populated by illegitimate and uncivilized persons whose suspicious patterns of behaviour are to be targeted and apprehended.

In order that the legitimate world of profitable global financial transactions and business and leisure travel can remain an alluring and enduring prospect, control over the illicit world of terrorism, trafficking or illegal immigration must be given credence. As we have argued, the impression of policing the behaviour in the 'illegitimate' sphere rests upon the categorization and risk pooling of normality and suspicion, as well as problematic dichotomies between civil and uncivil everyday practices.”⁸⁶

In other words, existing, orthodox conceptualizations of terrorist financing are heavily influenced by the role they are supposed to play in support of these strategies of ‘targeted governance.’ For example, by representing terrorist financing as a product of mysterious ‘networks’ and ‘infrastructures’ of terrorist financiers, it is possible to devise policies and risk calculations about who may or may not be part of these networks and infrastructures that are need only to be plausible, rather than accurate.⁸⁷ An obvious example of an application of such ‘targeted governance’ to terrorist finance are the various terrorist financing related designation and blacklisting programs mentioned above, which have become collectively known as “targeted sanctions.” The Watson Institute, placing the strategy in context of earlier ‘untargeted’ sanctions, describes targeted sanctions in the following terms:

Sanctions are an essential instrument of United Nations efforts to maintain international peace and security. Since the experience of comprehensive sanctions against Iraq in the early 1990s, the United Nations has increasingly embraced targeted sanctions as a means of mitigating the negative humanitarian impact of broad economic sanctions on civilian populations. Targeted sanctions include financial, travel, aviation, arms and commodities restrictions on individuals or corporate entities with the objective of applying coercive pressure on transgressing parties, leaders and the network of elites and entities who support them.⁸⁸

⁸⁶ Amoores and de Goede, 2005, 168.

⁸⁷ See Warde (2007) for an extended discussion of the importance of ‘plausibility’ within orthodox representations of terrorist finance.

⁸⁸ Watson Institute for International Studies, *Targeted Sanctions Home Page*, http://www.watsoninstitute.org/project_detail.cfm?id=4 (accessed May 2009).

The problem, however, is that to avoid illiberal or unintended consequences practices of targeted governance, including ‘targeted sanctions,’ not only require extremely accurate calculations of the risk posed by the entity targeted, but also highly sensitive governance principles to avoid prejudicial mistakes in such an intrinsically politicized practice.⁸⁹ Unsurprisingly, neither condition can be guaranteed in a ‘risk society.’ In a clear example, a lawsuit involving entities apparently mis-designated as being involved in terrorist financing led the European Court of Justice in 2008 to rule that designations of individuals and entities “infringes” the “fundamental rights” of those blacklisted.⁹⁰ Commenting on the case, the deputy chief prosecutor in Milan, whose office had investigated allegations of terrorist financing involvement of one of the accused, stated,

"You can be added to the list for political reasons, without any serious evidence of wrongdoing. There is a risk of making many, many mistakes."⁹¹

Therefore, while an approach based on targeted governance of terrorist financing activity may create policies that can be devised and defended within the political arena, it is nevertheless unsurprising when these policies eventually are challenged by the very realities they are meant to govern. A similar failure of ‘targeted governance’ to reflect ground realities is evident in the following statement by Robert Grenier, a former senior CIA official:

"It's not as much that we're not properly executing our strategy, it's that the strategy is of limited utility in countering terrorism financing given the mechanisms that terrorists use."⁹²

⁸⁹ For discussions of these particular issues as they relate to targeted sanctions, see David Cortright, George A. Lopez and Linda Gerber, *Sanctions and the search for security* (New York: Lynne Rienner Publishers, 2002); and Helen Keller and Andreas Fischer, "The UN Anti-terror Sanctions Regime under Pressure," *Human Rights Law Review* 9, no. 2 (2009): 257-266.

⁹⁰ Court of Justice of the European Communities, "Judgment of the Court of Justice in Joined Cases C-402/05 P and C-415/05 P Yassin Abdullah Kadi and Al Barakaat International Foundation v Council and Commission," *Press Release No 60/08*, September 3, 2008.

⁹¹ Quoted in Craig Whitlock, "Terrorism Financing Blacklists At Risk," *The Washington Post*, November 2, 2008.

⁹² Meyer, 2008.

Ultimately, therefore, one can see that the intellectual deficiencies in orthodox approaches are not only severe, but also rooted in complex contemporary issues such as the above and likely other reasons that could be identified in further research. Regardless, for the above reasons, these deficiencies reproduce themselves and can only be marginally countered unless a viable alternative way of representing terrorist financing, like that presented in this thesis, is developed.

Orthodox Approaches Have Undermined the 'Financial War'

The so-called "Financial War" on terrorism has played – and continues to play – an important role of the 'Global War on Terror' (and its successors). As such, 'fighting' terrorist finance is a key component of contemporary liberal democratic responses to terrorism, whether done in context of the financial warfare or financial intelligence strategies discussed above.⁹³ Despite this central place within liberal democratic responses to terrorism, an increasing number of critical authors now argue that efforts to 'fight' terrorist finance have "stalled."⁹⁴ These commentators from government, the private sector, and academia cite the simple fact that counter terrorist financing efforts have neither lessened the threat of terrorism nor met other more specific stated objectives.⁹⁵ In particular, Warde observes that international cooperation to share financial intelligence and promote international legal standards relating to 'financial integrity' has been undermined by a lack of trust in the accuracy of terrorist financing designations.⁹⁶ Furthermore, the recent shift to the more nuanced 'risk based approach'⁹⁷ for counter terrorist financing efforts within financial institutions appears not to

⁹³ See for example Patrick O'Brien, "Remarks by Treasury Assistant Secretary for Terrorist Financing Patrick M. O'Brien at the Washington Institute for Near East Policy," *United States Treasury Press Release*, February 27, 2008. O'Brien remarks that "In order to combat terrorist financing, one must first understand what terrorist financing actually is in a broader context. Combating the financing of terrorism is part of the broader war on terrorism."

⁹⁴ See for example Cassara, 2006; and Josh Meyer, "Terrorism money is still flowing," *Los Angeles Times*, March 24, 2008.

⁹⁵ See especially Reuter and Truman, 2004; and Passas, 2006.

⁹⁶ See for example Warde, 2007.

⁹⁷ According to the Financial Action Task Force, the 'risk based approach' refers to regulations that allow

be a natural evolution in response to a difficult regulatory problem, but rather the result of a sustained and ultimately successful challenge by the financial industry to the efficacy of costly counter terrorist financing regulations.⁹⁸

More centrally, it appears that terrorist actors have been largely unaffected by the financial war other than to switch to less formally regulated financial systems,⁹⁹ and even that ‘financial intelligence’ has been, in the words of the former head of the U.S. National Counterterrorism Center, “oversold” as a tool for responding to terrorism.¹⁰⁰ In fact, as Reuter & Truman have stated, “it is difficult if not impossible to establish connections between terrorism averted and any specific element of the regime [to combat terrorist financing].”¹⁰¹ Therefore, despite the pronouncements mentioned above, the evidence seems to clearly indicate that liberal democracies are simply not winning the ‘Financial War.’

A major reason for this, according to many critical authors, is that certain ideas about terrorist financing continue to hold currency even though many of them have been proven to be either incorrect or not useful.¹⁰² For example, de Goede and Passas write about the persistency of

financial institutions to apply “measures to prevent or mitigate money laundering and terrorist financing are commensurate to the risks identified...The principle is that resources should be directed in accordance with priorities so that the greatest risks receive the highest attention. The alternative approaches are that resources are either applied evenly, so that all financial institutions, customers, products, etc. receive equal attention, or that resources are targeted, but on the basis of factors other than the risk assessed. This can inadvertently lead to a ‘tick box’ approach with the focus on meeting regulatory needs rather than combating money laundering or terrorist financing.” See Financial Action Task Force, *Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing: High Level Principles and Procedures* (Paris: FATF Secretariat, June 2007).

⁹⁸ See for example The Joint Money Laundering Steering Group, "Prevention of Money Laundering/Combating Terrorist Financing: Guidance for the UK Financial Sector," Consultation Paper (London, 2007); and American Banking Association et al, "Letter to the Federal Deposit Insurance Corporation, Federal Reserve Board, Office of Thrift Supervision, Financial Crimes Enforcement Network, Department of the Treasury, and Comptroller of the Currency" (January 10, 2005).

⁹⁹ See American Banking Association et al, 2005.

¹⁰⁰ See for example Cassara, 2006; Naylor, 2006; and Meyer, 2008, in which Charles Grenier, former head of the CIA’s Counterterrorism Center, claimed that the potential of financial intelligence has been “oversold.”

¹⁰¹ Reuter, and Truman, 2004. This refers to the macro level. There have been a few individual cases where financial intelligence has produced information that has led police to foil individual plots.

¹⁰² See especially Naylor (2006).

empirically unfounded claims about the use of *hawala* in financing terrorism,¹⁰³ Warde about the repeated – and demonstrably false – claims about the supposed relationship between *shariah*-compliant financial products and terrorism,¹⁰⁴ and Cassara about the consistent misrepresentation of indigenous South Asian systems of exchange.¹⁰⁵

These deficiencies in the underlying ideas about terrorist finance – described in detail in Chapter 3 of this dissertation – have meant that current approaches to the creation and application of knowledge of terrorist financing are seriously deficient. These deficient approaches thus unsurprisingly have undermined the prosecution of efforts to ‘fight’ terrorist financing because its attendant policies and approaches are based on conceptually insufficient foundations,¹⁰⁶ and more critical works provide no coherent alternative framework upon which an improved conceptualization of terrorist finance could be based.

Orthodox Approaches Have Produced Anti-Liberal Social Consequences

In the third instance, counter terrorist financing efforts have had serious anti-liberal and anti-democratic social effects. De Goede, Sproat, and organizations such as the Finmark Trust cite two main negative social consequences of efforts to counter terrorist finance.¹⁰⁷ The first is an increase in the exclusion of already marginalized groups from both society and the legal financial system.¹⁰⁸ There is evidence that new regulations against terrorist financing, such as those relating to the *Know Your Customer (KYC)* and ‘suspicious activity’ reporting provisions of various anti-money laundering and anti-terrorism laws enacted in several

¹⁰³ de Goede (2003); and Passas, (2006).

¹⁰⁴ Warde (2007).

¹⁰⁵ Cassara (2006).

¹⁰⁶ Cassara (2006).

¹⁰⁷ See Sproat, 2005; Goede (2004).; and Hennie Bester, Louis de Koker and Ryan Hawthorne, Access to Financial Services in South Africa: A brief case study of the effect of the implementation of the Financial Action Task Force Recommendations, (Genesis Analytics, April 2004).

¹⁰⁸ Bester, de Koker and Hawthorne, 2004.

countries over the past decade,¹⁰⁹ have driven poor, uneducated, or migrant communities out of the formal, regulated financial system, for example by requiring identification even though many lack the ability to obtain it. For instance, the Finmark Trust stated that in South Africa certain new rules and regulations recommended by the OECD's Financial Action Task Force (FATF) to stop terrorist financing and money laundering are difficult to implement because "one third of the population live in informal dwellings without formal address whilst up to half of the population lack the documents to verify their residential address."¹¹⁰ This has put post-apartheid South Africa in a difficult situation, because on one hand the country seeks to integrate itself fully into the community of liberal democratic states, and abiding by the CFT regime is integral to this. Although Sproat remarks that this is probably an overstated problem in the UK, the Finmark Trust has demonstrated that such requirements have helped exclude perhaps millions of people from the formal banking sector in sub-Saharan Africa, because the regulations left South Africa's financial institutions,

*"in a double bind: either they contravene the law, or they are forced to exclude from banking facilities clients from relatively poor and mobile constituencies who do not hold the necessary documents – thus contravening national policies which seek to increase financial inclusion."*¹¹¹

Given that promoting access to financial services such as those offered by banks is a major component to the United Nations Millennium Development Goals, as well as to the development objectives of individual countries,¹¹² this consequence is significant.

This point is certainly not surprising considering other research on the impact various rich-world-led 'improvements' to global financial system governance have had on developing countries. For example Claessens & Underhill's work on Basle II illustrates that developing

¹⁰⁹ These include the USA PATRIOT Act in the United States and *The Proceeds of Crime Act 2002*, *The Money Laundering Regulations*, and the *Terrorism Act 2000*, *The Anti-Terrorism, Crime and Security Act 2001* and various *Orders in Council* which implement UN Security Council Resolutions in the United Kingdom.

¹¹⁰ Bester, de Koker and Hawthorne, 2004, ii.

¹¹¹ Amooore and de Goede (2005).

¹¹² United Nations Capital Development Fund, "Microfinance and the Millennium Development Goals: A reader's guide to the Millennium Project Reports and other UN documents," (October 2005).

countries are marginalized in global financial governance, including, one can assume, the evolution of CFT-related Know Your Customer (KYC) regulations.¹¹³ This point supports a larger point that CFT has anti-liberal societal consequences for developing countries in that it undermines citizen-led governance in those countries, which in turn is aligned with work by Palan who observes that social exclusion is a consequence of the ‘dislocation of conventional political structures.’¹¹⁴ Relevantly, Palan’s work builds on Jessop’s¹¹⁵ work on the ‘hollowing out of the state’ and Amin & Thrift’s¹¹⁶ work on the increased importance of direct global-local interactions at the expense of national and societal level governance, both of which underline the fact that Western-led efforts to govern financial and economic systems can at times have serious negative or at least unintended consequences for poorer countries, especially when these efforts are poorly designed and implemented, or based on deficient understandings of the problem they are meant to address. This phenomenon is clearly evident in the application of the CFT regime in South Africa as local people’s access to regulated banking services is governed in significant part by the application of a global risk management regime in which they had little role in developing, of which they have little knowledge, and from which they receive little positive impact in return. In this respect, efforts to combat terrorist financing do seem to have produced anti-liberal consequences. For example, a KPMG survey reported that nearly seven out of eight of banks worldwide adhere to global anti-money laundering / counter terrorist financing (AML/CFT) ‘standards’ based on the deficient knowledge described here, and that only 16% of banks employ AML/CFT

¹¹³ Stijn Claessens, Geoffrey Underhill and Xiaoke Zhang, "The Political Economy of Global Financial Governance: The Costs of Basle II for Poor Countries," *World Economy & Finance Research Working Paper* WEF 0015 (November 2006).

¹¹⁴ Angus Cameron and Ronen Palan, *The imagined economies of globalization* (London: SAGE, 2004), p139.

¹¹⁵ Bob Jessop, *The future of the capitalist state*, Vol. 2002 (London: Wiley-Blackwell), p193.

¹¹⁶ A Amin and N Thrift, "Holding down the global," in *Globalisation, Institutions and Regional Development in Europe*, ed. A Amin and N Thrift (Oxford: Oxford University Press, 1994).

policies that are designed and implemented at the local level.¹¹⁷ This implies that current orthodox conceptualizations do not allow for representations of terrorist financing that are sensitive to local traditions, processes, and consequences.

The other main anti-liberal result is what has been described as a *de facto* criminalization of any financial activity that falls outside the bounds of established (i.e. Western, formal, and regulated) economic practice.¹¹⁸ For example, in line with recommendations from the FATF, many countries have tried to regulate *hawala* and other ‘informal value transfer systems’ out of fear that they could be used by terrorists to move money and that, unlike Western style banks, they ‘leave no paper trail.’ The USA PATRIOT Act for example calls for money exchangers to record their transactions, abide by KYC rules similar to those for banks, and report any suspicious activity’ to the authorities.¹¹⁹ As de Goede points out:

*“These requirements seem reasonable. But although informal remittance operators in all probability know their clients on a more personal level than high street banks do, producing the official documents specified under KYC regulation may be problematic, especially, of course, for undocumented migrants. While informal money transfer networks have been widely vilified for ‘leaving no paper trail,’ it is more accurate to say that they do engage in extensive record keeping and KYC practices, but in manners that are not recognised by Western regulatory requirements.”*¹²⁰

Again, however, if we continue to, as Passas says, “fight terror with error,” then the citizens and governments of liberal democracies will remain unable to make systematic, reasoned, and balanced decisions about conflicting priorities, which will necessarily exacerbate rather than mitigate the above problems. To emphasize, the intention here is not to claim that exclusion from credit is anti-liberal. Instead, exclusion of poor and migrant communities

¹¹⁷ Interestingly, 43% of banks in the Middle East and Africa design and implement AML/CFT policies at the local level, a higher percentage than in any other region. KPMG International, *Global Anti-Money Laundering Survey 2007: How banks are facing up to the challenge* (Zurich, 2007).

¹¹⁸ Passas (2006).

¹¹⁹ See *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001*.

¹²⁰ Amore and de Goede, 2005.

from regulated – and therefore ‘legitimate’ – banking services based on an inability to furnish identification documents has the effect of undermining the rule of law and individual liberty, because it places social development goals (which aim, to use Sen’s¹²¹ view of ‘development as freedom’, to increase individual liberty by removing obstacles such as poverty and social exclusion) in opposition to the AML/CFT regime’s recommendations concerning KYC laws. This constitutes an illiberal consequence because CFT requirements in effect force countries like South Africa to choose between rule of law or socio-political liberty.

However, despite these destructive deficiencies in existing conceptualizations of terrorist financing, the critical literature does not provide any viable alternatives to current approaches. For example, no work outlines a way of analyzing terrorist financing activity that is sensitive to both the contexts and differences in values and perspectives of developing countries in which terrorist financing is assumed to occur, and as well as the interests and values of those powerful state interests that drive CFT efforts. This dissertation begins from this assumption, and builds a conceptualization of terrorist financing that can be used as the foundation for such an alternative approach.

Orthodox Approaches Have Enabled an Unexamined Expansion of State Power

According to the ‘critical’ literature, deficiencies in ‘orthodox’ representations of terrorist financing have also produced a situation within democracies such as the United States in which citizens and their representatives cannot judge the efficacy of major changes in how their governments interact with state and non-state actors within and outside their borders and articulate opposition to changes they deem undesirable. The United States, similar to every liberal democracy, is founded on the principle that “supreme, absolute, and uncontrollable

¹²¹ Amartya Sen, *Development as Freedom* (Oxford: Oxford University Press, 1999).

power ...resides in the people, as the fountain of government,”¹²² and also therefore that government, if it is to be just, must only exercise power with the “consent of the governed.”¹²³ However, ignorance about terrorist finance impedes citizens from wisely exercising their inalienable right of sovereignty over government by preventing full comprehension of exactly to what they are consenting. In other words, the lack of an accurate and comprehensible epistemic foundation of terrorist financing analysis has undermined especially American and European citizens’ ability to exercise their rightful powers to oversee their governments and hold them accountable, at least regarding certain institutional changes engendered by the ‘fight’ against terrorist finance.

One such change relates to the increased power of action granted to government institutions. For example, the United States Treasury now includes fighting illicit finance (of which terrorist financing is the major element) as one of its core institutional missions alongside the traditional Treasury priorities of currency, taxes, the economy, international issues, and financial markets.¹²⁴ In order to meet this new mission, the department reinvigorated and expanded wholesale its use of economic sanctions as a method to continually confront both state and non-state security threats to liberal democratic states, primarily by creating new and well-funded offices within the department, such as its Office of Intelligence and Analysis, formed in 2004.¹²⁵ In fact, these new offices focused on illicit-finance have expanded so much that one Treasury employee commented in an interview that the new “financial

¹²² James Wilson, The Debates In The Convention Of The State Of Pennsylvania, On The Adoption Of The Federal Constitution, Philadelphia, PA, November 23, 1787, http://www.constitution.org/rc/rat_pa.htm (accessed June 2, 2008).

¹²³ United States Declaration of Independence, Preamble.

¹²⁴ See www.treas.gov (accessed 18 April 2008).

¹²⁵ See Timothy Wittig, "Not So Legal Tender: What Next For The Financial War On Terrorism?," *Janes Intelligence Review* 19, no. 02 (February 2007).

warriors”¹²⁶ are “taking over the whole fifth floor” of the department’s headquarters building, crowding out long-established offices such as the Office of International Affairs.¹²⁷

Regardless of the actual or perceived benefits, such institutional change necessarily brings problems and thus needs public oversight and debate. One such problem is the implication that ‘fighting terrorist finance’ provides blanket and permanent justification for ‘financial war’ against one’s enemies, a development that, in the American context, seems to improperly increase the power of the executive by circumventing the supreme sovereignty over decisions of war and peace that the people (via their elected representatives) constitutionally possess. This risk is underlined by the fact that, as some former Treasury officials have noted, this expansion of the department’s use of economic warfare was produced in large part by a bureaucratic need to counter Treasury’s loss of its entire investigative and enforcement capabilities (in the form of the Secret Service and Customs Bureau) to the newly created Department of Homeland Security than by ‘purer’ motives to fight terrorism.¹²⁸ Simply put, in order for potential anti-constitutional or anti-democratic consequences to be avoided, it is necessary for the public or its representatives to be able to make systematic cost-benefit calculations about such institutional change, something impossible without a solid conceptual and empirical understandings of terrorist finance.

A second change engendered by terrorist finance relates to how the issue has allowed for increased state surveillance and control over the economic activity of non-state actors, which in turn has led to a shift in the expectation that government ought not, and legally cannot, monitor, access, or take control of a citizen’s economic assets without the same due process

¹²⁶ John Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W.W. Norton, 2007).

¹²⁷ Interview with U.S. Treasury Employee (name withheld), interview by the author, Washington DC (February 2008).

¹²⁸ Cassara, 2006.

as afforded in the larger judicial system.¹²⁹ Roger Clarke especially, as well as other authors such as Wall, Levi, and de Goede, refer to such societal changes as ‘dataveillance,’ or “the proactive surveillance of what effectively become suspect populations, using new technologies to identify ‘risky groups.’”¹³⁰ Dataveillance is based on “the proposition that each movement or transaction...leaves a trail of electronic traces, which means that individuals cannot easily disappear.”¹³¹ Examples of this include the various sanctions lists that designate certain individuals, businesses, organizations, and even organs of state governments as financiers of terrorism (thereby justifying the freezing or seizing of their assets and denial of use of the global financial system), as well as the surveillance of financial transactions provided by government cooperation with private sector actors such as SWIFT, FirstData Corp, and Western Union,¹³² in order to find what former U.S. Treasury official Aufhauser called “the electronic footprint of the terrorists.”¹³³

This represents a significant change in government-citizen relations within liberal democratic societies, and it seems likely, as some critical authors have argued, that these changes have undermined the core liberal democratic traditions of due process,¹³⁴ equal protection under the law,¹³⁵ and the protection of the free marketplace from undue government intervention¹³⁶ without much benefit in return (such as a corresponding diminution of threats from terrorist actors). For example, the Belgian government, acting on evidence provided by the United

¹²⁹ Suskind, 2006.

¹³⁰ Michael Levi and David S. Wall, "Technologies, Security, and Privacy in the Post 9/11 European Information Society," *Journal of Law and Society* 31, no. 2 (June 2004). For further reading on dataveillance see especially the works of Roger Clarke at <http://www.anu.edu.au/people/Roger.Clarke>; as well as Amoores and de Goede (2005).

¹³¹ Levi and Wall, 2004, 206.

¹³² See Suskind, 2006.

¹³³ David D. Aufhauser, "Terrorist Financing: Foxes Run to Ground," *Journal of Money Laundering Control* 6, no. 4 (2003), 301.

¹³⁴ See Warde, 2007; especially his discussion on the al Barakaat case.

¹³⁵ See Passas (2006); especially his discussion of the near criminalization of hawala and other informal value transfer systems.

¹³⁶ See American Banking Association et al, 2005; which complained of “onerous” regulations.

States, closed the bank accounts of Nabil Sayadi and seized his passport, as well as those of his wife and four children, for allegedly funnelling money to al Qaeda via a charitable organization, *Foundation Secours Mondial*. Regardless of the continuing controversy over his guilt, he has never faced due judicial process in which he could challenge evidence of wrongdoing.¹³⁷ Furthermore, the expansion of state power over the economic sphere has actually undermined, or at least been antagonistic to, the global free market in which liberal democracies have been so successful. For example, compliance with counter terrorist financing regulations cost financial institutions several million dollars per year,¹³⁸ and have apparently encouraged “[w]ealthy Arab and Middle Eastern investors” to remove GBP 15 billion “out of the UK amid fears legitimate assets could be frozen in the war against terrorism.”¹³⁹

To illustrate these serious issues, it is useful to recall earlier legal, political and academic debates on money laundering, a distinct but closely related topic to terrorist financing. It is widely accepted that most of the institutions, regulations, polices, and assumptions of the current ‘Financial War’ against terrorists – such as ‘Know Your Customer’ (KYC) requirements and the centrality of the Bank Secrecy Act – are either modeled after, or directly copied from, earlier efforts to counter money laundering.¹⁴⁰ However, at the time that such measures came into effect, these efforts were sharply criticized in the United States by members of Congress of both parties, public advocacy groups, and even justices of the Supreme Court. For example, in 1999, Lawrence Lindsey, a former Federal Reserve Board

¹³⁷ Ruth Reichstein, "Falsely Accused Couple Fight to Wipe Names from UN Terror List," *Deutsche-Welle*, May 7, 2008, <http://www.dw-world.de/dw/article/0,2144,3315885,00.html> (accessed May 27, 2008).

¹³⁸ KPMG International, *Global Anti-Money Laundering Survey 2007: How banks are facing up to the challenge* (Zurich, 2007).

¹³⁹ T. Moon, "'Shocked' Moslems take GBP 15bn out of UK," *The Express on Sunday*, February 3, 2002, quoted in Sproat, 2005.

¹⁴⁰ Eleni Tsingou, "Who Governs and Why: The Making of the Global Anti-Money Laundering Regime," in *Global Financial Integration Thirty Years On: when it came and to where it might*, ed. Geoffrey Underhill, Jasper Blom and Daniel Mügge (Cambridge: Cambridge University Press, 2010).

Governor and later a close economic advisor to President George W. Bush, wrote in the *Financial Times*:

*It would seem clear that the current money-laundering practices are the kind of blanket search that the writers of the Constitution sought to prohibit. Somehow 'probable cause' does not seem to mesh with the one-in-25,000 odds that the currency transactions reports provide."*¹⁴¹

The American Association of Retired People (AARP) expressed similar sentiments in a letter to various financial regulators in the United States, voicing concerns that anti-money laundering efforts were resulting in a "wholesale breach of the firewall protecting the individual's right to financial privacy."¹⁴² Earlier, Supreme Court Justice William O. Douglas wrote in a 1974 minority opinion in a case that challenged the constitutionality of the Bank Secrecy Act:

*"It is, I submit, sheer nonsense to agree with the [U.S Treasury] Secretary that all bank records of every citizen 'have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings.' That is unadulterated nonsense unless we are to assume that every citizen is a crook, an assumption I cannot make...A mandatory recording of all telephone conversations would be better than the recording of checks under the Bank Secrecy Act, if Big Brother is to have his way."*¹⁴³

Representative Ron Paul (R-Tex) summed up the crux of this argument, saying in a 1999 hearing, "This violation of privacy imposes a great cost with little benefit."¹⁴⁴ He also makes the point – echoing the long tradition of American libertarianism – that even major security or law enforcement benefits associated with such new powers of surveillance do not necessarily make them right or good for a liberal, democratic society, given, for example, that the U.S. Constitution is far more deeply concerned with preventing tyranny by limiting the power of government than with promoting security and order by maximizing governmental efficiency.

¹⁴¹ Lawrence Lindsey, "Invading Financial Privacy," *The Financial Times*, March 19, 1999, 20.

¹⁴² Representative Ron Paul, "Opening Statement," *Hearing on Current Trends in Money Laundering* (House Committee on Banking and Financial Services, April 15, 1999).

¹⁴³ *California Bankers Assn v. Shultz*, 416 U.S. 21 (U.S. Supreme Court, 1974).

¹⁴⁴ Representative Ron Paul, 1999.

The point, to emphasize, is not that these claims are necessarily correct or incorrect, good or bad, but simply that these changes in liberal democratic societies engendered by the ‘fight’ against terrorist finance *are debatable*. In other words, given that differing interpretations of anti money laundering laws exist (specifically interpretations that anti-money laundering laws represent violations of liberal democratic principles) the above examples therefore imply (given that the CFT regime is largely based on the original AML regime) that it is unreasonable to assume that the CFT regime is *necessarily* similarly in line with liberal principles just because it has been widely adopted by liberal democratic governments. These examples here are not meant to favor any particular interpretation, but simply to show that because of the deficiencies in orthodox approaches described above, it is currently impossible for citizens of liberal democracies to make an informed opinion about whether, or the extent to which, these changes are valid. Such informed debate is crucial to the maintenance of liberal democratic principles, especially the rule of law and limited and accountable government, but without a reliable and thorough understanding of the reality of terrorist finance, citizens will continue to lack the tools to evaluate and decide what is best for their society and themselves and thus to wisely grant their sovereign consent to a particular way of balancing the competing priorities raised by the ‘financial war.’

In other words, improving how terrorist financing is conceptualized touches on the expansion of state surveillance over its citizens, as well as questions about the capacity of citizens of liberal democracies to understand and evaluate – which is their right and responsibility – not only this expansion of surveillance, but also more generally the institutional changes engendered by responses to contemporary security threats, like terrorism.

Ultimately, fighting terrorist financing has been widely and successfully used as a justification for expanding dataveillance, even though – as the critical literature demonstrates – government officials and scholars alike largely agree that terrorist financing is not well understood. Therefore, given that the problem (terrorist financing) is not well understood, it is difficult or impossible for citizens to make an informed judgment about dataveillance and other (often illiberal) changes in liberal democratic society driven or justified by a desire to ‘fight terrorist financing;’ which indicates therefore that problems in producing accurate and useful knowledge about terrorist financing can and have led to the undermining of liberal democratic principles and practices (in this case (informed) consent of the governed).

However, despite these destructive deficiencies in existing conceptualizations of terrorist financing, the critical literature does not provide any viable alternatives to current approaches. For example, the literature neither outlines how liberal democratic societies could exploit financial data in ways that both fight terrorism and continue to abide by liberal democratic principles, nor convincingly demonstrates that no such balance is achievable. This dissertation begins seeks to in part fill this gap, and construct a conceptualization of terrorist financing that can be used as the foundation for such an alternative approach.

A Foundational Assumption

The above sections outline the most significant shortcomings in both orthodox and critical conceptualizations of terrorist finance, which when combined highlight fundamental deficiencies in how terrorist financing is constituted as a (mediated) concept within International Relations discourse. More simply, these deficiencies in existing terrorist financing discourse signify core flaws in how the issue is conceptualized. This thesis aims to

improve this conceptualization; a project that intends provide a foundation for, in turn, also improving how terrorist financing is constituted, researched, and ultimately acted upon.

Humbly, however, it must be recognized that the above represents justification for an assumption that terrorist financing is poorly conceptualized, rather than a full demonstration of that fact. As explained in this section, this choice is made for the simple reason that doing otherwise is not truly necessary for this particular project, and in any case is not realistically possible within the confines of a PhD dissertation.

To begin with the latter point, the thesis chooses to frame the claim that current understandings of terrorist financing are poorly conceptualized as an assumption because a fully demonstrated argument of this claim would require research and analysis that in itself could fill an entire book, or perhaps even half an academic career, and thus be far outside the scope of a PhD dissertation. This is the case for two reasons. First, as discussed above, the study of terrorist financing itself has not been well located within IR discourse, and thus does not benefit from a clear set of conceptual tools with which this dissertation could improve the conceptualization of the topic. In other words, given that terrorist financing remains to be definitively located within IR discourse, it would require a large amount of research and analysis (indeed something akin to that which is provided in Chapters Two, Three, and Four of this dissertation) to arrive at a conclusion (like that presented in Chapter Four) about how to locate the issue of terrorist financing within IR. Second, as discussed above, both the ‘orthodox’ and ‘critical’ terrorist financing literatures are deficient in their own ways (poor conceptualizations, and no viable alternatives presented, respectively), and no work yet exists that systematically documents these deficiencies, or how these deficiencies came about; knowledge of both of which would be necessary to fully demonstrate that terrorist financing

is poorly conceptualized. Indeed, given that analysis of terrorist financing is produced and used not only by academia but (primarily) also by various law enforcement, regulatory, intelligence, financial industry, charitable, and other non-academic communities, any attempt to systematically *prove* how precisely both orthodox and critical works on terrorist financing are problematic would require in depth investigation into the various and complex power/knowledge interactions among these various public, private, and research entities. For example, it would be extremely helpful to understand the exact extent to which the more ‘orthodox’ discourse on terrorist financing influenced and were influenced by (especially American and European) government actions and pronouncements, and how internal ideological and bureaucratic trends within those governments influenced these orthodoxies about terrorist financing. Such research would help answer, for example, questions about how precisely orthodox approaches to understanding terrorist finance, as Warde posited, influenced and were influenced by the neo-conservative ideological movement in the United States after 2001,¹⁴⁵ or how, if at all, the United States Treasury’s desire to regain bureaucratic stature and influence following the evisceration of its enforcement capabilities in 2002-3 contributed to the promotion and dissemination of deficient – but politically and bureaucratically useful – ideas about terrorist financing, as Cassara has argued.¹⁴⁶ However, while these and other similar themes would be extremely interesting topics of research – and which would be highly relevant and helpful to this dissertation – they would simply be far outside the scope of what is possible in one PhD dissertation.

Of course, the above begs the question of whether this dissertation is in fact premature, given that these power/knowledge dynamics may in fact hold the key to understanding the roots of the deficiencies of current conceptualizations of terrorist finance. However, I argue that this

¹⁴⁵ Warde (2007).

¹⁴⁶ Cassara (2006).

is not the case and also that it is sufficient for this chapter to present the underlying premise that terrorist financing is poorly conceptualized as an assumption, because, it is in fact only tangentially important for the purposes of this dissertation to understand exactly how and why these deficient conceptualizations came about. For example, it is not necessary for this dissertation to know the exact answers to the questions raised above. What is necessary is the claim that terrorist financing is poorly conceptualized, and at least a reasonable understanding of what these deficiencies are. First, this chapter's discussion of the orthodox and especially the critical literature provides evidence of the former that is more than sufficient upon which to base an assumption that terrorist financing is poorly conceptualized, and thus require improvement. This validates the purpose of this dissertation and provides it with intellectual context. Second, Chapter Three thoroughly surveys the orthodox literature and orthodox approaches, and presents full extended critiques of the main ways in which these approaches and literature are conceptually deficient, according to both the critical literature and my own original analysis. This provides evidence about the nature of these deficiencies sufficient to conduct analysis and make judgments about better alternatives.

Ultimately, therefore, in order to address the complexities, difficulties, and idiosyncrasies of researching terrorist finance, this dissertation, has for sake of clarity and coherence postponed presentation of the bulk of the necessary literature surveys for this dissertation to Chapter Three, rather than perhaps more traditionally in the thesis' first chapter. The following section, however, introduces the critical and orthodox perspectives about terrorist financing and discusses how this dissertation will go beyond existing critiques to reach an improved conceptualization about the financing of terrorist actors.

Contributing to ‘Terrorist Financing Studies’

De Goede argues that because it concerns a securitized, “mediated” issue, research into terrorist financing can never be simply a “neutral recording of a prior material reality” or simply the search for the hidden “truths” of terrorist financial networks.¹⁴⁷ This may seem to pose a fundamental problem for this thesis, given its objective is, in essence, to improve how the ‘material reality’ of terrorist financing is conceptualized. However, this thesis holds instead that this simply means that research into terrorism-related financial interactions must engage with and be aware of both as the empirical realities of terrorist financing activities and interactions, as well as how these interactions are represented and mediated in various relevant discourses. In fact, given that this dissertation seeks to improve the conceptualization of terrorist finance in ways that will produce more accurate, coherent, and useful knowledge of the realities of terrorist financing activity, a major focus of the dissertation will be on determining exactly which discourses are relevant to terrorist finance and how best to represent these interactions within those discourse. But this also raises a problem in that if this dissertation will be about in part determining where to intellectually locate terrorist financing, then where exactly is the thesis as a whole to be located?

The answer posited below is that this thesis rests within and contributes to what can be termed ‘terrorist financing studies.’ Terrorist financing studies is, as discussed below, an idiosyncratic niche sub-field of International Relations discourse, concerned primarily with International Security, but also which necessarily includes knowledge from various other parts of the IR discipline as well as from outside it. The next sections discuss the challenges of locating terrorist financing research within IR discourse – and thus why ‘terrorist financing studies’ is an appropriate context for this thesis, the place of terrorist financing studies as a

¹⁴⁷ de Goede (2008).

sub-field within international security debates, and finally the audiences of this thesis, which are simply those audiences that necessarily ‘mediate’ any representations of terrorist finance.

The Challenge of Locating Terrorist Financing Research within International Relations

Terrorist financing has not yet been definitively located within the International Relations discipline. Returning to de Goede’s conception of terrorist finance as an object of study, she observes that terrorist financing was not originally and is not currently problematized in context of other political-economic issues of international society such as corruption, money laundering, or fraud, but instead exists as a problem of international relations “only in relation to fighting ‘terror’ and especially relating to the assertion that “money is the lifeblood of terrorism.”¹⁴⁸ Interestingly, however, the study of terrorist finance has also not benefited much from the terrorism debates. This is largely because, as surveyed in Chapter Three, the evolution of dominant ‘orthodox’ terrorist financing discourse has primarily focused simply on increasing the sophistication with which one can “uncover” the ostensibly “hidden” financial “networks” and “infrastructures” of terrorist groups, and thus has largely failed to investigate the demonstrable problems with how terrorism-related financial activity is represented, mediated, acted upon, and fundamentally conceptualized.

More simply, terrorist financing has not – until this dissertation at least – been definitively “mediated” within *any* particular field of intellectual endeavor. This stems in part from the fact that the IR literature that actually explicitly addresses the topic is severely limited, especially when compared to the high levels of attention the topic has engendered both within the media and among governments and the financial industry. For example, the Watson Institute at Brown University periodically publishes a “Terrorist Financing Bibliography,” which – while not entirely comprehensive – more or less represents the ‘canon’ of literature

¹⁴⁸ de Goede (2008), 293.

on terrorist financing.¹⁴⁹ In its 2007 iteration, this bibliography included 168 scholarly, journalistic, and official publications, but only eight of which were published in IR journals.¹⁵⁰ While several other works listed were indeed the work of IR scholars (i.e. members of International Relations, Political Science, or similar faculties) presented in other venues (such as journals in other disciplines, non-scholarly publications, or conference papers), this statistic nevertheless clearly illustrates that terrorist financing has to date received scarce attention within International Relations discourse proper.

This is perhaps to be expected to some extent, considering that, intellectually, terrorist financing crosses many complex and unsettled areas of thought and practice, only some of which are systematically dealt with within IR discourse. For instance, with only the most cursory understanding of the topic, one could reasonably surmise that terrorist financing pertains to not only the terrorism debates, but also discourses on international political economy, anti-money laundering, financial regulation, criminology, law and international regimes, security studies, global governance, the role of non-state actors in the international system, politics, globalization, conflict, and area studies, among others.

The problem, therefore, is one of putting the cart before the horse. Given the dearth of IR scholarship explicitly on the topic, choosing from the outset any single one of these

¹⁴⁹ This bibliography can be found on the Watson Institute's website, located at: http://www.watsoninstitute.org/project_detail.cfm?id=51

¹⁵⁰ For example, they are faculty members within departments of International Relations, Political Science, or similar. These IR works are: Aydinli, E. (2006) "From Finances to Transnational Mobility: Searching for the Global Jihadists' Achilles Heel," *Terrorism and Political Violence*, 18(3): 301-313; Basile, M. (2004) "Going to the Source: Why Al Qaeda's Financial Network is Likely to Withstand the 27(3):169-88; Horgan, J. and M. Taylor (2003) "Playing the 'Green Card'-- Financing the Provisional IRA: Part 2," *Terrorism & Political Violence*, 15(2): 1-60; Horgan, J. and M. Taylor (1999). "Playing the Green Card:1," *Terrorism and Political Violence*, 11(1), 1-38; Levitt, M. (2003) "Stemming the Flow of Terrorist Financing: Practical and Conceptual Challenges." *The Fletcher Forum of World Affairs*, 27(1): 59-70; Passas, N. (2003) "Cross-border Crime and the Interface Between Legal and Illegal Actors." *Security Journal*, 16(1): 19-37; Napoleoni, L. (2006) "Terrorist Financing: How the New Generation of Jihadists Funds Itself." *RUSI Journal*, 151(1): 60-65; Winer, J.M. and T. J. Roule (2002) "Fighting Terrorist Finance." *Survival*, 44(3): 87-104.

discourses would necessarily constrain the literature, theories, concepts, and methodologies available to improve the conceptual basis of terrorist financing; and more importantly would do so before one could establish a basic conceptual understanding of the issue. Therefore, given both that terrorist finance is such an inherently “mediated” topic and that the objective of this dissertation is to improve the overall conceptualization of terrorist financing, it would be arbitrary – and thus intellectually unsound – to simply pick a discourse to mediate this project, when which discourse is most appropriate remains unsettled. More briefly, it is clear that terrorist financing *relates to* the abovementioned discourses, but it is impossible, at this juncture, to fit this thesis *within* any single one (or even how precisely the issue fits in with any of them), simply because one cannot confidently locate terrorist financing within any specific part of IR discourse without knowledge of how terrorist finance is properly conceptualized, which, again, is an objective of this thesis. Therefore, in this way, the intellectual and disciplinary context of terrorist financing – i.e. the decision of which disciplinary lens is most appropriate to mediate research on terrorist finance – is in many ways more a puzzle *for* this thesis (which it addresses in Chapter 4), rather than a starting point *of* it. A key contribution of this dissertation is thus an explicit solution to the problem of where to locate this complex, cross-disciplinary topic.

However, this situation remains unsatisfactory for our purposes here, as locating this dissertation’s research within IR is necessary intellectually and academically. Therefore, this thesis makes explicit that this dissertation sits within ‘terrorist financing studies,’ which is in fact simply the cross-disciplinary aggregation of discourse that explicitly deals with the issue of terrorist financing.

A Dichotomous Discourse

Importantly, the discourse that can be termed “terrorist financing studies” actually encompasses two distinct (albeit naturally related) topics of study – the study of terrorism- and terrorist actor-related financial and economic activity on one hand, and the study of state, international, and other responses to the problem of ‘terrorist finance.’ For sake of example, John Horgan’s and Max Taylor’s two-part examination of the financial activities of the Irish Republican Army would fall into the first category,¹⁵¹ but Marieke de Goede’s critical examination of counter terrorist financing regulation in context of the ‘War on Terror’ would fall into the latter.¹⁵² This thesis is explicitly focused on improving conceptualizations of the former, and therefore does not engage with analyses of responses to terrorist financing – or thus with the literature in IR, IPE, and elsewhere about these responses – unless they pertain to how the financial dimensions of terrorist actors are (mis) conceptualized. It is important to note that often individual authors or for that matter individual works will be relevant to both the study of the financial dimensions of terrorist actors, and the study of state, international, and other responses to the problem. For example, John Cassara’s work on how poor conceptualizations of terrorist financing have caused the ‘Financial War on Terror’ to “stall” would be relevant to both.¹⁵³ Similarly, while most of the literature by de Goede concentrate on counter terrorist financing efforts, these works also carry important explicit and implicit theoretical insights that help explain the realities of terrorism-related financial activity.¹⁵⁴

The point here is to distinguish works that *only* pertain to counter terrorist financing efforts and which *do not add* any new research or insights about the realities of terrorist financing.

¹⁵¹ John Horgan and Max Taylor, "Playing the Green Card: Financing the Provisional IRA, Part I," *Terrorism and Political Violence* (Frank Cass) 11, no. 2 (Summer 1999): 1-38; and "Playing the Green Card: Financing the Provisional IRA, Part II," *Terrorism and Political Violence* 15, no. 2 (2003): 1-60.

¹⁵² Marieke de Goede, "Financial Regulation and the War on Terror," in *Global Finance in the New Century: Beyond Deregulation*, ed. Libby Assassi, Duncan Wigan and Anastasia Nesvetailova (London: Palgrave, 2007).

¹⁵³ Cassara (2006).

¹⁵⁴ e.g. de Goede (2003).

This is important to do from the outset because – as explored throughout the thesis – efforts to counter terrorist financing do not necessarily reflect – and in fact often have little or nothing to do – with the complex ground realities of terrorist financing. In other words, literature that focuses only on examining counter terrorist financing efforts necessarily will mediate their own analyses through the mediation perspective of their object of study. In but one of many similar examples, in her examination of the evolution of the Anti-Money Laundering (AML) regime, Tsingou summarizes several established critiques concerning the (in)appropriateness of incorporating counter terrorist financing (CTF) into AML efforts.¹⁵⁵ However, since her examination is exclusively focused on how CTF fits in with AML, she uncritically repeats and accepts certain problematic policy perspectives about terrorist finance.¹⁵⁶ Therefore, in order to avoid unduly privileging the assumptions about these realities upon which literature that focuses exclusively on counter terrorist financing efforts is necessarily based, this thesis is explicitly focused on using and contributing to the literature that relates to the understanding the realities of terrorist finance.

Contributing to International Security Discourse

Terrorist financing studies represents a unique niche sub-field of study that is centrally concerned with issues of international security, but which can nevertheless be seen as related to but significantly distinct from other related sub-fields. The above context broadly implies that within International Relations discourse, ‘terrorist financing studies’ – and thus also this dissertation – is best positioned as an issue of International Security, rather than of IPE, Law, International Organizations/Regimes, Criminology, or any of the theoretical sub-fields mentioned above that relate to various specific aspects of or issues raised by terrorist

¹⁵⁵ Tsingou, "Who Governs and Why: The Making of the Global Anti-Money Laundering Regime," in *Global Financial Integration Thirty Years On: when it came and to where it might*, ed. Geoffrey Underhill, Jasper Blom and Daniel Mügge (Cambridge: Cambridge University Press, 2010).

¹⁵⁶ One could reasonably assume that Tsingou, like other authors who exclusively focus on analysis of counter terrorist financing efforts, simply lack either the space or inclination to examine the complex empirical realities of terrorist-related financial activity.

financing. This is because while terrorist financing does revolve around many concepts that normally fall outside security discourse (e.g. political economic decision making and socio-cultural dynamics), the topic is perceived in securitized terms and practices meant to understand and control terrorism related financial activity are designed to be and are carried out as security practices.

Therefore, terrorist financing, and therefore the study of it, relate closely with what has been referred to as the “liberal problematic of security.” This, in essence, relates to a recognition that even successfully securitizing a particular issue or activity does not produce ‘more’ security, but simply leads to changed conditions in which certain (desirable) actors and actions achieve gains relative to their undesirable counterparts.¹⁵⁷ The problem arises in that whether these changed conditions are sufficiently beneficial – and to whom they are beneficial – are highly contestable and by no means objective. Terrorist financing, as will be discussed in the succeeding chapters, is a difficult issue of international security because it very clearly and openly pits various priorities of modern liberal society – such as counterterrorism and the free market/open society – against one another.¹⁵⁸ In particular, it underlines de Goede’s perspectives that the realities of ‘terrorist finance’ are not depoliticized and unproblematic security issues,¹⁵⁹ but rather reflect many different intrinsically political and problematic acts, practices, and beliefs – both on the part of those who are involved in financing terrorism, and those seeking to research, analyze, and understand the issue. This dissertation seeks to understand and confront these problems with our understanding of

¹⁵⁷ Mark Duffield, *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008), p2-3.

¹⁵⁸ One could of course also add privacy, expansion of state government, exclusion of minorities, and other liberal principles, although these have been shown to be of much less concern than counterterrorism and free market issues.

¹⁵⁹ de Goede (2008), 292.

terrorist finance, and to ultimately propose an improved conceptual framework through which both scholars and practitioners can resolve them.

This places terrorist financing studies squarely in terms of this ‘liberal problematic of security,’ which in turn relates it to other contemporary international security discourse. Most obviously, this embeds terrorist financing studies, and thus this dissertation, into the fundamental questions of terrorism studies. Horgan and Boyle, for example, remarked that “terrorism studies is ineluctably political.”¹⁶⁰ More precisely, however, terrorism studies relates to security concerns within *liberal* politics, in that nearly all terrorism scholars, from early, so-called ‘orthodox’ thinkers such as Wilkinson¹⁶¹ (who focuses on how liberal states can respond to terrorism) to more recent ‘critical’ authors like Jackson¹⁶² (who focuses on the emancipatory elements of how terrorism is understood and debated), are centrally concerned with the ‘liberal problematic of security’ by researching how best to understand and respond to securitized threats from ‘terrorists’ in context of a liberal political perspective.

More broadly, this locates this thesis indirectly with other research concerning how security issues are understood (and therefore acted upon) within liberal constructs. This discourse includes a range of International Relations research, most of which is not cited here, but which includes not only perhaps more obvious works such as Cramer’s on understanding and conceptualizing contemporary conflict¹⁶³ and Duffield’s on the relationship between economic development and security,¹⁶⁴ but also research unrelated to conflict or terrorism,

¹⁶⁰ John Horgan and Michael Boyle, "A case against 'Critical Terrorism Studies'," *Critical Studies on Terrorism* 1, no. 1 (April 2008): 51-64.

¹⁶¹ e.g. Paul Wilkinson, *Terrorism and the Liberal State* (London: Macmillian, 1977).

¹⁶² Richard Jackson, *Writing the War on Terrorism* (Manchester: Manchester University Press, 2005).

¹⁶³ Christopher Cramer, *Civil War is Not a Stupid Thing* (London: Hurst & Company, 2006).

¹⁶⁴ Duffield (2008).

such as Lang's work on understanding the nature of punishment in contemporary international society.¹⁶⁵

Ultimately, locating this dissertation within 'terrorist financing studies,' as defined above, is, despite any potential awkwardness, currently both the most accurate and the most useful way to describe the audience of the thesis, given that, as described in this chapter, the study and analysis of terrorist financing is a niche sub-field that crosses a diverse number of fields of study.

The Community of Terrorist Financing Analysts

The above discussion has explained that this thesis seeks to improve the conceptualization of terrorism-related financial activity, specifically within the bounds of "terrorist financing studies," which is a securitized discourse mediated through a variety of politicized media. As such, it is crucial to identify explicitly the audience of this thesis; i.e. those communities of thought and practice that mediate knowledge of terrorist finance and thus also to which this thesis will contribute. This audience can be referred to as simply the 'community of terrorist finance analysts.' This community includes those in the academy, the public sector, the financial industry, and the charitable sector who by interest or vocation are explicitly interested in understanding terrorist finance. This would include, for example, scholars such as Marieke de Goede, Nikos Passas, Yee-Kuang Heng, and others who have written explicitly on – and therefore been forced to engage with the idiosyncrasies of researching – terrorist finance, as well as members of various communities of public, private, and charitable sector practice. For clarity, a shorthand way by which one could envision the academic members of this 'community of terrorist financing analysts' that comprises the niche sub-field of 'terrorist financing studies' would be those authors listed in the Watson

¹⁶⁵ Anthony Lang, *Punishment, Justice, and International Relations* (London: Routledge, 2008).

Institute's *Terrorist Financing Bibliography*, whether or not they are normally considered a scholar of International Relations or another discipline. Within spheres of practice, the 'community of terrorist financing analysts,' and thus the audience of this thesis, include professionals working in at least the following areas:

- Financial intelligence or compliance sections of financial institutions. For sake of visualization, this could include, for example, those who are members – as is the author – of Deloitte's Financial Advisory Service's Anti-Money Laundering Strategic Leadership Group (AML-SG).¹⁶⁶
- Military or intelligence community analysts who specialize in collecting, analyzing, and exploiting data about the financing of terrorist actors, such as the analysts resident in the "Threat Finance Exploitation Branch" of United States Special Operations Command (USSOCOM TFEB).¹⁶⁷
- Law enforcement agents and attorneys who investigate and prosecute terrorist financing cases, as well as those who defend them, such as the Terrorist Financing Operations Section of the U.S. Federal Bureau of Investigation.
- National government regulators who formulate and enforce regulations regarding terrorist financing, such as the Financial Services Authority in the United Kingdom.
- Legislators and executive administrators who make and implement laws against terrorist financing, such as elected political leaders as well as appointed cabinet ministers (e.g. of finance, defense, or internal security) and their deputies.

¹⁶⁶ Deloitte's AML-SG is "an advisory group that focuses on anti-money laundering (AML) and economic and trade sanctions (ETS) developments facing the financial services industry... The AML SLG facilitates the industry, government and peer-to-peer dialogue that can contribute to a better understanding of issues, which, in turn, can result in improved compliance practices." See AML-SG's website < www.deloitte.com/us/amslsg > for more information. *NB*: The author has been a member of the AML-SG since November 2008, and was invited to join based on the potential utility of the research presented in this dissertation to members of this community of analysts within the financial industry.

¹⁶⁷ *NB*: The author, at the time of writing, was under contract with USSOCOM TFEB to apply elements of the research contained in this dissertation to the formulation of an analytical training program in the field of 'threat finance exploitation.'

- International standard setting bodies and regulatory forums, such as the Financial Action Task Force and the regionally focused bodies.
- Other professions or the general public, as long as they are interested in terrorist financing or attempts to regulate and ‘fight’ it.
- Members of social, political, or cultural communities that are perceived to be more likely to be involved in or supportive of terrorist financing (e.g. diaspora groups who belong to the same identity group as a terrorist organization).

Consequently, it should be noted that since this dissertation sits within ‘terrorist financing studies’ and has an intended audience of this ‘community of terrorist financing analysts,’ the analysis and findings of this dissertation do not necessarily sit within and are not necessarily written for researchers of contemporary political economy, terrorism, international security, organized crime, risk analysis, or even money laundering, or – more generally – political theory, economics, and philosophy, even though several individual parts of this dissertation will be of interest, and indeed have already proven to be a publishable contribution, to those debates.¹⁶⁸ For example, although the dissertation incorporates extremely valuable insights from IPE scholars such as Susan Strange and Leonard Seabrooke, this dissertation is not a work of IPE, nor does it strictly sit within ‘terrorism studies,’ because much of its research falls outside the boundaries of most of that sub-field’s existing discourse. Instead, the audience of this thesis is this ‘community of analysts’ of terrorist financing described above, and thus sits within ‘terrorist financing studies’ sub-field of IR.

¹⁶⁸ Portions of this thesis have been published in the journals *Politics* (a political studies journal) and *Global Crime* (a criminology journal), and a modified version of the conclusion has been accepted for publication in *Axiomathes* (a philosophy journal).

Methodology: Critiques and their Application

This dissertation aims to improve understandings of terrorist finance. Determining a systematic and sound methodology with which to approach this objective is remarkably difficult however. In part, this is to be expected because, as discussed above, this thesis would be arbitrarily limited if set within the methodological confines of a particular discourse of IR, and since ‘terrorist financing studies’ is a relatively immature sub-field, it as yet lacks a coherent methodological approach, especially to improve the conceptual foundations of its own discourse. On a broader level, another obstacle to deciding on a methodological approach for this dissertation is the fact that, on a more generic level, there are wildly different approaches within the International Relations discourse with which one could ‘improve’ understandings of a topic.

Although there are several interpretations of the methodological divisions in IR discourse, the most useful here is Cox’s division between so-called ‘critical’ and ‘problem-solving’ approaches to International Relations research.¹⁶⁹ Each of these approaches offer methodological tools crucial to this dissertation, but neither is alone sufficient for this project. For this reason, this thesis forges an approach that grounds this project within the IR discourse in a way that avoids dogmatically adhering to either of these often-reified approaches.

Regarding a ‘critical’ approach, because this thesis seeks to improve how ‘terrorist finance’ is fundamentally conceptualized, it logically begins from and is embedded in existing relevant critiques. In this way, this dissertation, in order to be intellectually sound, must locate itself as a ‘critical work,’ in that it must examine and critique (or apply existing

¹⁶⁹ Robert Cox, "Social Forces, States, and World Orders: Beyond International Relations Theory," *Millennium* 10, no. 2 (1981).

critiques) the “nature of the world”¹⁷⁰ and think about how this nature came about and why. For our purposes here, the ‘world’ with which this thesis is concerned refers to how terrorism-related financial activity is represented and thus conceptualized.¹⁷¹ This thus implies that this thesis properly sits within methodological traditions such as those of constructivists or critical theorists. But the problem, as discussed herein, is that while these critiques do provide valuable reflections and criticisms on both the ‘nature’ of terrorism-related financial activity and how it is currently (mis)represented, they nevertheless do not provide any coherent or viable alternative that could be used to actually arrive at a more systematic, accurate, and useful conceptualization of terrorist finance. Given that this is our purpose here, this dissertation is therefore not *exclusively* a ‘critical work,’ even though it begins from and its foundation is primarily based within critique.

A similar paradox arises concerning application of strictly ‘problem solving’ approaches to this project, which as mentioned above, “take the world as it finds it...as the given framework for action.”¹⁷² This thesis, in part, aims to construct a representation of terrorism-related financial activity that can be mediated in a more useful way for the various components of the ‘community of terrorist financing analysts.’ In other words, this thesis is, in essence, inherently also a problem solving work as it aims to develop a framework for producing knowledge applicable to those who can take action based on this knowledge. In this respect, this thesis should properly sit within other problem solving approaches of IR, such as quasi-scientific theory building exercises within IPE and Political Science, which offer approaches that enable systematic interrogations of observed empirical reality within

¹⁷⁰ Scott Burchill, "Introduction," in *Theories of international Relations*, ed. Scott Burchill (New York: Palgrave Macmillan, 2005), 19.

¹⁷¹ Again, given that ‘terrorist finance’ is a “mediated” topic, as discussed earlier in this chapter.

¹⁷² Robert Cox, "Social Forces, States, and World Orders: Beyond International Relations Theory," *Millennium* 10, no. 2 (1981).

the structures that exist as they exist, and the refinement of theoretical constructs based on the results of these observations.

The problem, of course, is that a strictly ‘problem-solving’ approach requires *a priori* acceptance of certain established frameworks of thought – e.g. ontologies, methodologies, etc – about one’s topic and the institutions and structures that produced this knowledge. This makes it impossible, however, for this dissertation to apply *exclusively* a problem-solving approach because the critical literature on terrorist finance clearly demonstrates that current frameworks for thinking about terrorism-related financial activity are fundamentally and thoroughly deficient, and that institutions using this knowledge have, for various reasons, simply replicated and thus deepened these deficiencies. In other words, although it incorporates systematic analysis of observed reality and is distinctly conscious of and responsive to specific political and institutional norms and interests, this dissertation is not strictly a ‘problem solving’ work because problem solving works *begin* precisely from the type of framework that this dissertation will develop at its *end*. In other words, given that it examines problems with how knowledge of terrorist financing is represented and produced and then attempts to advance this knowledge by developing an improved conceptualization, this thesis in effect *applies* critical and poststructural methods and approaches of investigation to the objective of creating a foundation for better empirical/positivist research, as well as theoretical investigation.

This thus leaves a conundrum, in that critical approaches end where this dissertation begins, yet problem solving approaches begin from where this thesis will end. To address this, it is useful to view International Relations discourse, most basically, as simply one of debate and intellectual contest. More explicitly, ontologically, epistemologically, and methodologically,

International Relations is inconsistent, incongruous, and amorphous; with no agreement among scholars on what constitutes ‘theory’ in International Relations, what structure of knowledge by which it should be governed, what purpose it is supposed to serve, or from what methods it should be derived. Linklater distills this diversity into four fundamental points of contention.¹⁷³ A brief examination of these points helps ground this dissertation’s – and any, for that matter – attempt to systematically examine and improve the conceptualization of a complex inter-subjective issue such as terrorist finance.

The first fundamental point of contention that Linklater identifies is on the “levels of analysis.” These debates revolve around what fundamental subject matter, and to what scope, a researcher should consider. Burchill observes that this primarily requires determining what actors should be studied (e.g. states, individuals, organizations, corporations, etc); what processes should be analyzed (e.g. pursuit of power, management of the international system, socio-economic exclusion, etc.), and what outcomes should be favored (e.g. preservation of the present international system, diminished levels of inequality, increased individual freedom and agency, etc.).¹⁷⁴ As mentioned above, such ontological questions of what constitutes the “knowable reality”¹⁷⁵ of terrorism-related financial activity are central to its understanding, and are thus a core question for this thesis.

The second point of difference concerns the purpose of the conceptual and theoretical enquiry. The study of people within international society “never exists in a void,”¹⁷⁶ but is always tied to purposes and desired outcomes, as well as the norms that influence them.

¹⁷³ See Andrew Linklater, "The question in the next stage in International Relations theory: a critical-theoretical point of view.," *Millennium* 21, no. 1 (1992).

¹⁷⁴ Scott Burchill, "Introduction," in *Theories of international Relations*, ed. Scott Burchill (New York: Palgrave Macmillan, 2005), 16.

¹⁷⁵ Burchill (2005), 17.

¹⁷⁶ Burchill (2005), 19.

Examples of different analytic purposes include not only the broad debates between and within critical and problem-solving approaches, but also more specific debates on how to bring conceptual cohesion to the IR discipline, how to include theories from other disciplines, and many others. Because International Relations research can point towards a vast range of purposes and outcomes, it is crucial to assess these factors, not only when analyzing existing concepts, theories, and evidence but also when conceptualizing under- or poorly-researched problems of International Relations, as this dissertation attempts. This is especially crucial in this thesis, which, by placing terrorist financing within the context of how it is represented and mediated by and for the ‘community of terrorist financing analysts’ (and in particular in terms of a ‘liberal problematic of security’) is focused on interrogating how knowledge of terrorist financing has been and is to be used. This ensures that the improved conceptualization presented in this thesis will indeed be done, as Booth wrote, “with one’s feet firmly on the ground,” and is not an exercise in “constructing castles in the air.”¹⁷⁷

The third point centers on what methodologies are most appropriate for the study of International Relations, and for specific topics within the discipline. Debates on this point mirror that of the problem-solving/critical theory debate. In general, the debate is between ‘positivist’ approaches that attempt to incorporate into International Relations the empirically based methodologies that have proven successful in the natural and social sciences, and more ‘critically’ oriented methodologies that focus on “emancipating” thought – and therefore people – from the constraints of society as it currently exists. This thesis, as discussed above, uses critiques – mostly existing ones from the critical literature – as a foundation upon which a framework for representing terrorism-related financial activity can be built, which in turn could not only support an improved conceptualization of ‘terrorist finance,’ but also enable a

¹⁷⁷ Ken Booth, 'Beyond critical security studies', in *Critical Security Studies and World Politics*, ed. Ken Booth (Boulder, CO: Lynne Rienner, 2004).

more systematic, accurate, and useful approach for conducting empirical, positivist research about the issue. It is perhaps helpful to emphasize here that by basing this dissertation's analysis in critical and interpretative approaches, it does NOT reject positivism. Instead, given that creating accurate knowledge of terrorist financing is not yet possible using positivist approaches – despite even the existence of a descriptive literature on terrorist financing and because the deficiencies in existing epistemologies (as detailed in the critical literature, and in Chapter 3) hinder, if not preclude, the nuanced evaluation of ‘the right questions’ I propose in Chapter 4 – this thesis must but engage with and employ critical approaches in order to explicitly produce an improved epistemic framework of terrorist financing that can be used beyond this dissertation for positivist research on the topic.

The fourth main point of contention concerns the relationship International Relations concepts have with concepts and theories from other disciplines, namely “is International Relations distinct from, or related to, other areas of intellectual endeavor?”¹⁷⁸ This is also a crucial issue regarding how terrorist financing is conceptualized, given that, as discussed above, it crosses a variety of fields and sub-fields of intellectual endeavor and academic discourse. This thesis addresses this question directly in Chapter Four, by reframing the issue of terrorist financing and discussing specifically which areas of existing knowledge are most useful and applicable to the topic, so reframed.

It is clear that there is great tension among the various alternative, overlapping, and competing conceptual traditions within International Relations discourse. This tension does not require resolution, however, because, as Burchill remarks, “there are few benefits to be gained from theoretical [or conceptual] purity.”¹⁷⁹ In fact, this tension and the intellectual

¹⁷⁸ Booth (2004), 21.

¹⁷⁹ Booth (2004), 21

competition and interplay that results from it, is one of IR's greatest strengths as a discipline in that it allows for research that does not simply explain or predict, but "tell[s] us what possibilities exist for human action and intervention," and defines "not merely our explanatory possibilities, but also our ethical and practical horizons."¹⁸⁰ The alternative is perhaps more internally consistent and intellectually 'pure,' but ultimately is an ideology, not sound basis for understanding a dynamic and complex issue of human experience like terrorist finance. Instead, such dynamic inconsistency in fact uniquely positions International Relations to address a complex and contentious issue, but only if done with appropriate intellectual rigor.

Therefore, at the most basic level, the methodology of this dissertation is simply to construct a framework that can play a role in the IR discipline's debate on specifically terrorist finance and more generally the issues of international society touched on by terrorist finance, in terms of Linklater's four contested areas. In this way the International Relations discipline is uniquely suited to the conceptual demands of this thesis, and given the idiosyncrasies of the IR sub-field 'terrorist financing studies,' this conceptual framework therefore is at core a framework for *representing* terrorism-related financial activity in ways so it can be better *mediated* by the *community of terrorist financing analysts*. As discussed above and throughout the thesis, ideas about terrorist financing are in constant transformation. This thesis ultimately sits comfortably within that tradition.

An Intellectual Journey

Philosophically, the methodological approach utilized in this thesis is similar to approaches aimed at constructing what Aristotle termed *phronesis*. Sometimes translated as 'prudence,'

¹⁸⁰ S. Smith, "Positivism and Beyond," in *International Theory: Positivism and Beyond*, ed. S. Smith, K. Booth and M. Zalewski (Cambridge University Press, 1996), 13.

the term is often also translated as ‘practical wisdom,’ a phrasing that better fits the objectives of this dissertation. In terms of this thesis, aiming for practical wisdom reflects this attempt to build a coherent framework that not only represents and conceptualizes terrorism-related financial activity in ways that are embedded within how such activity is mediated as a politicized and securitized discourse (i.e. the ‘critical’ piece in reference to above), but also can be used (largely in future research beyond this dissertation) to produce knowledge about terrorist finance that can be put to ‘practical’ uses by the community of terrorist financing analysts (i.e. the ‘problem solving’ piece). Generally speaking, this means on one hand that the practical wisdom to be developed by this dissertation will provide a conceptualization of terrorist finance that can engage in four areas of debate described above, and on the other hand will provide knowledge that can be used to serve particular practical uses, which, given the inherently contested nature of terrorism and finance, can be assumed to relate to the liberal problematic of security. In particular, in order to construct a superior approach for representing and producing knowledge of terrorist financing, the thesis makes clear theoretical choices about how to reframe terrorist financing, primarily in Chapters Four and Five.

Chapter Four reframes how terrorist finance is represented and thus conceptualized, specifically in context of both Chapters Two and Three. Chapter Two provides the reader with a baseline of knowledge about terrorism-related financial activity by illustrating its empirical and conceptual realities via a study of a case that encompasses a full range of terrorism-related financial activities as well as related insights into the empirical contexts and conceptual implications of such activities, while Chapter Three problematizes the existing conceptualizations of terrorism-related financial activity introduced in this chapter, via a combination of survey and critique focuses especially on identifying and assessing the

deficiencies in orthodox approaches to the issue. Building on these two chapters, Chapter Four begins by positing what the ‘right questions’ are to ask about terrorist finance (in response to the ‘wrong’ questions posed in orthodox representations, as discussed in Chapter Three). These questions indicate that, given the inherent politicization and mediation of terrorist financing as a securitized issue, the right theoretical questions about terrorist financing should revolve around the structural and functional aspects of, first, the dynamics by which economic resources are instrumental to terrorist capabilities, and, second, what economic activity tells one about how terrorists interact with society/ies at large. Second, from this alternative conceptual foundation, Chapter Four – and thus this dissertation – is then able to systematically build an improved framework for conceptualizing terrorist finance. It finds that terrorism-related financial activity is properly – and most profitably – understood as a security issue, but one that centrally revolves around political economic interaction. Reframing terrorist finance in such terms carries five crucial implications, namely that representations of terrorist finance should: (a) be conducted at the level of individual political-economic exchanges (rather than at a macro or ‘system’-level); (b) engage more closely with the historical, cultural, and societal realities of the diverse political economic orders in which it occurs; (c) recognize that terrorist ‘finance’ often is more accurately about the exchange of value, not money; (d) engage more closely with political theory to understand the intersubjective and self-limiting political logic that appears to govern terrorist financing activity; and (e) explicitly accept that knowledge of terrorist finance is necessarily subjective and thus always in part a product of the relevant socio-political contexts that influence how knowledge and language are produced and used in the contemporary world. The chapter concludes by arguing that to ultimately move the terrorist financing discourse beyond critique and achieve an improved theoretical bases for understanding it, a new framework must be developed that coherently integrates the multi-

dimensional and highly context-contingent dynamics of power competition and value exchange within the individual transactions that comprise the financial activities and contexts of terrorist actors, and proposes some avenues for future research to further specify how such a reframed conceptualization of terrorist financing can address the liberal problematic of security.

Chapter Five presents a typology of terrorist finance that represents it dichotomously as activity that either is part of the ‘value chain’ of terrorist actors, or is along a ‘continuum of material support’ for varied socio-political activities related to terrorism. Typologies at the same time are a familiar concept within the counter terrorist financing community and useful to the objectives of liberal democracies regarding terrorism, namely warfighting, rule of law, and empirical-rational governance. By definition, they are a way to categorize activity, or in other words are essentially an epistemic framework for the representation of particular material reality. The typology presented here therefore is meant to provide the epistemological foundation for more accurate profiles of the persons and activities involved in financing terrorism, at both system and individual transaction levels. Again, this typology as presented is meant to be a coherent mechanism for reframing research, understanding, and conceptualization about terrorist financing, in ways that are more coherent and more useful to the community of terrorist financing analysts than current representations. As such it is intended to be the foundation for further empirical research into and more cogent theorization of terrorism-related financial activity. In this context, the thesis concludes by briefly examining how this re-conceptualization of terrorist finance could be – and indeed in some cases already has – been applied to the needs of the community of terrorist financing analysts, and with a proposal for an even more formalized program of research based on this thesis that could lead to the more systematic collection of empirical data about terrorism

related financial activity. In other words, the thesis concludes by showing how this thesis' alternative conceptualization can change – and has already changed – how terrorist finance is represented and mediated in both fields of thought and practice.

As such, this thesis represents an intellectual journey; one that begins at the deficient existing conceptualizations introduced above in this chapter, and, through a combination of empirical investigation, critical interrogation, conceptual reformulation, and, finally, an epistemological re-representation, arrives ultimately at a more coherent and useful framework for researching and understanding terrorist finance. Interestingly, although this thesis is (broadly) grounded in a search for Aristotelian practical wisdom, its journey from critique to a framework for analysis and action means that it necessarily also relates to other seemingly disparate philosophical traditions that concern understanding the creation of knowledge within certain contingent political, social, historical, ethical, and other realities. In particular, it is notable that Chapter Three's interrogation of the problems and politicized roots of existing representations of terrorist finance is not only a 'critical' perspective, but one indicative of Foucault's perspectives of the interrelationships among knowledge and systems of power. At the same, however, Chapter Four's objective-oriented approach to reframing the conceptual basis of terrorist finance echoes Nietzsche's explicit embrace of knowledge as a tool of power. And finally, it is not difficult to see how the typology presented in Chapter Five is implicitly aligned with Classical Realist perspectives that construct frameworks for knowledge creation that simultaneously serve specific power structures, but are also aware that these structures are socially, politically, and historically contingent and eminently changeable.

Although it may seem unusual – or perhaps even indefensible to some – to employ such a hybrid approach, the methodological approach of this thesis nevertheless reflects established perspectives within International Relations, such as those by Williams,¹⁸¹ Molloy,¹⁸² Connolly,¹⁸³ and Owen,¹⁸⁴ among others, which recast these different approaches, either individually or in conjunction with one another, not as irreconcilable and reified doctrines, but as often wholly compatible perspectives within a rich and ecumenical tradition of political and social thinking, especially as they relate to issues of knowledge and its creation and use. Moreover, this philosophically hybrid approach provides the methodological tools necessary to improve the conceptualization of terrorist finance, and thus help mature the study of this topic and also the emerging International Relations sub-field of ‘terrorist financing studies.’

Research Methods

More specifically, this dissertation employs an appropriate mixture of research methods. I have used a diverse mix of library documentary source research from scholarly, quasi-academic, government, and journalistic provenance. The scholarly work encompasses works from many different fields of study within International Relations, particularly terrorism, security studies, peace and conflict, international political economy, and international political theory. I have also used extensively works from other disciplines, including economics, sociology, history, psychology, anthropology, geography and even computer science. This secondary research was complemented with fieldwork, key interviews, and personal observation in Northern Ireland, Washington DC, and along the border of the

¹⁸¹ Michael C. Williams, *The Realist Tradition and the Limits of International Relations* (Cambridge: Cambridge University Press, 2005).

¹⁸² Sean Molloy, *The Hidden History of Realism: A Genealogy of Power Politics* (New York: Palgrave Macmillan, 2006).

¹⁸³ William Connolly, "Beyond Good and Evil: The Ethical Sensibility of Michel Foucault," *Political Theory*, August 1993: 365-89.

¹⁸⁴ David Owen, *Maturity and Modernity: Nietzsche, Weber, and Foucault* (London: Routledge, 1994).

Republic of Georgia and Chechnya (Russia). This fieldwork gave me the nuance crucial to many of the issues that lacked extensive empirical or theoretical foundations, especially surrounding the involvement of legitimate and other non-terrorist actors involved in terrorism-related financial activity. The particulars of the research methods employed in the case study are explained in a methodological note preceding the case study in the next chapter.

Conclusion

This first chapter introduced not only how and why 'orthodox' representations of terrorist finance is, as the emerging critical literature states, so deficient, but also the failure of these critical approaches to present a viable alternative framework for representing and conceptualizing terrorism-related financial activity. Nevertheless, the chapter also introduced the idea that while it may be complex and difficult subject to research, terrorist finance is, at core, simply a very specific aspect of human experience – albeit one around which massive amounts of power, material resources, knowledge creation, and normative judgment revolve – and thus is eminently comprehensible.

The next chapter presents an empirical case study of terrorist financing in order to look more closely at the 'everyday' realities of terrorist finance as a phenomenon of the human experience. This case, of terrorist financing along the Chechnya-Georgia border between 1999 and 2002, offers a valuable empirical baseline upon which the rest of the dissertation can proceed. The case was chosen because it forces consideration of all of the major concepts raised within terrorist financing analysis, including especially the subjective nature of terrorism and finance, the complex role of state and non-state actors, and the intersubjective dynamics of agency, power, and economic exchange. As such, it provides a

illustrative empirical foundation for this dissertation's attempt at improving the analysis of terrorist finance.

CHAPTER 2

The Reality of Terrorist Finance: An Illustrative Case Study of the Empirical and Conceptual Realities of Terrorist Finance

This chapter examines the empirical reality of terrorist finance, as illustrated by a historical case study of those activities along the Chechnya-Georgia border that financed Chechen separatist and al-Qaeda fighters between 1999 to 2002. This case aims to describe a ‘typical’ case of terrorist finance at a level of detail that highlights the fact that while the complex, subjective ground realities of terrorist financing are often difficult to measure and understand, they are nevertheless observable and comprehensible. The chapter thus puts the critical literature discussed in the previous chapter into context, and provides a baseline of sorts for the next chapter’s more systematic and comprehensive critique of existing epistemological frameworks currently used. The chapter is organized to first present the historical case study, and then to introduce and discuss the major epistemic themes that this ‘typical’ case illustrates.

A Note on Methodology

This chapter is based in large part on fieldwork conducted in the Republic of Georgia in July and August 2006, during which more than 20 people were interviewed – both formally and informally – from government agencies, academic research institutions, and NGOs, as well as from those communities that participated in the events described. In many instances, these interviews led to either further interview subjects or documentary sources, and at times these interviews were followed up later, either in person or via electronic means. Most interview subjects agreed to be interviewed only on the condition of anonymity, and thus in lieu of names, a relevant description of their position has been provided when possible. The chapter

also includes evidence and interpretation gained from my own personal observations, and data from open sources, especially local news reports.

Generally speaking, conducting empirical research of terrorist financing is very difficult, given that primary documentary evidence is acutely rare,¹⁸⁵ and interviewing those involved or suspected to be involved in financing terrorist actors are, unsurprisingly, reluctant to speak to researchers. Secondary source evidence tends to be much more readily available, either in the form of news reports, or through interviews of government officials, journalists, or others with knowledge of primary evidence of terrorist financing activity (e.g. via their own contact with and/or surveillance of participants), although it can be problematic.¹⁸⁶ Therefore, this case research adopts a common sense and pragmatic method to generalize about the reliability of information drawn from secondary sources, namely that its reliability can be assumed to be a function of both the general reliability of the source in question, and the veracity of the original data. Assessment of the latter is usually not possible for academic researchers given that journalists, officials, and other secondary sources are normally ethically, professionally, or legally prohibited from divulging their original sources. This means that judgments about the efficacy of collected data is largely a function of the general reliability of the secondary sources in question, which, one can assume, can be evaluated in two general ways.

First, for interviews, this chapter follows an accepted standard used in organized crime and corruption research and recently elucidated by Kupatadze,¹⁸⁷ which, to summarize, holds that

¹⁸⁵ Notable exceptions that exemplify this rarity are the Al Qaeda in Iraq Financial and Accounting documents, collected and translated by the Combating Terrorism Center at West Point. Available for download at <http://www.ctc.usma.edu/harmony/pdf/summaries%20in%20pdfs/Financial%20and%20Accounting.pdf>

¹⁸⁶ See Warde (2007) for a discussion.

¹⁸⁷ Alexander Kupatadze, "Organized crime before and after the Tulip Revolution: the changing dynamics of upperworld-underworld networks." *Central Asian Survey*, Vol. 27, Nos. 3 – 4, September – December 2008,

information from government officials, NGO employees, and others in positions of authority or trust can be presumed to be reliable if no other evidence disproves or discounts it and it can be independently corroborated, for example by another interviewee or a published account. Second, in the case of published materials, this research operates on the common sense assumption that published evidence deserves a presumption of accuracy if it was published in a source that would be reasonably considered to be an established, professional (i.e. non-tabloid), and generally respected publication.¹⁸⁸

A special note is required to explain the use as a major source of the newspaper *Alia* for a large portion of the empirical data presented below. For reference, *Alia* is an established, well-known independent Georgian-language newspaper published in Tbilisi. The U.S. State Department indicates that it is considered to be a reputable and serious journalistic source. According to the State Department, *Alia* was Georgia's "leading independent daily newspaper" during the period covered by this article, and had the highest circulation of any Georgian newspaper in 1999 and in 2003, with nearly 20% more subscribers than the state controlled newspaper.¹⁸⁹ *Alia* is regularly cited by other major news sources, including in Russia, such as *Izvestia* and others.¹⁹⁰ In addition, while ideally a broader range of secondary sources would be desirable, informal interviews by the author with knowledgeable Georgian

p280.

¹⁸⁸ For reference, this is largely the same presumption used by several major intelligence agencies, which relevantly obtain much – if not most – of their data on terrorist financing issues from either 'open sources' (i.e. published media accounts) or the 'grey literature' (unpublished but not confidential documents, such as commissioned analyses or some interview notes). Interviews with six analysts from three different agencies within the U.S. intelligence community, January and July 2008. Each analyst was asked about the general extent to which their offices utilized open source and grey literature information for terrorist financing related analysis. Also, see Dax R. Norman, "How to Identify Credible Sources on The Web," Thesis for the Joint Military Intelligence College, 9 December 2001 for an extended discussion about how the U.S. intelligence community measures credibility, reliability, and validity of open and other sources.

¹⁸⁹ United States Department of State, "Georgia," *1999 Country Reports on Human Rights Practices* (Washington DC: Bureau of Democracy, Human Rights, and Labor, February 23, 2000); and United States Department of State, "Georgia," *2003 Country Reports on Human Rights Practices* (Washington DC: Bureau of Democracy, Human Rights, and Labor, February 25, 2004).

¹⁹⁰ Citations include *Izvestia*: <http://www.izvestia.ru/world/article3113263/> and the *Press Folder* (a Russian news aggregation website): <http://www.etpress.ru/periodicals/?content=periodical&id=6>.

researchers and journalists from other publications indicate that *Alia* has a reputation for investigative reporting, which may explain why so much information relevant to this case has been published there and not independently elsewhere, and consequently why this chapter is compelled to rely comparatively heavily on its reporting.

Furthermore, it is important to again emphasize that the purpose of this case study is to illustrate and illuminate the complex, ‘on-the-ground’ realities of terrorist financing, rather than provide a comprehensive evidentiary basis upon which social scientific theoretical conclusions could be directly rested,¹⁹¹ This even further mitigates the heavy reliance of this source, and therefore, with the necessary caveats presented here, this case study as written is appropriate and sufficient for the purposes of this dissertation.

A Case Study of Terrorist Financing along the Chechnya-Georgia Border, 1999-2002

This first section provides a snapshot of the empirical complexity of terrorist finance through one historical perspective of a terrorist financing case, the funding of Chechen terrorism along the Georgian-Chechen border. It is a historical example meant to *illustrate* the reality of terrorist finance, and as such, it is the product of extensive field and literature based research and extensively introduces and illustrated the complex empirical and conceptual realities of terrorist finance as it occurs at an individual level.

¹⁹¹ For a discussion of what is and what is not a case study, see Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2005).

Background

The Georgian-Chechen border lies in a remote high-mountain region in the Central Caucasus. Completely impassable during the winter months,¹⁹² the border at other times can only be crossed on foot or horseback, or by four-wheel drive vehicle solely via the 300km road from Tbilisi to Shatili. The region is (sparsely) inhabited by the Kist, Tush, and Khevsur peoples, among others,¹⁹³ and although distinct from one another, all of these ethnic groups are characterized by strong social, cultural, and linguistic traditions that have changed little since the Middle Ages.¹⁹⁴ For example, similar to the Pashtuns of Afghanistan and Pakistan,¹⁹⁵ these groups have strict traditions of hospitality and honour, are only nominally governed by the central national government, and are largely egalitarian in how they govern themselves and settle disputes, relying on a complex mixture of social and familial customary law blended with religious beliefs.¹⁹⁶ These beliefs combine ancient pagan traditions with Orthodox Christianity (or Sufi Islam in the case of the Kists) and play both significant spiritual and nationalistic roles. Although austere, these beliefs are, as Sanikidze and Walker described, part of a “tradition of religious tolerance and eclecticism,”¹⁹⁷ an observation confirmed by a period of field research among Khevsur villagers and elders.¹⁹⁸ All inhabitants of the border region identify themselves as Georgian for official purposes, although the Kists are descendents of the Chechen and Ingush peoples (who collectively are referred to as *Vainakhsi*), and during Soviet times it was common for Kists to move to Chechnya for employment.¹⁹⁹ Most of the Kist population lives in the Pankisi Gorge, a

¹⁹² So much so, in fact, that neither Russia nor Georgia guards most of the border during the winter. *Newspaper Alia*, no. 182 (November 25-26, 2000).

¹⁹³ See Shorena Kutiskdze and Vakhang Chikovani, "Georgia's Pankisi Gorge: An Ethnographic Survey," *Berkeley Program in Soviet and Post-soviet Studies Working Paper Series*, 2002, 13, note 29.

¹⁹⁴ Kutiskdze and Chikovani, 2002.

¹⁹⁵ *The Economist*, "Pushtunwali: The Pushtuns' tribal code," December 19, 2006.

¹⁹⁶ Kutiskdze and Chikovani, 2002.

¹⁹⁷ George Sanikidze and Edward W. Walker, "Islam and Islamic Practices in Georgia," *Berkeley Program in Soviet and Post-Soviet Studies Working Paper Series*, Fall 2004, 30.

¹⁹⁸ Personal observations of the author (Khevsureti, Georgia, July 2006).

¹⁹⁹ Sanikidze and Walker, 2004, 26.

remote broad valley (not a gorge, in fact) about 85km from the Chechen border. Beginning during the first Chechen conflict, Chechen militants established a relatively large base of operations in the gorge in order to train personnel and raise funds to support its operations. It is believed that many of the terrorist attacks committed by Chechen forces had a connection to Pankisi Gorge, either as a supply point, training centre, or planning base.

From 1999-2002, Georgia was by almost any measurement a poor and corrupt country. In 2002, the World Bank estimated its per capita GDP as \$2,220 (just richer than Mauritius and Angola, but poorer than Papua New Guinea)²⁰⁰ while Transparency International ranked it as the 17th most corrupt country in the world,²⁰¹ an assessment shared by an overwhelming majority of Georgian citizens.²⁰² Exacerbating this were large numbers of displaced persons, both from the 1992-93 conflict in Abkhazia (300,000)²⁰³ and the wars in Chechnya (4,170).²⁰⁴ Most of the Chechen refugees migrated to Kist (ethnically Chechen Georgian) villages in Pankisi Gorge where most of them took shelter with local families.²⁰⁵

Expenditures

Terrorist expenditures in the region primarily focused on weapons purchases, the cross-border smuggling of people to fight with Chechen terrorist groups, training, and day-to-day needs. The day-to-day needs of Chechen fighters in Georgia, or *boeviks*, included food,

²⁰⁰ World Bank, *World Development Indicators Database*, <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135> (accessed May 2007).

²⁰¹ Transparency International, *Corruption Perception Index, 2002*, http://www.transparency.org/policy_research/surveys_indices/cpi/2002 (accessed May 2007).

²⁰² Transparency International, *Corruption Barometer, 2003*, <http://www.transparency.org/content/download/1566/8095/file/barometer2003.en.pdf> (accessed May 2007).

This is the earliest year for which these statistics are available. The proportion of Georgian citizens who felt that corruption somewhat or significantly affected cultures and values was 93.4%; political life: 79%; business environment: 94.6%; and personal and family life: 68.5%.

²⁰³ This conflict resulted in the forced expulsion of approximately 300,000 ethnic Georgians from their homes in Abkhazia, and their eventual resettlement in various parts of the country.

²⁰⁴ United Nations High Commissioner for Refugees (UNHCR), *UNHCR 2002 Global Report: Georgia*, <http://www.unhcr.org/publ/PUBL/3edf4fcf0.pdf> (accessed May 2007).

²⁰⁵ United Nations High Commissioner for Refugees (UNHCR), 2002.

medicine, and clothing. As will be discussed later, this was acquired in a number of ways, including receiving donations from Islamic and international charities, the black market, theft, as well as the hospitality of local civilians.

Available evidence shows that the weapons materiel purchased ranged from relatively cheap and available handguns, bullets, Kalashnikovs, and detonators²⁰⁶ to expensive and harder-to-get weapons, such as 9M111 *Fagot* anti-tank missiles, *PIII* handheld anti-tank grenade-launchers, and ‘*Strela*’ surface-to-air missile systems.²⁰⁷ Often, corrupt Georgian officials facilitated these purchases. For example, Akaki Kegoshvili, the commander of the Georgian peacekeeping battalion in the Tskhinvali district and Major Kornel Lazashvili, chief of finance of the same battalion, were both caught in 2001 smuggling a full car-load of weapons into Chechnya.²⁰⁸ Tskhinvali was a major transshipment point for weapons smuggled into Chechnya throughout the period.²⁰⁹

A large amount of money also went to smuggling foreign (non-Chechen) fighters into Georgia and across the border to join various Chechen armed groups, as well as training and indoctrinating them. In the case of smuggling, sometimes this involved purchasing for about \$400 the assistance of a Georgian guide to show them ‘weak points’ in the border where crossing was possible.²¹⁰ Alternatively, these fighters could purchase more guaranteed

²⁰⁶ *Newspaper Alia*, no. 62 (May 2001).

²⁰⁷ *Newspaper Alia*, no. 39 (March 2001); and *Newspaper Alia*, no. 62 (May 2001).

²⁰⁸ *Newspaper Alia*, no. 62 (May 2001).

²⁰⁹ For example, in May 2001 traffic police stopped and searched a suspicious Georgia-registered car in Tskhinvali. The search revealed the occupants, four Chechens and one Georgian, were transporting ‘Fagot’ anti-tank missiles, detonators, detonation materials and a large quantity of money. During questioning in the Tskhinvali police station, one of the Chechens shot a policeman and all managed to escape to a private house, where they took and later killed a hostage, throwing him out of window. Ossetian special forces ultimately raided the building, killing two of the Chechens and arresting the others. *Newspaper Alia*, no. 62 (May 2001).

²¹⁰ *Newspaper Alia*, no. 109 (September 4-5, 2001).

passage by directly bribing relevant Georgian police and border officials to facilitate the border crossing.²¹¹

Although many belonged to separate networks with different particular agendas, the foreign fighters going to Chechnya were most generically motivated by a desire to join a global ‘jihad’ against those seen to persecute Muslim peoples – in this case Russia – and came predominantly from Saudi Arabia, Kuwait and other Arab countries, but also occasionally from European countries such as the UK and France.²¹² Many of these foreign nationals – herein referred to as ‘foreign fighters’²¹³ – were later involved in terrorist attacks or al-Qaeda related cells around the world after their experiences in Chechnya, including for example, the Moscow and Beslan attacks, as well as the 2003 ‘Ricin Plot’ in London.²¹⁴ In many instances, corrupt Georgian law enforcement and intelligence personnel also facilitated the smuggling of people later involved in terrorism. According to several sources, the going rate of such transport was about \$10,000 per head, paid in either US dollars or Deutsche Marks.²¹⁵ Much of this activity occurred in Pankisi Gorge, where Georgian police demanded bribes of about 10 lari (approx. 6 USD) to enter or leave the Gorge.²¹⁶

²¹¹ *Newspaper Alia*, no. 46 (845) (March 23, 2000); and Former senior official of Georgian Ministry of State Security, interview by the author, Tbilisi (July 2006).

²¹² al-Shishani, 2006; and *Newspaper Alia*, no. 90 (July 21-22, 2001).

²¹³ This term is simply meant to convey that these actors have both traveled from abroad, and are engaged in what they believe to be militant operations on behalf of a violent interpretation of radical Islamism, and thus should be seen simply as a catchall term to encompass various – and often conflicting – strands of violent Islamist radicalism, such as *salafism* and *takfirism*. For a detailed background on foreign fighters in Chechnya, see Cerwyn Moore and Paul Tumelty, “Foreign Fighters and the Case of Chechnya: A Critical Assessment” *Studies in Conflict & Terrorism*, 31:412–433, 2008.

²¹⁴ See Brian Glyn Williams, “The ‘Chechen Arabs’: An Introduction To The Real Al-Qaeda Terrorists From Chechnya,” *Jamestown Foundation Terrorism Monitor* 2, no. 1 (January 2004).

²¹⁵ *Newspaper Alia*, no. 39 (March 2001); and *Newspaper Alia*, no. 46 (845) (March 23, 2000).

²¹⁶ *Newspaper Alia*, no. 191 (December 11, 2000).

Some of the approximately sixty²¹⁷ foreign fighters resident in the Gorge also apparently received indoctrination and training in military and terrorist operations while in Pankisi. Few details are available about the specific expenses of the training camps. One clue may be in contemporary press sources that reported that multiple mosques were built in Pankisi Gorge, including one in the valley's administrative centre Duisi, which taught the strict Wahhabist interpretation of Islam promulgated by Saudi Arabia that is not only common among foreign fighters but also considers the Sufi beliefs of the indigenous Kists and Chechens to be heretical.²¹⁸ Although no information could be found about the exact activities of these mosques, it was widely reported that large numbers of Arab and Turkish men frequented them.²¹⁹ As Wahhabi beliefs are largely antithetical to local interpretations of Islam and benign visitors would be highly unusual in this remote region, especially considering the larger context of events there during this period, this may indicate expenditures on methods of radicalization and indoctrination via the mosque.

Sources of Funds

The money used to purchase the above goods and services had a variety of ultimate origins, including direct, intentional funding, criminal activity, and legitimate commerce. In the first instance, it is well known that substantial funding for Chechen terrorist groups originated from benefactors in the Middle East and Islamic world, primarily from Saudi Arabia, but also Pakistan, Qatar, and Yemen.²²⁰ Typically, these funds were given as fulfilment of the sacred duty of *Zakat*, or alms giving, one of the five pillars of Islam.²²¹ According to the Qur'an,

²¹⁷ Cerwyn Moore and Paul Tumelty, "Foreign Fighters and the Case of Chechnya: A Critical Assessment" *Studies in Conflict & Terrorism*, 31:412–433, 2008, 422.

²¹⁸ Sanikidze and Walker, 2004, 29.

²¹⁹ *Newspaper Alia*, no. 191 (December 11, 2000).

²²⁰ See for example al-Shishani, 2006, and J. Millard Burr and Robert O. Collins, *Alms for Jihad* (Cambridge: Cambridge University Press, 2006).

²²¹ See Burr and Collins, 2006, Chapter 1.

money given as *Zakat* could be used, among other purposes²²² for humanitarian aid to the poor as well as to promote “the way of Allah.”²²³ This latter purpose has in some more radical interpretations of Islam been equated to justify the financial support for acts of war and terrorism under the banner of holy struggle, or *jihad*.

*Zakat can be given in the path of Allah. By this is meant to finance a Jihad effort in the path of Allah, not [only] for Jihad [but] for other reasons. The fighter (mujahid) will be given as salary what will be enough for him. If he needs to buy arms or some supplies related to the war effort, zakat money should be used provide the effort is to raise the banner of Islam.*²²⁴

In several cases, fundraising revolved around the lobbying efforts of a small cadre of well-connected *salafist* activists, allegedly including Sheikh Yousef al-Ayyri in Saudi Arabia and Mahmoud Hamdi al-Ahdal in Yemen, who sponsored fundraising events for potential donors. Perhaps reminiscent of a Western political party benefit dinner, these events often involved propaganda material (literature, combat films, etc), and speeches by returned *mujahedeen* as part of an extended pitch for funding.²²⁵

Chechen militant groups allegedly have also received direct financial support from an unlikely source: the United States Government. According to contemporary Georgian newspaper accounts and corroborated by interviews with a former senior Georgian Ministry of State Security counterterrorism official,²²⁶ in March 2002 American personnel apparently made contact with a Chechen militant leader – probably Ruslan Gelayev²²⁷ – to discuss the

²²² The seven categories of who is eligible to receive *Zakat*: the poor, converts, the oppressed and indebted, those committed to the spread and triumph of Islam, newcomers to the faith, and those “whose hearts have been reconciled to the truth.” Burr and Collins, 2006, 12-13.

²²³ *Fi Sabeelillah*, see Qur’an, Sura 62.

²²⁴ Quoted in Burr and Collins, 2006, 13, note 5.

²²⁵ al-Shishani, 2006.

²²⁶ *Newspaper Alia*, no. 54 (May 7-8, 2002). Former senior official of Georgian Ministry of State Security, interview by the author, Tbilisi (July 2006).

²²⁷ Contemporary news reports simply state that American agents made contact with “Chechen field commanders.” However, given that Gelayev was the field commander of Chechen militants operating within Georgia and that the foreign fighters later arrested had been subject to his command, it is unlikely that American officials would have dealt with any other Chechen militant leader other than Gelayev.

transfer of Arab fighters associated with Al-Qaeda into American custody. In exchange for these Arabs – one of whom may have been al Qaeda *shura* (consultative council) member Saif al-Islam al-Masri – the American officials reportedly “promised to help financially in the ‘holy war’ against Russia.”²²⁸ In late April 2002, representatives of Gelayev received a shipment of weapons allegedly from a courier arranged by the US officials.²²⁹ Such a deal had precedent in Afghanistan where US officials gave weapons and cash to various militant leaders in exchange for assistance against US enemies.²³⁰ According to these accounts, this led to conflict within the Chechen groups over the division of the spoils, particularly between Jaber, field commander of Khattab’s²³¹ group, and Abu-Amer, representative of the Muslim Brotherhood in Georgia.²³²

Chechen terrorists also engaged in a number of criminal schemes to generate money for their cause, both independently and in concert with the local population. A particularly lucrative enterprise was the production and trafficking of heroin. Owing to a confluence of factors,²³³ Georgia during the period was a major transshipment route for heroin smuggled from Afghanistan and Central Asia to Europe. A significant portion of this trade occurred in Pankisi Gorge, where heroin was both processed (from imported morphine base) and repackaged (from wholesale shipments of processed heroin from the east into ‘retail’ packages that could be distributed more widely throughout Europe).²³⁴ In addition, Pankisi

²²⁸ *Newspaper Alia*, no. 54 (May 7-8, 2002).

²²⁹ *Newspaper Alia*, no. 54 (May 7-8, 2002).

²³⁰ See for example Steve Coll, *Ghost Wars* (New York: Penguin Press, 2004).

²³¹ Khattab was considered to be the head of al Qaeda (i.e. foreign jihadist fighters) in Chechnya

²³² *Newspaper Alia*, no. 54 (May 7-8, 2002).

²³³ A combination of its geographic location, high levels of corruption, and a desire to become a key overland trade route

²³⁴ See U.S. Department of State, *International Narcotics Control Strategy Report 2001*, Available at <http://www.state.gov/p/inl/rls/nrcrpt/2001/rpt/>; and U.S. Department of State, *International Narcotics Control Strategy Report 2002*, <http://www.state.gov/p/inl/rls/nrcrpt/2002/html/>.

served as a point of entry for smuggling heroin in and out of Georgia,²³⁵ sometimes using traditional handicraft containers carried by couriers to smuggle the drugs to Tbilisi and into Eastern and Western Europe, where it was sold.²³⁶ At the time, heroin in Pankisi sold for the equivalent of \$200 - 300 per gram, although it could be sold in Tbilisi and Europe for double that price.²³⁷ The price of opium decreased over the period,²³⁸ which would have had an effect on the revenues generated by Chechen *boeviks* in Pankisi. In 2001, Chechens militants also established two heroin production laboratories among their training facilities in Pankisi Gorge to replace one that had recently been destroyed in Shatoi, Chechnya.²³⁹ The heroin produced by these labs is likely to have joined the same trafficking routes mentioned above.

Chechens also engaged in other criminal activity in Georgia as a means of raising funds. One such method was counterfeiting, specifically the importation of high quality US dollars from Iran, Iraq, and Lebanon, which replaced lower quality notes that had been produced in the Chechen cities of Argun and Groznyy. Much of this fake currency was smuggled into Chechnya via Georgia or was used to purchase goods and services in Georgia.²⁴⁰ Chechen militants also generated funds through the kidnap and ransom of businessmen, journalists, local civilians, humanitarian workers, and others. In one case, two kidnapped Spanish businessmen were reportedly ransomed for EUR 300,000.²⁴¹ In another case, two women

²³⁵ Irakli Chikhladze, "Traffic Control," Caucasus Reporting Service. Institute for War and Peace Reporting, August 24, 2001.

²³⁶ *Newspaper Alia*, no. 130 (August 19-20, 2000). The US State Department cited Georgia throughout the period as "a secondary transit route for narcotics flowing from Afghanistan, transiting Central Asia to Europe." U.S. Department of State, *International Narcotics Control Strategy Report 2001*, Available at <http://www.state.gov/p/inl/rls/nrcrpt/2001/rpt/>.

²³⁷ U.S. Department of State, *International Narcotics Control Strategy Report 2001*.

²³⁸ U.S. Department of State, *International Narcotics Control Strategy Report 2001*.

²³⁹ *Newspaper Alia*, no. 3 (January 8, 2001). The U.S. State Departments contradicted this in a 2001 report, stating, "There is no known ... synthetic drug production in Georgia." U.S. Department of State, *International Narcotics Control Strategy Report 2001*.

²⁴⁰ The imported notes were of sufficient quality as to require special equipment for detection. *Newspaper Alia*, no. 38 (837) (March 9-10, 2000). See also *Radio Free Europe / Radio Liberty (RFE/RL)*, "'Council of Europe expresses concern at plight of displaced persons, Chechen refugees,'" June 12, 2000.

²⁴¹ Jaba Devdariani, "A much-awaited police operation has begun in the Pankisi Gorge - but will it achieve anything?," *Institute for War and Peace Reporting (IWPR)*, January 25, 2002.

working for the International Committee of the Red Cross were kidnapped in Pankisi Gorge and held for a ransom of many thousands of dollars, although they were eventually released after the local population of Kists (ethnic Chechens living in Georgia) vigorously protested to their captors.²⁴²

In addition, some funds used by Chechens in the Chechnya-Georgia border region originated from ostensibly legitimate sources. For example, Koj-Akhmed Nukhaev, former Chechen Chief of Foreign Intelligence, ‘godfather’ of Chechen mafia, and supposed model for the Frederick Forsythe film ‘Icon,’ created several organizations and businesses for both profit and aid to Chechen militants. In the late 1990s, Nukhaev founded the “Caucasian-American Chamber of Commerce” in Washington D.C. and the “Transcaucasian Energy Consortium” to, among other things, provide a commercial vehicle to sell oil from Chechnya. Nukhaev also allegedly owned a 39% stake in the St. Petersburg branch of large car-producing Russian company “Logovaz.” The profits from these enterprises not only made Nukhaev wealthier, but also allowed him to establish organizations such as “Chechen House,” which produced pro-Chechen propaganda, organized holidays for Chechen boeviks, and conducted fundraising appeals.²⁴³

Transfer and Flow of Value

Financing terrorist actors involves not only methods to raise and spend money, as described above, but also the capacity to move and store acquired resources until they could be spent. To understand the complex processes by which this occurred along the Georgian-Chechen border, it is useful to think of money as simply an instrument of *value*, and that the intermediate steps between revenue and expenditure are in fact simply the repeated transfer

²⁴² *Newspaper Alia*, no. 191 (December 4, 2000); and *Newspaper Alia*, no. 130 (August 19-20, 2000).

²⁴³ *Newspaper Alia*, no. 8 (July 3-4, 2001).

and conversion of value. For example, in a modern society, a typical person deposits cash into a bank, which stores its value according to regulations until she decides to transfer money to meet an expense, at which time the cash is converted into other equivalent forms of value through a variety of instruments, such as back into cash (e.g. via an ATM withdrawal), or directly into goods and services (e.g. payment by check or credit card). Therefore it is important to remember that the transfer of *value* may or may not take the form of actual cash or any cash equivalent.

Islamic Charities and their Local Agents

As described above, significant funds from wealthy benefactors in the Middle East made their way to the Georgian-Chechen border to buy weapons, build mosques, transport volunteers, and establish training camps, often under the guise of charitable and pious *Zakat* donations. The ways in which this money reached its ultimate end use of financing *jihad* in Chechnya can be complicated. The following describes some of the activities in the region related to two global Islamic charities that have since been officially designated by the United Nations as terrorist financing organizations.

The Al Haramain Islamic Foundation (AHIF), a large charitable organization based in Saudi Arabia, was founded in 1998 to “provide relief and aid to Muslim people and groups wherever they are, should they face disasters endangering their being, their religious beliefs, or their freedom.”²⁴⁴ AHIF served as a conduit for primarily Saudi donors who wished to give to various needy recipients, primarily the poor and dispossessed, but also including those engaged in *jihad*. Those wishing to give could simply deposit money into one of two designated bank accounts administered by the Saudi Royal Family for this purpose. The

²⁴⁴ Burr and Collins, 2006, 38.

money from these accounts – #6/98998 and #2/9292²⁴⁵ – was then transferred to the foundations’ 50 offices around the world, ostensibly for the construction of mosques, schools, literature, websites, and other *da’wa*²⁴⁶ activities. In the case of Georgia, some of these funds were wired directly into the accounts of the Tbilisi-based “Muslim Protection Organization” at the Bank of Georgia.²⁴⁷ Another more significant channel was through the “Foundation for Chechnya (FfC),” a 25-employee AHIF affiliate based in nearby Baku, Azerbaijan. According to several sources, the Foundation for Chechnya regularly sent couriers to Georgia to carry cash and supplies to the *boeviks* in both Pankisi Gorge and Chechnya proper.²⁴⁸ Contemporaries described one of the leaders of FfC (and member of the *majlis al-shura* (consultative council of al-Qaeda)), Abu Omar Mohammed al-Serif (aka Abu Serif) as the primary “conduit through which the financing of the Chechen fighters was exercised.”²⁴⁹

Chicago, USA – based Benevolence International Foundation (BIF) is another Islamic charity that facilitated the transfer of funds to Chechen terrorist groups via Georgia during the period 1999-2002. Similar to AHIF, BIF funds were centrally collected and then transferred to a local affiliate, “Madli” (a.k.a. Georgian Relief Association, a.k.a. MADLEE),²⁵⁰ which then distributed the funds by courier to *boeviks* in Pankisi and Chechnya.²⁵¹ Madli was a Georgian-registered charity that had received a total of \$850,000 by 1999,²⁵² and \$685,560

²⁴⁵ Burr and Collins, 2006, 39.

²⁴⁶ The act of preaching Islam or spreading the word of God.

²⁴⁷ *Newspaper Alia*, no. 121 (September 26, 2001). According to Vakhtang Kutateladze, Minister of State Security, this money was intended for transporting *boeviks* under humanitarian guise.

²⁴⁸ Burr and Collins, 2006, 39.

²⁴⁹ V. Khaburdzania, Minister of State Security of Georgia, quoted in *Newspaper Alia*, no. 24 (February 2002); Burr and Collins, 2006, 39.

²⁵⁰ Source for BIF affiliation: “Annex to the note verbale dated 22 April 2003 from the Permanent Mission of the Russian Federation to the United Nations addressed to the Chairman of the Committee,” April 22, 2003, http://www.nti.org/e_research/official_docs/inventory/pdfs/al_QaedaT_russia20030422.pdf.

²⁵¹ *Newspaper Alia*, no. 134 (August 26-27, 2000).

²⁵² Burr and Collins, 2006, 174-175.

between January and April 2000,²⁵³ primarily via wire transfer.²⁵⁴ According to statements to the Georgian government and the United Nations, Madli supposedly was engaged in various medical and health related humanitarian aid projects in Pankisi Gorge.²⁵⁵ The indictments of several employees of BIF for providing material support for terrorism in the United States claim that Madli was in fact a conduit for funds going to Chechen terrorism.

Although no hard evidence is publicly available proving Mali's involvement in terrorist financing, several pieces of contextual evidence demonstrate that this claim is almost certainly true. First, the total of \$1.53 million that Madli received in 1999 and 2000 is considerably more than could have been spent on its stated humanitarian aid mission, which consisted primarily of providing free food and medical care through a small clinic in Pankisi Gorge.²⁵⁶ For comparison, the entire 2000 aid budget of the International Federation of the Red Cross and Red Crescent, which had a similar but much more comprehensive mandate in the region, was CHF 260,000 (\$156,157), or one-tenth of what Madli received.²⁵⁷ Second, Saif al Islam al Masri, one of the al-Qaeda members turned over to the American government in Pankisi Gorge²⁵⁸ (see above), had served as BIF's liaison to Chechnya in the mid 1990s.²⁵⁹ This lends credence to the allegation as it fits a pattern identified in other cases of charities

²⁵³ "Suburban Chicago-Based International Charity And Its Director Charged With Perjury Relating To Alleged Terrorist Activity," *Statement by United States Attorney Northern District of Illinois Patrick J. Fitzgerald United States Attorney* (April 30, 2002).

²⁵⁴ "Suburban Chicago-Based International Charity And Its Director Charged," *Statement by Patrick J. Fitzgerald*, 2002.

²⁵⁵ United Nations Office for the Coordination of Humanitarian Affairs (OCHA), *Georgia Information Bulletin for the period 21 - 28 Feb 2001* (February 28, 2001).

²⁵⁶ Mamuka Komakhia, "Update from Pankisi Valley: Medical And Psychological Problems Of Chechen Refugees," *UN Association Georgia (UNGA) Team Report*, no. 5 (UNGA and UNHCR, 2000).

²⁵⁷ International Federation of Red Cross And Red Crescent Societies (IFRC), July 25, 2001, <http://www.reliefweb.int/rw/RWB.NSF/db900SID/OCHA-64BV8R?OpenDocument&emid=ACOS-635NPP>. This encompasses all costs for providing health, medical, nutrition, and other related service (including administrative) in Pankisi Gorge. Exchange rate calculated for April 1, 2000. The entire aid budget for UNHCR for all of Georgia – including services to 300,000 refugees from the Abkhazian conflict – was only \$6 million. See United Nations High Commissioner for Refugees, *UNHCR Global Report 1999*, <http://www.unhcr.org/publ/PUBL/3e2d4d553.pdf>.

²⁵⁸ Burr and Collins, 2006, 174-175.

²⁵⁹ United States Treasury Office of Public Affairs, "Treasury Designates Benevolence International Foundation and Related Entities as Financiers of Terrorism" (November 19, 2002).

transferring value to terrorist groups of having facilitating agents at various stages of the transfer process, especially close to the end recipients. Third, interviews of native Georgian UN staff who were present in Pankisi Gorge in 2000 and who were personally familiar with Madli and its humanitarian work confirmed that the perception at the time was that Madli “was already involved in terrorism financing.”²⁶⁰

Pankisi Gorge: Arms, Cars, Drugs & Corruption

In 1999-2002 an estimated 100 foreign ‘jihadist’ fighters and 2000 Chechen *boeviks* lived and operated along the Chechen-Georgian border.²⁶¹ These terrorist actors employed a different system of value transfer, governed by a combination of the market, the state, and social principles, and involving a variety of financial instruments, only one of which was cash. This section examines anecdotally this system as it evolved in Pankisi Gorge between 1999 and 2002.

Figure 2.1 depicts some of the ways in which value was transferred among the major actors in Pankisi during the period. The complexity of the value transfer processes is immediately evident.²⁶² In order to simplify the discussion to fit this space, this section will focus only on the intermediate transfer of value that resulted in two of the important operational expenditures mentioned above: weapons and safe passage.

²⁶⁰ Interview with former member of UN Association Georgia Team in Pankisi Gorge. Tbilisi, July 2006 and email follow up, March 2007.

²⁶¹ al-Shishani, 2006.

²⁶² In fact, this chart actually simplifies the activity by grouping some diverse collections of people together (e.g. “other organized crime” and “civilians”) and by ignoring the diversity in what methods and motivations occurred in the transfers (e.g. willing vs unwilling transfer).

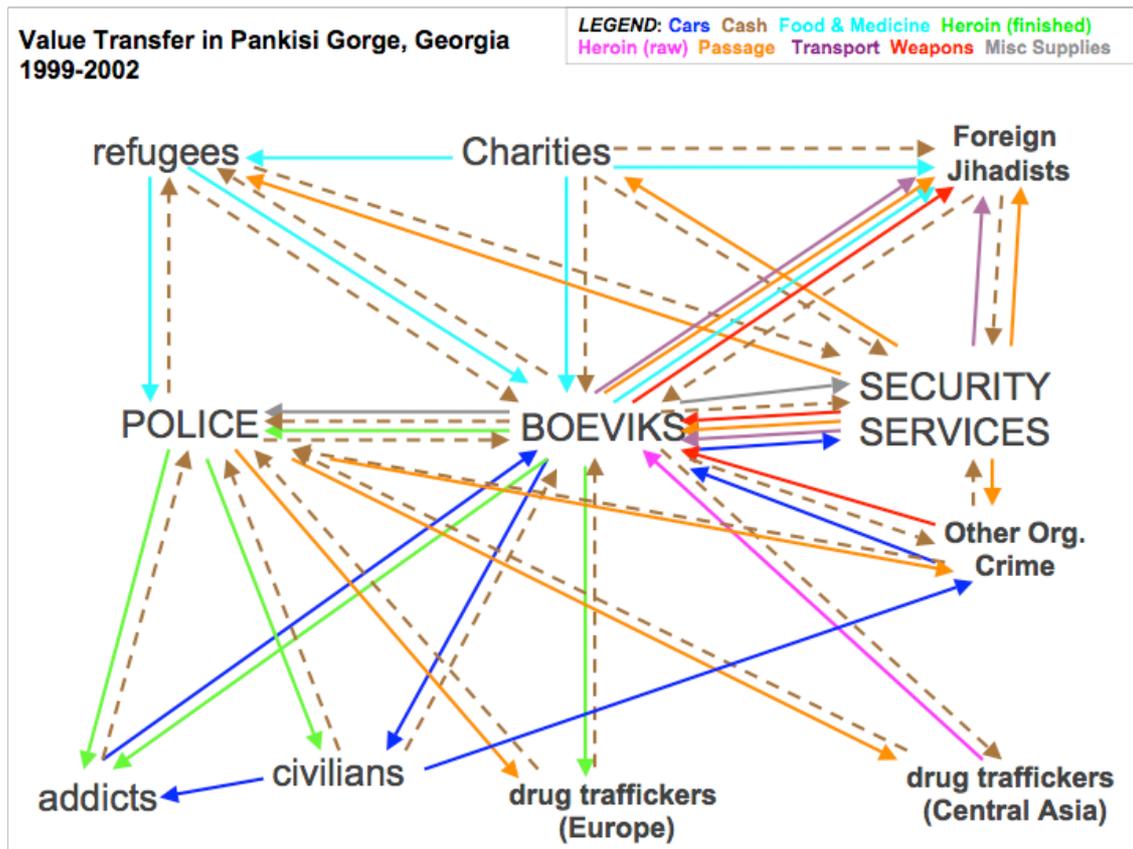


Figure 2.1

Small arms are virtually ubiquitous among the population along the Georgian-Chechen border,²⁶³ however during 1999-2002, military scale weapons were available in the region for sale to Chechen *boeviks* and foreign *foreign jihadists*. Some of these weapons originated from the armories of the Georgian security, police, and military establishments,²⁶⁴ while others were sent via courier from Turkey, the Middle East, Afghanistan, and even Russia. For example, in January 2000 Georgian security forces discovered a large shipment of weapons near Pankisi Gorge that apparently originated from the Russian military base at Vaziani. Georgian authorities accused corrupt Russian security services of facilitating the theft, an accusation lacking direct evidence but with historical precedent.²⁶⁵ Russian

²⁶³ Personal observations of the author (Khevsureti, July 2006); and Kutiskdze and Chikovani, 2002.

²⁶⁴ Former senior official of Georgian Ministry of State Security, interview by the author, Tbilisi (July 2006).

²⁶⁵ Sozar Subeliani, "Gun Running in Georgia," *Institute for War and Peace Reporting*, January 14, 2000.

authorities counter-charged, however, that Georgian authorities worked with Russian organized crime to smuggle the weapons to Chechen militants in order to undermine Russian influence in the region.²⁶⁶ This explanation is also plausible, as there had been great geopolitical enmity between Tbilisi and Moscow since the dissolution of the Soviet Union. In addition, federal-level Georgian security services were known at the time to control the trade in weapons along the Georgian-Chechen frontier.²⁶⁷

Regardless of the truth of this specific case, members of the Georgian security services did indeed facilitate or at times even personally conduct (see above) the transport and sale of weapons to Chechen *boeviks*, either via Pankisi Gorge or directly at the border.²⁶⁸ These weapons were often paid for in cash raised either from Middle Eastern charities or the sale of heroin, smuggled or stolen goods, or fraudulently obtained humanitarian aid,²⁶⁹ or were exchanged for non-cash direct barter of the same.²⁷⁰

The use of stolen cars, for either raising cash or barter, was an especially common instrument of transferring value. Georgian criminals and drug addicts stole cars in Tbilisi and took them to Pankisi to either sell to the *boeviks* or to exchange for heroin. The owners of the stolen cars were then obliged to go to Pankisi and pay ransom to a middleman who would in turn get their car back. If the police facilitated the negotiation, which was common, the potential ransom amount increased.²⁷¹ The stolen cars also served as an instrument to store value for longer periods. Reportedly, there were up to 2500 stolen vehicles in Pankisi Gorge during

²⁶⁶ Subeliani, 2000.

²⁶⁷ Although regional level forces were seen to be much less corrupt. *Newspaper Alia*, no. 191 (December 11, 2000).

²⁶⁸ *Newspaper Alia*, no. 191 (December 11, 2000).

²⁶⁹ *Newspaper Alia*, no. 53 (April 30-May 1 2002).

²⁷⁰ Former senior official of Georgian Ministry of State Security, interview by the author, Tbilisi (July 2006).

²⁷¹ *Newspaper Alia*, no. 130 (August 19-20, 2000).

the period, often with Chechen and local Kists having 8-10 cars per family.²⁷² These cars served as virtual bank accounts for many desperately poor residents of the Gorge, as they could be sold, rented, or bartered to others if necessary, including of course to Chechen or foreign militants.

In other cases, weapons were exchanged for other instruments of value, including shares in lucrative business ventures. One such case was the cooperation between Levan Kenchadze, deputy minister for Georgian State Security and chief of its anti-terrorism unit, and Khizri Aldamov, the unofficial ‘ambassador’ of the Chechen separatists to Georgia. Evidence suggested that these two influential men used their personal and professional networks to in effect invest in one another’s financial interests. For example, Kenchadze was implicated in another suspected shipment of several truckloads of weapons into Chechnya in May 2002. At the time, Russian news sources reported that the shipment was smuggled under the guise of humanitarian aid provided personally by Almadov.²⁷³ Kenchadze and Almadov also cooperated to meet another significant expense for Chechen terrorist groups in the region: safe passage.

In December 2000, an officer in the Ministry of State Security of Georgia spoke anonymously about this cooperation to the Georgian newspaper, *Alia*:

“Concerning the [Ministry of State Security], they are involved in arms smuggling. The roles are distributed and the security service, Georgian police and Russians do not interfere in each other’s affairs. The employees of regional and district security department work very well but the anti-terrorist center (under Kenchadze) is a real obstacle on the way of fighting against all this. The people who appointed Kenchadze do not want to fight terrorism.

The [Ministry of State Security] also controls the inflow of Chechen refugees and boeviks. Khizri Aldamov is a frequent guest of Kenchadze. Chechens pay and [the Ministry ensures that] a corridor for them on Georgian territory is ready. Aldamov

²⁷² *Newspaper Alia*, no. 191 (December 11, 2000).

²⁷³ United Nations Association of Georgia, "Georgia denies detention of convoy with arms in Pankisi" (May 24, 2002).

meets the refugees after they cross the border. It is impossible for the refugees to sit in the bus and go to Pankisi: there are many checkpoints on the way. Aldamov tells these people how much they have to pay. There is no differentiation between who is a boevik and who is not. Aldamov contacts security service people and they escort the Chechens."²⁷⁴

According to reports, Kenchadze personally drove or escorted an estimated 150 Chechen and foreign fighters to the Chechen border at Shatili, sometimes all the way from the Georgian-Turkish border, during the period.²⁷⁵ As mentioned above, the rate for this service was \$10,000 per head.

The motivations behind involvement in value transfer for terrorist financing activity are complex. In the case of official corruption, evidence shows that Georgian government officials, depending on their background and level of authority, solicited bribes for reasons as varied as profit, economic survival, geopolitical calculation, or even simply fear.²⁷⁶ Similarly, Chechen fighters and those helping finance them were often bound to codes of honor and social bonds to the local populace. For example, Christian Georgians in Khevsureti would regularly shelter and feed passing Chechen fighters, and provide them guidance through the high mountain passes as required by their strict customs of hospitality.²⁷⁷ Furthermore, many of the Chechen militants were in fact blood relatives of those local Georgian Kists native to Pankisi Gorge.²⁷⁸ This obligated certain codes of conduct among the actors in the region, regardless of their political or economic goals. On one hand, this greatly facilitated the transfer of value into and through Pankisi Gorge to Chechen

²⁷⁴ *Newspaper Alia*, no. 191 (December 11, 2000).

²⁷⁵ *Newspaper Alia*, no. 90 (July 21-22, 2001).

²⁷⁶ *Newspaper Alia*, no. 191 (December 11, 2000). The Georgian police stationed in Pankisi were apparently often frightened of the boeviks, as they were heavily armed, well disciplined, and several Georgian police were in fact kidnapped and ransomed by Chechen fighters over the period, typically in revenge for not facilitating movement of money, supplies, or people, as arranged.

²⁷⁷ Khevsur elders, interview by the author, Khevsureti, Georgia (July 2006).

²⁷⁸ UNHCR Branch Office, Tbilisi, Georgia, July 2005, http://www.ungeorgia.ge/cgi-bin/show_agency.pl?name=unhcr_accomplishment.

terrorist groups. For example, female relatives of Vepkhia Margoshvili, a criminal leader in Pankisi Gorge responsible for smuggling large quantities of money (including counterfeit US dollar banknotes included), arms, military uniforms, computers and food from Arab countries into the region, married Arab jihadists who trained in Pankisi.²⁷⁹ Such familial ties would be significant in this region, particularly because any betrayal of his brothers-in-law would carry consequences and to swear blood revenge on those who hurt him and his family. On the other hand, violation of these codes by some of the Arab *salafi-jihadists*,²⁸⁰ for example the teaching of intolerant Wahhabi doctrines, actually encouraged local Kist elders to cooperate with Georgian military forces in their successful campaign to expel all Chechen *boeviks* in Pankisi in 2002-2003. In the Georgian highlands, the word of the elder is still “regarded as law,” above even inter-family blood feuds.²⁸¹

Major Epistemic Themes

This case is typical in the sense that it immediately raises some important conceptual points about terrorist financing that are obvious throughout the available empirical evidence of terrorist finance. The above case illustrates that terrorist financing, when seen at the individual level of detail at which it actually occurs, is empirically complex and non-linear; intrinsically is a contested and subjective issue; involves primarily non-state actors but is as an issue is primarily defined by states; is governed by the complex dynamics of human agency and the competition for power; and is poorly described by the International Relations discipline. This section discuss the relevance of these themes to improving the analysis of terrorist financing, which then serves to illuminate what an improved analysis of terrorist finance ‘needs’ on a conceptual level. This section, when combined with the above case

²⁷⁹ *Newspaper Alia*, no. 53 (April 30-May 1 2002).

²⁸⁰ For example, polygamy and the teaching of Wahhabi Islam. Kutiskdze and Chikovani, 2002; and al-Shishani, 2006.

²⁸¹ Kutiskdze and Chikovani, 2002, 17.

study, provides a baseline with which one can more systematically critique and evaluate existing analysis of terrorist finance, which is the focus of the next chapter.

Empirical Complexity and Non-Linearity

Perhaps the first thing one notices in the above case is that terrorist finance is extremely complex, especially in terms of the variety of actions and actors involved. In the first instance, the case demonstrates that terrorist actors finance their activities through an incredibly diverse set of methods, which are illustrated in Table 2.1. Evidence from news reports and the research literature points to just a complex picture, with terrorist actors relying on methods that range from diverting the proceeds of legitimate businesses²⁸² to sophisticated tax arbitrage and smuggling schemes²⁸³ to direct fundraising from sympathizers²⁸⁴ to simple theft.²⁸⁵ Furthermore, this activity is not only varied, but also in many cases is identical to perfectly innocent – or at least not politically neutral – behaviors.

This banality of terrorist financing activity means that defining activities such as wire transfers, bank deposits, charitable donations, auto theft, or drug dealing to be ‘terrorist financing’ activities is entirely dependent on the context and consequence of these actions and the everyday choices that produce them. This in turn raises an important question about attempts such as those in the second and third ‘generations’ of orthodox literature on terrorist finance to research and analyze terrorist financing realities with systematic or thematic frameworks: If terrorist financing is an aggregation of various context-driven and often banal ‘everyday’ decisions, should not terrorist financing research be focused on collecting data

²⁸² See for example John Horgan and Max Taylor, "Playing the Green Card: Financing the Provisional IRA, Part I," *Terrorism and Political Violence* (Frank Cass) 11, no. 2 (Summer 1999): 1-38.

²⁸³ See for example Sari Horwitz, "Cigarette Smuggling Linked to Terrorism," *The Washington Post*, June 8, 2004.

²⁸⁴ See for example Ajit Kumar Singh, "Global hunt for Tigers' assets," *Asia Times*, April 25, 2008.

²⁸⁵ See for example Sebastian Rotella, "Theft, fraud in Europe fund terrorist group, police say," *Los Angeles Times*, April 1, 2007.

about and fully engaging with the various and complex social, cultural, historical, political, economic and other dimensions of these individual level interactions? In other words, it seems clear that the sheer banality of many of the activities that are considered to be ‘terrorist financing’ implies that the dynamics of everyday choices should be a key element of the epistemology of how the financing of terrorist actors is conceptualized, and in particular should likely be researched at the most local level possible in order to be appropriately sensitive to the complexity and nuance of these contexts.

<i>Table 2.1: How is Terrorism Financed?</i> <i>Activities Involved in Financing Chechen Terrorism, Georgian-Chechen Border, 1999-2002</i>		
<ul style="list-style-type: none"> ▪ Bank Accounts, deposits from individuals ▪ Bank Accounts, wire transfers ▪ Bank Accounts, withdrawals ▪ Barter ▪ Black Market ▪ Bribes ▪ Business shares, barter of ▪ Cash couriers (cross border) ▪ Cash couriers (internal) 	<ul style="list-style-type: none"> ▪ Counterfeiting US dollars ▪ Crime ▪ Donation of weapons ▪ Fundraising meetings ▪ Heroin, production ▪ Heroin, protection of smuggling ▪ Heroin, sale ▪ Heroin, smuggling ▪ Hospitality of locals ▪ Humanitarian Aid, barter of 	<ul style="list-style-type: none"> ▪ Humanitarian Aid, fraudulently obtaining ▪ Humanitarian Aid, theft of ▪ Humanitarian Aid, use of ▪ Kidnap and ransom ▪ Stolen cars, barter of ▪ Stolen cars, rent of ▪ Stolen cars, sale of ▪ Stolen cars, use of ▪ Theft ▪ Zakat Donations

If terrorist financing involves in large part banal activity, however, then this indicates a danger of securitizing such ‘normal’ activity. More precisely, as Amoore and de Goede point out, such specification necessarily entails “articulation of new powerful definitions of normality and abnormality in [terrorism-related financial] transactions,” which, given the intrinsically securitized nature of ‘terrorist finance,’ ultimately can constitute a form of “violence” against those whose banal activity are targeted in the name of ‘fighting’ terrorist finance.²⁸⁶ Ultimately, therefore, the banality of much of the activity in the above case illustrates that ‘terrorist finance’ is indeed a complex and problematic issue.

The same can be said about the diversity and complexity of the actors involved in terrorist finance. As Table 2.2 illustrates, there is no single profile of who finances terrorism, and indeed no consistent profile either. For example, although terrorist actors in Chechnya received many donations from wealthy benefactors in the Middle East who adhered to various radical Islamist ideologies, it does not follow that all wealthy extremists in the Middle East will necessarily donate to the Chechen cause. Of course it may mean that such actors are likely to donate to the Chechen or similar cause, but this claim will need to be born out in the evidence.

Table 2.2: Who Finances Terrorism?		
<i>Actors and Actor Types Involved in Financing Chechen Terrorism, Georgian-Chechen Border, 1999-2002</i>		
Actors, Individual Name Known	Actor Type	Actor Nationality/Ethnicity
<ul style="list-style-type: none"> ▪ Akaki Kegoshvili (district commander of Georgian peacekeeping battalion) ▪ Major Kornel Lazashvili (district chief of finance of Georgian peacekeeping battalion) ▪ Abu Omar Mohammed al-Seif (FfC) ▪ Saif al Islam al Masri (BIF) ▪ Khizri Aldamov, ('ambassador' of Chechen separatists to Georgia) ▪ Levan Kenchadze, (deputy minister, Georgian State Security chief of counterterrorism) 	<ul style="list-style-type: none"> ▪ Arms traffickers ▪ Charities, benefactors ▪ Charities, facilitating agent for ▪ Charities, international ▪ Charities, leader of ▪ Charities, locally-based ▪ Charities, national liaison for ▪ Civilians, local ▪ Government Officials, counterterrorism ▪ Government Officials, intelligence ▪ Government Officials, local law enforcement ▪ Government Officials, military ▪ Government Officials, national law enforcement ▪ Heroin Traffickers, transnational ▪ Heroin Traffickers, local ▪ Heroin, buyers of ▪ Organized Criminals, Georgian ▪ Organized Criminals, Russian ▪ Organized Criminals, other ▪ Refugees ▪ Refugees, representative of ▪ Stolen Cars, owners of 	<ul style="list-style-type: none"> ▪ American ▪ British ▪ Chechen ▪ French ▪ Georgian ▪ Khevsur ▪ Kist ▪ Pakistani ▪ Qatari ▪ Russian ▪ Saudi ▪ Yemeni
<p>Actors, Organization Name Known</p> <ul style="list-style-type: none"> ▪ Al Haremein Islamic Foundation ▪ Benevolence International Foundation ▪ Foundation for Chechnya ▪ Georgian Government ▪ Madli ▪ Muslim Protection Organization ▪ Russian Government ▪ Saudi Royal Family ▪ United States Government 		

Ultimately, although it is immediately apparent that, empirically, terrorist financing is extremely complex, involving huge variations in the types of people involved, their motives, their geography, their activities, and the consequences of these actions, the above case illustrates the important if perhaps somewhat obvious conclusion any effective model for understanding terrorist financing will need to account for essentially infinite variation of type, motive, context, and consequence of terrorism-related financial activity, much of which, as discussed later, has little to do with either money or terrorism.

This of course is not a new observation.²⁸⁷ However, such extreme variations (only superficially described here) also imply some deep problems with existing epistemic frameworks used to give some order to this complex issue. For example, as in the above case, existing literature and government agencies often categorize terrorist financing activities according to whether it is for the generation, movement and storage, or expenditure of money for terrorist purposes. In general, ‘generation’ typically refers to the ultimate origination of funds; ‘movement’ and ‘storage’ refers to any activity that transfers value from one already generated source of funds into an already purchased expenditure; and ‘expenditure’ refers to the goods and services acquired by terrorist actors for direct and specific use in terrorist operations (such as weapons). For example, the FBI states explicitly that the analytic function of its Terrorist Financing Operations Section is based on “the premise that the required financial support of terrorism inherently includes the generation, movement, and expenditure of resources.”²⁸⁸ This simple demarcation seems logical and a common-sense method for organizing descriptions of terrorist financing, and for this reason, I used it in the above historical case. However, these distinctions are blurred in reality and, worse, epistemologically it falsely implies a ‘linearity’ that simply is not present in the evidence.

For example, many of the funds ‘generated’ by those sympathetic to the Chechen cause were ‘moved’ via global charitable foundations and ‘stored’ in bank accounts before being ‘expended’ on items such as weapons, clothing, and transport. While useful as a rough method of organizing diverse descriptive material (as done above), such a linear epistemic

²⁸⁷ See for example Paul Allan Schott, "Chapter I: Money Laundering and Terrorist Financing: Definitions and Explanations," in *Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism* (Washington, DC: World Bank/International Monetary Fund, 2006).

²⁸⁸ Michael Morehart, "Statement of Michael Morehart Section Chief, Terrorist Financing Operations, Counterterrorism Division Federal Bureau of Investigation," *Senate Committee on Banking, Housing and Urban Affairs* (Washington DC, April 4, 2006).

framework belies the extreme complexity and variation in actual terrorist financing activity and implies conclusions that are not necessarily true. For example, the fact that money raised in the Middle East ended up funding terrorist actors in Georgia and Chechnya does not *necessarily* imply terroristic intent on the part of the donors, or the existence of a global ‘infrastructure’ of Chechen financing, or indeed anything in particular. Both of those claims must be evaluated on their own merits. In the first instance, for example, such a judgment depends on whether the benefactors gave money intending to fund ‘terrorism,’ ‘jihad,’ ‘Chechen resistance,’ or even simply ‘humanitarian aid.’ This is important not only analytically (in that it provides a more accurate and nuanced explanation of what really occurred), but also because it provides the basis for better responses to such activity. In a similar situation, police in the United States have in the past found it necessary to make subtle distinctions among the motives and actions of those financing the Irish Republican Army. Just as in the Chechen-Middle East case, there are important differences among those that ‘generated’ money for IRA, especially among the fundraisers of NORAID, the local politicians supporting and seeking supporting their constituents, and the Irish-American policemen who give money to Irish ‘resistance’ in a New York bar.²⁸⁹ It is important to remember that just because these subtle epistemological differences are often hard to detect does not mean they do not exist or can be ignored.

Similar problems are immediately evident with other common epistemic frameworks. For example, the ‘crime-terror nexus’ debates suggest that the criminal nature of terrorist financing activity is relevant, and the criminal nature of activity or actors involved is a relevant epistemological framework. However, in the above case, Chechen separatists interacted with heroin traffickers very differently that they did with arms traffickers, both

²⁸⁹ Adrian Guelke, "The United States, Irish Americans and the Northern Ireland Peace Process," *International Affairs (Royal Institute of International Affairs 1944-)* 72, no. 3 (July 1996), 524.

criminal groups. Similarly, the legal literature suggests ‘intent’ as a sufficient epistemological line. However, it does not seem logical to group actors together with as diverse explanations of their behavior as the U.S. Government officials (acting in the service of their country), corrupt Georgian officials (acting in their economic self-interest), and benefactors from the Middle East (acting on their ideology). Similarly, grouping actors or actions together by virtue of their social, cultural, or geographic origin (e.g. should Khevsur and Saudi aid to Chechens be treated the same?) or ideological provenance (e.g. salafist-jihadism vs Chechen nationalism) seems similarly illogical.

A ‘Contested’ Issue

Analysis of any problem usually starts with a definition of the issue being analyzed. Terrorist financing is typically defined extremely precisely. The United Nations, for example, offers this widely accepted definition of terrorist financing activity as that which:

“...by any means, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out [a terrorist attack - as defined by a listed set of other UN conventions].”²⁹⁰

The empirical reality of terrorist financing, however, clearly shows that few things related to the financing of terrorism lend themselves to objective definition, beginning with the word ‘terrorism.’ Terrorism, as many have noted,²⁹¹ is a fundamentally contested term, a truth evident in the above case. Using Schmid’s definition of terrorism as the “peacetime equivalent of a war crime,”²⁹² Chechen militants, for example, committed terrorist acts and are thus terrorists. However, when viewed through other ontological lenses, they are also

²⁹⁰ United Nations, International Convention for the Suppression of the Financing of Terrorism (1999).

²⁹¹ See for example Bruce Hoffman, *Inside Terrorism*, 2nd (New York: Columbia University Press, 2006); and Martha Crenshaw, "Current Research on Terrorism: The Academic Perspective," *Studies in Conflict and Terrorism* 15 (1992), 1.

²⁹² Alex Schmid, "The Response Problem as a Definition Problem," in *Western Responses to Terrorism*, ed. Alex Schmid and Ron Crelinsten (London: Frank Cass, 1993)

‘*boeviks*’ (fellow Caucasians), ‘holy warriors’ (Salafists), ‘combatants in a secessionist conflict’ (academic analysts), ‘freedom fighters’ (Chechen nationalists). Also ambiguous is *when* one can consider such a foreign fighter a ‘terrorist’ – and thus when financing him becomes terrorist financing. Does a newly arrived fighter become a terrorist only when he commits a terrorist act? Or when he receives training for how to commit one? Or perhaps when he ‘joins’ a terrorist ‘group’ (and should any group that uses terror as a weapon be so defined)? Or finally when he expresses a wish or intent to commit a terrorist act? As one can see, the difficulty in drawing these lines was reflected above in my own writing through the interchange between the words ‘terrorist,’ ‘militant,’ ‘*boevik*,’ ‘fighter,’ and ‘jihadist’ in the above case, depending on which word was most illustrative of the point at hand. The point for our purposes here is not that it is necessary to choose the one ‘right’ term, but to realize that all these terms are true at the same time *but vary according to one’s analytic perspective*. This realization is not novel, especially for those familiar or sympathetic with post-structural or constructivist perspectives of International Relations. However, it is important to explicitly make this point regarding discourse on the financing of terrorism because it implies that perspectives, purposes, and biases about terrorism and finance influence the outcomes of analyses of terrorist financing, and that it is therefore important to not only be aware of this fact but also to explicitly incorporate analysis of these biases and this subjectivity into research about terrorist financing. More simply, this implies that analysis of the reality of terrorist financing should incorporate analysis of one’s underlying ideas about terrorism, financing, and relating issues.

The definition of ‘financing’ is similarly problematic. Even though financing is usually equated with money, only some of the financial instruments used to finance terrorism in the above case were actual cash or its equivalents (e.g. checks, banks accounts, etc). Cars, food

and medicine, drugs, and even less tangible things like business interests, training, and religious duties all served as vehicles of exchange.²⁹³ This means that the definitional boundaries of what activities constitute “financing” are blurry. For example, the distinctions among what is financing versus that which is logistics, supply, support, etc are both inherently unclear and in fact change depending on a variety of social, political, economic, and operational realities. Therefore, as hinted above, it is best to view terrorist financing as revolving around the generation, movement, storage, and expenditure of *value* in support of terrorism, rather than a definition that focuses exclusively on money. This conception of terrorist financing will be fully elucidated later in this dissertation.

De Goede’s vision of a post-structuralist International Political Economy (IPE) helps explain the diffuse nature of economic value and how it is created through the continual negotiation of power and knowledge, via her discussion of the social construction of the idea of capital. She argues that ‘capital’ has a fundamentally “contested and contingent nature...which impl[ies] that the existence of capital cannot be assumed as an unproblematic empirical starting point to academic enquiry.”²⁹⁴ She goes on, stating:

*“Financial practices do not exist prior to, or independently from, ideas and beliefs about them, a point powerfully illustrated by the social and discursive nature of money and credit. Money, whether in the form of coin, paper, stock or electronic transfers, takes on value only through a social and discursive network which underpins the expectation that the monetary instrument retains its value over time and space.”*²⁹⁵

Ultimately, the empirically observed reality implies that terrorist financing is inherently a subjective or ‘contested’ issue for which objectified definitions or pseudo-scientific analysis is inappropriate, because definitions of both terrorism and financing are unsettled, and the

²⁹³ For example, training camps can be characterized as the use of monetary resources to add value to personnel, i.e. to convert monetary value into labor value.

²⁹⁴ Marieke de Goede, "Beyond economism in international political economy," *Review of International Studies*, no. 29 (2003), 81.

²⁹⁵ de Goede, "Beyond economism," 2003, 81.

dynamics of how knowledge of both is created and interpreted influence analytic outcomes. This in turn implies that the analysis of terrorist financing is itself a political project and therefore that a core question is not whether it serves certain interests, but which interests it serves (e.g. narrow personal ones like the career prospects of a member of the national security 'Id' or broad normative ones like liberal democracy).

This helps confirm that terrorist financing is, as discussed in Chapter One, a contested topic, rather than an unproblematic, 'scientific' one. This implies that not only are the meanings and implications of these words intrinsically unsettled, but also that the processes by which knowledge, meaning, and ultimately action are derived about the issue are open to interpretation. In other words, how one researches and analyzes terrorist financing is ultimately open to interpretation. As we shall see later, this ties analysis of the issue closely to the purposes of analysis. This means in turn that analysts of terrorist finance bring their own biases to their analysis, which while natural and indeed inevitable need to be accounted for within any systematic epistemic framework. More generally, this highlights the need for epistemologies of terrorist finance that can remain applicable within different and even competing ontological paradigms. More simply, the intrinsically contested nature of terrorist finance means that we need a way to understand terrorist financing that may not be 'objective' but is nevertheless systematic.

The State and International Society

The Chechen case illustrates several immediate impressions about the role played by states and other elements of international society in terrorist financing. Given the contested nature of terrorist finance discussed above, it is important to examine who plays the major roles in formulating, producing, and using knowledge of terrorist finance. The above case illustrates

that the clear – and obvious – answer is the state. For example, the issue of ‘terrorist financing’ was important only to those states for which terrorism was important. The governments of both Russia and the United States viewed terrorism as a significant security issue, and both indicated that terrorist financing activity in Georgia threatened their security, albeit for different reasons. The United States saw the presence of foreign fighters as a threat because it could possibly open up another base of operations for al-Qaeda against U.S. interests. Russia however used the foreign jihadist presence to further legitimize an essentially local struggle against Chechen secessionists. (In fact, the Chechens did the same, in reverse, legitimizing their own cause within the Islamic world by calling it a jihad, even though they quickly turned in their Arab compatriots when the dynamics changed after 2001.)²⁹⁶ In other words, a basic operating assumption is that our understanding of terrorist financing exists not *a priori* but exclusively within its relationship with the state, highlighting again the considerable power/knowledge issues in the issue.

Knowledge of terrorist financing is affected on the same lines, meaning that in this case activity that opposed the above state-defined interests (e.g. fund transfers from the Middle East that funded the movement of al Qaeda personnel across the Chechen border) were considered ‘terrorist financing,’ but activities that were aligned with these states’ interests would not be considered as such (e.g. the transfer of money from the United States Government to Chechen separatists to fund the hand over of al Qaeda personnel). This implies that the analysis (including definitions) of terrorist finance seems to be tied most closely to the interests of powerful actors, specifically states, but also dominant narratives (e.g. ‘fighting’ terrorism) and normative frameworks (e.g. security of ones values). This conclusion is supported by evidence showing that states make exceptions based on their

²⁹⁶ Because of increased pressure by the United States and its allies after 9/11.

concept of legitimate non-state actor violence. For example, while neither the United States nor Saudi Arabia actively pursue all those directly involved in financing al Qaeda, they are looser with those financing the IRA and HAMAS respectively.²⁹⁷ This means in turn that epistemologically the analysis of terrorist financing is inevitably oriented towards and governed by these subjective state-defined interests and norms, rather than some value-neutral understanding of 'objective' reality. The precise dynamics of how these interests and norms impact analysis remains an open question, and is one that this dissertation seeks to address.

Interestingly, although the above case implies that the state is the primary determinant of how terrorist financing is *analyzed*, it clearly indicates that it is at most only somewhat important in determining how such activity actually *occurs*. This case directly involved activity in at least 15 different sovereign states, indicating that terrorist financing is a truly transnational phenomenon for which state borders are not very important. Interestingly, empirical evidence that the state is peripheral to terrorist financing activity is found consistently throughout the literature. For example, in his 1986 study of the IRA, PLO, and other groups, Adams argues that successful terrorist groups function in ways similar to a corporation, complete with a business model, investments, management structures, and cooperative agreements with businesses, criminal groups, other terrorist groups, and, occasionally, governments.²⁹⁸ Adams separates terrorist financing from politically dominant narratives and presents evidence that state governments play a relatively small role in terrorist financing, and then typically only as business partners.²⁹⁹ His comparison of terrorist groups to corporations challenges the image of terrorist financing as primarily a political or ideological

²⁹⁷ See for example James Adams, *The Financing of Terror* (New York: Simon & Schuster, 1986); and Matthew Levitt, *HAMAS: Politics, Charity, and Terrorism in the Service of Jihad* (London: Yale University Press, 2006), respectively.

²⁹⁸ Adams, 1986, 240.

²⁹⁹ Adams, 1986, 240-243.

expression, whether by a state, a group, or an individual. His main critique of counterterrorism efforts is that they fail to consider the non-political dimensions of terrorist groups, such as financing activities. His factual research supports this argument that all terrorist groups eventually become embedded into human society, and do so not on a political or ideological level, but on various social, economic, and institutional levels, often that of their supposed enemy. “Capitalism,” Adams observes, “can...corrupt the most idealistic of terrorists.”³⁰⁰ In other words, the state seems to be a subsidiary actor in terrorist financing, responding and reacting to the actions of non-state and extra-state actors rather than vice versa. In fact, the above case illustrates that in responding to terrorist financing, states in fact are often so weak that they are able to influence outcomes only by cooperating with one non-state actor or another, such as Georgian government cooperation with the Chechen separatists or the US Government’s cooperation with field commander Gelayev. This may be why state responses, which tend to be legal and military, such as the shutting of bank accounts and the arrest of corrupt officials, do not typically impact terrorist financing. For example, in the case, the flow of funds to the Chechen and foreign jihadist militants in the border region was halted only by the forced expulsion of these people had any lasting effect on terrorist financing activity in the region. This illuminates a problem with existing understanding of terrorist financing at the outset, as the literature persists in framing terrorist financing through the lens of states, even though its own evidence clearly and demonstrably shows that the state is only occasionally important.

The above case also illustrates certain things about the actions of non-state actors and communities; especially about how their various social, political, cultural, economic, normative, and institutional dynamics influence and are influenced by terrorist financing

³⁰⁰ Adams, 1986, 252.

activity. It is immediately evident that the individual and individual choice plays a large aggregate role in the financing of terrorism. The place of the individual is an unsettled issue in international relations, but it is clear from the above case that analysis must be done to illuminate and explain exactly how and how much power individuals exact on an international security problem like terrorist financing. Terrorism related financial activity naturally is also closely related to the activities of the groups involved, whether criminal, legitimate, or terroristic. In this way, analysis of terrorist financing must consider not only group operational dynamics, such as on what the money will be spent, but also the larger contexts in which the group sits. In the above case, one can see that terrorist financing activity was determined not only by the operational needs of the Chechen groups, but also the social, political, economic, and even cultural imperatives of other groups. For example, the financing of the foreign jihadists were impacted by the Chechen groups' long and short term needs and strategies, the historical and political perspective of the fundraising organizations, as well as the global geopolitical situation which influenced the behavior of the host Chechen groups.

Terrorist financing is also embedded into contexts of collective violence. For example, in the above case the dynamics of the financial networks seem to in part reflect various factors present in collective violence. For example, the donors of the funds seem to have been expressing participation in a certain transnational form of collective violence, while the native Kist villagers both exploited collective violence to benefit economically and resisted continued deterioration of their societal structures in order to ensure that their communities did not suffer from the same state of conflict found in Chechnya. This demonstrates that analysis of the dynamics at an individual level is necessary to understand terrorist financing.

It is crucial for any effective epistemological framework to account for these complex and varied non-state level societal dynamics.

That the state is simultaneously central to the *analysis* of terrorist finance yet marginal at best to the empirical *reality* of it highlights the need for an epistemic outlook that can account for actors and behaviors at all levels of international society, without privileging any actor or institution – such as the state – over any other, unless the evidence points to doing so in a particular circumstance.

Agency

The above case also implies clearly that understanding terrorist financing requires a deep and systematic understanding of human agency. On a conceptual level, each terrorist financing action described above or indeed anywhere is in fact simply the product of a human choice. To return to an earlier example, the wealthy Middle Eastern benefactors who donated to the Chechen cause did so because they *chose* to, i.e. they exercised agency to provide certain economic resources to certain actors for certain motives, each of which can and should be systematically analyzed. One could even say the same of those who paid the ransom for the kidnapped Spanish businessmen, albeit their menu of alternatives was much narrower. The point is that understanding the dynamics of human choice and agency is central to understanding terrorist finance.

Motive and intent are obviously an important element of agency, and are often assumed to be a central determinant of terrorist financing activity.³⁰¹ Nevertheless the empirical evidence demonstrates that the complex and multifaceted dynamics of human agency (i.e. choices) are

³⁰¹ See for example Steven Emerson, *American Jihad: The Terrorists Living Among Us* (New York: Free Press, 2003).

actually more important factors for understanding the complexities of terrorist financing activity. This is because people become involved in financing terrorism for a near infinite number of reasons, and via ever changing mechanisms. Rather than a simple deterministic dimension, the dynamics of individual and collective choice and motive in terrorist financing are multi-layered. For example, did the Khevsurs who gave food, shelter, and directions to a passing Chechen field commander finance terrorism? On one hand, they gave goods and services of significant value to someone involved in terrorist acts, and therefore at least in terms of U.S. ‘material support’ law financed terrorists. However, a reasonable person could persuasively argue that because their primary *intent* was to be true to their local customs rather than support terrorism and that since their relationship with neighboring Chechen people is ancient and inherently local, it is incongruous to apply a term like ‘terrorist financing’ to this activity, especially if it comes with moral, legal, or political sanction. Whatever the answer, it begs the question of what does a designation (or lack thereof) of ‘terrorist financing’ mean? Similarly, would it be accurate to view the popular unrest that led to the release of Red Cross personnel as an act of ‘counter terrorist financing,’ as that was the result. These definitional debates, which will be explored in more detail and resolved later, show that intent, action, and consequence cannot be equated, and that the process of understanding terrorist financing is intrinsically complex.

Ultimately, the above case illustrates that although motive is an important factor to analyze, it seems that *consequences* of agency are more centrally relevant to the analysis of terrorist finance. This reflects various conceptions of agency, including Hobson & Seabrooke’s “action centered agency.”³⁰² This implies that analysis of the specific methods of – or even the particular individuals involved in – terrorist financing is irrelevant unless placed within

³⁰² John Hobson and Leonard Seabrooke, "Everyday IPE: revealing everyday forms of change in the world economy," in *Everyday Politics of the World Economy* (Cambridge: Cambridge University Press, 2007).

the context of the dynamics of political economic decision making that lead to the choice of those techniques or the involvement of that person. This will be explored in more depth later in the dissertation.

Power

One also notices the importance of power in the empirical reality and the analysis of terrorist finance. The empirical reality of terrorist financing clearly demonstrated that power dynamics are central determinants of terrorist financing activity. Power, in the most general sense, is the ability to affect the thoughts and behavior of others. The factors influencing thinking and behavior related to terrorist financing in the above case are complex and have not only material, political, economic dimensions, but also social, cultural, ideational, and ethical factors as well. For example, the funding of the foreign jihadists relied, among other things, on the potency of a particular theological interpretation of Islam among the benefactors, social and trust networks among intermediaries, organizational acumen to transfer the funds, and force of arms to intimidate police and civilians into cooperation. Conversely, the funding process also exploited the weakness of such things as the Georgian legal, regulatory, and bureaucratic systems, and the social and cultural traditions of the Kist and Khevsur peoples.

The tangible power of identity is also evident, as identities shifted in importance and meaning depending on shifts perceptions and circumstances. This explains why young Arab men intending to fight with Chechen separatists could be perceived simultaneously as examples of the ‘way of God,’ welcome guests, or threats to international security as various identities and their manipulation played hugely significant roles in determining behavior and its outcome.

On a structural level, these power dynamics seem to indicate that terrorist financing is at the same time more social than the deterministic law of the jungle (or market), yet more formalized than anarchy. In the above example, elites typically win out, but only within many constraints bounding their behavior and even who get to become an elite. In fact, the above case indicates that the power dynamics of terrorist financing may be complex, but they do seem to follow certain identifiable patterns. These patterns however are not well understood by conceptions of power that rely on the state, laws, and the political-economic self interest as its main instruments. In other words, even though the exploitation of power is familiar, the exact manifestations of such dynamics may be foreign to the largely Western, rationalist academic and policy-making communities that currently dominate thinking and practice around terrorist financing. These structures also sometimes challenge popular conceptions of state political economic power, but reflect the realities of terrorist financing as described above. What is clear, however, is that in the above case, those with more power, or those whose structures could most withstand competition from other power structures, determined behavior. Terrorist financing activity then followed these channels of power.

Ultimately, the evidence clearly shows that power dynamics constrain, condition, and influence the political-economic decision making at the core of all terrorist financing activity. This is interesting because power does not have an explicit place within existing analytic models of terrorist financing and is not discussed much in the literature. Nevertheless the implication from the evidence is that that analysis of power, especially its structure and its impact on agency, must be at the center of analysis of terrorist financing.

Terrorist Financing and the International Relations Discipline

It is perhaps self-evident that terrorist financing would be a natural subset of the study of terrorism, and since the terrorist financing literature presents very little theoretical underpinnings to its descriptions, it would seem logical to borrow conceptual frameworks from the terrorism debates. The terrorism debates, however, currently have limited applicability to understanding terrorist financing. This is because studies of terrorism tend, as Richmond has remarked, to focus on “individual and group dynamics, legal and military regimes, and prevention within a legalistic and state centric framework.”³⁰³ As the above case illustrates, the empirical realities of terrorist financing activity shows that traditional state, legal, and moral boundaries are often insignificant and thus lose their analytic import, meaning in turn that the analyses within the terrorism debates that are based on such factors become of only very limited relevance. The terrorism debates have not yet found a stable conceptual home within mainstream International Relations discourse, and therefore have not been able to take advantage of the full scope of IR understanding. This is caused both by a lack of effort within the terrorism field to bridge the gaps, and the inability of International Relations discourse to address the issues that are most relevant to terrorism.

To better illustrate these shortcomings, take a hypothetical case involving terrorism-related *hawala* transactions. The *hawala* market, a form of what Passas has dubbed Informal Value Transfer Systems,³⁰⁴ is generally “self-regulated through widely adopted normative guidance

³⁰³ Oliver Richmond, "Realising Hegemony? New Wars, New Terrorism, and the Roots of Conflict," *Terrorism and Conflict Studies* 26, no. 4 (2003), 289.

³⁰⁴ Defined by Passas as “any network or mechanism that can be used to transfer funds or value from place to place either without leaving a formal paper-trail of the entire transaction or without going through regulated financial institutions at all.” Nikos Passas, "Informal value transfer systems, money laundering and terrorism," *Report to the National Institute of Justice (NIJ) and Financial Crimes Enforcement Network (FINCEN)*, 2003, <http://www.ncjrs.gov/pdffiles1/nij/grants/208301.pdf> (accessed April 2006).

on operators' (*hawaladars*) obligations to each other and to their customers."³⁰⁵ Within this context, let us assume that the *hawaladar* in this illustrative hypothetical case is a legitimate broker in Pakistan who is not involved in terrorism. The broker makes a financial transaction for a family friend, whom he knows to be a terrorist group member, but does so because the friend is also the brother of his wife. The terrorism debates provide no way to analyze this event, first because it has no way of understanding social dynamics other than in linear political terms. According to the terrorism frameworks, the broker would be considered a terrorist because he knowingly gave material support to another terrorist. Defining the broker as such, his actions, logically flowing from this *a priori* claim, would likely be analyzed according to a set pattern of political motivations and actions – e.g. any ideological positions, past actions, etc. The fact that he felt obligated to his brother-in-law and that is all probably would not play much of a factor. Although International Relations and terrorism discourse has already incorporated some analysis of these areas, for example research into kinship,³⁰⁶ and the anthropological bases of behavior,³⁰⁷ it nevertheless still lacks the analytic tools to specify and give appropriate meaning to interactions such as the above. This case, therefore, reflects the three problems of terrorism studies – the linearity of action and intent when there was none, the reliance on policy frameworks for analytical definitions, and the inability to understand how non-terrorists interact with terrorists.

Terrorist financing encompasses a diverse set of issues that are intrinsically important to contemporary international relations, particularly those relating to the competition for power and economic resources, the role of the individual within the international system, and of course as a window into the often invisible processes lying behind terrorism. Terrorist

³⁰⁵ Nikos Passas, "Fighting terror with error: the counter-productive regulation of informal value transfers," *Crime, Law & Social Change*, no. 45 (2006): 317.

³⁰⁶ Marc Sageman, *Understanding Terror Networks* (Philadelphia: University of Pennsylvania Press, 2004).

³⁰⁷ *Ibid.*

financing is indeed exactly about the conflicting political processes at play in the world that impact various security agendas. In many respects, terrorist finance is where terrorism – now a central topic of IR study – and “normal” society intersect and interact. Terrorist financing brings up a host of issues relating to contemporary forms of state power, the dynamics of state and non-state interaction, international and localized political economies, the evolution of liberal societies in context of terrorism and other non-state actor political violence, and the often invisible dynamics lying behind terrorism. In this way, terrorist financing is a hugely significant issue of international relations. In many ways, it seems that terrorist financing is at core a problem of political economy. However, given that the political economy literature does not speak directly to terrorist financing, this implies that it is important to explore the conceptual foundations of an improved epistemological understanding of terrorist finance before placing it into one disciplinary confine or another. This insight therefore further highlights the intellectual context and relevance of this dissertation.

Conclusion

This chapter illustrates the empirical realities of terrorist finance, and demonstrates that, empirically, terrorist finance is complex in the activities, motives, context, and consequences involved; tied primarily to individual and non-state level actions, actors, communities, and social dynamics; inherently a subjective or ‘contested’ issue for which objectified definitions or pseudo-scientific analysis is inappropriate; ultimately a product of human agency, within structural contexts; governed by power structure which constrain, condition, and influence the political-economic decision making at the core of all terrorist financing activity; and by definition an issue of political-economy.

This implies, epistemologically, several things. First it implies that an effective model for understanding terrorist financing is possible, but will need to account for almost infinite complexity in the processes and dynamics by which the individual and collections of individuals interact with various aspects of international society, including but not exclusively states. Second, it means that analysis of the specific methods of – or even the particular individuals involved in – terrorist financing is irrelevant unless placed within the context of the dynamics of political economic decision making that lead to the choice of those techniques or the involvement of that person. Third, it is clear that financing the analysis of terrorist financing is itself a political project and therefore that a core question is not *whether* it serves certain interests, but exactly *what* interests analysis serve, and *how well* it does so. Fourth, we find that analysis of power, especially its structure and its impact on agency, must be at the center of analysis of terrorist.

For these reasons, this chapter demonstrates that this dissertation will need lead the way in constructing the epistemological foundations of an improved understanding of terrorist finance, given that the political economy literature does not speak directly to terrorist financing. As the next chapter shows, there is currently a large disconnect between current frameworks used to analyze terrorist financing, and these empirical and epistemological realities about the issue. In other words, we see that the problems with terrorist financing analysis stem from the fact that we may be simply asking the wrong questions.

CHAPTER 3

The Wrong Questions: Deficiencies of Orthodox Frameworks for Producing Knowledge about Terrorist Finance

This chapter problematizes existing conceptualizations and representations of terrorism-related financial activity by first surveying and then critically examining the ‘orthodox’ literature on terrorist finance. The chapter begins by summarizing the main features of the ‘orthodox’ conceptualization of terrorist finance, and then traces the evolution of this approach through three rough ‘generations’ of literature from both within and outwith academic discourse. It finds that epistemologically, analysis of terrorist finance is generally oriented towards answering four fundamental questions: ‘What is terrorist financing?’, ‘Who finances terrorism?’, ‘How is terrorism financed?’, and ‘What are the indicators of terrorist financing activity?’ Within orthodox approaches, it is assumed that answering these questions will produce knowledge sufficient to successfully respond to terrorist financing and thus in this way to terrorism. This chapter finds, to the contrary, that doing so even systematically and comprehensively produces much data that is at best analytically irrelevant and at worst counterproductive to counterterrorism and other relevant objectives of liberal democracies. As this chapter discusses, this is primarily because existing epistemologies of terrorist financing, exemplified by these questions, assume that terrorist financing can be analyzed objectively and (pseudo-) scientifically, separate from and unconscious of the subjective political objectives and realities such analysis intends to and actually does serve. In other words, this chapter finds that the everyday reality of terrorist financing remains so poorly understood because analysis is not yet based within an epistemic framework capable of systematically and simultaneously assessing political and normative realities of terrorist finance, as well as its empirical content.

A Survey of the Orthodox Literature

As this chapter discusses, the study of terrorist financing has evolved from a tangential topic of a peripheral field of International Relations into an issue given significant attention in both academic and policy communities. This increased interest has spurred the development of a growing body of literature dedicated to describing exactly how terrorism is financed. As discussed in Chapter One, the literature on terrorist financing from within International Relations is remarkably inadequate. Nevertheless, terrorist financing has been the subject of many works from journalism, government, and external academic disciplines that together exhibit what can be generally described as an ‘orthodox’ approach to the topic. To highlight the continuing evolution of the subject, this overview of the literature is presented in terms of three ‘generations.’ This categorization was chosen to elucidate the broad evolutionary phases that ontological and epistemological understandings of terrorist financing have undergone. It is crucial to note, however, that this categorization is meant only to be a common sense way of organizing analyses that have more in common than they do differences. It is by no means to imply that these ‘generations’ do not exist concurrently (they do), or that there is a linear progression from one specific work to another (there generally is not), or even that an individual work could not reasonably be seen to fit into more than one ‘generation’ (some do). This categorization is intended, simply, to highlight how orthodox thinking on terrorist financing has indeed evolved over time, but in ways that, they critical literature points out, mean that terrorist financing remains poorly conceptualized.

The first generation of terrorist financing discourse refers to those descriptions of terrorist financing that analyze the problem only as a tangential logistic issue to the political and operational realities of terrorist groups. Reflecting the evolution of terrorism studies, the earliest of this literature focused on the financial links between states and terrorist groups,

while the later works offer broader, but still superficial, descriptions of terrorist financing as tangential to other, larger issues. The second generation of the literature begins to view terrorist financing as a topic distinct from, although intimately related to, the problem of terrorism. This heavily descriptive literature offers a more comprehensive description of terrorist financing, explicating the complex, variable, and global nature of the problem, but does so with little critical perspective about what theoretical contexts are needed for more thorough, systematic, and useful understandings of the topic.

The third generation of terrorist financing literature attempts to fill these conceptual gaps in understandings of terrorist financing. In general, this generation of literature can be characterized by a focus on analyzing terrorist financing as a more holistic problem encompassing various economic, political, social, cultural, institutional, and historical factors. As Chapter 4 argues, engaging in the full complexity of terrorist financing activity is crucial to properly understanding and conceptualizing it, and this engagement in these factors helps address the problem of underdetermination of empirical data of the second generation literature. However, as will be discussed, severe problems with this ‘orthodox’ literature remain, primarily, as the critical literature describes, because it remains based on basic assumptions and conceptualizations about terrorist finance that, the critical literature convincingly argues, are fundamentally wrong.

First Generation: Financing as a Tangent to Terrorism

The first ‘generation’ of the ‘orthodox’ literature on terrorist finance is defined here as those discusses terrorist financing not as a stand-alone topic, but strictly within the confines of other issues, such as terrorism in general, or the operational activities of a particular terrorist group. As such, first generation approaches to understanding terrorist finance are

inextricably and unreflectively tied to the *a priori* assumptions and prejudices underpinning the author's perspectives on the primary to which terrorist finance is subordinate. In aggregate, this literature is bound by a common view that terrorist financing is primarily an instrumental logistical issue that is tangential to other political, organizational, and operational issues seen as more central. It neither provides much specific information about the dynamics of terrorism-related financial activity, nor does it provide much in the way of an analytic perspective or framework within which such activity could be understood. These first generation works were the first to introduce the financing of terrorism into international relations discourse, and in some respects laid the foundation upon which later research into the topic was based.

It is in fact not necessary – or perhaps even possible – to truly ‘survey’ this first literature, given that most of the ‘literature’ are simply asides that mention terrorism-related financial activity, usually included to support larger points and arguments. For example, this paragraph from a *New York Times* article is a common manifestation of how information relating to terrorist financing is used as supporting material:

Lebanese officials said that Colonel Zaaroura had complained about orders from Mr. Arafat to cut expenses, including the salaries of guerrillas in Lebanon, because of a financial drain on the P.L.O. resulting from the war in the Persian Gulf. Saudi Arabia and other oil-producing Arab countries stopped financing the P.L.O. after Mr. Arafat sided with President Saddam Hussein of Iraq in the gulf conflict. The P.L.O. used to receive \$60 million a year from the Saudis alone. P.L.O. officials refused to comment on the money problem.³⁰⁸

Therefore, for the purposes of this thesis, it is more useful to focus on how terrorist finance is dealt with in two well-known works on terrorism, both of which demonstrate the limitations and ultimate shallowness of this first generation of discourse on terrorist finance.

³⁰⁸ Ishan Hijazi, "P.L.O. Is Said to Kill 20 in Lebanon After Mutiny," *New York Times*, February 17, 1991.

The first work is Claire Sterling's book entitled *The Terror Network*.³⁰⁹ Sterling's 1981 book was intended to be an exposé on the supposed inner working of international terrorism. Regarding financing, the book claimed that most terrorist groups, including the Palestine Liberation Organization, the Red Brigades, and other groups, were directly funded by the Soviet Union. Although it achieved much notoriety among governments, media, and the general public,³¹¹ soon after its publication, Sterling's claims about Soviet funding of terrorism were discredited, as they were in fact largely drawn from a covert CIA disinformation campaign that planted evidence implying a Soviet financial link to these terrorist groups.³¹²

The problem evident is the use of inherently contestable and usually grossly underspecified financial 'links' to simply support certain *a priori* assumptions. In the case of Sterling, an American journalist openly sympathetic to the political stance President Reagan had then taken against the Soviet Union, these assumptions were political (if not ideological), specifically that the USSR was engaged in a deliberate, controlled mission to destabilize the United States and its allies through terrorism.³¹³ Her book, in essence, set out to prove this and tangential terrorist financing discussions were useful tool to serve her larger arguments. Despite Sterling's ignominy, the problem to emphasize is not of journalistic diligence or scruple, but of the tendency in the first generation literature to, as Warde describes, "cherry pick" facts about terrorist financing that suit a larger, tangentially related discussion.³¹⁷

It must be noted that this also occurs in the works of far more rigorous and analytical authors than Sterling. For example, in his work *Inside Terrorism*, Bruce Hoffman discusses the

³⁰⁹ Sterling, (1981).

³¹¹ Adams (1986), 3.

³¹² Adams (1986), 3.

³¹³ Sterling, (1981).

³¹⁷ Warde (2007).

financial dealings of terrorist groups only a handful of times, and does so only tangentially in and order to support larger points, such as the continuing importance of state governments in fostering terrorism,³¹⁸ or terrorist use of the internet.³¹⁹ Hoffman also uses financial information to argue that al Qaeda possessed significant operational strength well into the ‘Global War on Terror’ and thus constituted an “enduring threat.” To support this argument, however, Hoffman repeats the myth³²⁰ – which had been discredited two years earlier by the 9/11 Commission³²¹ – that Osama bin Laden has a large fortune that clandestinely funds al Qaeda operations around the world. As with the Sterling, the important point for this thesis is that knowledge about terrorist financing is problematic, and thus literature that unproblematically employs such knowledge simply to support *a priori* assumptions or larger arguments does not provide a sound representation of terrorism-related financial activity.

To summarize, the first generation of orthodox terrorist financing literature is ad hoc and unsystematic, yet also is firmly embedded within the ‘orthodox ideas’ described in Chapter One. ‘First generation’ knowledge of terrorist finance tend to be narrow discussions of financial activity related to terrorist actors, often raised as mere tangents to broader discussions of terrorism and terrorists. As such, conceptually, this first generation literature tends to assume a linearity in the reality and the meaning of financial activity to terrorist actors, which in turns produces an epistemic perspective that favors certain – usually ideological or political – variables over others. This problem is exacerbated by the fact the such information is often then repeated and cited elsewhere in discourses on terrorism and terrorist finance, or even used as a basis for government policy or other exercises of state

³¹⁸ Bruce Hoffman, *Inside Terrorism*, 2nd (New York: Columbia University Press, 2006), 259-60.

³¹⁹ Hoffman (2006), 211-13.

³²⁰ Hoffman (2006), 284.

³²¹ John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004). For a discussion of this myth and its promulgation, see Warde (2007).

power against ‘terrorist financiers.’³²³ This has the consequence, as Croissant and Barlow write, that “controversial and far-reaching conclusions are based on anecdotal evidence that has been taken out of context or is derived from unverifiable, anonymous, or highly partisan sources.”³²⁴ In turn, as Vleck, writes, “the problem [becomes] that these are the figures fixed in on-going media coverage rather than the figures that emerge over time from more detailed investigation and analysis.”³²⁵ As will be discussed below, however, the frameworks that could support such “detailed investigation and analysis” are grossly deficient.

Second Generation: Terrorist Finance as an Aggregation of Typologies

The second ‘generation’ of terrorist financing literature examines terrorist financing as a stand-alone topic, and thus provides far more in depth examination of terrorism-related financial activity. It provides a body of heavily descriptive work that, while not comprehensive, does provide an empirical basis of research on the issue. However, the overriding focus of this literature is description of the actors, methods, and techniques used by terrorists to fund their activities. Perhaps because there was an enormous need for the facts of terrorist financing, this literature fails to provide any kind of conceptual framework for understanding the problem. As will be argued, the theoretical void left by the second generation literature is just as important as the factual void left by the first.

As demonstrated here, the second generation literature is dominated by works from investigative journalists, governments, think tanks, private companies, and occasionally researchers from various academic disciplines, although rarely International Relations.

³²³ For further discussion of this, see especially de Goede, (2008); Warde (2007); Passas, "Fighting terror with error (2006); and Naylor (2006).

³²⁴ Aurel Croissant and Dnaiel Barlow, “Terrorist financing and government response in Southeast Asia” in Jeanne K. Giraldo and Harold A. Trinkunas, eds, *Terrorism Financing and State Responses, A Comparative Perspective*, (Stanford, CA: Stanford University Press, 2007). 206

³²⁵ William Vleck, "Money, Terror and Protecting the West," *The Round Table* 97, no. 395 (April 2008), 307.

Although often stylistically written and sometimes poorly footnoted, these descriptive accounts collectively provide a compelling picture of the breadth and complexity of terrorist financing activities. They fall into three broad categories: broad-brush descriptions of the global terrorist financing system, studies of particular sub-topics, and exposés of specific terrorist group financing. These are not strict delineations, and often authors and even individual works cross these categorical boundaries. Nevertheless, the distinctions are a useful way of critically examining this literature.

In general, this second generation of orthodox literature is paradigmatic, and is characterized by uncritical acceptance – or at times rejection – of repeated or official claims and conclusions about ‘who finances terrorism and how they do it.’ This literature also tends to be overly deterministic about the complex realities of terrorist financing, a problem often manifested in analyses that begin with an assumption about the involvement of a certain actor or behavior in terrorist financing, and then an analysis of how this actor or behavior could – rather than has been – used to finance terrorism. For example, most of the problematic discourses on the supposed role hawala plays in terrorist financing belongs to this generation of orthodox literature, given that this literature (discussed below) uncritically accepts that hawala is a ‘terrorist financing method’ and proceeds to analyze how this may occur, often with little actual case evidence of the use of hawala to ‘finance’ terrorist acts. The result is that although the second generation of orthodox literature places a greater emphasis on empirical research – especially in identifying the methods and actors involved in financing terrorism, this empirical evidence is, more often than not, grossly underdetermined. In other words, although this literature presents a more robust empirical basis for analysis of terrorist financing, the meaning and conclusions drawn from this data are generally poorly

formulated, which then in turn negatively influences further research that seeks to ‘fill in’ empirical gaps.

Descriptions of Terrorist Financing Typologies

The first category of second-generation literature are those works that concentrate on describing in depth the various typologies of terrorist financing. Overall, these works have helped partly fill gaps in various silos of knowledge hindering more systematic and coherent understanding of terrorist financing. However, they tend not to present conceptual frameworks that would be useful in extrapolating this factual data into broader, more applicable contexts. For sake of space, this section will survey only one of sub-literatures on the various means by which terrorists apparently are financed.

The Commodity Trade

The literature on the role that commodities such as gold, diamonds, tanzanite, and oil play in terrorist financing provides some interesting data regarding the means by which terrorists have generated money, but it does not provide any conceptual framework to understand terrorist finance. Trade in these commodities is robust in rich country markets, but is lightly monitored and regulated in the poor countries from which they originate. Winer and Roule point out that the commodity trade exhibits a lack of transparency in production and a weak international monitoring regime.³³² Various authors have described the ways in which different commodity markets have been used by terrorists. Farah has written extensively on the how al-Qaeda, Hezbollah, and Hamas have all benefited enormously from the gold trade in Dubai, the tanzanite trade in Tanzania, and the diamond trade in West Africa.³³³ In a more general sense, Winer and Roule have discussed the general role of “illicit resource

³³² Jonathan M Winer and Trifin J. Roule, "The Finance of Illicit Resource Extraction," in *Revised paper presented at the Workshop on the Governance of Natural Resources and Revenues* (Agence Française de Développement, 9-10 December, 2002).3.

³³³ Douglas Farah, *Blood From Stones* (New York: Broadway Books, 2004).

extraction” in terrorist financing.³³⁴ They argue that the illicit commodity trade has a particularly subversive effect on existing political and social orders, and an equally beneficial impact on violent non-state actors, like terrorists, who challenge those orders. Their work further demonstrates that terrorism is financed on various levels separate from, and sometimes in opposition to, political realities. They argue:

“Illicitly extracted resources have provided economic rewards to the criminal, the corrupt, and the subversive in direct relation to the ability of such persons to evade laws that would restrict or regulate such transactions. These rewards in turn enable them further to build corrupt networks of officials and private sector elements to facilitate further exploitation. Because illicit extraction turns the resources of a country against the principles of democratic government, it undermines existing standards of governance, whether already comparatively weak or strong. Because illicit extraction provides political and economic power to regimes and forces that would otherwise be illegitimate, it becomes a central mechanism to sustain those who otherwise would not have sufficient popular support to retain power over people, geography, or the resources themselves.”³³⁵

In these ways, commodity trading makes an ideal vehicle for terrorist financing. To gain access to the high income potential of a commodity, terrorist actors must only interact with those in control of the resource; and as these actors tend to have power disproportionate to their legitimacy, they are free to interact with them outside traditional social or political boundaries that would otherwise confine more legitimate actors. This results in situations, as Farah describes, in which Islamic militants, African warlords, and Jewish businessmen cooperate to trade diamonds.³³⁶ Furthermore, because of strong demand from the rich countries of the West, commodities are an easy gateway into Western economies. There have been many examples of terrorist groups selling commodities to wholesale buyers, who then sell them directly into Western markets.³³⁷

Group-Specific Descriptions of Terrorist Financing

³³⁴ Winer and Roule, 3.

³³⁵ Winer and Roule, 3.

³³⁶ Farah, 45.

³³⁷ Farah, throughout.

Another main area of second-generation terrorist financing literature includes the descriptive accounts of the financial activities of specific terrorist groups. These include descriptions of the financing of the PIRA by Horgan and Taylor;³³⁸ of al Qaeda by Basille³³⁹ and the US Government;³⁴⁰ and of Hamas by Levitt,³⁴¹ among others. These works present factual accounts of terrorist financing activity in terms of the organizational dynamics of the terrorist group, and are thus valuable contributions to the overall body of data accumulated on terrorist financing. However, with the notable exception of Horgan and Taylor, little effort is made in these works to fit the accumulated facts into conceptual frameworks other than traditional state and policy centric approaches, which, as will be argued below, are necessary but not nearly sufficient to explain terrorist financing. Also, such a narrow approach limits these descriptions' applicability to other situations, other terrorist groups, and other contexts.

Group-level descriptions of terrorist financing present a relatively clear aggregate picture of terrorist financing, despite the respective differences in material, sources, subjects, and analytical sophistication. They describe terrorist groups as seeking and receiving funding from a diverse network of sources, including charities, diaspora networks, businesses, crime, and legitimate businesses. Common to all these sources is that they are at a societal level. However, only Horgan and Taylor analyze these societal phenomena. The rest of this literature describes it, but then subsumes it to the political dynamics of the terrorist group. For example, Levitt describes Al-Qaeda, Hamas, and other groups as “systematically” engaged with social and cultural organizations, individuals, and charities that are outside the

³³⁸ John Horgan and Max Taylor, "Playing the Green Card: Financing the Provisional IRA, Part I," *Terrorism and Political Violence* (Frank Cass) 11, no. 2 (Summer 1999): 1-38.; and John Horgan and Max Taylor, "Playing the Green Card: Financing the Provisional IRA, Part II," *Terrorism and Political Violence* 15, no. 2 (2003): 1-60.

³³⁹ Mark Basile, "Going to the Source: Why Al Qaeda's Financial Network is Likely to Withstand the Current War on Terrorist Financing," *Studies in Conflict and Terrorism* 27, no. 3 (2004): 169-88.

³⁴⁰ John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004).

³⁴¹ Matthew Levitt, *HAMAS: Politics, Charity, and Terrorism in the Service of Jihad* (London: Yale University Press, 2006).

strict boundaries of the operational terrorist group.³⁴² He presents evidence that Hamas operational/political leaders claim authority over all such societal level efforts, so that they “conceal” political violence “behind” societal-level activities in such a way that charities, foundations, and non-terrorist donors provide recruits, logistics, and cover for terrorists. The problem with Levitt’s approach is that he describes terrorist group engagement in an array of societal level activities, such as football teams, social work, and religious societies³⁴³ but presents solely political analyses of these activities. In particular, this causes Levitt to largely ignore the issue of agency, in that while the leadership may purposely seek out societal level elements to exploit, there is no discussion as to how and why non-terrorists acquiesce to this exploitation. As Onuf observes, agency is the power to make choices on the behalf of someone else.³⁴⁴ In the political realm, governments exercise this power to become agents for all citizens within their sovereign boundaries.³⁴⁵ Linklater points out that along with this authority sovereignty requires the loyalty of those subject to a government’s agency.³⁴⁶ Loyalty can be assured in many ways – for example, by democratic faith in the will of the people, physical fear instilled by dictatorships, or sincere belief in a divine right of the king to rule as he pleases. If this loyalty breaks down, however, the government loses its power of agency, and therefore its sovereignty over its people and their choices.

To illustrate these points, take the example of social welfare payment scheme of Hamas, in which, according to Levitt, the group donates up to \$3 million per month to Palestinian civilians.³⁴⁷ These grants are strategic, supporting families of suicide bombers, prisoners, and those who can offer specific services to Hamas, such as use of their home to hide weapons,

³⁴² Matthew Levitt, "Hamas from Cradle to Grave," *Middle East Quarterly* XI, no. 1 (Winter 2004).

³⁴³ Ibid.

³⁴⁴ Nicholas Onuf, "Intervention for the Common Good," in *Beyond Westphalia*, ed. Gene Lyons and Michael Mastaduno (London: Johns Hopkins University Press, 1995); 47.

³⁴⁵ Onuf (1995), 47.

³⁴⁶ Gene Lyons and Michael Mastaduno, "Introduction," in *Beyond Westphalia*, ed. Gene Lyons and Michael Mastaduno (London: Johns Hopkins University Press, 1995);, 7.

³⁴⁷ Lyons and Mastaduno, (1995), 7.

or, in one case, use of a library photocopy machine.³⁴⁸ Although Hamas' actions can be understood in political terms, the actions of the civilians cannot. Non-terrorist behavior is far more complex, and incorporates economic, social, cultural, and moral factors. For example, political frameworks are grossly insufficient to understand the actions of a Palestinian charitable worker who is paid (or intimidated) to funnel donations to Hamas, although this worker may be politically opposed to the group. Despite actions that financially support Hamas, this worker is not necessarily an 'agent' of Hamas, that is, Hamas does not exercise political agency over her actions, even though they end up supporting its operations.

This reflects a chronic shortcoming in the terrorist financing literature that while descriptions of terrorist financing center on the role of societal level activities, its analysis tends to examine the problem almost exclusively in political terms. This leaves these works without much purchase with their own descriptions, and demonstrates that because terrorist groups exploit societal factors to finance their activities, the literature must encompass both societal and political analysis.

Horgan and Taylor, however, present an alternative approach to examining the financing activities of a particular terrorist group. In their analysis, they align descriptive accounts of terrorist financing activity with conceptual frameworks that include more than only political considerations. In their study of the financing of the Provisional IRA, Horgan and Taylor couple several important conceptual insights with their description of the diverse and complex financing activities of the PIRA. First, they discuss the importance of research terrorist financing as a separate, although related, issue to political violence. They argue that, "finance is one of the most important long-term, fundamental, limiting factors for the

³⁴⁸ Lyons and Mastaduno, (1995), 7.

development of a large, sophisticated terrorist group and its political wing.”³⁴⁹ “Conducting a terrorist campaign requires human resources (in terms of individuals prepared to take the risk of planting a bomb or aiming and firing a weapon) but it also requires material resources: bombs, rifles or other forms of weaponry. Meeting this fundamental requirement for munitions has always been one of the major priorities of the Provisional IRA, to the resources of a campaign of violence and maintain the motivation of its volunteers.”³⁵⁰

This is a significant insight as it in effect separates a terrorist group’s financing activities from its political/operational side, because it sets financing as a *priority*, i.e. something to pursue in and of itself, and not simply in a subordinate role to the political activities. In this way, terrorist financing and terrorism are distinct phenomena. This leads into the second important insight, by implication, that which separate phenomena require separate analytical approaches. They remark that one of the widespread failings of the study of terrorism is that “all too often, we are beguiled by the rhetoric of political violence into focusing on the political agenda of terrorism, but in doing so we frequently fail to appreciate the sometimes substantial organizational and financial context to terrorism and terrorist campaigns.”³⁵¹ This financial context, as emerges in the aggregated descriptions of terrorist financing, occurs primarily on societal levels. For example, Horgan and Taylor describe how the PIRA becomes institutionalized, shifting from having a politically based *raison d’etre* to economic and institutional ones.³⁵² On a theoretical level, this means that financial self-sufficiency brings with it new levels of analysis, because the political/policy dynamics become less relevant to the existence, behavior, and continuation of terrorist groups operations. Therefore,

³⁴⁹ John Horgan and Max Taylor, "Playing the Green Card: Financing the Provisional IRA, Part I," *Terrorism and Political Violence* (Frank Cass) 11, no. 2 (Summer 1999): 4.

³⁵⁰ Horgan and Taylor (1999) 4.

³⁵¹ Horgan and Taylor (1999) 3.

³⁵² Horgan and Taylor (1999) 3.

terrorist financing research must find its own analytical path, rather than simply aping the operational/political approaches.

The second generation of the orthodox literature on terrorist finance gives much more explicit and systematic attention to the topic than the first generation, but this greater attention generally self-serving (policy relevance) and closed to new thinking.

Third Generation: Terrorist Finance as a System

The third generation of terrorist financing literature is characterized by a focus on analyzing terrorist financing as a more holistic problem encompassing various economic, political, social, cultural, institutional, and historical factors. As Chapter 4 argues, engaging in the full complexity of terrorist financing activity is crucial to properly conceptualizing and representing it, and engagement in these factors helps address the problem of underdetermination of empirical data present in the second generation literature. However, while the third ‘generation’ of orthodox literature offers some useful analytic theories and hypotheses about terrorist financing, it nevertheless fails to fully engage with and correct the underlying failings of orthodox approaches to terrorist financing, meaning ultimately that such literature remains too incoherent and, overall, of limited usefulness for conceptualizing, let alone understanding or confronting, terrorist finance in any systematic way.

The “Crime-Terror Nexus”

One sub-area has been research seeking to describe and conceptualize the links that exist between terrorist groups and organized crime. As Kostakos observes,³⁵³ there is debate

³⁵³ Panos Kostakos, "Theoretical Issues in the Crime-Terror Nexus Literature ," *University of Bath Working Paper Series*, November 2008.

within this discourse about what lies behind an apparent increase in linkages between organized criminal organizations and terrorist actors over time to a variety of factors, with works attributing this various to a decline in state sponsorship in the late 1980s forced existing terrorist groups to become self-sufficient through criminal enterprise,³⁵⁴ the coincident evolution of networked forms of organization among both criminal and terrorist groups,³⁵⁵ and exploitation of political, social, and economic unrest during the immediate post-Cold War period.³⁵⁶

There is also important disagreement about how to conceptualize these ‘crime-terror’ linkages. Schmid, in a perspective later dubbed the “methods, not motives” approach,³⁵⁷ posits that these linkages occur because both terrorists and criminals are rational actors they will seek to cooperate on specific activities if there is a pragmatic rationale to do so, but at the same any such linkages will be self-limiting given that terrorist and criminal groups are driven by wholly different underlying rationales – i.e. politics vs profit, respectively.³⁵⁸ He also notes, however, that the process of such interaction can change the behavior of the groups involved:

“When organised crime groups try to perpetuate themselves, a process of politicization takes place. On the other hand, originally political underground organisations engaged in various practices of illegal fundraising run the risk of gangsterization.”³⁵⁹

³⁵⁴ Tamara Makarenko, "The Crime–Terror Continuum: Tracing the Interplay between Transnational Organised Crime and Terrorism," *Global Crime* () 6, no. 1 (February 2004)., 132.

³⁵⁵ Chris Dishman, "The leaderless Nexus: When crime and Terror Converge," *Studies in Conflict & Terrorism* 28 (2005): 237-252.

³⁵⁶ Louise Shelley and John Picarelli, "Methods and Motives: Exploring Links between Transnational Organized Crime and International Terrorism," *Trends in Organized Crime* 9, no. 2 (Winter 2005): 52-67.

³⁵⁷ Shelley and Picarelli, "Methods and Motives (2005).

³⁵⁸ Alex Schmid, "The Links between Transnational Organised crime and Terrorist Crimes," *Transnational Organized Crime* 2, no. 4 (1996): 40-82.

³⁵⁹ Schmid (1996), 72.

Other authors, however, have challenged this approach as too decontextualized. Makarenko, for example, observes that such terrorist involvement in criminality is not monolithic, but occurs on a continuum of “convergence.”³⁶⁰ Along this continuum are manifested four broad “crime-terror relationships,”³⁶¹ each of which reflects different combinations of not only the motives and internal operational methods of criminal and terrorist groups, but also interactions with wider social, political, and economic trends.³⁶² Similarly, Shelley and Picarelli argue that seeking to identify sharp differences between the motives and operations of terrorist and criminal groups – and thus how these ‘different’ actors interact – actually serves to restrict research and limit possibilities for researching and understanding the complex realities of how violent political and criminal actors come about and operate in various societies.³⁶³ This evolution is also echoed in commentary from those from related fields of practice, as illustrated by former Section Chief for Financial Crimes for the Federal Bureau of Investigation Dennis Lormel, who has argued:

*“First, we must understand vulnerabilities [to terrorist financing] in terms of systemic societal vulnerabilities and areas of vulnerability to terrorist interests. Systemic vulnerabilities represent systemic weaknesses that terrorists and criminal elements...exploit in furtherance of their activities. It’s incumbent that individuals and entities responsible for controls recognize such weaknesses and implement mechanisms to minimize such exploitation...[Therefore,] developing mechanisms to identify emerging trends, as well as systemic and institutional vulnerabilities, is an important step in disrupting terrorist funding flows”*³⁶⁴

³⁶⁰ Tamara Makarenko, "The Crime–Terror Continuum: Tracing the Interplay between Transnational Organised Crime and Terrorism," *Global Crime* () 6, no. 1 (February 2004), and, "A model of terrorist-criminal relations," *Jane’s Intelligence Review*, July 2003.

³⁶¹ These are: 1) direct alliances; 2) convergence of operational tactics; 3) motivational convergence; and 4) a “Black Hole” – convergence between criminal and political motivations and operations within a single group to allow it to gain economic and political control over a state. Makarenko (2004).

³⁶² Makarenko (2004), 132.

³⁶³ Shelley and Picarelli, "Methods and Motives" (2005), and Louise Shelley and John Picarelli, "The Diversity of the Crime-Terror Interaction," *International Annals of Criminology* 43, no. 1-2 (2005): 51-81.

³⁶⁴ Lormel, Dennis. “Terrorist Financing: Dynamics of Change.” *Counterterrorism Blog*, 11 January 2005. <http://counterterror.typepad.com/the_counterterrorism_blog/2005/01/terrorist_finan.html>

This literature begins to indicate that perhaps terrorism is financed not only by criminal, violent, and other “anti-hegemonic”³⁶⁵ individuals, but by actors that are simply embedded into the fabric of society, including both is considered its legitimate and illegitimate sections. For example, Farah describes many individuals who have facilitated commodity trades for terrorist groups, but who also work for legitimate organizations, including the United Nations and the diamond conglomerate, de Beers.³⁶⁶ Levitt’s research similarly examines many recognized charitable organizations found to be involved in terrorist financing, typically through the exploitation of religious or cultural norms of giving.³⁶⁷ Even US President George W Bush interacted with terrorist financing actors on an economic level, as an executive of the US corporate partner of Bank Credit Commerce International (BCCI), the defendant in one of the first ever terrorist financing prosecutions.³⁶⁸ In some respects, the policy community is ahead of academia in recognizing the need for new, more conceptually comprehensive approaches to terrorist financing.

Research on linkages among criminal and terrorist groups is thus relevant to understanding terrorist finance. However, this appears to be the case not because the literature exposes any criminal underbelly funding terrorism, but because it gives some insight into how terrorism-related financial activity, as well as the meaning and importance we attach to it, is intertwined with the societal environment in which it occurs. Recognition of the importance of understanding how terrorist financing is embedded in societal contexts both matches with the initial impressions from Chapter Two, and, as the next chapter demonstrates, is key to

³⁶⁵ Oliver Richmond, "Realising Hegemony? New Wars, New Terrorism, and the Roots of Conflict," *Terrorism and Conflict Studies* 26, no. 4 (2003).

³⁶⁶ Farah (2004).

³⁶⁷ Matthew Levitt, *HAMAS: Politics, Charity, and Terrorism in the Service of Jihad* (London: Yale University Press, 2006). See Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008) for a discussion.

³⁶⁸ Jonathan Baskin and David Sirota, "Follow the Money: How John Kerry busted the terrorists' favorite bank.," *The Washington Monthly*, September 2004 See also Jonathan Beaty and S.C. Gwynne, *The Outlaw Bank: A Wild Ride Into the Secret Heart of BCCI* (New York: Beard Books, 2004).

building an alternative and improved conceptual framework for understanding terrorist finance.

Descriptions of the “Global System” of Terrorist Financing

Several authors have written expansive descriptions of the global terrorist financing ‘system.’ The first to attempt a systematic description of the complex ways in which terrorist groups fund their activities, details the financing activities of the Palestinian Liberation Organization (PLO), the Irish Republican Army (IRA), the Red Brigades, and M19.³⁶⁹ Adams argues that successful terrorist groups function in ways similar to a corporation, complete with a business model, investments, management structures, and cooperative agreements with businesses, criminal groups, other terrorist groups, and, occasionally, governments.³⁷⁰ Adams separates terrorist financing from politically dominant narratives. He presents evidence that state governments play a relatively small role in terrorist financing, and then typically only as business partners.³⁷¹ Furthermore, his comparison of terrorist groups to corporations challenges the image of terrorist financing as unproblematic expression of undesirable political or ideological ideas.³⁷² His main critique of counterterrorism efforts is that they fail to consider the non-political dimensions of terrorist groups, such as financing activities. His factual research supports this argument that all terrorist groups eventually become embedded into human society, and do so not on a political or ideological level, but on various social, economic, and institutional levels, often that of their supposed enemy. “Capitalism,” Adams observes, “can...corrupt the most idealistic of terrorists.”³⁷³ Although not stated explicitly, Adams’ account implies that financial activities reflect a process of societal-level institutionalization, and understanding and exploiting this is the key to countering terrorist

³⁶⁹ Adams (1986).

³⁷⁰ Adams, 240.

³⁷¹ Adams, 240-243.

³⁷² For example, Rachel Ehrenfeld, *Funding Evil: How Terrorism Is Financed--and How to Stop It* (Chicago: Bonus Books, 2003).

³⁷³ Adams, 252.

financing, and therefore countering terrorism. The major shortcoming with Adams' work, however, is that as a journalistic work, it does not embed these analytical insights into any kind of coherent theoretical framework.

Coming later, works such as those by Napoleoni,³⁷⁴ Ehrenfeld,³⁷⁵ Kiser,³⁷⁶ and Rapheali,³⁷⁷ provided other universalizing narratives about the “vast, underground...financial network” that supposedly lay behind global terrorism, as well as at least early efforts to counter it. These works generally present what appears a catalog of data about the global system of terrorist financing. Napoleoni, for example, argues that terrorism is financed through a network of indifferent and unscrupulous members of the liberal economic system.³⁷⁸ Ehrenfeld's account of the global terrorist financing system, while politically opposite, is similar in its structure and its shortcomings. She argues that by a diverse and global network of criminals and hate-filled, “evil” terrorist sympathizers funds terrorism.³⁷⁹ This includes many Westerners and others who are the supposed enemy of many of the terrorist groups that, she argues, feed off them.

However, such data, presented and cited as corroborated, unproblematic, and uncontested ‘fact’ has often be shown to be either inaccurate or grossly inadequate to support the grand conclusions about the global systems of terrorist financing supposedly – and mysteriously – at work.³⁸⁰ As Warde observes:

“An instant canon on terrorist financing was established in the days after the [9/11] attacks. The laundry list was familiar and mindlessly repeated: the bin Laden \$300m

³⁷⁴ Napoleoni (2005).

³⁷⁵ Ehrenfeld (2003).

³⁷⁶ Stephen Kiser, *Financing Terror: An Analysis and Simulation for Affecting Al Qaeda's Financial Infrastructure* (Santa Monica, CA: RAND Graduate School, 2005).

³⁷⁷ Nicholas Raphaeli, "Financing of Terrorism: Sources, Methods, and Channels," *Terrorism and Political Violence* 15, no. 4 (2003): 59-82.

³⁷⁸ Napoleoni (2005).

³⁷⁹ Ehrenfeld (2003).

³⁸⁰ See especially de Goede (2008), Warde (2007), Naylor (2006), and Biersteker and Eckert (2008).

fortune, business fronts legal and illegal, Islamic charities, Saudis, rich Arabs, hawalas, drugs, gold and diamonds, etc. From the popular press to prestigious think tanks, the lists were almost identical. Repetition looks like corroboration."³⁸¹

Ultimately, as de Goede has described,³⁸² it was in large part these provocative narratives, based on what appeared to be large amounts of empirical data, that came to primarily mediate how terrorism-related financial activity was represented, despite the fact that other 'orthodox' approaches described above, while deficient, provided at least a foundation upon which a more coherent understanding of terrorist finance could be built. The next several sections of this chapter will examine in more depth what these deficiencies are in current conceptualizations of terrorist finance, and will demonstrate that underpinning these failings in existing terrorist finance discourse are simply that the 'wrong' questions are being asked about terrorism-related financial activity.

Deficiencies in Understanding What Constitutes Terrorist Finance

Definitions

In his discussion of the inherent difficulties in defining terrorism, Hoffman observed that "most people have a vague idea or impression of what terrorism is but lack a more precise, concrete, and explanatory definition."³⁹⁷ It may therefore be surprising that definitions of terrorist financing, at least in law and in most political discourse, are both precise and widely – if not universally – accepted. As we shall see, although such objectified definitions are a predictable institutional response to a complex issue, they are nonetheless epistemologically insufficient and analytically counterproductive.

³⁸¹ Warde (2007).

³⁸² Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008).

³⁹⁷ Hoffman, 2006, 1.

The United Nations defines terrorist financing as an action in which an actor has

*"...by any means, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out [a terrorist attack]."*³⁹⁸

This is in essence the international consensus definition of terrorist financing, although there are national and institutional variations as well. For example, the United States government defines terrorist financing as any act that:

*"provides material support or resources or conceals or disguises the nature, location, source, or ownership of material support or resources, knowing or intending that they are to be used in preparation for, or in carrying out [a terrorist attack]."*³⁹⁹

The World Bank and the International Monetary Fund jointly offer a simpler definition of terrorist financing as:

*"the financial support, in any form, of terrorism or of those who encourage, plan, or engage in it."*⁴⁰⁰

Despite employing different wording, these definitions are thematically similar and offer precise and objective constructions of what terrorist financing 'is,' illuminating a stark contrast with its complex, subjective realities evident in Chechen case of the previous chapter. Common sense tells us however that such objective definitions of terrorist financing are necessary for legal, political, and bureaucratic purposes, and are constructed to support those uses. For example, the U.S. Government's definition seems to be aimed at providing the legal foundation for making a clear political distinction between terrorists and non-terrorists, i.e. by deterring terrorist sympathizers from becoming monetary supporters and provide a tool with which to prosecute not only fundraisers and money remitters, but also lawyers, website operators, and others who have allegedly provided financial and non-

³⁹⁸ United Nations, *International Convention for the Suppression of the Financing of Terrorism* (1999). 'Terrorism' is defined here by reference to several other U.N. Conventions.

³⁹⁹ United States Code: Title 18: Section 2339A.

⁴⁰⁰ Paul Allan Schott, *Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism* (Washington, DC: World Bank/International Monetary Fund, 2006).

financial support to terrorist groups. Similarly, the United Nations definition fits the organization's purposes by giving deference to national laws and thus satisfying its conflicting obligations to respect state sovereignty while also executing the will of the international community to 'fight' terrorist finance. This is an unavoidable fact of international law, however (and is hardly limited to terrorist financing). International legal definitions are intrinsically reactive in that they codify definitions of legal matters in ways that reflect relevant global power dynamics. However, the international legal definition of terrorist finance is problematic because while it serves the purposes of powerful states, it does not fully reflect the on-the-ground empirical realities of actual terrorist financing activity, a situation that is likely to eventually undermine the legal frameworks that rely on this definition. To investigate this issue, it is useful to deconstruct the consensus U.N. definition in terms of empirical evidence. Ultimately, we find that this definition is indeed structured to serve the interests of the defining institution, but not necessarily systematic analysis.

"By any means." The definition begins with a firm statement of the empirical complexity of terrorist financing, successfully capturing in epistemological terms the vast range of activities that can be involved. In fact, as we see later, virtually *any* activity can end up facilitating terrorist finance, including, as evident in the Chechen case, exchange of cash, training, services, goods (legal and illicit), and anything else of value. The full text of U.S. definition cited above also captures this complexity, stating that the provision of any of the following to a terrorist actor constitutes terrorist financing:⁴⁰¹

*"...currency or monetary instruments or financial securities, financial services, lodging, training, expert advice or assistance, safehouses, false documentation or identification, communications equipment, facilities, weapons, lethal substances, explosives, personnel, transportation, and other physical assets, except medicine or religious materials."*⁴⁰²

⁴⁰¹ Or to be precise, 'material support of terrorism' at the statute puts it.

⁴⁰² United States Code: Title 18: Section 2339A.

On one level, this indicates recognition that financing activity can take virtually any form, or in other words that capital is indeed “contested and contingent” as de Goede claims,⁴⁰³ reflecting the everyday epistemological complexity evident in the Chechen case. Interestingly, however, this recognition can also pose problems for liberal democratic society. This is because if the state deems that *any* activity can potentially be involved in financing terrorism, than potentially any activity in which one is involved can be deemed terrorist financing by the state. In other words, because ‘terrorist financing’ cannot be defined by actual conduct (i.e. other than via a tautological formulation like ‘financial activity related to terrorism’), it *must* be defined by some sort of political judgment about the economic behaviors involved. This is not necessarily contradictory with liberal principles, but can become so if those political judgments – and thus determinations of terrorist financing activity – become arbitrary.

“Directly or indirectly:” This opens up the definition even further to encompass those activities that are further removed from terrorist acts themselves. Where precisely this line is however is unclear and is largely left up to the subjective judgments of those using the definitions. In Chapter Two described an instance in which, strictly speaking, the U.S. government funded the same actors as did the designated terrorist financier Benevolence International Foundation (BIF), albeit for different purposes, and thus technically financed terrorism (or separatists guerillas or holy warriors, depending on perspective) at the same level of directness or indirectness as BIF. Again, while including both direct and indirect economic interaction is epistemologically sound, it may nevertheless conflict with liberal

⁴⁰³ Marieke de Goede, "Beyond economism in international political economy ," *Review of International Studies*, no. 29 (2003).

democratic values like equal protection under law if allowed to justify arbitrary political and legal judgments.

“Unlawfully.” The immediate implication of this portion of the definition is that terrorist financing is necessarily illegal and thus also illegitimate. Napoleoni, for example, exhibits this conflation in her repeated references to the “illegal/terror economy.”⁴⁰⁴ This is however demonstrably not an accurate characterization of the on-the-ground realities. First, even though many of the actions involved in financing terrorist actors (such as car theft and drug trafficking) happen also to be criminal, many (like bank deposits or donations) are not inherently illegal or illegitimate, but only become so when they support terrorism. Second, laws change over time and across place, meaning that assuming terrorist financing to only occur within the criminal ‘world’ excludes many activities that should be included. In fact, given that law, generically, is at base an institutional codification of norms and power structures within a society, terrorist financing activity that falls within the bounds of law is likely to illuminate many interesting but hidden insights about how terrorists interact with wider society and vice versa.

Take for example the case of al Qaeda’s financial activities leading up to the attacks of September 11th 2001. In Spring 2000, al Qaeda members deposited several hundred thousand dollars into bank accounts in Dubai. In July 2000, SunTrust Bank in Florida opened a joint account for two of the 9/11 hijackers, issued them debit cards, and over the next ten weeks accepted \$109,000 in transfers from the Dubai accounts, all of which was either used to fund the attacks or was transferred out of the country by other al Qaeda members after the

⁴⁰⁴ Napoleoni, "Money and Terrorism," 2004.

attacks.⁴⁰⁵ In one sense, all of this activity was illegal in that U.S. law prohibits giving material support to terrorists and bank accounts and debit cards certainly count for material support. In other sense, however, at least some of this activity was legal because first of all SunTrust had no *intention* to interact with terrorists, and furthermore because until early 2004 the United Arab Emirates had no law prohibiting financial interaction with a terrorist or terrorist group.⁴⁰⁶ In the latter case, this is largely because the local perception was that financial services implied no more agency or responsibility for their ultimate use than would be true for any other service, in the same way that Westerners would not consider a grocer who sells fruit to a terrorist to be a supporter of terrorism.⁴⁰⁷ Analytically, therefore, assuming that terrorist financing has to be illegal results in complicated if not tortured epistemological formulations of what should properly count as terrorist finance.

Conversely, aligning one's definitions of terrorist finance with the law is very much in line with liberal democratic principles. Counting as terrorist financing only those activities that are illegal insulates actions from the subjective whims of those in power, as their definitions of terrorism and financial support of it can be very different than what could be upheld as law. And given that liberal democratic societies are meant to be "empires of laws not men,"⁴⁰⁸ this formulation well serves the objectives of liberal democratic societies. However, as mentioned above, it fails to be very useful analytically because it makes it impossible to see common elements among epistemologically similar activities, such as when a terrorist actor receiving money from a charitable foundation versus from a state welfare program.

⁴⁰⁵ See John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004).

⁴⁰⁶ See Cassara, 2006.

⁴⁰⁷ See Cassara, 2006.

⁴⁰⁸ James Harrington, quoted in John Adams, *Novanglus Papers*, no. 7, Vol. 4, in *The Works of John Adams*, ed. Charles Francis Adams, 106 (1851).

Ultimately, therefore, the legality of terrorist financing activity is an important issue for society, but not so much for the serious analyst of the topic.

“Willfully:” In the absence of objective definitions and profiles of terrorist financing activity, analysts typically rely on intent to separate terrorist financing activity from that which is not. However, from the above case, intent is a hazy concept. For example, is the motive of the corrupt low level border policeman to facilitate terrorist financing or to make enough money for his family? The point is not that this will always be known, or that not having direct terroristic intent absolves one of terrorist financing, but that analytically it is necessary to accept the intent and motive are insufficient criteria for defining terrorist financing, even though it is useful in a legal and policy sense. This also has the result of separating scholarly analysis of terrorist financing from law and policy concerned with stopping it. To return to the SunTrust / Arab Bank example, the former Treasury official and think tank analyst Matt Levitt stated that the primary difference between the two banks is their ‘intent.’⁴⁰⁹ This begs the question, ‘intent to do what, precisely?’ One could argue that because Arab Bank was facilitating funds transfers for HAMAS – a terrorist group with no designs against the United States – it actually is less important analytically than SunTrust, which facilitated funds transfers for al Qaeda – a group determined to strike American targets. This is simply to show that delineations of intent are subjective and closely tied to one’s own analytic objectives.

“Provides or collect funds:” This part of the definition relates to the role of individual agency, in two significant ways. First, it suggests that the international community (via its definition) recognizes that the human choices that in aggregate result in what is known as

⁴⁰⁹ Matthew Levitt, interview by the author, Washington DC (October 2004).

‘terrorist financing’ occur on many different levels. This captures one of the key epistemic themes of the previous chapter in that terrorist financing consists of all sorts of human choices and actions, only some of which involve direct, linear interaction with terrorist actors. In general, the wording implies that individual actions should be categorized according to how closely one’s choices relate to the activities of terrorists, and specifically between those who provide funds to terrorist actors and those who collect it on their behalf. In one way this fits with the empirical realities observed in the previous chapter by suggesting important differences between, for example, the wealthy benefactors who gathered funds in the Middle East for the cause of holy war, and the organizations that ensured that these funds actually purchased weapons, clothing, and other supplies. In another sense, however, this is a poor epistemological division because distinguishing between ‘providers’ (who presumably have direct interaction with a terrorist actor) and ‘collectors’ (who have indirect interaction such as through an intermediary who will then ‘provide’ the funds to the terrorists) does not give much foundation about the *significance* of these interactions. For example, the U.S. Treasury was technically a ‘collector’ of terrorist funds as it collected the taxes that paid the Chechens to hand over the al Qaeda fighters, but this fact is significant only in certain contexts and for certain purposes. This in turn indicates that the nature and meaning of human agency in relation to the realities of terrorist financing activity require much further specification.

Second, this part of the definition unintentionally raises the problematic nature of the word ‘funds.’ Even though funds are usually equated with money, only some of the financial instruments used to finance terrorism in the above case were actual cash or its equivalents (e.g. checks, banks accounts, etc). Cars, food and medicine, drugs, and even less tangible

things like business interests and training⁴¹⁰ all served as vehicles of exchange. This means that the definitional boundaries of what activities constitute ‘funds’ and thus ‘financing’ are blurry, as the case study indicated. For example, if financing is the provision or collection of funds then the distinctions among what is financing versus that which is logistics, supply, support, etc are both inherently unclear and in fact change depending on a variety of social, political, economic, and operational realities. Therefore, as hinted above, it seems better to view terrorist financing as revolving around the exchange of *value* in support of terrorism, rather than a definition that focuses exclusively on money. This conception of terrorist financing will be fully elucidated later in this dissertation.

“Intention that [funds] should be used in full or in part in order to carry out [terrorist attacks]:” In context of the above discussion, this section of the definition helps specify the issue of agency. First, it explicitly narrows the relevance of agency to its direct relationship with terrorist acts themselves, and not general support for a terrorist cause. This is useful in that it prevents analysis of terrorist financing from degenerating into a game of ‘six degrees of separation’ in which virtually any person or organization can be financially linked to a terrorist actor, although at several steps removed. This of course can lead to decidedly anti-liberal consequences, as one person’s choice to trade with another (non-terrorist) actor can be determined to be ‘terrorist financing’ because several steps later an associate of an associate of an associate interacted financially with a terrorist. On the other hand, this formulation seems to contradict an important reality of terrorist finance, namely that money is ‘fungible’ and that just because one does not *intend* to finance terrorism does not necessarily mean that one will not. For example, even though HAMAS has a large humanitarian component, one would be naïve for instance to believe that writing a check to the group with ‘humanitarian

⁴¹⁰ Training camps are essentially a value transfer – taking money already generated and using it to increase the value of something already purchased (in this case, terrorist labor).

aid only' in the subject line (i.e. the donation's intent) would necessarily prevent HAMAS from benefiting militarily from this money. This is not simply because the group could misappropriate the funds, but because, as Levitt among others point out, money given for one function of an organization 'frees up' money to be spent elsewhere.⁴¹¹ Again this points to an acute epistemological need to specify not only the dynamics and consequences of the full diversity of human agency within terrorist finance, but also a more explicit statement of one's analytic objectives regarding this knowledge as this will largely determine the significance of the individual actions and the human choices that led to them.

"Knowledge that [funds] should be used in full or in part in order to carry out [terrorist attacks]." In some ways, this introduces a superior epistemic alternative to intent, in that intent is an important concept, but one inextricably bound to particular and very changeable political and analytic objectives. 'Knowledge' on the other hand implies much more about the exercise of human agency, as well as its significance. For instance, investors (at least successful ones) do not purchase stock simply with the 'intention' of making a return, but do so with some level of 'knowledge' (really an educated guess or calculation of high probability) that the stock will increase in value. The same is true for the everyday, often 'inaudible' choices that make up terrorist financing. After all, is it not much more relevant if someone engages in terrorism-related economic behavior with the *knowledge* that such behavior will or is likely to lead to terrorist attacks, regardless of what his actual intent is? Analytically, this is important, as it puts more focus on the *consequences* of terrorist financing activity, rather than simply the *conduct* of it, which is especially important given the subjective and politicized nature of the issue. This adds another layer of complexity for analysts in that knowledge in how one comes to know such information, i.e. whether or the

⁴¹¹ Levitt, *HAMAS*, 2006. Ironically, Levitt also regularly argues that intent is the most important factor, which contradicts the 'fungibility' argument. This contradiction, however, reflects nothing more interesting than the fact that his work is often overtly politicized.

probability funds will be used for terrorism, and knowledge of how the analyst can measure and observe this are both difficult research problems.⁴¹²

In the end, asking ‘what is terrorist financing’ is simply the wrong question. Given that it cannot be answered in a way that does not serve specific political goals, I argue that it is better to cut out the pretention of objectivity and simply ask both ‘what are my analytic objectives?’ and ‘what epistemological formulations best and most consistently serve them?’ As we have seen, analysts of terrorist financing already implicitly base their analysis on these two questions, so it seems wise to ask and answer them explicitly and transparently.

Deficiencies in Understanding Who Finances Terrorism

As indicated in the previous chapter, the empirical evidence of terrorist financing indicate clearly that people identified as ‘involved’ in terrorist financing fit no pattern, other than perhaps the tautological ‘those involved are those we determine to be so.’ Nevertheless, this is unsatisfactory analytically, and the literature has tried many epistemic frameworks to ‘draw lines’ that separate ‘terrorist financiers’ from those are either not or just insignificantly involved. This section examines three common epistemic frameworks – designations, legitimacy, and financial support of terrorism-related political causes – used to answer the question, “who finances terrorism?” As demonstrated, however, each of these frameworks fails to account for the dynamics of individual and collective decision making by attempting to uncover non-existent patterns of ‘who’ finances terrorism, and thus produces information that is of limited usefulness to the analyst.

⁴¹² This dissertation lacks the scope to resolve this problem, but it seems that research from economics on decision making with ‘imperfect information’ would be relevant.

Designations and Blacklists

The question of ‘who’ is involved is a critical component to existing epistemological formulations of terrorist financing. Many exercises of state power that rely on terrorist financing data – such as monitoring bank accounts – focus on identifying the ‘perpetrators’ and tracking, disrupting, or deterring their activities or when possible punishing them for their involvement in financially supporting terrorism. At the center of these efforts and thus how the literature comprehends ‘who’ finances terrorism is the U.S. Treasury’s list of “specially designated nationals (SDNs),”⁴¹³ as well as the various other official lists of ‘designated,’ ‘sanctioned,’ ‘high risk,’ or ‘politically exposed’ persons and entities compiled by the United Nations, the United States, and many other countries.⁴¹⁴ These lists represent an official record of thousands of individuals, businesses, organizations, and charities that have been determined by these bodies to be or are likely involved in financing terrorism, money laundering, or financial crime. Throughout the literature, terrorist financing involvement is often measured not against some specific framework of behavior, but in relation to these lists, specifically whether someone is on the list, linked to someone on the list, or someone who is not on the list but should be because they are doing things similar to those already on the list. As such, the lists are in many ways the sun around which current understandings of who finances terrorism revolve. Such gospel-like reliance on these lists however obscures many important issues about who finances terrorism, making them severely problematic as an epistemic foundation of analysis.

First, it is logical to begin by asking whether those that are on the list do in fact ‘finance terrorism.’ In fact, this is not the case. The Somali remittance provider Al Barakaat, for

⁴¹³ The SDN list is available at <http://www.ustreas.gov/offices/enforcement/ofac/sdn/>

⁴¹⁴ For example, as of October 2007, the company World-Check – the largest relevant vendor – monitors 313 lists, although most of these lists are not explicitly related to terrorist finance activity.

example, was in 2001 designated by the United Nations, European Union, and the United States as a major terrorist financier, but, as the 9/11 Commission states,

*“notwithstanding the unprecedented cooperation of the UAE, significant FBI [Federal Bureau of Investigation] interviews of the principal players, involved in Al-Barakaat (including its founder), and complete and unfettered access to its financial records, the FBI could not substantiate any links between al-Barakaat and terrorism.”*⁴¹⁵

Despite such a clear exoneration, al Barakaat’s owner and its Somalia office not only remain on several designation lists,⁴¹⁶ but the company has also since then been used by the press⁴¹⁷ and international organizations⁴¹⁸ as a supposed case example of terrorist financing behavior. This underlines that terrorist financing definitions are often a matter of politics and image over objective analysis.

In another instance, Aufhauser tells of how the initial counter terrorist financing efforts of the United States after 9/11 were similarly more focused on appearing to achieve objectives rather than analytic accuracy:

*“It was almost comical. We just listed out as many of the usual suspects as we could and said, Let’s go freeze some of their assets.”*⁴¹⁹

The analytic implication of this is that just because one’s assets are frozen does not necessarily mean that that person is actually involved in terrorist financing. Aside from the ethical, anti-liberal implications of assuming guilt until proven innocent, it means that the researcher cannot trust even the official designations. This is not because the designations

⁴¹⁵ John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004), 84.

⁴¹⁶ Nikos Passas, "Fighting terror with error," (2006), 331.

⁴¹⁷ Michael Freedman, "Financing Terror: Why the US Can't Stop the Flow of Billions to Drug Lords, Smugglers, and Al Qaeda," *Forbes*, October 17, 2005.

⁴¹⁸ Financial Action Task Force, "Typology 6: Regulatory Investigation Detects and Disrupts Terrorist Activity: Case Example 6," *Terrorist Financing Typologies Report* (Paris, 2004-2005), 23. For a discussion, see Nikos Passas, "Fighting terror with error," (2006), 332.

⁴¹⁹ Quoted in Ron Suskind, *The One Percent Doctrine: Deep Inside America's Pursuit of Its Enemies Since 9/11* (New York: Simon & Schuster, 2006).

are as baseless as Aufhauser admitted.⁴²⁰ Nevertheless, it does indicate that these designations are politicized products and thus analysis of them must account for those underlying politics.

Second, as an aggregated dataset of actors involved in financing terrorism, the lists are grossly underspecified and cast a very wide and inconsistent net. For example, the U.S. Treasury and the United Nations designated Ahmed Idris Nasreddin, despite lacking evidence that directly implicated him individually in financing any specific terrorist actor, in large part because of his financial and social relations with the Muslim Brotherhood, a global Islamist movement that, in some of its manifestations, has been known to provide ideological, political, moral, religious, and financial support or justification for terrorism or terrorist groups.⁴²¹ But this criterion could be applied to many organizations and thus individuals such as Sinn Fein, the Ku Klux Klan, and others. Also, since the Muslim Brotherhood is a diverse movement consisting of many distinct organizations in different places, e.g. the Brotherhood in the US is different than in Palestine, it would follow from the designation's reasoning that there should be many more entities on the list – including in fact anyone who supports an organization that supports terrorism. But this is a line that is not drawn, because it would encompass many that would not seem to fit on the list. In summary, the institutions doing the designating are conflating several different types of actor 'involved' in financing terrorism, i.e. the supply chain, the common causer, and the direct agent. These designations do not have room for the nuance that exists empirically in those who finance terrorism.

⁴²⁰ Which to be fair was referring to a very specific period post-9/11 in which there was enormous pressure just to start somewhere – a phenomenon familiar to anyone who has worked in a bureaucracy that is suddenly confronted with an immediate yet seemingly insurmountable problem.

⁴²¹ United States Department of the Treasury, "The United States and Italy Designate Twenty-Five New Financiers of Terror," *Press Release (PO-3380)* (August 29, 2002).

In other words, it is clear that the lists serve the interests of those making them, meaning simply that the US and UN for example have an interest in identifying those involved in international terrorism and thereby restricting their access to the world's financial system. Designations are products of political and bureaucratic/institutional decision making, not systematic, empirically based research. Specifically, they are products of the intelligence process, which carries important implications. First, is that these designations are based typically on classified intelligence information, which naturally means the evidence underpinning them cannot be verified. Although there have been cases of 'bad' and overtly politically motivated intelligence seeping into the intelligence process (most notoriously Iraq), one can assume that *in general* the intelligence informing the designations is of the quality demanded by the respective intelligence agency. A second and more important recognition is that intelligence information is *by nature* uncertain. As many intelligence veterans have noted, intelligence estimates are exactly that – estimates and best guesses, not verified proven fact. Policies and actions based on intelligence therefore are *political decisions* based on *best guesses*. Such actions are not simply blind instruments of unquestionable truth. Therefore, because designations are a product of the intelligence process, it is necessary to view the designations in light of how this knowledge was arrived at. In other words, designations must be seen as *political actions* of the designating body, and NOT statements of truth or fact.

Designations thus need to be taken with a grain of salt. The precise coloring of this salt is that designations should be seen as an institutional-political product of the designating body (i.e. the US Government or the UN) that reflects that body's view of terrorist financing. There is simply no basis for designations to be taken as empirical fact or analytic gospel, and

thus conclusions based on such designations that do not consider the various political, institutional, and historical contexts are unreliable.

Legitimacy and the Question of Who

Another common basis used to judge involvement in financing terrorism relates to legitimacy, specifically the assumption that because terrorism is illegitimate then so must those who fund it. However, the significance of legitimacy is much more complex, in three major ways. The first is that lines and definitions of legitimacy constantly change over time, place, social position, cultural norms, etc; as evidenced by the changing views of American law enforcement towards fundraising activities for the IRA (i.e. change in legitimacy over time), and the divergent views of similar fundraising activities in support of HAMAS in the U.S., E.U., and Arab countries (change over place). Terrorist financing is thus not always illegal, illegitimate, or exploitative.

Second, terrorist financing actors exist on all sides of legitimacy, however such lines are drawn. Terrorists and non-terrorists regularly interact in the financial sphere, just as interaction between drug traffickers and Mexican law enforcement, Russian soldiers and Chechen militants, and Palestinian terrorists and Israeli companies is a fact of the everyday life in those contexts, whether cataloged in the literature or not.⁴²² For example, must we exclude consideration of SunTrust from analysis of the 9/11 attacks, just because they are a legitimate actor? Similarly, is it not important to understand how the son of a U.S. president and later a president himself came to use the services of the same bank used by Abu Nidal and allegedly Osama bin Laden (as well as Saddam Hussein and the heads of the Medellin

⁴²² See for example Moises Naim, *Illicit* (London: William Heinemann, 2005) for more discussion about how supposedly opposing groups regularly 'do business' with one another.

cocaine cartel)?⁴²³ Whether intentional or not, criminal or not, accidental or not, it is still participation. Surely, the ‘legitimacy’ of these actors should not force us to delete them from the record, although it may lead us to condition our analysis of it.

The third is that relying analysis on assessments of legitimacy is dangerous because they change so often and are easily manipulated, making analysis relying such judgments similarly so. For example, common in the literature is a focus on making initial judgments of the legitimacy of an actor and then using that evaluation to judge any further evidence of the actions of that actor. Sometimes this initial judgment is made nearly a priori, for example in some cases of members of diaspora groups or involvement in other illicit behavior (e.g. a *hawaladar* arrested for not registering his remittance business). Therefore, the actions of a person giving money to Hamas, once judged to have done so, are seen in that light. Thus protestations of innocence become ‘denials,’ and lack of evidence becomes to skill at ‘deception.’ This also works the other way. Legitimate actors involved in financing terrorism, once judged to be legitimate, become exempt from being judged as financiers of terrorism. It is this reasoning that provides justification not only for the Reagan administration’s funding of death squads in El Salvador, but also for Iran to fund Hezbollah in the name of “regional politics” and arms traffickers to explain away their interactions with violent groups as “just business.” The point here is not that legitimacy is epistemologically irrelevant or incorrect, but that it must only be applied for particular uses within particular contexts, namely when politics and self-interest dictate. In other words, legitimacy deserves

⁴²³ This refers to the case of Bank of Credit and Commerce International (BCCI), a large network of banks and corporate entities that provided financial services for a number of wealthy clients in the 1980s. It was the subject of a large federal investigation during 1989-1991, and was shut down in 1991. One senior U.S. investigator said in 2002 that, "BCCI was the mother and father of terrorist financing operations." In 1987, George W. Bush received a \$25 million loan from a BCCI company for his company, Harken Energy. See Thomas Petzinger Jr., Peter Truell and Jill Abramson, "Harken Energy Had a Web Of Mideast Connections; In the Background: BCCI," *The Wall Street Journal*, December 6, 1991; and Jonathan Baskin and David Sirota, "Follow the Money: How John Kerry busted the terrorists' favorite bank.," *The Washington Monthly*, September 2004.

a much less important place in analysis than it is typically accorded. Such a demotion of legitimacy in analysis of terrorist financing is likely to be controversial, because it ignores or even challenges many political positions about the financing of terrorism.

Deficiencies in Understanding How is Terrorism Financed

The third common question asked in the literature is ‘how is terrorism financed?’ Again, although seemingly common sense, answering this question raises another of ‘so what?’ So what, for example, if we know that terrorists use charities, drugs, money laundering, *hawala*, or any other method to finance their activities? Knowing this does not, we shall see, necessarily tell us anything about truly important issues such as how to respond to/diminish terrorism, how to safeguard the rule of law in context of a security threat that uses liberal democratic traditions against it, or even how to understand the complex political economic decision making processes of particular terrorist actors. This section demonstrates that analysis of the methods used in terrorist finance is only secondarily important to its analysis. Given the sheer diversity in the methods used, I critique this question from the literature through the prism of the Financial Action Task Force’s ‘Basic Concepts’ of terrorist finance. Although it is not the only epistemological framework used to analyze the methods and techniques of terrorist financing, it is nevertheless representative.

Critiquing the FATF ‘Basic Concepts’

Given the empirical complexity of the topic and the demand for applicable analysis within the context of the ‘Financial War,’ much attention has been given to the classification of terrorist financing activity. Although various classification frameworks are evident in the literature, such as by criminality of the act, country profile, or terrorist actor involved, none are adequate to provide a systematic epistemic foundation for analysis. The Financial Action

Task Force for example stated that of the various methods in existence of classifying terrorist financing activity, “none...could be considered individually as an analytical method.”⁴²⁴ To confront these problems, the FATF proposed an improved classification system agreed upon at the meeting of their “Methods and Trends Project Team” held in Moscow on 6-8 December 2005 to take a “first step in identifying common elements” within terrorist financing activity.⁴²⁵ Under this framework, the “basic concepts” concerning how terrorism is financed are the ‘techniques,’ ‘mechanisms,’ ‘instruments,’ ‘schemes,’ ‘typologies,’ and ‘trends’ of terrorist finance.⁴²⁶ The remainder of this chapter is structured along these lines, and these terms are defined in its respective section below. The exception is that I argue that “typologies,” defined by the FATF as “a series of [terrorist financing] schemes [that] appear to be constructed in a similar fashion or using the same or similar methods,”⁴²⁷ can be subsumed into the concept of ‘methods,’ which is simply the aggregated use of specific techniques, mechanisms, instruments, and schemes in a particular instance. This conflation is supported by the fact that the FATF itself often conjoins the terms typology and method when referring to terrorist financing activity. In general, however, it can be stated that this classification approach makes fewer assumptions about the nature of terrorist financing, and which is more empirically accurate as what activities are important to understand depend on the context and the analytical objective.

Instruments

The first category of activity involved in terrorist financing deals with “instruments,” defined by the FATF as “an object of value (or representing value) that is somehow used in the [terrorist financing] process.”⁴²⁸ The FATF cites as common terrorist financing instruments

⁴²⁴ Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2004-2005), 91.

⁴²⁵ Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2004-2005), 91.

⁴²⁶ Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2004-2005), 89.

⁴²⁷ Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2004-2005), 90.

⁴²⁸ Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2004-2005), 89.

cash funds, checks, travelers' checks, letters of credit, precious stones, real estate, and securities,⁴²⁹ and to these from the literature can be added diamonds,⁴³⁰ gold,⁴³¹ falsified trade invoices,⁴³² and stolen cars,⁴³³ among many more. However, it seems immediately evident that one should expand the definition to include non-material instruments of value as well, as the Chechen case clearly shows that terrorist financing in fact often involves exchange of value in many forms other than money or its equivalents. For example, one could easily include also trust, obligation, interpersonal relationships, and other social goods, as these often act as 'stores of value,' i.e. a financial instrument, which can be redeemed for material goods or services. Although a more expansive definition of value fits within the FATF's framework, little to no research has yet been done regarding how to do so, such as a taxonomy of non-material forms of value.

Techniques

The second category of activity involved in terrorist financing deals with "techniques," defined by the FATF as "a particular action or way that the [terrorist financing] activity is carried out."⁴³⁴ These include the use of cash couriers,⁴³⁵ over- or under-invoicing within an import/export transaction,⁴³⁶ transmission of money via wire transfers, bank deposits, currency exchange, and many others. One can assume that however that the techniques used in terrorist finance are products of various political, economic, and/or societal logics

⁴²⁹ Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2004-2005), 89.

⁴³⁰ Farah (2004).

⁴³¹ Douglas Farah, "Al Qaeda's Road Paved With Gold: Secret Shipments Traced Through a Lax System In United Arab Emirates," *The Washington Post*, February 17, 2002.

⁴³² Cassara, 2006.

⁴³³ See Chapter 2.

⁴³⁴ FATF, *Terrorist Financing Typologies Report*, 2004-2005, 89.

⁴³⁵ Stuart Levey, "Testimony of Stuart Levey, Under Secretary Office of Terrorism and Financial Intelligence U.S. Department of the Treasury," *The House Financial Services Subcommittee on Oversight and Investigations and the House International Relations Subcommittee on International Terrorism and Nonproliferation* (Washington DC, May 4, 2005).

⁴³⁶ Cassara, 2006.

appropriate to the respective political, economic, and/or societal environment, although no research exists that specifies how or hwy these variations occur.

One technique that receives a great deal of attention in the terrorist financing literature is money laundering. Money laundering is generally defined as the act of concealing or disguising the nature, location, source, ownership or control of illegally gotten money, or more simply the ‘cleaning’ of ‘dirty’ money. Throughout the literature, there is a consistently implied and explicit conflation of money laundering and terrorist financing. For example, the FATF regularly refers to “ML/TF” methods, and the International Monetary Fund, World Bank, and others just as often refer to joint “AML/CFT” efforts.⁴³⁷ As discussed in Chapter One, it was simply assumed that since money laundering and terrorist financing are both undesirable economic activities, then they must be similar.⁴³⁸ However, the empirical evidence reveals that terrorist financing is very different than money laundering.

Terrorist financing is often seen as simply the “reverse” of money laundering,⁴³⁹ in that the former involves the ‘dirtying’ of clean money, rather than the latter’s cleaning of dirty money. Although this conception does illuminate an interesting contrast in that while money laundering typically involves a financial flow from the many and the small (e.g. from street-level drug transactions) to the few and the big (e.g. to the leaders of the drug cartel), the flow of terrorist financing, however, generally continues back down to the many and the small (i.e.

⁴³⁷ See for example Schott, *Reference Guide*, 2006, Chapter 1. According to Warde, this conflation arose in context of liberal and neoliberal actors’ concerns about the negative effects of financial globalization and deregulation, particularly the ease by which illicit actors could exploit the technological, efficiency, anonymity, and wealth generating effects of the changes in global capital markets. Warde, 2007, 37.

⁴³⁸ See pages 49-52.

⁴³⁹ Stefan Cassella, "Reverse Money Laundering," *Journal of Money Laundering Control* 7, no. 1 (2003), 92.

diversity in both originators and recipients),⁴⁴⁰ the two activities are nevertheless conceptually “exact opposites.”⁴⁴¹ This is because money laundering operates on a crime for profit basis, while the “ultimate benefit”⁴⁴² of terrorist financing activity revolves around how *instrumental* it is for particular desired political effects. In other words, terrorist financing by definition has no intrinsic significance outwith the context of those political objectives. Second, terrorist operations are generally cheap,⁴⁴³ which means that terrorist actors need to launder money only when in the rare case of a small number of actors control large amounts of a terrorist group’s money. This does occur within larger, more highly organized groups such as the IRA, HAMAS, PLO, Hezbollah, and others, but does not for grassroots terrorist movements such as al Qaeda and others that lack the capability for any centralized ‘paymaster.’⁴⁴⁴ Third, as many institutional responses against terrorist finance are modeled after efforts to fight money laundering, the topics’ fundamental epistemic difference calls into question the epistemic basis of these responses.⁴⁴⁵ And, given that analysis of terrorist financing typically follows from these responses, it similarly enforces the critical literature’s conclusion that “the use of a money laundering approach to combat terrorist financing is at the origin of many dysfunctions of the financial war”⁴⁴⁶ Fourth, given that ‘reverse money laundering’ implies that the defining de-legitimizing activity occurs only *in the future*, it raises an significant normative problem in that it requires one to base analytic conclusions (e.g. that an actor is a terrorist financier) not on systematic evaluation of empirical evidence and contextualizing concepts, but on analytic deductions grounded in an uncertain mix of a

⁴⁴⁰ James Gillespie, "Follow the Money: Tracing Terrorist Assets," *Seminar on International Finance, Harvard Law School* (April 15, 2002), 15.

⁴⁴¹ Warde, 2007, 36.

⁴⁴² William Wechsler, Treasury Special Advisor To The Secretary And Deputy Secretary William F. Wechsler Testimony Before The House Committee On Government Reform, Subcommittee On Criminal Justice, Drug Policy And Human Resources (June 23, 2000). Wechsler was the Special Adviser to the US Secretary of the Treasury from 199-2001.

⁴⁴³ Roth, Greenburg and Wille, 2004.

⁴⁴⁴ See Warde, 2007.

⁴⁴⁵ See Don Brownlow, "War on Terrorist Financing: Conference Report," *International Banking Systems Journal*, no. 17.1 (September 2007) for a discussion.

⁴⁴⁶ Warde, 2007, 36.

priori character judgments and predictions of future behavior. This of course is *de rigueur* in politics and the intelligence community, but is demonstrably outside what is (or should be) accepted in academic analysis.

Mechanisms

The third category of activity involved in terrorist financing deals with “mechanisms,” defined by the FATF as “a system or thing that carries out part of the [terrorist financing] process.”⁴⁴⁷ These include charities, financial institutions, banks, international trade, kinship ties, social bonds, criminal trade, *dawa*, money laundering, Islamic banks, and front/cover companies, among many others. It is useful to examine more closely some of the terrorist financing mechanisms most often mentioned in the literature. For space reasons, we will examine only the mechanisms of drug trafficking, specifically in context of al Qaeda and heroin.

Much has been written on the relationship between al Qaeda and the Taliban and the trade in Afghan heroin. The following is from a think tank’s ‘primer’ on terrorist financing is indicative:

*“Criminal activities, such as smuggling, counterfeiting and the narcotics trade, account for another large portion of terrorist funding. For instance, al Qaeda and the Taliban reportedly reaped millions of dollars a year through the production and sale of opium from Afghanistan.”*⁴⁴⁸

The above claims are all factually correct, but as a whole the statement and the rest of the document raises the question, “So what?” Although presented as ‘analysis,’ this primer is primarily just description and repetition, which ultimately tells the reader nothing of any analytic significance. For example, it reveals nothing about the political economy of terrorism, nothing about the dynamics of political support for al Qaeda, and very little about

⁴⁴⁷ FATF, Terrorist Financing Typologies Report, 2004-2005, 89.

⁴⁴⁸ Center for Defense Information, "CDI Primer: Terrorist Finances," October 25, 2002, http://www.cdi.org/terrorism/finance_primer-pr.cfm (accessed October 2006).

the logistical chains on which al Qaeda and the Taliban rely. Of course such descriptions could serve as a foundation on which to either guess about these issues or conduct further research, but given the significance of the ‘Financial War,’ it seems that one should have a higher bar of analysis. In other words, statements like the one above, although common throughout the literature, essentially are extended answers to a question that is not worth asking in the first place.

The Chechen case illustrates this further. This case shows that the important knowledge concerns the political-economic dynamics of how the drug trade, terrorist groups, and local and national institutions interact with one another. It does not ‘indicate’ anything about ‘how terrorism is funded’ in some universal sense. The interaction between drugs, organized crime and terrorism is simply a function of the political-economic dynamics of the particular region, and empirically for any kind of useful insight it must be analyzed on those terms. For example, it is likely that heroin profits in Afghanistan today only go to those Taliban and al-Qaeda fighters that provide some kind of service, e.g. armed protection or transportation routes, to heroin traffickers. Of course, if one’s objective is not analytic truth but serving a particular personal or political agenda, then this conflation works very well. The point is that looking at the problem of drugs/crime and terrorism in universalized, theoretical terms cripples analysis of the most relevant aspects of terrorist financing: the interaction between political and economic interests and behavior in the area under analysis.

Schemes

The fourth category of activity involved in terrorist financing deals with “schemes,” defined by the FATF as “the particular [terrorist financing] process that combines various methods (techniques, mechanisms and instruments) into a unique operation.”⁴⁴⁹ This is similar to

⁴⁴⁹ FATF, Terrorist Financing Typologies Report, 2004-2005, 89.

‘cases,’ as in case studies. For example, the IRA’s laundering operation after the Northern Bank robbery in which they attempted conceal the stolen funds by buying an entire bank and large amounts of real estate in Bulgaria would constitute a scheme.⁴⁵⁰ Similarly, the whole Pankisi Gorge operation might be seen as a scheme to finance Chechen terrorists.⁴⁵¹ However, the idea of grouping diverse activity into a ‘scheme’ is an epistemological formulation more appropriate to law enforcement than to the broader objectives of systematic analysis, primarily because an academic analyst can reach the same insights about how different actions and actors relate to one another without it.

Trends

The fifth category of activity involved in terrorist financing evaluated here deals with “trends,” defined by the FATF as “the evolution of a [terrorist financing] method ... over time,” which “must take into account the temporal aspect (frequency and repetition) and geographic aspect (pervasiveness), as well as the transformation over time of individual methods and typologies.”⁴⁵² The study of patterns of methods is important because it “can detect the weaknesses that will allow appropriate counter-measures to be developed.”⁴⁵³ At a macro level, the literature discusses two major trends.

The Growing/Shrinking ‘Financial Infrastructure’ of Terrorism

The first is the fluctuating fortunes of the ‘global financial infrastructure of terrorism.’ The ‘financial infrastructure’ of terrorist groups is often referenced to in public and academic discourse. For example, referring to the transnational al Qaeda network, U.S. Treasury Secretary O’Neil referred to “destroying terrorism’s financial infrastructure,” the “financial underpinnings of terrorism” which needed to be “shut down,” and “stamping out the financial

⁴⁵⁰ *The Daily Telegraph*, "IRA bid to buy bank," February 22, 2005.

⁴⁵¹ See Chapter Two.

⁴⁵² *Ibid.*, 90.

⁴⁵³ *Ibid.*

network that funds terrorism.”⁴⁵⁴ The assumption is that there exists a relatively unified coherent, underground, hidden enemy financial network that needs to be found, attacked, and destroyed. Napoleoni has estimated the size of this network at \$1.5 trillion. This money constituting this “New Economy of Terror” is evenly divided conveniently into three sectors:

*\$500 billion in capital flights, money which moves illegally from country to country, undetected and unreported; \$500 billion in what is commonly known as the Gross Criminal Product, money generated primarily by criminal organizations; \$500 billion in the New Economy of Terror—money produced by terror organizations—of which as much as one third is represented by legal businesses and the rest comes from criminal activities, primarily the drug trade and smuggling.*⁴⁵⁵

Naylor, Warde, and others have challenged these statistics as completely unfounded and unscientific claims. Reuter and Truman also describe how it is currently impossible to make any accurate or near accurate estimation of the amount of money in the illegal economy, let alone that which is going to terrorist groups.⁴⁵⁶ Naylor remarks on a similar phenomenon of “accounting one-upmanship”⁴⁵⁷ with the so-called “Gross Criminal Product. He states:

*“All that those frightening statistics about a deluge of “narcodollars” or a burgeoning world Gross Criminal Product really prove is that it is not necessary to take the square root of a negative sum to arrive at a purely imaginary number. But the objective was not to illuminate the shadowy world of crime so much as to enlighten politics about the need for larger law enforcement budgets and more arbitrary police powers. Therefore those magic numbers assumed the status of religious can and were rarely revised, except heavenward.”*⁴⁵⁸

This view of a unitary financial infrastructure is pervasive. For example, President Bush and other senior American officials often refer to the “balance sheet,” of al Qaeda,⁴⁵⁹ i.e. that the movement is at least is coherent enough that it has a budget and expenditures. This was true of “al Qaeda Prime”⁴⁶⁰ in that they had income and outputs, like an organization. But such

⁴⁵⁴ "President Freezes Terrorists' Assets: Remarks," 2001.

⁴⁵⁵ Loretta Napoleoni, "Money and Terrorism," *Strategic Insights*, April 2004.

⁴⁵⁶ Reuter and Truman, 2004.

⁴⁵⁷ Warde, 2007, 14.

⁴⁵⁸ Naylor, *Wages of Crime* 2002..

⁴⁵⁹ "President Freezes Terrorists' Assets: Remarks," 2001.

⁴⁶⁰ Burke, 2003.

terminology has not evolved as understanding of al-Qaeda has evolved and as the organization has evolved into an amorphous movement. In addition, this description of remarks by Tony McNulty MP, the UK's Minister of State for Security, Counter-Terrorism and Police, in a keynote address:

“McNulty pointed out that, while the level of threat was higher than ever, the networks behind it are on the one hand getting more sophisticated but on the other hand, at the point of delivery, they are getting more simplistic. For example, the 7/7 bombings in London [7 July 2005 in which 52 people were killed and around 770 were injured] cost less than £5000, a large portion of which was spent on plane tickets to Pakistan. However, the infrastructure that supports the terrorist organisations themselves costs millions.”⁴⁶¹

This reasoning however makes no sense. It implies first that terrorism is perhaps the most economically inefficient exercise in existence. An economist would ask why would terrorists raise “millions” of dollars, for example, to commit attacks that only cost a few thousand dollars? And furthermore why would people give so much money to something that cost so little? Would not those who hate freedom and support terrorism have more efficient ways to use their wealth to wreak havoc? If they are so grossly inefficient, why are they such a threat? Surely a group of people as inept would not be a threat to a great nation like the United States? Or if they are not so inefficient, what is the rest of the money used for? As it is not used for terrorism, it must be used for actions that are not, but may be related to, terrorism. This therefore implies that terrorism and its financing are part and parcel of larger social and political fabrics, even though the discourse does not discuss which or how. Some alternative implications are that terrorist groups are hoarding this money for some other purpose, or that are unable to get it to where it can be used for attacks. This is highly unlikely at least in the case of al Qaeda as the movement is truly global. The last alternative, which is the most supported by the empirical evidence is that those “millions” are not strictly “financing terrorism,” but merely supporting the diverse and complex aspects of a political

⁴⁶¹ Naylor, *Wages of Crime*, 2002.

cause which also happens to be supported by terrorists. This is the inverse of the traditional claim in that supporter of the cause are supporting the terrorists.

Increasing 'Self-Sufficiency'

The other major trend analyzed here is towards self-sufficiency. This was one of the first theoretical frameworks used to understand terrorist financing was modeled after the operations of corporations. In this framework, terrorist groups make individual and collective decisions to strategically accumulate wealth and to use that wealth to achieve organizational goals, such as execute terrorist attacks, maintain organizational integrity, conduct public relations, and generate more wealth. Terrorist financing therefore is seen as the economics of a vast and highly sophisticated business,

Adams argues that successful terrorist groups function in ways similar to a corporation, complete with a business model, investments, management structures, and cooperative agreements with businesses, criminal groups, other terrorist groups, and, occasionally, governments.⁴⁶² Adams separates terrorist financing from politically dominant narratives. He presents evidence that state governments play a relatively small role in terrorist financing, and then typically only as business partners.⁴⁶³ Furthermore, his comparison of terrorist groups to corporations challenges the image of terrorist financing as primarily a political or ideological expression, whether by a state, a group, or an individual.⁴⁶⁴ His main critique of counterterrorism efforts is that they fail to consider the non-political dimensions of terrorist groups, such as financing activities. His factual research supports this argument that all terrorist groups eventually become embedded into human society, and do so not on a political or ideological level, but on various social, economic, and institutional levels, often that of

⁴⁶² Adams, 1986, 240.

⁴⁶³ Adams, 1986, 240-243.

⁴⁶⁴ See for example Rachel Ehrenfeld, *Funding Evil: How Terrorism Is Financed--and How to Stop It* (Chicago: Bonus Books, 2003).

their supposed enemy. “Capitalism,” Adams observes, “can...corrupt the most idealistic of terrorists.”⁴⁶⁵

This conception of terrorist groups as a business has been assumed by some literature to mean that that terrorist groups efficiently distribute funds, raise funds from variety of sources, operate secretly/covertly as either some sort of evil secret organization along the lines of Dr. No’s SPECTRE or a network of cells, and imply that there is general agreement cell members all agree on how to achieve their costs. But the everyday reality is much more banal; involving for example Ayman Al-Zawahiri “nit-picking” about expenditures as low as \$1,573,⁴⁶⁶ and the disillusionment of a Kashmiri separatist who stated that running a terror movement as akin to running a business using poor and illiterate boys.⁴⁶⁷

Michael Leeden states that Osama bin Laden is the “CEO of a multinational terrorist corporation,”⁴⁶⁸ and [the best way to think of the terror network is as a collection of mafia families.”⁴⁶⁹ This conception also is found among serious analysts, such as Bruce Hoffman, who also wrote an article comparing bin Laden to a CEO. Hoffman makes his case in terms of bin Laden’s management approach, remarking:

“in the 1990s he did what the executives of transnational companies did throughout much of the industrialized world—namely, design and implement a flexible new organizational framework and strategy incorporating multiple levels and both top-down and bottom-up approaches. In his top-down mode bin Laden has defined specific goals, issued orders, and ensured that they are carried out.”⁴⁷⁰

⁴⁶⁵ Adams, 1986, 252.

⁴⁶⁶ Alan Cullison, "Inside Al Qaeda's Hard Drive," *The Atlantic Monthly*, September 2004.

⁴⁶⁷ Jeanne K. Giraldo and Harold A. Trinkunas, , *Terrorism Financing and State Responses, A Comparative Perspective*, ed. Jeanne K. Giraldo and Harold A. Trinkunas (Stanford, CA: Stanford University Press, 2007).

⁴⁶⁸ Michael Leeden, *The War against the Terror Masters: Why It Happened. Where We Are Now. How We’ll Win.* (New York: St Martins Griffin, 2003), 41.

⁴⁶⁹ *Ibid.*, 41.

⁴⁷⁰ Bruce Hoffman, "The Leadership Secrets of Osama bin Laden: The terrorist as CEO," *The Atlantic Monthly*, April 2003.

Although Hoffman's metaphor may advance understanding of bin Laden to some audiences and for certain purposes (e.g. those that see him simply as some sort of crazed cave-dwelling fanatic), it does not advance understanding of terrorist financing because it simply contradicts its empirical reality. The business/mafia analogy would be sustainable if everyone in the entire supply chain of a terrorist group had the intention and agency to financially support terrorist groups, but this also is not empirically supported (see section below on intent).

Third, is that a mafia/business view has the implicit assumption that terrorist groups or even terrorism itself is a finite organization to which you can make people 'stop payment,'⁴⁷¹ and to which one can stop "doing business."⁴⁷² Of course these were remarks by a politician seeking to motivate his country after an attack, but the problem is that many serious analytic pieces since then echo, repeat, or otherwise base their analysis on this framework, which is not supported by empirical evidence. Terrorist groups are not finite organizations. Some have been relatively organized and hierarchical, such as the PLO and IRA, but regardless of the organizational structure, the essential essence of groups that commit terrorism is political and social. Therefore, other than as a vulgar analogy for purely public consumption, viewing terrorist actors as a business or a mafia organization is simply not accurate and counterproductive, as it leads to all sorts of false conclusions and unproductive analytic pathways. There are of course when terrorist groups have behaved like a mafia or a business in raising money, for example the IRA would make capital investments in London property, but this analogy is only useful for those specific groups in those specific time and place circumstances. They do not however capture the reality of terrorist financing for most terrorists active today. This may come from bureaucratic dynamics that forced the U.S. government to switch its anti-illicit financing focus from South American drug cartels to

⁴⁷¹ "President Freezes Terrorists' Assets: Remarks," 2007.

⁴⁷² Ibid.

transnational terrorists.⁴⁷³ Therefore, the conception of terrorist financing as a mafia/business falls apart. Of course, while this is true for certain aspects of certain groups involved in terrorism, the empirical evidence does not support this being a central or even dominant framework for thinking about terrorist financing. Such a conception is helpful perhaps for certain circumstances and for certain (not very knowledgeable) audiences, but it is not an empirically sound description for most terrorist financing activity. For example, Hezbollah in some ways acts as a multinational corporation, but if for most analyses it would probably be more useful to view its behavior with the metaphor of a ‘mini-state.’

Above all, this examination of methods by which terrorism is financed raises the question, “So What?” Is it really important to know which methods finance terrorism? Entire forests have been wasted analyzing the topic, but why exactly is it important to know if al-Qaeda finances itself by using diamonds, or banks, or wire transfers? Is not more salient to ask, in these instances, whether diamonds are an established and consistently used part of the logistical supply chain for terrorist operations (answer: probably not); or which, if any, agents, i.e. people acting on their direct behalf, of al Qaeda ever incorporate diamonds as part of their supply chain (answer: maybe); or perhaps do profits from diamonds fund those with common cause with al Qaeda (answer: no). Analysis from this perspective begins to hint at the conclusion that terrorist financing is not a form of money laundering, or financial crime, or even some knowable combination of methods. Instead it may be simply a form of political support for terrorist groups, and secondarily an element of the supply chain of specific terrorists. These questions – i.e. “what is used for the supply chain of attacks,” “how do the few direct agents of terrorist actors raise and move funds,” and “how much financial support is provided to the larger popular, but not necessarily terrorist, movement” – address the core political-economic issues at hand, while “how is terrorism financed” does not. They also hint

⁴⁷³ For further explanation, see Warde, 2007, 15.

at an alternative way to represent this activity, which is explicated in the following two chapters of this thesis. It is partly for this reason that this dissertation posits that a framework of analysis based around the chains of value used by terrorist actors will produce more accurate and more useful knowledge about ‘terrorist finance’ than currently employed frameworks. Of course, these questions are methodologically more difficult to answer, which only emphasizes the need for a superior representation of terrorism-related financial activity.

Deficiencies in Understanding Why Terrorism is Financed

The final question in the literature relates to identifying indicators capable of distinguishing terrorist financing activity from ‘normal’ financial activity, or as the financial intelligence chief for a large global bank put it, “what to look for.”⁴⁷⁵ This is an extremely important question as much – if not most – analysis of terrorist finance used by governments and the private sector focuses on developing indicators to flag ‘risky’ or ‘suspicious’ behavior or ‘links’ to terrorists and other threatening or illegitimate actors. In fact, some scholars argue that these efforts amount to “data war” in which the focus on collecting and analyzing such data has created new mechanisms of governance and control within the War on Terror.⁴⁷⁶

This section examines several of the common categories of indicators, and demonstrates that despite this attention none of them are reliable predictors of terrorist financing activity. This is, I argue, because they tell us nothing about the *relationship between* agent behavior and structural context, which is the centrally important issue for analysts. This therefore implies that successful analysis of terrorist financing must involve systematic analysis of how the individual context-contingent and subjectively interpreted human choices of which terrorist

⁴⁷⁵ Chief of Financial Crime and Intelligence (Name and employer withheld). Interview with the author (November 2004).

⁴⁷⁶ See *Data Wars: Risk, Governance, and Mobility in the European War on Terror*, a joint research project at the Universities of Amsterdam and Durham (UK). The project’s website is: www.datawars.org.

financing is comprised influence and are influenced by the various political, economic, social, institutional, historical, normative, and cognitive contexts in which they occur in a way tailored to particular objectives. In other words, it implies that in order to know ‘what to look for,’ one needs a teleological theory of behavior within given political-economic contexts.

Motive: The Analytic Siren

Intent is often portrayed as the most reliable indicator of involvement in terrorist financing. It promises to solve one of the most difficult analytic problems in terrorist financing – how to distinguish between terrorist financing activity and that which is not when the underlying actions are identical. For example, Matthew Levitt, when asked why Sun Trust should not be considered as an actor that had been involved in financing terrorism, he stated because of a lack of intent.⁴⁷⁷ Nevertheless, intent is complex, as established by the complex and multi-layered sets of motives evident in the Chechen case above.⁴⁷⁸ For example, did the Khevsurs who gave food, shelter, and directions to a passing Chechen field commander finance terrorism? On one hand, they gave goods and services of significant value to someone involved in terrorist acts, but on the other, their primary *intent* was to be true to their local customs rather than support terrorism.

To answer these questions, it helps to create preliminary taxonomy of these motives, simply to illustrate the diversity of intent. First and most obviously, terrorist financial activity can indicate preparation or an intension to commit acts of terrorism, or in other words, the use of financial resources as a direct instrument to enable the execution of acts of terrorism. But the instrumentality of this is very complex and varies with the situation. In some cases, financial

⁴⁷⁷ Matthew Levitt, interview by the author, Washington DC (October 2004).

⁴⁷⁸ See also Reuter and Truman, 2004, 3.

activity is an instrument to a specific operational end. Second, is the intent of organizational imperative, such as, in the Chechen case, the foreign jihadists who needed money for their travels, and thus raised it for specifically this purpose. This indicates certain things, such as a desire for people to join jihad and a societal base to support such actions. Third, is the motive of Socio-Political Expression, for example the villagers expressing their hospitality, or zakat giving. In other cases, it is an expression of social, political, or cultural norms. Fourth, is the motive to serve specific state policy. In other cases, it is indicative of (often hidden) lines of political or social support, e.g. U.S. government policy, but also al Qaeda shura policy, etc,⁴⁷⁹ or can serve either a group or a state. Other motives relate to interpersonal interaction and relationship of exploitation.

This diversity means that intent is not only complex, but also intrinsically problematic. For instance:

“When it comes to charities suspected of terrorist involvement, at what point can a series of independent actions be said to indicate coordinated and malevolent intent? And if they do in fact indicate such intent, what should be done about it? In all cases, further investigation would be needed in order to support the case for an arrest warrant or subpoena that eventually could be used to put the charity out of business.”⁴⁸⁰

Intent relies on a judgment of legitimacy, which is often irrelevant to behavior. But a judgment of legitimacy is necessary in politics, i.e. to show that you are one’s ally or enemy. Therefore, if one uses intent as the deciding factor, then that allows you to make allies or enemies with those you judge to have bad intentions. What it discourages you to do, however, is consider contradicting evidence, think of and act on alternatives (good and bad, i.e. how can you accommodate an enemy, is this not appeasement?). This has led to the exploitation of intent for political ends. This is possible because once one’s intentions are

⁴⁷⁹ See Chapter Two.

⁴⁸⁰ Robert Looney, "The Mirage of Terrorist Financing: The Case of Islamic Charities," *Strategic Insights* V, no. 3 (March 2006).

judged to be illegitimate or terroristic then evidence is often manipulated to fit this perception, intentionally or unintentionally. For example, a person with the intent to fund Hamas will have his actions examined in a different light than one whose intent was judged to be more legitimate. This has policy implications, but analytically it is dangerous as it makes analytic conclusions subject to pre-determined political judgments. In this analytic tradition,⁴⁸¹ recognizing the variety of motives and intent becomes tantamount to moral culpability or exoneration of illegitimate acts. By keeping the issue of intent a powerful element in terrorist financing analysis it allows analysts to choose and fight for particular ‘sides,’ i.e. political positions. For these reasons, intent is not a viable analytic anchor. Intent is a siren, luring analysts with promises of easy and self-serving opportunities for judgment. But unless intent is placed in proper perspective as a sometimes-useful waypoint on a long odyssey of discovery, then nothing will be left of the analysis but detritus drifting in a sea of terrorism talk. As the next chapter will show, however, even though most current analysis is pinned to choice and intent, power is actually the more salient factor in terrorist financing, its importance, and its operation. Terrorist financing analysis must wade into the analysis of motives, individual choice, and its consequences. These are areas long covered by psychology and economics, but not international relations or political science.

Funding Terrorism vs Funding Politics

One popular assumption originating in the ‘Global War on Terror’ is, to paraphrase President Bush, ‘those who support terrorists are just as guilty as those who commit the acts of terror themselves.’ In one way, this statement is in essence a powerful rhetorical argument against justifying financial support for terrorist activities by virtue of support of the cause for which the terrorist actor fights. Epistemologically, however, this statement exemplifies the

⁴⁸¹ See Ann Norton, *Leo Strauss and the Politics of the American Empire* (London: Yale University Press, 2004) for a description of how this approach to analysis has been regularly employed within academia by the intellectual disciplines of Leo Strauss, and within American government by the neoconservatives.

difficulties and pitfalls of separating financing terrorism, which is illegitimate in liberal democracies, and financing politics, which is legitimate. This section examines this problem, and finds that the lack of any systematic way of distinguishing between the two is both a major cause and symptom of many of the failings in current analysis of terrorist finance.

It seems logical to begin by exploring terrorists' engagement in legitimate politics. Some like Hezbollah, Hamas and the IRA have robust strategies to work both within and outwith the legitimate political system. Therefore money that goes to the 'political wing' of a terrorist group is not funding terrorism per se but is very much funding the objectives of an actor that commits terrorism. It may seem that the important question therefore is whether entities like Sinn Fein should be characterized as just terrorists by another name, 'armed political parties,' or simply the legitimate political movements they claim to be. However, more important is a systematic accounting of how these groups relate to the societies in which they exist. For example, it is more important to understand that Sinn Fein collected millions of dollars from the Irish diaspora on a platform of armed resistance to British 'rule' than to determine which of the above labels is most apt. Similarly, it is more profitable analytically to know the political, societal, and operational *implications* of HAMAS' fundraising network in the United States and Europe than to quibble over what epithet should describe those involved in it.

Less highly organized terrorist groups represent the radicalized and violent 'sharp end' of wider and usually looser socio-political movements. In these cases, distinguishing between those that finance terrorist activities and those that just provide support for a common cause is much more difficult, but for liberal democracies also more important. For example, most

of the prosecution's case in the trial of several board members of the Holy Land Foundation (HLF) who allegedly operated a fundraising ring for HAMAS relied on the argument that the defendants' were guilty of financing terrorism because they raised money for a humanitarian organization run not by HAMAS but by people who shared the political, social, and religious objectives of the group.⁴⁸² This epistemic formulation in the discourse, especially to argue that people who do not explicitly support terrorist activity or actors but do support 'terrorism-linked' causes are labeled as 'complicit' in terrorism, by virtue of their financial interactions.⁴⁸³ For comparison, if one used this standard for the Michigan Militia (the perpetrators of the 1996 Oklahoma City bombing), then one could view as terrorist financing fundraising activity for any militia group in the United States, as the Michigan Militia was a part of a larger movement of mostly unrelated groups who supported armed resistance to the U.S. Government. In fact, one would not need to stretch the analysis too far to argue, according to this epistemological standards, that fundraising for the Republican party was tantamount to supporting Timothy McVeigh – or at least being 'complicit' in his actions – given the long standing position of the party is that, as Ronald Reagan said, "government is not the solution to our problem; government is the problem."⁴⁸⁴ Ultimately, this demonstrates that terrorist financing is indeed an important reflection of how terrorist actors relate to their societies, however the poor epistemic frameworks present in the current discourse are grossly inadequate for systematic and insightful investigation between the exact relationship between funding politics and funding terrorism.

⁴⁸² See for example *United States v. Holy Land Foundation for Relief and Development et al.*, 3:04-cr-00240 (N.D. Tex., May 2007).

⁴⁸³ See for example Institute for Global Analysis, "Fueling Terror," <http://www.iags.org/fuelingterror.html> (accessed June 3, 2008).

⁴⁸⁴ Ronald Reagan, *First Inaugural Address* (Washington DC, January 20, 1981).

Deficiencies in Understanding ‘What to Look For’

‘Suspicious’ and High ‘Risk’ Activity

There are many activities that have been deemed ‘suspicious’ for purposes of valuation of risk. For example, the following is taken from the official training guide published by the United States Federal Financial Institutions Examination Council (FFIEC),⁴⁸⁵ and provides a list of “potentially suspicious activity that may indicate terrorist financing,” and for which banks should look when interacting with customers:

Activity Inconsistent with the Customer’s Business

1. Funds are generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from high-risk countries (e.g., countries designated by national authorities and FATF as non-cooperative countries and territories).
2. The stated occupation of the customer is not commensurate with the type or level of activity.
3. Persons involved in currency transactions share an address or phone number, particularly when the address is also a business location or does not seem to correspond to the stated occupation (e.g., student, unemployed, or self-employed).
4. Regarding nonprofit or charitable organizations, financial transactions occur for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction.
5. A safe deposit box opened on behalf of a commercial entity when the business activity of the customer is unknown or such activity does not appear to justify the use of a safe deposit box.

Funds Transfers

6. A large number of incoming or outgoing funds transfers take place through a business account, and there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves high-risk locations.
7. Funds transfers are ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements.
8. Funds transfers do not include information on the originator, or the person on whose behalf the transaction is conducted, when the inclusion of such information would be expected.
9. Multiple personal and business accounts or the accounts of nonprofit organizations or charities are used to collect and funnel funds to a small number of foreign beneficiaries.
10. Foreign exchange transactions are performed on behalf of a customer by a third party, followed by funds transfers to locations having no apparent business connection with the customer or to high-risk countries.

Other Transactions That Appear Unusual or Suspicious

11. Transactions involving foreign currency exchanges are followed within a short time by funds transfers to high-risk locations.
12. Multiple accounts are used to collect and funnel funds to a small number of foreign beneficiaries, both persons and businesses, particularly in high-risk locations.
13. A customer obtains a credit instrument or engages in commercial financial transactions involving the movement of funds to or from high-risk locations when there appear to be no logical business reasons for dealing with those locations.
14. Banks from high-risk locations open accounts.
15. Funds are sent or received via international transfers from or to high-risk locations.

⁴⁸⁵ “The FFIEC was established in March 1979 to prescribe uniform principles, standards, and report forms and to promote uniformity in the supervision of financial institutions. The Council has six voting members: the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the State Liaison Committee. The Council’s activities are supported by interagency task forces and by an advisory State Liaison Committee, comprised of five representatives of state agencies that supervise financial institutions.” *Federal Financial Institutions Examination Council (FFIEC) Bank Secrecy Act (BSA) /Anti-Money Laundering (AML) Examination Manual* (Washington DC, 2007).

16. Insurance policy loans or policy surrender values that are subject to a substantial surrender charge.⁴⁸⁶

These or similar⁴⁸⁷ indicators, are circulated widely within private and public sector actors who are charged to exercise power to identify people likely to be involved in financing terrorism and take steps against them, such as not allowing them to open a bank account. However, even a cursory knowledge of the everyday realities of terrorist financing activity would illuminate the fact that these ‘indicators’ have little bearing on its actual conduct. For example, banks with Afghan, Pakistani, Filipino, or Iranian restaurants as clients likely accept funds that “are generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from high-risk countries.”⁴⁸⁸ Similarly, many students and migrant workers regularly send and receive funds “via international transfers from or to high-risk locations.”⁴⁸⁹

At best, these indicators describe very specific and relatively rare techniques used by terrorists wishing to conceal their identity and use the formalized banking sector. Furthermore, many of these indicators much more often indicate normal behaviors for certain segments of society. Originally modeled after (i.e. copied from) the anti-money laundering regime, the staying power of these indicators seems incredible given such obvious inconsistencies, but is clear evidence that better indicators have not been developed. From the user’s perspective this is irrelevant, however, as they are not judged on the accuracy of these indicators, but merely on how well they adhere to them and related laws and regulations. The financial intelligence chief quoted above summed this up pithily, saying,

⁴⁸⁶ "Appendix F: Potentially Suspicious Activity that May Indicate Money Laundering or Terrorist Financing," in Federal Financial Institutions Examination Council (FFIEC) Bank Secrecy Act (BSA) /Anti-Money Laundering (AML) Examination Manual (2007), F-9.

⁴⁸⁷ See for example Financial Action Task Force on Money Laundering (FATF), *Guidance for Financial Institutions in Detecting Terrorist Financing* (April 24, 2002).

⁴⁸⁸ "Appendix F," in *FFIEC Examination Manual*, 2007, F-9.

⁴⁸⁹ "Appendix F," in *FFIEC Examination Manual*, 2007, F-9.

“We have come to fear the good [counter terrorist financing laws] much more than the bad [terrorist financing].”⁴⁹⁰

‘Links’ to Terrorist Actors

Another supposedly reliable indicator of involvement in terrorist financing is that a positive ‘link,’ ‘association,’ or ‘relationship’ with a known or suspected terrorist actor indicates involvement in terrorist financing. Used throughout the literature as well as extensively by law enforcement and intelligence agencies,⁴⁹¹ this indicator generally operates according to a two-step reasoning process. First, the analyst determines who is a terrorist, via for example official lists of designated terrorists, defendants in terrorism-related court cases, or information that the actor overtly or covertly supports a terrorist group or associated socio-political cause. Second, any money that flows to and from this actor is thus either financing terrorism (if it goes to something somehow associated with the terrorist group or its cause), or part of a process of ‘money laundering’ (layering, placement, integration) or other criminal deception. This method of finding meaning in ‘links’ to terrorists is extremely problematic, however. For example, the 9/11 Commission Report took to task those that acted on such spurious linking:

“These initial designations [of suspected terrorist financiers in the wake of 9/11] were undertaken with limited evidence, and some were overbroad, resulting in legal challenges. Faced with having to defend actions in courts that required a higher standard of evidence than was provided by the intelligence that supported the designations in the first place, the United States and the United Nations were forced to “unfreeze” assets. The difficulty, not completely understood by the policy makers when they instituted the freezes was that the intelligence community “linked” certain entities of individuals to known terrorist groups primarily through common acquaintances, group affiliations, historic relationships, phone communications, and other such contacts. It proved far more difficult to actually trace the money from a

⁴⁹⁰ Chief of Financial Crime and Intelligence of a major global banking group (Name and employer withheld). Interview with the author (November 2004).

⁴⁹¹ See for example Levitt, *HAMAS*, 2006; and Rachel Ehrenfeld, *Funding Evil: How Terrorism Is Financed--and How to Stop It* (Chicago: Bonus Books, 2003).

*suspected entity or individual to the terrorist group, or to otherwise show complicity, as required in defending the designations in court.*⁴⁹²

Part of the underlying problem that is obvious is that International Relations (including International Political Economy) lacks solid understanding of the political and economic impacts of social networks, and thus few tools to understand the dynamics of ‘links,’ ‘associations,’ ‘networks,’ and other relationships among agents. The method of ‘Social Network Analysis’ has some potential to mitigate these problems, but it is inappropriate for this dissertation, as it is still a relatively new and relatively underdeveloped field and requires complete immersion in its methods and ontologies.⁴⁹³ Ultimately, therefore, the meaning and significance of economic ‘links’ to terrorists are thus hugely underspecified and conceptually under determined.

Support for Terrorist Causes

Another rather obvious indicator of an individual’s involvement in terrorist financing is support for the political or social objectives of a terrorist group. Many authors imply or explicitly state that such support is a strong indicator of involvement in terrorist financing. In some respects, this claim is strongly supported by the empirical evidence. For example, many of the known terrorist financing cases involving al Qaeda, the IRA, LTTE, and Hamas involve actors participating because of their support for either the specific actions of the terrorist group, or the broader political cause for which the group is ostensibly fighting. Examples of the former involve the fundraising events organized by NORAID or sympathetic *jihād* recruiters described in Chapter Two. These actors had knowledge that their money was

⁴⁹² John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004), 47.

⁴⁹³ For an example of social network analysis applied to the study of al Qaeda, see Marc Sageman, *Understanding Terror Networks* (Philadelphia: University of Pennsylvania Press, 2004). For a summary of social network analysis, see Steve Ressler, "Social Network Analysis as an Approach to Combat Terrorism: Past, Present, and Future Research," *Homeland Security Affairs* II, no. 2 (July 2006).

going to directly fund militant action. Examples of the latter include the Irish Americans, often police officers and firefighters, who donated money to the cause of a “United Ireland” or to help the “widows and orphans” of the conflict in Northern Ireland, as well as numerous Arab and Muslim people around the world who raise and donate money either to similar ‘widows and orphans’ humanitarian aid campaigns for the Palestinian people, or more directly to support the “resistance movement” against Israeli occupation of Gaza and the West Bank. In general, these donors gave money more as an expression of support for a vague and amorphous socio-political cause, rather than for specific direct action. This dichotomy is a double-edged sword for the efficacy of this indicator. This is because it ultimately depends on what type of support, and the level of knowledge the agent has about what the consequences are likely to be of his support. In this way, support alone is not a reliable indicator, even if that support is expressed materially. The Department of Defense confronts a similar conundrum in its Counterinsurgency field manual. It states:

“Support/tolerance [for an insurgency] provided either willingly or unwillingly by the populace, results in safe havens, freedom of movement, logistic support, financial support, intelligence, and new personnel for the insurgency. It should be noted that support/tolerance is often generated using violent coercion and intimidation of the people. In these cases, even if the people do not favor the insurgent cause, they are forced to tolerate the insurgents or provide them material support.”⁴⁹⁴

Therefore, again, it seems that this indicator depends entirely on the social-political-economic context of the behavior, and the purpose and objective of the analyst.

Contextual Indicators

Other indicators of terrorist financing focus on how social, political, and economic circumstances supposedly can indicate the presence of terrorist financing activity. These imply that because activity occurs within certain ‘higher risk’ contexts, then this indicates a

⁴⁹⁴ U.S. Department of the Army, *Field Manual 3-24: Counterinsurgency* (Washington DC: U.S. Department of the Army, 2006).

higher likelihood of terrorist financing involvement. Although such contextual information is very valuable to terrorist financing analysis, the exact relationships between actors and the contexts of their actions (i.e. agents and structures) remains under researched and underspecified. Therefore, as indicators such contextual data is not particularly useful.

One common indicator is that activity occurs in or involves actors or entities originating from countries that are not fully compliant with the global legal and regulatory regime established to combat the financing of terrorism. Activities related to these countries are supposedly higher risk because they lack the financial controls that, the implication goes, keeps terrorists from using the financial systems of compliant countries. Several methods are used to determine which countries are fully, partially, or not compliant. One is the Financial Action Task Force's Non-Cooperative Countries and Territories (NCCT) List. This is often cited, for example by in the FFIEC document cited above and by the FATF itself, as a reliable indicator of higher risk activity. However, one significant problem is that since October 2006, no countries are on the list.⁴⁹⁵ This means, ostensibly, that all countries are in compliance with the globally accepted recommendations of the FATF about how to structure laws and regulations to fight terrorist financing. But this of course does not mean that no terrorist financing occurs in any of these countries. Similar problems exist with other attempts to calculate the 'risk' of an activity based on a 'risk profile' of the societal context. For example, a recent attempt by World-Check, a vendor to banks and governments of controlled-access databases of 'high-risk' individuals, to develop a system to measure risk by country is similarly flawed. In fact, the company does not in fact promise that its product,

⁴⁹⁵ The countries on the original 2002 list were Bahamas, Cayman Islands, Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, Marshall Islands, Nauru, Niue, Panama, Philippines, Russia, St. Kitts and Nevis, and St. Vincent and the Grenadines. Myanmar was the last country to be delisted, in 2006.

called ‘Country-Check’ produces accurate assessments of risk, but only that it is “a methodologically justifiable model for country-specific risk assessment.”⁴⁹⁶

Conclusion

This chapter demonstrated that existing epistemological frameworks used to analyze terrorist financing are insufficient for systematic analysis of the topic, largely because they have been constructed to serve interests other than systematic evidence-based analysis of terrorist financing. To review, we have seen above that defining terrorist financing, like terrorism, is probably more trouble than its worth because by asking ‘what is terrorist financing’ one is really just asking ‘what are your goals of analysis?’ Second, this chapter highlighted that analysis of individual and collective decision making and what influences it is more relevant to analyzing terrorist finance than trying to uncover non-existent patterns of behaviors by which terrorist financiers can be identified. Third, analysis of the methods used in terrorist financing are actually not particularly relevant to the analysis of terrorist financing. Finally, this chapter demonstrated that successful analysis of terrorist financing must involve systematic analysis of how the individual context-contingent and subjectively interpreted human choices of which terrorist financing is comprised influence and are influenced by the various political, economic, social, institutional, historical, normative, and cognitive contexts in which they occur in a way tailored to particular objectives, i.e. a teleological theory of terrorist financing related decision making within given political-economic contexts is needed.

Ultimately, this chapter demonstrates that existing discourse on terrorist finance is so deficient likely because it is simply asking the ‘wrong questions’ about the phenomenon, i.e.

⁴⁹⁶ World-Check, "What is Country-Check?," <http://www.country-check.com/beta/main.php> (accessed May 2008).

framing it epistemological frameworks that produce knowledge that is not particularly useful and is analytically illogical or incorrect. In particular, this chapter implies that the ‘wrong questions’ about terrorist financing relate specifically to uncovering ‘who’ finances terrorism and the supposedly “mysterious”⁴⁹⁷ ways they do it. Most simply, these questions are ‘wrong’ because their answers – while important – are demonstrably *less important* than the answers of the ‘right’ questions described above. However, they remain dominant in terrorist financing discourse, as well as counter terrorist financing practice, largely, one can reasonably hypothesize, because they lend well to the bureaucratic, institutional, and indeed political processes involved in the governmental and private sector efforts to identify and track terrorists and their supporters, especially in terms of providing fodder for national and international designation processes, and to the various risk management structures used to ‘calculate’ risk that a particular individual or behavior is involved in financing terrorism.⁴⁹⁸

I posit that asking these questions is ‘wrong’ because they privilege knowledge that is secondary to the objectives of terrorist financing analysis. First, these questions imply a surety and objectivity in the answers that is simply not warranted given that both terrorism and finance are inherently contested issues, and consequently diminish the centrally important role of the normative, political, and social contexts of both the ‘terrorist financing’ activity in question and the analysis of it. In other words problem with these questions, on their face, is that the answer to the who, what, where, when, and how of terrorist finance is always, “it depends.” Who finances terrorism depends not only on how one defines terrorism, but also on conceptions of ‘financing’ (e.g. does only money count, or all forms of

⁴⁹⁷ Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," *Strategic Insights* (Center for Contemporary Conflict) IV, no. 1 (January 2005).

⁴⁹⁸ Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008); and Marieke de Goede, "The Risk of Terrorist Financing: Politics and Prediction in the War on Terrorist Finance," *Constructing World Orders Conference, Standing Group on International Relations, Transnational Politics of Risk Panel* (Den Haag, September 9-11, 2004).

value exchange, and how many degrees of separation from origin to terrorist?), both of which depend not only on one's normative and political outlook, but one's analytic purposes. For example, if Iran's government does not consider Hezbollah to be a terrorist group, should Iranian funds transfers to the group count as terrorist financing? The answer of course depends on what one believes about Hezbollah (i.e. that it is 'terrorist'), as well as one's purpose of analysis (e.g. a bank will only be concerned with the funds transfer if and when it is made illegal, while governments opposed to Hezbollah will be regardless). The same is true of analyzing 'How' terrorism is financed.

Second, analysis of the actors and methods involved in terrorist finance is in fact secondary to understanding the instrumentality of financial activity and what such activity tells one about a terrorist actor's place in wider communities. This is also because terrorist financing – as a contested and political issue – is closely tied to the objectives of the analyst, whether they be from academia, government, or the financial industry (or from a terrorist group, for that matter). In other words, 'what to look for' – i.e. determining the who's, what's, how's, where's, and when's – depend entirely on the purpose and perspective of the analyst. For example, 'who finances al Qaeda' will be answered differently by a political economist, an anthropologist, an intelligence analyst, and a bank compliance officer. In fact, because every analyst of this contested topic necessarily bring different norms, objectives, and priorities – and thus different ontologies epistemologies, and methodologies – to the analysis of terrorist finance, such questions will be answered differently by an FBI special agent (who would be likely be primarily focused on evidence of law breaking) as by an FBI intelligence analyst (who would likely be interested in the larger universe of financial support for radicalized social movements, much of which may actually be legal). However, shifting and narrowing analysis of terrorist finance to the questions proposed herein enables analysts from all

professional and disciplinary perspectives to analyze the issue on the same plane, without requiring them to adopt the same perspective or purpose.

To resolve these problems, the next chapter posits what the ‘right questions’ are to ask about terrorist finance, and argues that the epistemic focus of analysis – or the ‘variables,’ if one prefers positivist language – of terrorist financing should be the dynamics and consequences of political-economic decision-making and its consequences, rather than the ‘who’ and the ‘how.’ In other words, the ‘right questions’ to ask about terrorist financing concern the instrumentality of economic activity for terrorist actors and what such activity tells one about the relationship terrorist actors have with wider societies. Answering these questions shows that financial activity is a conditioning – rather than determining – factor of terrorist behavior, and that the relationships terrorists have with those that support either them or the causes for which they fight are as complex and multidimensional as any other socio-economic interaction. Furthermore, given that terrorist financing is tied directly and exclusively to the beliefs and objectives of those analyzing it – i.e. the issue’s politics – analysis of the financial activities requires explicit recognition of one’s purpose of analysis, as well as enough critical distance so as to not let one’s analysis become slavishly obedient to specific political whims and ideologies. As we will shall see, only by thus explicitly focusing analysis of terrorist financing on the impact and the ‘reflection’ of such financial activity can any government or financial institution ever hope to systematically understand the financing of terrorism, let alone develop successful legal, regulatory, or political responses to it.

CHAPTER 4

The Right Questions: Reframing Representations of Terrorist Finance around the Dynamics of Power, Value, and the Individual Exchange

This chapter reframes how terrorist finance is conceptualized and presents an alternative conceptual foundation upon which an improved representation of the issue can be built. Building on both the empirical and conceptual realities of terrorism-related financial activity illustrated in Chapter Two, and the specific deficiencies identified in Chapter Three, the chapter presents the foundations for an alternative and ultimately superior conceptual framework for representing and conceptualizing terrorist finance. It begins in the first section by arguing that, given the intrinsically contested, intersubjective, and complex nature of terrorist financing, it is more salient to focus analysis explicitly and exclusively on how financial activities influence the behavior of terrorist actors, and what financial activities tell us about how terrorist actors relate to wider local, national, and global societies. In the chapter's second section, I argue that this shift in focus enables – and calls for – the reframing of terrorist financing as an issue of political economy, specifically an issue that revolved around the concepts of power and value, in general, and, specifically, the forms and practices of power influences the individual exchange of value of which terrorist finance is comprised. The chapter's third section discusses the implications of reframing analysis of terrorist finance around these political economic concepts; in particular how it brings forth a new set of assumptions that provides an original epistemic foundation for not only better analyzing the empirical realities of terrorist finance, but also producing useful insights relevant to liberal democratic responses to terrorism within the contemporary global political economy, which together form the conceptual foundation of practical wisdom about terrorist finance.

The previous chapters demonstrated that existing understandings of terrorist financing are at best severely dysfunctional, or at worst malignantly so, according to a compelling critical literature that has emerged from both within and outside academia. In aggregate, these works' critique can be summarized that despite the emergence and relentless prosecution of a global 'financial war' against terrorism, governments, the financial industry, and academia alike have no clear, systematic approach for understanding of the financial activities and economic foundations of terrorist actors. At the root of these dysfunctions, the previous chapter argued, is a consistent tendency to ask and answer the 'wrong' questions about terrorist finance. This chapter argues that whereas analyses of terrorist financing that focus on the contested notions of *who* finances terrorism (let alone the debates on what is terrorism to begin with), what methods do – and do not – constitute terrorist financing activity, and what behaviors are 'red flags' of involvement in financing terrorism produce the deficient knowledge detailed in the critical literature, analysis of terrorist financing would be more profitable were it to center on how financial activity *impacts* terrorists' conduct and capabilities, and what it *reflects* about their relationships with wider communities.

A New Epistemic Foundation: Asking The 'Right Questions' about Terrorist Finance

I propose an alternative epistemic starting point for the analysis of terrorist finance that, this paper demonstrates, is both more accurate and more useful than focusing analysis around the commonly asked – but 'wrong' – questions of 'who finances terrorism and how do they do it.' The 'right' questions, I propose are:

1. How do financial activities influence the behavior of terrorist actors?
2. What do financial activities tell us about how terrorist actors relate to wider local, national, and global societies?

Question 1: How do financial activities influence the behavior of terrorist actors?

This first question relates to what terrorist financing tells us about *terrorists* – especially their capabilities and behaviors – and thus in essence focuses on understanding the *instrumentality of financial activity to terrorist actors*. Answering this question lies at the heart of any effort to understand the how terrorist actors are influenced by their economic circumstances, including for example financial intelligence efforts, counterterrorism policies, or academic research into the actions of terrorist actors.

It is common sense to state that financial activities are in some manner instrumental to terrorist activity. Many analyses in the literature, however, assume that the instrumentality of terrorist financing is merely a reflection of the capability of terrorist groups. In this conception, terrorism is portrayed as a simple “motivation + capability” equation, with financial activity being a, if not the, key determinant of the latter variable.⁴⁹⁹ This claim is somewhat obvious. Financial dynamics do indeed generally influence the capabilities of terrorist actors, as well as their short-term tactical decisions and long-term strategic directions.⁵⁰⁰ However, the discourse provides little to no insight into exactly by what geometry financial activity is instrumental to terrorist activity, leading to the mistaken impression that terrorism related financial activity is simply the product of functional calculations, even though the evidence clearly indicates that on both tactical and strategic levels financial activity is as much a product of social, political, and economic contexts than simple functional calculations.⁵⁰¹ Financing is thus an instrument of terrorists’ capabilities,

⁴⁹⁹ Steven Emerson and Jonathan Levin, "Terrorism Financing: Origination, Organization, and Prevention: Saudi Arabia, Terrorist Financing and the War on Terror," *Testimony of Steven Emerson with Jonathan Levin Before the United States Senate Committee on Governmental Affairs* (Washington DC, July 31, 2003).

⁵⁰⁰ John Horgan and Max Taylor, "Playing the Green Card: Financing the Provisional IRA, Part I," *Terrorism and Political Violence* (Frank Cass) 11, no. 2 (Summer 1999): 1-38.

⁵⁰¹ Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008).

but – importantly – one that appears to function primarily according to the particular political-economic dynamics in which terrorist actors operate.

One important implication of orienting analysis to how financing affects terrorist behavior is that it shifts the focus on the diverse set of individual choices that in reality comprise the so-called financial ‘networks’ and ‘infrastructures’ of terrorist actors. More precisely, given that terrorism is a form of *political* violence, asking this question implies that terrorist financing is at core an issue of *political economic decision-making within certain contexts*. This limits analysis of terrorist finance to specifying the relationship between terrorist behavior, the political economic contexts in which terrorists operate, and the purpose of analysis. Once so disciplined, analysts can systematically identify the social, cultural, economic, psychological, normative, ideological, and political dynamics of terrorist-related financial activity in terms that explicitly serve their particular analytic goals; thus creating more useful datasets specifically of terrorist capabilities and the multi-dimensional factors influencing those capabilities, which would of course offer a much more potent body of knowledge upon which to base policy and action than is currently available.

Underlying this question, however, is the conclusion that the realities of terrorist financing are fundamentally relational, in that they have no *meaning* except in relation to either other realities (e.g. the military capability of a terrorist group) or one’s purpose of analysis (e.g. to identify associated law-breakers). This in turn means that defining, specifying, and analyzing those relational elements, whether the cultural context of terrorist financing activity or the biases of an analyst, must be at the core of any analysis. This matches with understandings of finance and money from poststructural and economic sociological approaches to international relations and political economy. For example, Dodd observes that the value ascribed to

money, in whatever form, exists only in relation to the various social networks and discursive constructions upon which rest people's expectations about its value over time and space.⁵⁰²

Given that accepting that terrorist financing is meaningless except in relation to something else may seem hopelessly 'postmodern' and thus useless to many, especially perhaps in the counterterrorism and financial intelligence communities. However, the intrinsic relationality of terrorist finance is crucial to achieving a systematic – and therefore practically applicable – conceptual basis for understanding the issue. In order to further specify the dynamics by which financial activity is instrumental to terrorist activity – and also to counter any claims that this is simply soft-minded relativism – it is useful to incorporate the neo-classical economic conception of 'flow.'

Economists use the term 'flow' to describe problems in which the analytic objective is not to measure variables in an absolute sense (which is termed a 'stock' problem), but to assess the importance of each variable *relative* to something else.⁵⁰³ The most common example of a 'flow' problem in economics is economic growth, a product of many variables, including for example the production and consumption of financial, material, human, and social capital, the efficiency of institutions, technological progress, each affecting positively or negatively the others. These variables are incorporated into one predominant metric of growth is Gross Domestic Product (GDP), which measures not absolute economic wealth, but economic wealth *relative* to certain specified variables, in this case time (per annum) and population (per capita).

⁵⁰² Nigel Dodd, *The Sociology of Money* (Cambridge: Polity, 1994). See also Geoffrey Ingham, *The nature of money* (Cambridge: Polity, 2004).

⁵⁰³ Partha Dasgupta, *Economics: A Very Short Introduction* (Oxford: Oxford University Press, 2007). The use of the concept of 'flow' here is meant to emphasize that it is the relationship among the many variables of terrorist financing that is important to knowledge of it, rather than the nature of any particular set of those variables. Although this is essentially analogous to economic sociological approaches (see especially Jens Beckert, "The social order of markets," *Theory and Society* 38 (2009): 245-269.), for the purposes of this dissertation, the concept of 'flow' makes this point more concisely.

Terrorist financing is a similarly structured problem. Although it is also the product of many distinguishable variables, such as motive, ideology, economic desire, cultural obligations, etc, nevertheless the important metric depends on the *relative relationship* among certain variables. However, researchers, governments, and the media often frame terrorist financing as a stock problem – i.e. how much money do terrorists have, and how do they produce, move, and spend it – resulting in analysis that largely revolves around determining which actors and actions should or should not be stuck with the ‘terrorist financing’ label. The problem, however, is that even if the variables of terrorist financing were identified (e.g. by more accurate behavioral profiling, perhaps aided by modeling & simulation or other information technologies) current epistemological formulations prevent any thorough analysis of how they relate to one another, and thus hinder systematic assessment of how financial activities are or are not instrumental of actual terrorism-related behavior.

This is because the financing of terrorism is demonstrably an issue of flow – how much resources do terrorist use per relevant unit. For example, it is obvious that it is less important to know the absolute size of the stock of wealth possessed by a specified terrorist group, and more important to know exactly where, when, how, why, and for what they use this wealth. In her examination of the global extra-legal economy, Nordstrom offers an explanation of ‘flow’ that is very useful for its application to terrorist financing:

“Modernists have a long tradition of taking “place” very seriously and assuming its centrality in shaping identity. The state is about the static. The defined and the bounded. It has borders that are set and inhabitants that have sovereign identities that are equally set.... Flow carries a set of cultural realities shaped by the people creating it is (rather than merely being composed of) political, economic, philosophical, and poetic forces.” (Nordstrom, 2007) [emphasis added]

Thus, just as economic growth concerns the relationship between income, time, and population, applying the concept of ‘flow’ to our understanding of terrorist finance points us towards analysis of the political-economic relationships, interactions, and movements within the global system that produce power, value, identities, motives, behaviors, and even actors that relate to those we deem to be ‘terrorists.’ Interestingly, while this concept of ‘flow’ is conceptually similar to sociological perspectives of ‘markets’ – which hold that markets are “fully social institutions, reflecting a complex alchemy of politics, culture, and ideology”⁵⁰⁴ – the concept of flow or any similar conceptualization that are capable of being used to systematically understand and research relational political-economic exchanges cannot be found in either International Relations or International Political Economy discourse. Regardless, it nonetheless superbly articulates the constant interplay among forms and practices of power, the exchange of value, and individual political-economic decision making within varied social orders that lies at the heart of the financing of terrorists as well as our understanding of it.

Question 2: What do financial activities tell us about how terrorist actors relate to wider local, national, and global societies?

The second ‘right’ question relates to what terrorist financing tell us about *society*, specifically about terrorists’ relationships with and within it. This implies that in reality the financial activities of terrorists are not just *instruments* of specific terrorist objectives, but also *reflections* of their complex relationships with various members of and trends in relevant societies. This may not seem like a new insight, as observers as diverse as Paul Wolfowitz⁵⁰⁵ and Ibrahim Warde⁵⁰⁶ have argued that terrorist financing is in large part a

⁵⁰⁴ Greta Krippner, "The Elusive Market: Embeddedness and the Paradigm of Economic Sociology," *Theory and Society* 30 (2001), p782. See also Jens Beckert, "The social order of markets," *Theory and Society* 38 (2009): 245-269.

⁵⁰⁵ quoted in Elisabeth Bumiller and Jane Perlez, "Bush and Top Aides Proclaim Policy of ‘Ending’ States that Back Terror; Local Airports Shut After Arrest," *New York Times*, September 14, 2001.

⁵⁰⁶ Ibrahim Warde, *The Price of Fear* (Berkeley, CA: University of California Press, 2007).

function of the level of popular support for a terrorist group. However, ‘popular support’ only captures one aspect (popularity) of how terrorist actors relate to wider societal contexts. Instead, the above question compels one to explicitly consider the full range of social, political, economic, cultural, normative, and cognitive factors that influence and are influenced by the interactions that make up terrorist financing. More simply, asking this question allows, and indeed compels, analysts to engage more deeply with the everyday realities of terrorist finance than is currently possible. As with the first ‘right’ question, these issues are to date grossly underspecified.

The following Congressional testimony about the financial activities of Hezbollah contains a common but analytically counterproductive view common in current terrorist financing discourse, and can thus be used to illustrate the beneficial implications of orienting analysis of terrorist financing towards analysis of its place within larger societal contexts:

*While some of [the social service] funds undoubtedly paid for Hezbollah’s military and terrorist operations, other funds enable the group **to provide its members with day jobs, to drape itself in a veil of legitimacy, and to build grassroots support among not only Shia but Sunni and Christian Lebanese as well.***⁵⁰⁷

This representation is based on an assumption that Hezbollah relies on a financial ‘network’ or ‘infrastructure’ to fund its operations, components of which include the social service organizations mentioned in the testimony, as well as various donors, legitimate and criminal business ventures, and financial middlemen and facilitators. Again, while this may seem like a common sense way to describe the financing of Hezbollah, given that Hezbollah no doubt cynically exploits its social welfare activities to further its political and military objectives, I

⁵⁰⁷ Matthew Levitt, "Adding Hezbollah to the EU Terrorist List," *Testimony to the Committee on Foreign Affairs, Subcommittee on Europe, United States House of Representatives*, June 20, 2007, <http://foreignaffairs.house.gov/110/lev062007.htm> (accessed April 20, 2008).

argue that characterizing this as “a veil of legitimacy” summarily excludes much that is important, and includes too much that is largely irrelevant.

For example, the analytic perspective represented in the above statement obscures the multi-dimensional reasoning behind popular support for Hezbollah, and the equally complex and nuanced dynamics by which otherwise legitimate actors (such as businesspeople or even state governments) choose to interact financially with Hezbollah. To summarize a large and complex topic, Hezbollah arose from, and exists firmly within, the complicated contexts of Lebanese social, political, and cultural life.⁵⁰⁸ The group, as one of the two major Shi’ite movements in Lebanon, is very much a product the country’s multi-sectarian society, comprised of 18 different sects, the largest and most important of which are the Sunni Muslims, Shi’ite Muslims, and Maronite Christians. To understand its financing, it is unavoidably important to understand that Hezbollah has evolved from one of many armed factions to become simultaneously a regional actor (e.g. as an armed force that acts independently and on behalf of its allies Iran and Syria), an influential socio-cultural player in Lebanese society (e.g. as a political party and media provider), and to a large extent a state-within-a-state (that has replaced the country’s central government in fulfilling many aspects of the social contract). Within this context, it is thus significant that that Hezbollah draws large amounts of funds not only from Shi’a Lebanese, but also from non-Lebanese Shi’a, Lebanese Christians, and Sunnis from Lebanon and elsewhere, as well as of course its state sponsors, because this means that Hezbollah represents the resentments and aspirations of not only its members (e.g. in intra-Shia politics), but also of all Shi’a (e.g. in Lebanese sectarian politics), and at times all Lebanese or even all Arabs (e.g. during the 2006 war with Israel).

⁵⁰⁸ Adham Saouli, "Stability Under Late State Formation: the Case of Lebanon," *Cambridge Review of International Affairs* 19, no. 4 (December 2006).

When placed into this general context, it is clear that, for example, specifying the nature and dynamics of popular support for Hezbollah – in all its normative, societal, political, and analytic complexity – is far more intellectually sound and practically applicable than determining who or what lurks behind the ‘veil’ of Hezbollah’s financial network. For instance, the United States Government would have a different set of policy options available if financial support reflected actual support for the group’s political objectives compared to if such support simply reflected (more temporary) appreciation of Hezbollah providing reconstruction aid after the 2006 war with Israel (which was more efficient and effective than that from the Lebanese government).⁵⁰⁹

In other words, once one shifts focus away from inevitably politicized debates on who and what should count as part of Hezbollah’s financial infrastructure or not, and towards a systematic evaluation of what its financial activities tells us about the group’s place in local and international society, a much deeper and more productive understanding of the terrorist group can be achieved. The practical implication is that such systematic, societal-oriented analysis of its financial activities could provide the foundation of knowledge to devise sets of policies to address these aspirations and resentments and thus undermine Hezbollah and diminish its capabilities. More generally, by granting significant insight into both the political economy of Lebanon and Hezbollah’s true place within it, it provides a basis for outside actors (such as opposing governments) to monitor, influence, or undermine both Hezbollah and its donors (including Iran). In other words, asking the above question leads to more nuanced assessments that should be crucial components of liberal democratic responses to terrorism because they provide a foundation and structure of knowledge upon which rational, effective, and principled action can take place. The same cannot be said of current

⁵⁰⁹ *Gulfnews*, "Hezbollah's welfare services ensure grass-roots support," August 12, 2006.

policies that focus robotically on who endless, and ultimately irrelevant, debates on whether a specific business, charity, or wire transfer should count as 'in' or 'out' of Hezbollah's financial 'infrastructure.'

Summary

The above 'right' questions, when viewed as the basis for an alternative epistemological foundation of how terrorist financing is represented, may appear to be an awkward conceptual fit to on one hand focus on the structural aspects of terrorist financing behavior, and on the other exhibit a theoretical emphasis on the importance of agency and reasoning. In particular, it raises the related question of whether a conceptual focus on the instrumentality of finance is appropriate, especially since the reasoning behind one's engagement in terrorism-related financial activity would be central to any conceptualization of terrorist finance that focused on seeking to understand related political-economic decision making. However, given that terrorist financing is a product of not only human reasoning, but also the relationship this reasoning has to both decisions based on these reasons as well as the consequences of these decisions, this section argues that by reorienting conceptualizations of terrorist financing and thus also research on the issue around the above two questions, this potential awkwardness is resolved. In particular, it is resolved because an epistemic focus on these questions and their answers implies that the structural dynamics of terrorist financing (a typology of which is presented in the next chapter) depends on human choices (agency) about terrorist group values, objectives, and goals, which are themselves a product of rationality & freedom and the place of the individual in global society.

In this way, the above section provided the first step beyond the deficient understandings of terrorist finance, and beyond also the critiques surveyed in Chapter Three. Asking the 'right

questions’, is nothing else, locates terrorist finance in the larger dynamics of how terrorists participates in wider political-economic communities, and what this participation means for these communities. In this way, terrorist finance is, importantly, a security issue, albeit one with that is strongly informed by various political, economic, social, cultural, institutional, ideational, and other knowledge.

In one way, this chapter simply acts on acceptance of the full epistemological consequences of recognizing that the analysis of terrorist finance is itself a political project meant to serve specific interests of liberal democratic society. More precisely, it provides a viable alternative to dominant analytic approaches that require one to uncover dark secrets about the global ‘infrastructures’ and “mysterious” networks that supposedly finance terrorism. However, while the world of terrorist finance is indeed often invisible and inaudible to the casual observer, it is very much knowable and comprehensible – if one asks the right questions. This dissertation fundamentally argues that what is referred to as ‘terrorist finance’ is at core simply a certain sub-set of political economic activity about which liberal democratic societies are currently concerned. It can thus be observed, analyzed, interpreted, and acted upon, just like any other manifestation of human behavior. This subtle but important epistemological shift subordinates normative debates about ‘bad’ (i.e. terrorist) versus ‘good’ financing, and replaces them with a foundation of analysis that is not only closer to the specific (liberal democratic) interests and objectives it is supposed to serve, but also enables access to more analytic tools required to meet those objectives.

More specifically, this chapter argues that the focus of analysis – or the ‘variables,’ if one prefers positivist language – of terrorist financing should be the dynamics and consequences of political-economic decision-making and its consequences, rather than the ‘who’ and the

‘how.’ In other words, the ‘right questions’ to ask about terrorist financing concern the instrumentality of economic activity for terrorist actors and what such activity tells one about the relationship terrorist actors have with wider societies. Answering these questions shows that financial activity is a conditioning – rather than determining – factor of terrorist behavior, and that the relationships terrorists have with those that support either them or the causes for which they fight are as complex and multidimensional as any other socio-economic interaction. Furthermore, given that terrorist financing is tied directly and exclusively to the beliefs and objectives of those analyzing it – i.e. the issue’s politics – analysis of the financial activities requires explicit recognition of one’s purpose of analysis, as well as enough critical distance so as to not let one’s analysis become slavishly obedient to specific political whims and ideologies. Only by thus explicitly focusing analysis of terrorist financing on the impact and the ‘reflection’ of such financial activity can any government or financial institution ever hope to systematically understand the financing of terrorism, let alone develop successful legal, regulatory, or political responses to it.

Reframing the Bases for Conceptualizing Terrorist Finance

This section part of the chapter presents a new set of assumptions about the nature of terrorist financing activity. These premises reflect the insights from the case study of Chapter Two, the critiques of existing discourse in the previous chapter, and the reformulated ‘right’ questions above. As such, they represent the basis of the reformulated epistemological framework that is the central objective of this dissertation.

Terrorist Finance is a Compendium of Individual Exchanges

Previous chapters have shown that even though it is common today to view terrorist financing in terms of the economic ‘networks,’ ‘infrastructures,’ or even the ‘lifeblood’

behind terrorist actors. These formulations exclude much about the everyday realities of terrorist finance that is relevant to analysts and includes much that is not. The first premise therefore is that terrorist financing is best characterized instead as, to borrow a phrase from Carolyn Nordstrom's work on the anthropology 'extra legal' political economies, a 'compendium of individual exchanges.'⁵¹⁰ The financing of any terrorist group, any terrorist attack, any terrorist movement is a product of dozens, hundreds, thousands, or even millions of individual interactions. In the case study of Chapter Two, for example, the raising and transfer of funds from the Middle East to Chechnya consisted of many of distinct individual interactions like the original fundraising appeal to the international wire transfer of funds to the bribery of corrupt border officials to ultimate purchase of weapons or supplies, each of which occurred according to its own unique and complex dynamic of human agency. I argue therefore that it is at the level of these individual choices in which the empirical reality of terrorist financing can – and indeed must – be best observed. Even though this raises certain methodological difficulties discussed below, this premise represents the cornerstone of the new epistemic foundation of terrorist financing analysis presented in this dissertation.

In many ways, this premise is obvious. For example, it should not tax the intellect to accept that a claim such as "Iran funds Hezbollah," is in fact a simplistic aggregation of a huge variety of individual interactions and exchanges. It should also be logical to recognize that each of these individual exchanges occurs according to its own logic, in its own context, and producing its own result. What may not be obvious however are some of the implications of this assumption.

⁵¹⁰ This phrase was used in Nordstrom, *Global Outlaws*, 2007.

Contextualized Choice

The first implication relates to the unit of analysis of terrorist financing. It has been demonstrated throughout this dissertation that there is no set profile of who is involved in the financing terrorism. Legitimate and criminal, willing and unwilling, American and Zambian, and people of all types in between have been known to participate in some way or another in financing terrorism. Terrorist financing at a fundamental level of analysis involves a series of human choices that leads to conduct that financially supports terrorism. As these choices influence and are influenced by the environment in which they occur, it can be said that the above assumption implies that the fundamental unit of analysis of terrorist financing is ‘contextualized choice.’ This greatly simplifies the inherent complexity in terrorist financing analysis. As discussed earlier, existing literature attempts to understand this complexity by focusing on a variety of units of analysis, including methods, actors, motives, and structural contexts, under the assumption that terrorist financing occurs through some undiscovered combination of these factors. However, to use scientific language, viewing terrorist financing as a “compendium of individual exchanges” focuses analysis of this vastly complex topic towards one dependent variable – human choice – and one independent variable – the context of that choice. Although these variables are themselves very complex, this is nevertheless a significant epistemological improvement over existing frameworks.

Rationality and Freedom

The second implication is that these ‘contextualized choices’ are rationally and freely chosen. In order to explain what this means, however, it is necessary to begin by discussing what it does not. Rational choice is a contentious idea especially in IR discourse. In fact, ‘rational choice’ has become an almost poisonous term, as it popularly refers to a stilted discourse resting on prespecified axioms, such as internal consistency, intelligent pursuit of self-

interest, or maximization.⁵¹¹ Such conceptions of rational choice assume people to be ‘rational fools,’ who *must* – “by the analytical force of non-distinction” – adhere to universal orderings of human behavior. This regimented understanding of human agency by “the authoritarianism of some context-independent axioms or by the need to conform to some canonical specification of “proper” objectives and values... [and] have had the effect of arbitrarily narrowing permissible ‘reasons for choice,’”⁵¹² such as laws and legality. In International Relations this has manifested itself in the belief that people are bound to act in a certain way, for example, to maximize self-interest (neo-Realism) or welfare (neo-liberalism), or in reaction to oppression, deprivation, or “ancient hatreds.”⁵¹³ Similarly, much of the terrorist financing literature assumes that those involved in financing terrorism are ‘rational fools,’ instrumentally acting for terrorist, evil, criminal, or other pre-specified ends. Such a “theoretical and methodological straightjacket,”⁵¹⁴ however, is not the only conception of rational choice, even though it may be the most prevalent in the IR literature.

The Nobel economist Amartya Sen provides a very different theory of rational choice as “reasoned scrutiny,” or the broad “need to subject one’s choices to the demands of reason.”⁵¹⁵ According to Sen, “reasoned scrutiny” simply means that people have reasons for acting, not all of which are self-interested or maximizing or particularly logical to an outsider. This is a much richer conception of rationality that also proves highly applicable to understanding the ‘contextualized choices’ that comprise terrorist finance. This helps explain the choices that comprise terrorist financing, which are influenced not by some set of universal factors, but by

⁵¹¹ Amartya Sen, *Rationality and Freedom* (London: Harvard University Press, 2002), 4.

⁵¹² *Ibid.*, 6.

⁵¹³ See *Ibid.*, 7 footnote 4.

⁵¹⁴ Ash Amin and Ronen Palan, "Towards a Non-Rationalist International Political Economy," *Review of International Political Economy* 8, no. 4 (2002), 561. Specifically, Amin and Palan argued that the ‘rational fool’ conceptualization of human agency is analytically deficient, as has Sen (2002, 48).

⁵¹⁵ Sen, 2002, 4.

different reasons and pressures, some of which may change the actor's behavior, and some of which may not, all for a variety of reasons. According to Sen:

*"Seeing rational choice as choice based on reasoned scrutiny has far-reaching implications on decisional complexity precisely because of the extensive reach of reason, which cannot be captured by a priori axioms or by very general admonitions."*⁵¹⁶

Assuming that the choices going into terrorist financing are rational naturally focuses attention on the rationales driving these choices. Sen points out that his conception of rationality does not require centrality of oneself in individual decision-making. This is important, especially for issues such as terrorist financing and terrorism, because it is typically on behalf of a group, real or imagined, that people make decisions to engage in, for example, terrorist financing activity. This implies, in other words, that someone involved in financing terrorism can make a 'reasoned' choice that in fact conflicts with other choices, with one's moral values, or with one's objectives. What would drive a person to choose to finance terrorism if doing so conflicted with his values or goals? The answer lies often in the context in which such decisions were made. In other words, the rationales informing individual choices are not just a product of context-independent norms or objectives, but of the environment.

It is again helpful to turn again to Sen, now to understand the relationship between the individual choices involved in terrorist financing and the contexts that influence and are influenced by them. In conjunction with his theory of rationality, Sen argues that people are existentially autonomous and that their reasoned choices are conditioned by their environment and experiences, which restrict and open up different menus of choices. More simply, rationality and freedom go hand in hand, explaining both the core dynamic of the

⁵¹⁶ Ibid., 48.

individual decisions that lead people to engage in conduct that helps finance terrorism, the processes by which such choices interrelate with the contexts in which they occur. In context of IR discourse overall, this is roughly analogous to constructivism in which structures matter, but they can change and can change by the choices of agents; and in particular to the poststructural IPE and economic sociology approaches that discuss the social, ideational, and discursive foundations of how value (such as money) and its exchange (such as 'finance') is perceived and acted upon.⁵¹⁷

Analyzing Choices

The third implication is methodological, specifically that observing, measuring, and interpreting terrorist financing at the level of the individual exchange creates certain methodological challenges, which do require further development outside the scope of this dissertation, but which are by no means insurmountable. Within these caveats, it seems appropriate to at least introduce a method of analysis based on the epistemic core of those choices, namely the dynamics of freedom and rationality within the compendium of individual exchanges that comprise terrorist finance.

In context of Sen's conception, levels of freedom are relatively straightforward to measure, although not always easy. In general, they can be measured by assessing what influences constricted or enlarged the menu of choices available. Such factors have included social pressures, such as a kinship bond, moral norms, such as belief against terrorism, ideological beliefs, such as support for a terrorist group, among others. The key factor here however is not the presence of these influences, but how they affect the actor from achieving his objectives, i.e. from achieving what he has chosen to do. This ties analysis of actual financing

⁵¹⁷ See especially Nigel Dodd, *The Sociology of Money* (Cambridge: Polity, 1994); Geoffrey Ingham, *The nature of money* (Cambridge: Polity, 2004); and Marieke de Goede, "Beyond economism in international political economy," *Review of International Studies*, no. 29 (2003).

choices made to actual terrorist goals, which helps clarify many complexities that are typically conflated in terrorist financing analysis. For example, it is common for the literature to state that someone is 'linked' or 'associated' or in the 'network' of an actor that is either a terrorist or a terrorist supporter. These links are usually grossly underspecified, negatively impacting both analysis of terrorist financing and the actor 'linked' to terrorism if that link is spurious or irrelevant. Another example is to clarify intent. In every interaction, people have various intents. For example, the Khevsur villagers who gave food and shelter to passing Chechen terrorists did so as an cultural expression of hospitality rather than some political or operational act. Similarly, those benefactors who donated money to the Chechen jihad may have done so in an honest, if perverted in many people's eyes, interpretation of the religious duty of zakat giving. Thus this is a fruitful avenue by which one can determine the meaning, importance, and ultimate relevance of any financial activity connected to terrorism.

Measuring rationality is slightly more problematic. One problem, as Sen observes, there is no set criteria for determining what should be considered reasoned scrutiny/rationality. Rationality depends on actors' own reasoning and thus measuring rationality means recording the reasoning by which actors arrive at their decisions without a priori judgment. To do otherwise would deny recognition of individuals' freedom to choose what motivates their decisions, which in turn would prejudice analysis of rationality towards our own norms and interest. To some this might imply legitimization of choices that violate fundamental values and preferences of others, but it is simply an analytic necessity to maintain a systematic analytic method. In practice, this would most likely be achieved either by collecting data from interviews, statements, or observation/surveillance on rationales used in choice that lead to involvement in terrorist financing, or deduction from contextual clues such as known cultural patterns of rationality in particular circumstances (e.g. hospitality traditions). Doing

so, as this section demonstrates, enables systematic analysis of how terrorist financing activity influences and is influenced by the contexts in which it occurs. This in turn implies that, although it would take much time and effort to map out the dynamics of these exchanges individually and in aggregate, it could serve as the basis for developing a superior basis for terrorist financing analysis, or in the words of the Canadian intelligence service, a “generally accepted model for terrorist financing that provides a clear and common strategic understanding of how terrorist financing operates and a sound basis for deciding how to respond to it.”⁵¹⁸

Terrorist Finance Concerns the Exchange of Value Not Money

Terrorist finance obviously implies monetary exchange. Yet, as the second epistemological premise states, the reality of terrorist finance is that it involves *the exchange of value in any form*, not just money. For example Chechen terrorists were financed in part by heroin that was exchanged for stolen cars which was then exchanged for weapons. No money ever changed hands. Similarly, the IRA, HAMAS, and other groups regularly grant nationalist, cultural, and/or religious legitimization to donors ‘in exchange’ for material support. In other words, non-monetary forms of value not only play an important role in terrorist financing exchanges, but are in fact I argue the objects being exchanged. Of course, this is a conceptual device to incorporate consideration of these non-monetary forms of value into analysis, rather than an argument that people involved in the exchanges explicitly draw up bills of sale for “cultural legitimization.” Nevertheless, reorienting analysis towards *value* rather than money enables a richer and more comprehensive account of the dynamics of terrorist financing activity, but one that also can potentially complicate analysis of it.

⁵¹⁸ Canadian Press, "CSIS developing new model for understanding terrorist financing, documents show," April 20, 2008, http://canadianpress.google.com/article/ALeqM5g-zSC8Bb1S49xg9EuhBzIzzk3_WA.

Fortunately, however, this broad conception of value corresponds roughly to the notion of ‘capital’ used in economics and, to a lesser extent, sociology.

Value as Capital

Capital in its most generic sense refers to items of value used to produce goods or services. As mentioned earlier, capital is a “contested” concept that is “contingent” on both perceptions and societal contexts.⁵¹⁹ Ideas about capital in economics discourse are actually not fundamentally different, although its focuses on developing various classifications of capital such as ‘physical’ and ‘financial’ capital, as well as in its ‘social,’ ‘human,’ and ‘individual’ forms.⁵²⁰ At its most basic level, therefore, capital is simply a socially and cognitively constructed expression of value. However, because capital is a more developed term it is useful to frame this discussion of the exchange of value within terrorist financing in terms of some of these forms of capital.

First, terrorist financing involves the exchange of financial, physical, and material capital, includes not only money, but also, as observed earlier, goods such as weapons, food, or humanitarian aid. Second, we have seen that terrorist financing often involves the exchange of services or mutual agreements, such as protection rackets in which armed protection is exchanged for logistical services, or the facilitation of material or financial capital across borders. These forms of value can also be characterized roughly as ‘human capital,’ which has been defined as:

⁵¹⁹ de Goede, "Beyond economism," 2003.

⁵²⁰ For example, to illustrate the diversity of views of capital, two different well established conceptualizations of these other forms of capital include that presented in Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon and Schuster, 2000), and Pierre Bourdieu, "The forms of capital," in *Handbook for Theory and Research for the Sociology of Education*, ed. J.G. Richardson (Westport, CT: Greenwood Press, 1986).

“practical knowledge, acquired skills and learned abilities of an individual that make him or her potentially productive and thus equip him or her to earn income in exchange for labor.”⁵²¹

From this term one can see immediately that, in context of the Chechen case of Chapter 2, the transport and facilitation services provided to the foreign jihadists by corrupt Georgian officials were not simply a product of malevolent intent or unscrupulous rent-seeking. Instead, it comes closer to the full reality of the situation to see it as an exchange of financial capital for human capital, which in this case included, among other things, the Georgians’ practical knowledge of the safest place to cross the Georgian-Chechen border. Third, terrorist financing, like any human activity, involves “social capital,” defined by Putnam as,

“features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.”⁵²²

Employing this term, one can easily also see that the Georgian officials also exploited various relationships, positions of authority, cultural bonds, and other forms of social capital in exchange for the financial capital provided to them by the foreign jihadists. However, it also illuminates another side of the exchange other than the Georgians and the foreign jihadists, namely the interaction among them and other societal actors. For example, for the Khevsurs and some Kists, various cultural norms and economic motivations lead them to ‘facilitate coordination and cooperation for mutual benefit’ in a way that, in the instance, resulted in what we would term ‘terrorist financing.’ In other words, assuming terrorist financing to be the exchange of value leads forces the analyst into a much fuller appreciation of the complex realities of the problem, while still maintaining methodological clarity. For example, to understand better the dynamics of value exchanges, it would be useful to understand the role

⁵²¹ Paul Johnson, "Human Capital," *Glossary of Political Economy Terms*, http://www.auburn.edu/~johnspm/gloss/human_capital (accessed June 2008). This is also similar to ‘individual capital,’ which Becker defines as training, education, technical skills, or other productive knowledge. Gary Becker, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education* (Chicago: University of Chicago Press, 1993).

⁵²² Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon and Schuster, 2000).

of financial activity itself in the societies in which the activity takes place. For example, in a different incident in the Chechen case, ‘terrorist financing’ activity was also as an expression of belief and an act of charity to certain Middle Eastern benefactors. These donors saw their largesse as meeting their duty in Islam through either *zakat* to donate money to a worthy cause,⁵²³ which in some interpretations of Islam includes violent struggle against an ‘enemy of the faith.’ Such competing perspectives about terrorism or terrorist financing are often portrayed according to the ‘one man’s terrorist is another man’s freedom fighter’ cliché. However, analyzing the issue as an exchange of value within particular contexts avoids this unproductive dichotomy because it enables systematic *analysis* of opposing views and norms, without needing to adopt one or the other. This is not objectivity per se, but simply a device to analyze normative, cultural, or other difficult or controversial content in a systematic way.

A methodological problem, however, with this assumption is that because this opens up analysis to such a diversity of variables, it also forces the analyst into difficult methodological terrain. For example, one cannot easily collect data on specific interpersonal interactions, especially when they occur in secret or in dangerous or foreign areas. Therefore, even though all forms of capital and value can, at least in theory, be observed, collection of reliable data is admittedly a significant issue. However, Nordstrom and others have argued that anthropological methods can be used to make economic surveys of populations that otherwise would not be accessible,⁵²⁴ and Horgan, Silke, and others have shown that interviewing terrorists and those that interact with them, is not only possible but necessary.⁵²⁵ It is clear, therefore, that this assumption brings both epistemological and methodological benefits to the analysis of terrorist finance.

⁵²³ Looney, 2006.

⁵²⁴ Carolyn Nordstrom, *Fieldwork Under Fire* (Berkeley, CA: University of California Press, 1996).

⁵²⁵ John Horgan, "The Case for First-Hand Research," in *Research on Terrorism: Trends, Achievements, Failures*, ed. Andrew Silke (London: Frank Cass, 2004).

Greater Engagement with ‘Everyday’ Realities

The third assumption is improving how terrorist financing is conceptualized required *greater engagement with the everyday realities* that impact and are impacted by terrorism related financial activity. In *The Practice of Everyday Life*, Michel de Certeau argues that while social science has methods for observing and cataloging the various instruments and dynamics of politics, economics, society, and culture, it has few formal ways to evaluate how or why individual people use, alter, and are affected by them.⁵²⁶ Greater engagement with ‘everyday’ realities would lead to an approach to representing and conceptualizing terrorist financing as a product of people’s behavior within particular contexts, and therefore that understanding terrorist finance requires comprehending the *meaning* of these behaviors, not just the details of their execution. This represents a clear alternative to the ‘orthodox’ approaches that is written to imply that understanding terrorist finance requires one to uncover dark secrets about the global ‘infrastructures’ and “mysterious”⁵²⁷ networks that supposedly finance terrorism. Engagement with these everyday realities means that these realities can be observed, analyzed, interpreted, and acted upon, just like any other manifestation of human behavior. In other words, this dissertation assumes from the outset – and demonstrates throughout – that terrorist financing is very much an ‘everyday’ activity in which certain individuals make certain decisions that lead to particular outcomes that in different ways and for a variety of reasons results in enabling certain opponents – terrorists – of liberal democratic societies. As such, it is worth beginning with a discussion of the diversity of political-economic spaces in which terrorist financing as an ‘everyday’ activity occurs.

⁵²⁶ Michel de Certeau, *The Practice of Everyday Life*, trans. Stephen F Rendall (Los Angeles: University of California Press, 1984).

⁵²⁷ Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," *Strategic Insights* (Center for Contemporary Conflict) IV, no. 1 (January 2005).

Diversity of Political-Economic Spaces

Terrorist financing occurs in many different spaces, other than the state. Some are characterized by governance structures in which ideational factors such as cultural traditions (e.g. duties of hospitality), norms (e.g. those that value profit above all else), religious or ideological belief (e.g. those believe in fighting *jihad*), and/or identity play a significant role in influencing political action. Within such cognitively constructed spaces, however, the influence of the political order tends to be only as deep as the cognitive beliefs that underpin it, and because people often change their minds and beliefs depending on shifts in perceptions and circumstances, these orders can similarly often change. This is different from formalized legalistic political orders in which institutions provide a permanence, or at least a persistence, to power structures that if properly constructed can outlast even wide swings of social, cultural, or political belief. This is the reason why the U.S. Constitution has survived so long, because it institutionalized certain power structures of liberal democracy which have become more or less universally accepted. The political orders in which terrorist financing occurs, however, are typically far less persistent but are oriented more to the individual needs and goals of particular actors within particular time/place contexts. This explains why Chechen militants could simultaneously perceive young Arab men intending to fight with Chechen separatists as welcome guests, examples of the ‘way of God,’ or expendable commodities, as changing circumstances forced the Chechen to prioritize and re-prioritize the various identities, norms, and roles on which their political-economic order rested. This also explains how the Pashtuns in Afghanistan regularly switch between supporting the Taliban and the NATO forces. The Pashtuns have a very stable internal political order, and are thus free to negotiate and renegotiate depending on the situation in order to achieve their political goals.

In addition, terrorist financing often exhibits more socially based orders, in which trust especially plays large roles. Those involved in terrorist financing regularly interact only with those with whom they have either built trust. Trust can develop in a number of ways. It can be based on a social or cultural bond, the dynamics of which can vary tremendously. For example, kinship bonds are often strong, while ideological bonds have proven to be weak indicators of trust, as they are more easily changed. Reciprocity can also serve as a foundation of trust, including positive reciprocity – such as a mutually profitable economic exchange – or negative – as in a coercive threat. Both are common techniques of maintaining political order in terrorist financing activity.

The varying political orders in which terrorist financing occurs have certain important common implications. First, it means that what may seem like anarchy is more accurately characterized as alternatively governed political space. In other words, conceptually, the relevant political order of terrorist financing is neither anarchy, nor government, but, more generically, *governance*. This helps one see that those involved in financing terrorism are to some extent able to ‘pick and choose’ the political-economic order in which they could most advantageously operate (i.e. that which had structures of governance and authority from which they could generate most political-economic advantage). Methodologically, this complicates the analysis of terrorist financing by forcing consideration of political-economic spaces with which Western research might find alien, but which are nevertheless where the reality of terrorist finance occurs.

Power and Order

Engaging with the everyday, ground realities of terrorist financing means, conceptually, engagement with the concept of power. Dynamics of power are central to the everyday realities of terrorist finance, meaning therefore that analysis must be expanded to include the

full diversity in the forms of power on which these political orders are based. Power, in the most generic sense, is the ability to affect the thoughts and behavior of others. Various forms of power are at play in terrorist finance, from the material to the ideational, meaning therefore that the forms of power that influence terrorist financing behavior are more diverse than the forms of power we Westerners typically allow to have authority over our behavior. For example, in Western society the power of religious duty and hospitality are almost always secondary to the power of the state and law in influencing behavior, but as was demonstrated in Chapter Two, the opposite can just as easily be the case.

Analytically, therefore, we must accept that relevant power relationships occur not only on material, political, economic levels,⁵²⁸ but also on social, cultural, ideational, and ethical levels. In the Chechen case for example, the ability of fundraisers to solicit donations from wealthy benefactors was a product of the power of fitting the Chechen cause into particular ideational and ethical frameworks, frameworks that are likely foreign to most westerners. Similarly, the power of the cultural traditions among the Kist and Khevsur populations influenced behavior as much and often more than action by government actors. This wider conception actually fits closely with ideas about power in classical Political Realism, as illustrated in this statement from Morgenthau:

*“[The] content and the manner of the use of power are determined by the political and cultural environment...Thus power covers all social relationships which serve that end, from physical violence to the most subtle psychological ties by which one mind controls another. Power covers the domination of man by man, both when it is disciplined by moral ends and controlled by constitutional safeguards, as in Western democracies, and when it is that untamed and barbaric force which finds its laws in nothing but its own strength and its sole justification in its aggrandizement.”*⁵²⁹

⁵²⁸ For example when police facilitate terrorist financing activity out of fear of reprisal of not doing so, or the various exploitation of economic and political dominance.

⁵²⁹ Hans Morgenthau, *Politics Among Nations: The Struggle for Power and Peace* (New York: Knopf, 1967), 9.

Ultimately, this more nuanced expression of power is a vastly improved conceptual foundation upon which to base deeper and more useful understanding of the complexities of the topic at hand.

Fluid Hierarchies

Another implication of this assumption is that hierarchies of power and influence are fluid within the everyday realities of terrorist financing, and that within the exchanges that comprise terrorist financing, elites (i.e. those with more power) typically win out, but who is an elite and what they are capable of achieving are highly fluid across variations in context. Analysts therefore must be prepared to describe the nature of elite-servant hierarchies, understand the processes by which these hierarchies came about, and be able to account for how they change. It is a truism that in all power structures, elites win out, but what we see in terrorist financing is that there are many constraints that bound elite behavior and determine who becomes an elite that are different from that in Western society. In other words, the exact manifestations of elite domination depend on unique, context-specific dynamics of political power competition, which often are foreign to the largely Western, rationalist academic and policy-making communities that currently dominate thinking and practice around terrorist financing. Terrorist financing activity then followed these channels of power.

Power and political order are naturally closely related to legitimacy. Empirically, there are competing structures of legitimacy in terrorist financing. Legitimacy is based on many different things, including culture, norms, fear, force, repression, agreement, etc. For example, the legitimacy of the Georgian government was based on their military and policing capabilities, while the legitimacy of the Chechen militants was based on their jihad against Russia. Another example of the diversity of legitimacy is that Saudi Arabia does not consider

Hamas to be a terrorist organization and therefore funding it would not be terrorist financing. Cultural factors are at play, for example in the United Arab Emirates financial services providers did not consider their services to be related to terrorism even if they served terrorist actors. This was for the same reason that a grocer who sold food to known terrorists would not be viewed by most as ‘supporting’ terrorism. Legitimacy plays a huge role in governance, which is why the state-based structures upon which we rely to combat terrorist financing are so easily ignored, i.e. because they lack legitimacy. Sometimes they lack legitimacy because of lack of power and authority, such as by a government of a weak state. Other times, they lack legitimacy in a normative sense, e.g. the ability of the U.S. to influence behavior of Hamas.

The Order of Terrorist Finance

This means that analytically we must formulate the problem of terrorist financing with the assumption that there are competing forms of legitimacy, meaning that our sense of legitimacy may at times lose out to other forms. This challenges the efficacy of rejecting all discussion of either the legitimacy of terrorism, and thus material support for terrorists, or the illegitimacy of counter terrorism or our own society. I argue that it is an analytic necessity to incorporate these competing views of legitimacy into our analysis of terrorist financing. Methodologically, this comes close to the *verstehen* (interpretative understanding) method, employed by for example Weber and Habermas, in which a social phenomenon is examined by an outside observer from an indigenous perspective.

I argue that, given the fact that terrorist financing occurs in an almost infinite variety, any attempt to situate terrorist financing into one or a set of particular political spaces is doomed to fail. Therefore, the arena in which terrorist financing occurs seems to be not one particular political ‘space’ – such as ‘the criminal world’ or ‘the community of terrorist sympathizers’ –

but rather as simply the arena in which endless competition among political spaces occurs. For example, it would be incorrect to view the financing of Hezbollah as occurring within exclusively either a state context (which would ignore the significant fundraising and criminal activities of the group) or a non-state context (which would ignore the support it receives from Iran). This is because the arenas in which Hezbollah-related financial activity occur changes according to how well the actors involved are able to act successfully within variable contexts. In other words, the space in which terrorist financing occurs changes according to the ability of terrorist related actors to exercise power, define and enforce legitimacy and lines of discipline, and control of knowledge within that space. In other words, to understand terrorist financing it is much more salient to understand the *process* by which it is governed within and across contexts, than to assess static behavior within specific place or contexts.

We see therefore that terrorist financing is at its base a problem that should be formulated around the issue of power, not authority. This means that formulations of the problem that revolve around institutions, structures, or even agents will be insufficient without a thorough accounting of how power is exercised within terrorist financing, both at individual and aggregate/global levels. For example, terrorist financing exhibits a similar diversity in the forms of order that compete with and often run counter to the political orders based on institutional authority (e.g. laws, common ethics) within which we in the West are familiar and upon which we rely for our own political order. Duffield observes that there has been an “emergence of new cross-cutting governance networks involving state and non-state actors from the supranational to the local level...[suggesting] that the nature of power and authority has changed.”⁵³⁰ He goes on to describe the nature of these shifts:

⁵³⁰ Mark Duffield, *Global Governance and the New Wars* (London: Zed Books, 2001), 8.

“Coming from the South, there has been an expansion of transborder and shadow economic activity that has forged new local-global linkages with the liberal world system and, in so doing, new patterns of actual development and political authority – that is, alternative and no-liberal forms of protections, legitimacy and social regulation. Emerging from the North, the networks of international public policy have thickened and multiplied their points of engagement and control. Many erstwhile functions of the nation state have been abandoned to these international networks as power and authority have been reconfigured.”⁵³¹

In terms of terrorist financing, this means that individuals are free to interact with nearly any other individual within complex and dynamic contexts. Therefore, as global society is reordered, both on macro and micro levels, terrorist financing actors attempt to adapt, and those who are able to do so successfully gain most advantage from the new orders. The conflict literature has similarly shown that violent non-state actors are often adept at exploiting the changing terrain of international governance, an ability that is not often matched in attempts to challenge them. Lormel also observed this, remarking that “Terrorist financing characteristics and methodologies constantly evolve due to changing dynamics in world events, such as the global response to terrorism and the ability of terrorists to adapt to the environment.”⁵³² Terrorist financing thus exhibits political orders that compete with and often run counter to the political orders based on institutional authority within which we in the West are familiar and upon which we rely for our own political order. In other words, this means that terrorist financing ultimately raises and relates to questions about how the individual interacts with global society. However, it is important to note that answering these questions cannot yet be systematically done with either existing orthodox or critical approaches. The typology presented in the next chapter, however, does provide a framework with which research to answer these questions among others can proceed.

⁵³¹ Duffield, 2001, 9.

⁵³² Dennis Lormel, "Terrorist Financing, the Dynamics of Change," *Counterterrorism Blog*, January 2005, http://counterterrorismblog.org/2005/01/terrorist_financing_dynamics_o.php (accessed February 2005).

Greater Engagement with Political Theory

The fourth assumption is that terrorist financing, as a mediated and inherently politicized issue requires greater explicit engagement with political theory in general, and in particular certain analytic devices political theory offers to understand and deal with the contradictions and complexities of the realities of competition over power within societies.

As discussed earlier, a complex mixture of societal, political, economic and other factors influences terrorist financing exchanges. In other words, terrorist financing is intersubjective, and as such is influenced by social, cultural, and moral as much as political and economic dynamics, any of which may or may not bear any relation to terrorism, and therefore must involve interdisciplinary analysis. This may seem to some readers therefore that these reformulated assumptions about terrorist financing simply mean that it is necessary to know everything about everything, given the complexity and intersubjectivity of the topic. This is a problem, in that one can forever increase the scope and the depth of analysis in order to capture more and more empirical detail. Therefore it is vital that analysis of terrorist financing is grounded in a central epistemological logic. I argue that terrorist financing is governed by an intersubjective political logic. The primary implication of this is methodological, in that it enables the incorporation of three potent analytic devices that are ideally suited to the complex, intersubjective realities of terrorist finance.

Specificity of Politics

The first device is a solution to a problem inherent to intersubjective, cross disciplinary research, in which the researcher must choose between ‘cherry picking’ ideas and insights from other disciplines, or alternatively engage fully in both disciplines, which may be practically impossible. I argue that terrorist financing requires the analyst to engage fully in the diverse disciplines that speak to its complex reality, but this can be done by simply

engaging with the fundamentals of the disciplines in question. This serves the purpose of embedding the research in the core of the disciplines without the need for comprehensive expertise in the whole subject area. This is a viable methodological solution to the thorny problem of interdisciplinary research. But how does one go about this regarding terrorist finance? I argue that it is possible by applying the classical Realist conception of the ‘specificity of politics.’

Classical Realism views politics an autonomous sphere of thought and action, distinct yet related to other spheres. According to Morgenthau, this concept of politics:

“provides the link between reason trying to understand international politics and the facts to be understood. It sets politics as an autonomous sphere of action and understanding apart from other spheres, such as economics (understood in terms of interest defines as wealth), ethics, aesthetics, or religion. Without such a concept a theory of politics, domestic or international, would be altogether impossible, for without it we could not distinguish between political and non-political facts, nor could we bring at least a measure of systematic order to the political spheres.”⁵³³

For example, Morgenthau distinguishes extradition and trade policy as non-political because these interactions occur within set boundaries, i.e. the underlying norms and values are not contested. Non-political social spheres have defined objects of interests, forms of power available to achieve those interests, and limits on behavior that politics lack, e.g. the object of interest in economic behavior is material gain and the dominant form of power is control over material resources, both of which set certain limits on economic behavior, such as the pursuit of material self-interest.⁵³⁴ Political activity however has no set boundaries; in fact it *is* the competition for domination of one set of underlying values over another.

⁵³³ Morgenthau, *Politics Among Nations*, 1967, 5.

⁵³⁴ Michael C. Williams, *The Realist Tradition and the Limits of International Relations* (Cambridge: Cambridge University Press, 2005), 115.

To give context, Max Weber heavily influenced Morgenthau in his conception of the specificity of politics.⁵³⁵ Weber saw the distinctiveness of the political sphere as both an analytic device and a liberal political choice. Analytically, the specificity of politics allows for the separate assessment of different spheres of human life according to their own specific rationalities, rather than be forced to adopt universalized analytic standard across fundamentally different spheres of human behavior. As Warren notes, this is why “one does not judge art by logical consistency, love by utility, or righteousness by efficiency.”⁵³⁶ Politically, Weber expanded on Kant’s differentiation of spheres of knowledge (empirical / aesthetic / moral) and argued that such differentiation between spheres of human behavior is a legitimate device because it promotes the realization of human freedom by liberating thought from the bounds of dogma (e.g. by being forced to adopt religious rationalities for economic decisions, or vice versa) and, through politics, provides an arena for people to propose and compete their values and rationalities.⁵³⁷ To emphasize, this is raised simply in order to underline the need to and benefit of engaging more deeply with the full spectrum of political theory in analyzing terrorist financing (even though comprehensive engagement is outside the scope of this particular thesis).

This brings up an important criticism of the specificity of politics, namely that the differentiation of social spheres implies that each has a single “logic.” On the surface, this can easily be mistaken for a mechanistic analytic approach that emphasizes the instrumentality of each social sphere in its relationships with the others. However, a closer reading of this concept reveals that the specificity of politics should be seen as simply an analytical device to highlight the competing interests and struggles at play within a single

⁵³⁵ Ibid., 114-115.

⁵³⁶ As quoted in Sean Molloy, *The Hidden History of Realism: A Genealogy of Power Politics* (New York: Palgrave Macmillan, 2006).

⁵³⁷ Molloy, 2006.

situation, and that that political decisions should not be reduced to one or another. In fact, it is clear that Morgenthau differentiated the spheres of human action around the limitless scope of political judgment precisely in order to avoid a concept of politics that relied on a Schmittian friend/enemy dichotomy of endless conflict.⁵³⁸

Morgenthau answers this critique by using the specificity of politics to focus on the evaluations of human judgment, because by doing so one can analytically challenge the use of “the other” to make a decision:

*“Morgenthau’s narrowing of the political sphere is neither an oversight nor a result of a lack of analytic sophistication. Rather than ignoring the obvious breadth of political life or the complexity of the concept of the political, the limited conception of politics is part of a sophisticated intellectual strategy seeking to address the centrality of power in politics without reducing politics to an undifferentiated sphere of violence, to distinguish legitimate forms of political power, to insulate the political sphere from physical violence, and to discern the social structures which such a strategy requires to be successful.”*⁵³⁹

This represents a much fuller approach to the construction of action than either a constructivist or Schmittian method. In the first instance, constructivism would stop simply at concluding that these two constructions are intrinsically in conflict (given a particular context, or for everyone if not).⁵⁴⁰

This is relevant because terrorist financing exchanges are governed by and can be analyzed according to a specifically political logic, largely because local dynamics about competition for power, i.e. what forms of power take precedence over what others, by what and what means are these forms of power limited, and in which contexts does this occur, determines which societal, cultural, economic, or other ‘structural’ factor conditions which act of ‘agency’ in a given political-economic context. In other words, terrorist financing activities mirror the relationship terrorists have with wider societies, and understanding terrorist

⁵³⁸ Michael C. Williams, 2005.

⁵³⁹ Ibid., 108.

⁵⁴⁰ Ibid.

finance means understanding this relationship. For example Hezbollah's financing mirrors its role as a state proxy within the greater Middle East, HAMAS and IRA financing mirrors their role as a religiously based national liberation movement, and al Qaeda mirrors its role as a radical grassroots socio-religious movement.⁵⁴¹ This assumption embeds terrorist financing in to societal and historical realities rather than the personal or political agendas of analysts. In other words, this acts as a hedge against bias, and forces a deeper understanding of the externalities influencing terrorist financing activity.

Differentiating political activity thus provides the capacity to distinguish activity related to the financing of terrorism from that which is not, when the actual behaviors involved may be similar or identical. In other words, it is a device to arrive at *meaning*, rather than simply description, about this intrinsically political issue. As discussed above, humans are spared endlessly destructive conflict not by any natural interest or structure but only by the near infinite capacity for people to imagine and make real alternative visions of how the world should be.⁵⁴² Ultimately, this implies that analysis of terrorist financing should revolve around analysis of not only the politics of the individual political economic decisions involved (e.g. intent, ideology, links with terrorist groups, etc), but also and in many cases more importantly how terrorism-related politics are limited (or not) by economic exchange within given contexts (e.g. the actual consequences of agency – which may lead to uncomfortable conclusions or more difficult sociological analysis).

Narrowing the concept of politics to the process of this existential contest therefore reveals a 'logic' of political conflict in which political actors seek out ways to strategically limit the

⁵⁴¹ See Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008).

⁵⁴² This is reflected in the diverse and ever-changing nature of the political spaces in which terrorist financing occurs.

destructive capacity and maximize the positive possibilities of politics. Recognition of this logic provides an epistemological device to evaluate these strategic choices separate both separate from and in context of the various factors influencing that choice. Because terrorism is a political act – i.e. a (small scale) conflict over fundamental values – each terrorist financing transaction will have a particular ‘logic of political conflict’ comprised of a series of individual strategic choices. Analysis of the dynamics of how these choices were formulated and exercised can lead to otherwise difficult to obtain insights into the social, political, economic, and operational contexts in which these political decisions took place. For example, knowledge of the political logic of a specific bank transfer may yield further knowledge of the operations, support networks, and other aspects of terrorist groups. In addition, the specificity of the political sphere has certain political implications in and of itself, which match well with the political ends of terrorist financing analysis, specifically the goal to aid liberal democratic societies in both hindering the financing of terrorism and exploiting knowledge of it to confront terrorist actors. In this context, differentiating political activity allows consumers of the analysis to assess the political implications of terrorist financing activity, upon which their own political judgments and actions can be based. In short, the conceptual specificity of politics forces transparency of political goals of analysis and therefore helps inform political analysis and helps shield political judgments from undue or hidden influence from economic, bureaucratic, or other objects of interest.

A Logic of Limited Politics

Another device is what Morgenthau described as the “Strategy of Limits” for political action, which is centrally relevant as limited government is one of the foundations of liberal democracies. This strategy defines political power as distinct from other forms of power, including those stemming from physical force, legitimacy, economic, social, ideological, and institutional influence. This separates the pursuit of power from the pursuit of other interests,

such as wealth or social acceptance. Distinguishing political power also provides a way to limit the legitimacy of violence by separating the power of force from true political power (which may be achieved through a variety of means).⁵⁴³ In short, the strategy of limits is a way in which analysis can be directed towards ‘winning,’ i.e. the victory of one vision of political structure (e.g. liberal democracy) against another (e.g. that for which terrorist fight).

A strategy of limits also calls for actions that help develop other social spheres in which the pursuit of interests using other forms of power is possible and encouraged. This allows humans the freedom to pursue the full range of possible interests – i.e. to do whatever it is they want to do and achieve. This strategy also insulates the spheres from each other, analytically and institutionally. As discussed above, politics is the process by which ideas and values are created and destroyed. Given this, a strategy of limits, specifically the separation of spheres that it requires, acts as a counterbalance against the most destructive consequences of political conflict, just as political conflict checks the ability of these other realms to dominate the realm of values and thought (e.g. by subsuming values and ethics to material consumption, or to moral dogma). This helps to establish a system in which the pursuit of any one or group of interests does not cannibalize the pursuit of others, e.g. that the pursuit of wealth eliminates the pursuit of morality, or that the pursuit of moral living does not rule out the pursuit of innovation, etc.⁵⁴⁴

This powerful analytical device allows for direct application of critical analysis to action, for example by asking “Has political power been separately defined?” “Have other social spheres been allowed to develop?” “Are these separate social spheres insulated from one another, and if so, by what measure?” For example, when analyzing a tribal culture, this allows for

⁵⁴³ Michael C. Williams, 2005, 118.

⁵⁴⁴ *Ibid.*, 118-121.

political power to not be defined as separate from social bonds, particularly those of kinship. Therefore, in order to compete politically, i.e. by promoting alternative values and rationalities in such a society one must address that condition, either by using power to separate the spheres, or by creating a system in which their interests in the political or non-political spheres can be achieved without the separation. In this example, it might call for action such as promoting Pahstunwali to accept the power of the state government of Afghanistan.

One hypothesis to which this leads is that political actors and actions can be analyzed in terms of this ‘strategy of limits,’ – not because it is either universal (as many or most actors are neither aware of it nor follow its prescriptions) or comprehensive (as the separation of the spheres will always be partial) – but because it enables action to be based on systematic analytical assessment of all the components of political behavior, as well as the elements of non-political behavior that impact political decisions. This is exactly what the analysis of terrorist financing requires.

The Balance of Power

In Realist thought, many strategies for action revolve around the concept of the balance of power. Although for many this concept is intrinsically related to the state, the balance of power is an important strategy for action related to terrorist finance. As Williams describes,⁵⁴⁵ the Realist conception of the balance of power originates in beliefs and assumptions about the relationship between ideas and action. Morgenthau argued that ideas are not powerful enough to triumph in social life (no matter their clarity, effectiveness, or even wide acceptance), and that they thus must be both supported by viable social

⁵⁴⁵ Ibid., 121.

foundations and perceived as supporting competing interests.⁵⁴⁶ The mechanism by which this occurs, i.e. the device by which politics is narrowed, its destructive capacity limited, and its creative possibilities protected, is the “balance of power.”

This concept however goes far beyond the constricted interstate conceptions dominant in International Relations discourse. As noted before, different social spheres (e.g. economic, legal, moral, cultural) act as a limiting force on the unbounded pursuit of power that is politics, and politics does the same in reverse. As Williams states,

*“While actors in these spheres may be tempted to further their interest and power by dominating the political field, they will also resist attempts by the political sphere to encroach upon their autonomy, and vice versa.”*⁵⁴⁷

This leads therefore to a “social balance of power”⁵⁴⁸ in which *competing spheres of human activity, rather than competing actors, balance one another out*. Analytically, this is extremely useful for the analysis of terrorist finance, because it provides a clear epistemological framework revolving around that knowledge which shows how power is exercised in the pursuit of a particular interest (and that which explains that interest, the forms of power used, etc). In other words, the social balance of power is potentially an important concept for understanding the political dimensions of terrorist financing because it provides an analytic device for systematically understanding how in fact the ‘competing spheres of human activity’ mentioned by Williams interact, and it is within these interactions and competitions that terrorist financing occurs to an important extent.

⁵⁴⁶ Morgenthau, *Politics Among Nations*, 1967, 326.

⁵⁴⁷ Michael C. Williams, 2005, 121.

⁵⁴⁸ Ibid. See also John Hobson and Leonard Seabrooke, "Reimagining Weber: Constructing International Society and the Balance of Power," *European Journal of International Relations* 7, no. 2 (2001): 239-274.

It is helpful to place this concept of the social balance of power within the context of modernity.⁵⁴⁹ According to many authors, modernity intentionally breaks down the social balances of power of premodern societies, e.g. belief in the divine/the lord/the leader/the tribe/etc. On one hand, this liberates people and allows them to find their own individual balance among the different powers to which they are subject (e.g. economic well being over belief in God, or belief in the democratic system over the power of economic wealth). On the other hand, it leads to atomization and alienation, if individuals are not able to balance competing interests. This leads to vulnerability to an unbalanced acceptance of one sphere of interest, e.g. international jihad, criminal gangs, or soulless consumerism.⁵⁵⁰ As Morgenthau wrote,

“The growing insecurity of the individual in Western societies, especially in the lower strata, and the atomization of Western society in general have magnified enormously the frustration of individual power drives. This, in turn, has given rise to an increased desire for compensatory identification with the collective national aspiration for power.”⁵⁵¹

It must be remembered that Morgenthau wrote this within his own historical context. Given the nature of contemporary international society and the realities of terrorist finance, this can be expanded to now read “ This, in turn, has given rise to an increased desire for *any* compensatory identification of any collective aspiration for power with potential,” such as the international jihad, a local gang, or any other socio-political movement. This is a better explanation than rationalist perspectives by bank officials which claim they can take no action because the rules prevent them, or politicians that claim that ancient hatreds are responsible for a contemporary conflict.

In short, the Realist balance of power argues that solving problems is not just about amassing power. Realists do not *assume* rational actors, reasoned behavior, or strategic rational

⁵⁴⁹ Ibid.

⁵⁵⁰ See Ibid., 121-122 for a discussion of this alienation process using the balance of power.

⁵⁵¹ Morgenthau, *Politics Among Nations*, 1967, 100.

competition, but they do seek to *create* such things, as a solution to the problems of destructiveness of politics.⁵⁵² In this way, Realism doesn't assume that actors are self interested, they just assume that they are *interested*. In fact, Morgenthau rebels against Schmitt with his strategy of limits precisely to avoid the Schmittian logic of enmity and the *realpolitik* that could result in a view of politics as a realm of limitless struggle for domination.⁵⁵³ The social balance of power is thus potentially an important concept for understanding the political dimensions of terrorist financing because it provides an analytic device for understanding how in fact the 'competing spheres of human activity' mentioned by Williams interact (many of which exist in societies not structured according to modern norms, mores, and structures) and it is within these interactions and competitions that terrorist financing occurs to an important extent.

Knowledge of Terrorist Finance is Necessarily Subjective

Although this dissertation provides an epistemological model for improving the analysis of terrorist finance, it is necessary to recognize that there will always be limits to knowledge and language hindering fuller understanding of the issue. The final epistemic premise therefore is that knowledge of terrorist financing will always be imperfect and that analysis of it will always be subject to political and social pressures. This is because the analysis of terrorist financing itself is a political activity directed towards specific goals and objectives and thus policies and politics,⁵⁵⁴ which in turn implies that the analysis of terrorist financing is, like politics, the 'art of the possible.' A crucial part of this is the control and use of knowledge. This is just as true for a bank teller, a warlord, or a state government. There is a close relationship between power and knowledge in the individual and collective relationships

⁵⁵² Michael C. Williams, 2005, 146.

⁵⁵³ *Ibid.*, 119.

⁵⁵⁴ Which I argue to be broad liberal democratic principles rather than narrow and temporary institutional, personal, or partisan objectives

along which individual exchanges occur, i.e. who has the power and who is controlling the knowledge, i.e. who is in the position to make value flow.

Terrorist financing is often the product of the material expression of political support for a terrorist actor or a terrorist cause. Much of this is dependent on the benefactor's knowledge of the terrorist actor or cause, and thus also about the terrorist's ability to propagate knowledge about himself that leads to material support. Thus terrorist financing, and the powers by which it is governed, are centrally a function of knowledge. It is through knowledge, specifically through the competition and victory of one knowledge against another that governs the mechanism, pathways, and outcome of terrorist financing activity.

Related to this, Foucault remarked:

“Discourses are not once and for all subservient to power or raised up against it, any more than silences are. We must make allowance for the concept's complex and unstable process whereby discourse can be both an instrument and an effect of power, but also a hindrance, a stumbling block, a point of resistance and a starting point for an opposing strategy. Discourse transmits and produces power; it reinforces it, but also undermines and exposes it, renders it fragile and makes it possible to thwart it (Foucault 1980, emphasis added).”

An important part of Foucault's power/knowledge is the belief that those who are in power have specialist knowledge. In cases such as these, “the production of knowledge and the exercise of administrative power intertwine, and each begins to enhance the other.”⁵⁵⁵ This is the reciprocal nature of these two words that Foucault titled “power/knowledge.” For Foucault, this is a reciprocal, mutually reinforcing relation between the circulation of knowledge and subsequently the control of conduct. What is new is the recognition that the specialist knowledge required in terrorist financing is often knowledge of people, how to manipulate them and relate to them, not necessarily knowledge of a technical sort. More

⁵⁵⁵ Barry Allen, "Power/Knowledge," in *Critical essays on Michel Foucault*, ed. Karlis Racevskis (New York: G.K. Hall & Co, 1999), 70.

simply, it is social knowledge, rather than technical, political (ideology, normative, etc), or economic (product, profit, etc) knowledge.

Since it serves state and societal interests, analysis of terrorist financing is a political project in itself, and thus issues of language carry and transmit real power. The term ‘threat finance’ has already replaced ‘terrorist financing’ within the U.S. military because it captures the contingent nature of the problem and more closely aligns analysis to particular objectives and norms, and thus is a more potent term.⁵⁵⁶ However – to borrow a term from sociology – in order to be ‘legible’⁵⁵⁷ to the diverse community that consumes such analysis, it is necessary to continue to use the term “terrorist financing” for the foreseeable future. Nevertheless, even though we are stuck with the inferior term, it is crucial to recognize the importance of aligning analysis with the interests of both its producers and consumers.

Therefore, we must consider the process by which knowledge of terrorist financing is produced, as well as the actual output. The necessary corollary is that it is impossible to ever fully “stop’ terrorist finance, any more than it is possible to achieve absolute ‘security.’ This implies a contingent nature of terrorist financing analysis – not only on the societal, operational, and other vagaries of terrorist financing activity, but also the contingent nature of our knowledge about it. In other words, assuming there are limitations to our knowledge implies that terrorist financing analysis must not only account for the agency of those being studied, but also the agency of the analyst. After all, analysts of terrorist financing are people and they will choose to produce knowledge in certain way, based on their own or their

⁵⁵⁶ Thomas W. O’Connell, "Defense Perspectives: The War on Terrorism," *17th Annual NDIA Special Operations/Low-Intensity Conflict (SO/LIC) Symposium* (Arlington, VA: Defense Technical Information Center (DTIC), March 13, 2006), slides 15-17. (Available at <http://www.dtic.mil/ndia/2006solic/oconnell.pdf>) According to the briefing, the U.S. military uses “Threat Finance, instead of Terrorist Finance, to underscore application of our tools beyond the Foreign Terrorist Organization list, e.g., Iraq insurgency.”

⁵⁵⁷ James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998).

community's interests. This therefore adds significant normative and political elements to terrorist financing analysis.

Examples of discourses as sites of power in themselves are evident throughout the global political economy. There is for example, no fundamental difference between Enron's strategic creation of various fake yet bureaucratically effective bank accounts, shell companies, et al so as to avoid taxation and to enable false reporting of profits and losses, and the creation by Hezbollah, the IRA, or other terrorist actors of misleading yet rhetorically powerful historical and political narratives about 'their' people's victimhood that form the basis of their fundraising appeals. Both simply are uses of knowledge for a specific end. As we have seen, however, the current discourse on terrorist financing has trouble observing and analyzing these dynamics of knowledge and power because it is largely blinded by adherence to various ideological postures and empirically unsupported assumptions that while may be rhetorically powerful do not form the basis for knowledge for truly serving liberal democratic ends. This best this dissertation therefore can hope for is to build an improved discursive basis of terrorist financing, distinct from the discourses on terrorism, neoliberal economics and law, and various critical approaches in their hyper-rationalist and unsystematic forms, that is firmly aligned with both the observed empirical realities of terrorist finance and the interests of liberal democracy. In other words, I seek a discourse that represents terrorism-related financial activity in ways that such activity can be researched systematically, but not 'objectively.' Given that knowledge of terrorist finance is inherently politicized and securitized, and thus tied to specific practices and systems of power, it is only by systematically analyzing its intersubjective realities within these contexts that more accurate, coherent, and practically useful knowledge of terrorist finance can be produce.

Relocating Terrorist Finance within International Relations

The chapter so far has demonstrated that it is more profitable to orient conceptualizations of terrorist financing away from agents' characteristics (people and their attributes, like profile or intent), away from structure (the social, political, economic, legal, and normative contexts of behavior), away from the state (failed states, weak states, and non-states), and thus also away from approaches that have proven so unsuccessful in explaining terrorist financing. Instead, it appears that analysis of terrorist financing would be much improved if it were to be reoriented towards a more systematic – but, importantly, not 'objective' – analysis of the dynamics and consequences of political-economic decision-making and its consequences. In other words, this thesis is ready to argue for a shift in the focus of terrorist financing analysis towards the dynamics of terrorists' participation in and interaction with larger political economic communities, and the subjective *meaning* – for analysts – of such participation and interactions.

This section thus reframes terrorist financing as an issue of international security that is governed by individual level political economic interactions, because to summarize the above discussions, at core terrorist financing related to the dynamics of power and the everyday individual exchange of value within given political economies contexts. To reiterate, the 'right' questions asked above reflect that the core concepts of terrorist financing related to the dynamics and meaning of terrorists' participation in larger political economies. This section fleshes this out a bit, and given that international security discourses generally are separated from political economic discourse, this section more explicitly explores the most relevant concepts of political economy, including those specifically within International Political Economy (IPE) discourse.

In part, this requires locating terrorist financing into an appropriate disciplinary home, from which further conceptual and theoretical development can proceed. As discussed above, debates on terrorism, conflict, criminology, and other sub-sets of international relations are not sufficient disciplinary bases for a holistic and systematic understanding of terrorist finance. In fact, International Relations as a discipline seems ill suited to the task in its present form. Cox remarked, “We cannot define a problem in global politics without presupposing a certain basic structure consisting of the significant kinds of entities involved and the form of significant relationships among them.”⁵⁵⁸ Since analysis of terrorist financing necessarily involves understanding several different ‘basic structures,’ ‘ontologies,’ or, in Bourdieu’s words, “universe[s] of possible discourse,”⁵⁵⁹ it would seem International Relations, marketed as a ‘discipline of disciplines,’ would be well suited to integrate not just one field of knowledge but several. However, International Relations discourse lacks any such agreed upon epistemological or ontological structure to govern intersubjective thinking. Therefore, while one can study complex, intersubjective issues within the IR discipline (and publish in IR journals), limiting oneself to its discursive boundaries would be insufficient in the extreme to understand the complex human experiences that govern terrorist finance. For these reasons, I propose ‘relocating’ terrorist financing to within international security discourse, but explicitly focused on – and engaging with - concepts of political economy.

Reframing terrorist financing a security issue that centers on political economic interaction brings a larger measure of conceptual order and coherence to an issue that as we have seen can cross virtually every social scientific discipline and theoretical boundaries. In particular, including political economic concepts so centrally illuminates the central concepts around

⁵⁵⁸ Robert Cox, "Towards a Post-hegemonic Conceptualization of World Order: Reflections on the Relevancy of Ibn Khaldun," in *Governance without Government: Order and Change in World Politics*, ed. J Rosenau and E.O. Czempiel (Princeton, NJ: Princeton University Press, 1992), 132.

⁵⁵⁹ Pierre Bourdieu, *Outline of a Theory of Practice*, trans. Richard Nice (Cambridge: Cambridge University Press, 1977), 168.

which terrorist financing revolve. Surprisingly, these are not terrorism or finance, or even security, globalization, risk, or other similar issues. Instead, framing the topic as such shows that at the conceptual core of terrorist finance are the concepts of power, value, and the dynamics of everyday, individual-level exchanges that produce change in the capabilities and behaviors of ‘terrorist’ actors. In other words, terrorist financing can be distilled to the interplay of power practices and dynamics, which flow through all aspects of terrorist financing; conditioning, determining, and being determined by its complex realities, and economic competition and inequality, in that the issue relates directly to how the economic success or failure of terrorist actors impact securitized views of political and social change, within given contextual parameters.

The International Security Dimensions of Terrorist Finance: Addressing the Liberal Problematic of Security

To review and as discussed in Chapter One, this dissertation fundamentally conceives terrorist financing to be, again quoting de Goede, “a cultural imaginary and political problem in need of (security) intervention,”⁵⁶⁰ which, because it is “mediated” as a security concern, is at core a topic of securitized socio-political representation.⁵⁶¹ From this starting point, the dissertation in Chapters Two, Three, and the preceding parts of Four has developed the idea that terrorism-related financial activity is not in itself a threat to international security (as the ‘orthodox’ perspectives claim), but rather is a set of political-economic interactions that both impact the nature of and reflect information about threats to international security (as this dissertation’s argues). This subtle but profound difference in how one should conceptualize terrorist finance has equally significant impact on understanding the security dimensions of

⁵⁶⁰ Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008), 292.

⁵⁶¹ Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008), 292.

terrorist finance, and thus also the place terrorist financing most appropriately occupies within international security thinking and discourse.

Terrorist financing, as mentioned in Chapter One, is embedded within a “liberal problematic of security,” which, to review, means that even successfully securitizing terrorism-related financial activity does not produce ‘more’ security, but instead simply changes the conditions in which certain (desirable) actors and actions achieve gains relative to their undesirable counterparts.⁵⁶² For example, as discussed above, just because a terrorist group has more (or less) money, does not necessarily mean that it will commit more (or less) terrorism. Conceptually, the reason for this is that the impact the acquisition and exchange of value has on the capabilities and behaviors of terrorist actors depends on a host of other factors that, depending on the actor in question, could include anything from moral considerations to cultural traditions to social practices to the psychology or strategic calculations of group leaders. This is exactly why, as argued above, the ‘right’ questions to ask about terrorist finance relate to how the exchange of value *impacts* terrorist actions, and what such exchanges *reflect* about terrorist actors’ wider relationships. Thus, the reframed conceptualization of terrorist finance presented here remains an issue of international security, but one in which a complex of other factors determine exactly how political economic activity is securitized.

It should be noted that reframing terrorist finance in this way matches closely with similar turns in thinking on both terrorism and conflict debates, both of which have evolved more socially embedded and contextualized thinking about their respective topics. For example, understandings of conflict have evolved well beyond approaches that view security and

⁵⁶² Mark Duffield, *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008), p2-3.

violence only in state-vs-state or military-centric terms,⁵⁶³ and terrorism debates have also undergone a similar development to now include much work that not only encompasses wider and more ‘critical’ perspectives, but also just as importantly more research on the social, cultural, psychological, historical, political, and other contingent contexts of terrorism.⁵⁶⁴

Returning to the liberal problematic of security, the eponymous ‘problem’ arises in that whether these changed conditions are sufficiently beneficial – and to whom they are beneficial – are highly contestable and by no means objective. This matches closely with de Goede’s existing conceptualization of terrorist financing as a problem of politicized representation of certain securitized (i.e. terrorism-related) financial activity.⁵⁶⁵

The liberal problematic of security construct also provides a specific conceptual point at which terrorist finance can relate to works on the problems of understanding and governing illicit and extra-legal economies, such as those by Nordstrom,⁵⁶⁶ Naim⁵⁶⁷, and Palan,⁵⁶⁸ an important development because such research has to date largely been wholly separated from

⁵⁶³ See especially – but by no means exclusively – the Critical Security Studies debates, such as in Keith Krause and Michael Williams, , *Critical Security Studies*, ed. Keith Krause and Michael Williams (Minneapolis: University of Minnesota Press); and Ken Booth, ed., *Critical Security Studies and World Politics*, ed. Ken Booth (Boulder, CO: Lynne Rienner, 2004). See also the ‘New Wars’ and related literature, such as Mary Kaldor, *New and old wars: organized violence in a global era*. (Cambridge: Polity, 2006). Mary Kaldor, *New and old wars: organized violence in a global era*. (Cambridge: Polity, 2006); and Mark Duffield, *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008). Mark Duffield, *Global Governance and the New Wars* (London: Zed Books, 2001).

⁵⁶⁴ See discussion on the ‘opening up’ of terrorism studies to wider perspectives in John Horgan and Michael Boyle, "A case against 'Critical Terrorism Studies'," *Critical Studies on Terrorism* 1, no. 1 (Aprl 2008), pp53-55; and Jeroen Gunning, "Babies and bathwaters: reflecting on the pitfalls of critical terrorism studies," *European Political Science* 6, no. 3 (2007): 236–243.

⁵⁶⁵ See discussion in Chapter One.

⁵⁶⁶ Carolyn Nordstrom, *Global Outlaws: Crime, Money, and Power in the Contemporary World* (London: University of California Press, 2007).

⁵⁶⁷ Moises Naim, *Illicit* (London: William Heinemann, 2005).

⁵⁶⁸ Ronen Palan, *The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires* (Ithaca, NY: Cornell University Press, 2006).

that on terrorist finance.⁵⁶⁹ For instance, much of terrorist financing appears to involve small-level, localized political economic transactions, and as the framework presented in this thesis could be applied to systematically answer this question, it could also be used to more definitively assess the impact of regulatory frameworks relating to ‘offshore’ jurisdictions and ‘tax havens’ on terrorist finance. Furthermore, placing this dissertation’s conceptual representation of terrorism-related financial activity explicitly within the ‘liberal problematic of security,’ it is possible to also compare and contrast how ideas about other ‘bad’ – but, importantly unlike terrorist financing, *not securitized* – political economic activity (e.g. tax havens or money laundering) have transformed over time, why, and what the implications have been for liberal societies. For example, Sharman has argued that such a politicized transformation of ideas was attempted regarding tax havens, specifically towards a representation of the issue promoted by rich and powerful OECD governments⁵⁷⁰ of these activities as illicit (and thus anti-liberal).⁵⁷¹ Interestingly, however, in this case, this view of tax havens was successfully challenged by a group of small, comparatively weak states⁵⁷² that offered an alternative representation of their actions as (liberal) ‘tax competition.’⁵⁷³ In particular, Sharman describes how the weaker ‘tax haven’ jurisdictions used OECD’s own symbols and values against it to promote a representation of this contested issue that was more advantageous to them. This “critique within hegemony”⁵⁷⁴ succeeded, Sharman argues, because since the powerful OECD viewed itself as both a supporter of free market principles and also an objective, “scientific” authority on economic regulation, the subordinated tax haven states were able to present alternative ideas about international tax regulation in ways

⁵⁶⁹ Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008).

⁵⁷⁰ Such as the United States, Great Britain, France, Germany, and Japan.

⁵⁷¹ J.C. Sharman, *Havens in a Storm: The Struggle for Global Tax Regulation* (Ithaca, NY: Cornell University Press, 2006).

⁵⁷² Such as Lichtenstein, Aruba, the Cayman Islands, and Nauru.

⁵⁷³ J.C. Sharman, *Havens in a Storm: The Struggle for Global Tax Regulation* (Ithaca, NY: Cornell University Press, 2006).

⁵⁷⁴ J.C. Sharman, *Havens in a Storm: The Struggle for Global Tax Regulation* (Ithaca, NY: Cornell University Press, 2006), 145.

that challenged anti-tax haven policies on those grounds. This worked because by challenging even powerful and ingrained orthodoxies in its own terms, the ‘tax haven’ states were able to “appeal to sincere members of the elite in a way that an attack from outside their values could not.”⁵⁷⁵

It would be interesting to systematically compare this and similar representational transformations to how terrorist finance is understood, as it may provide insight into ways that alternative representations of terrorist financing – like the one presented here – could challenge the ingrained yet analytically deficient orthodoxies that currently dominate counter terrorist financing practice. As discussed earlier, de Goede argued that many efforts to combat the financing of terrorism have been presented as unproblematic, when their efficacy and indeed their analytic and empirical bases are highly debatable.⁵⁷⁶ For instance, the typology described in the next chapter offers a framework, grounded in the two ‘right questions’ posed above, upon which a systematic comparison of how terrorist groups access and actually benefit from various value chains. This representation of terrorism-related financial activity could potentially provide a potent mechanism for assessing more precisely the actual threat represented by terrorism-related financial activity, especially if, as a ‘critique within hegemony,’ it was presented in ways that demonstrated that specific counter terrorist financing practices were unsuccessful or poorly formulated. However, since the above would require in depth analysis of the particular counter terrorist financing practices and systems of power to be assessed, such an analysis would need to occur outside the bounds of this particular thesis.

⁵⁷⁵ J.C. Sharman, *Havens in a Storm: The Struggle for Global Tax Regulation* (Ithaca, NY: Cornell University Press, 2006), 145.

⁵⁷⁶ Marieke de Goede, "Hawala discourses and the war on terrorist finance," *Environment and Planning D: Society and Space* 21 (2003): 513-532.

Regardless, given that both research into and efforts to combat terrorist finance relate closely to this liberal problematic of security, the conceptual representation of terrorist finance presented in this thesis implies a shift in how terrorist financing is imagined and mediated as a threat, and ultimately used as a justification for action against security threats. As such, it also offers an approach that can be used to develop more nuanced outcomes within this liberal problematic of security, and thus also outcomes of counter terrorist financing actions more in line with liberal principles, in three particular ways.

Briefly, this is because the conceptualization of terrorist finance presented herein indicates that the ‘anti-politics’ that currently mediate terrorist finance discourse and action could be replaced by an approach grounded in ‘biopolitics.’ De Goede has observed that underlying both discourse and action relating to terrorist finance is what Foucault conceived of as “anti-politics,” that is an affirmative form of power that “fashions, observes, knows and multiplies itself on the basis of its own effects,” in order to undermine and forbid undesirable actors and actions.⁵⁷⁷ In terms of terrorist financing, de Goede observes that the anti-politics of terrorist financing is evident in how the issue is presented as unproblematic, uncontested, and indeed uncontestable, which ultimately results in,

“marginalizing and repressing particular financial practices, but always with the effect of allowing and securing the circulation of what are coined as normal financial spaces of western markets and registered money transfers...[in order to] produc[e] governable spaces and secur[e] continued circulation.”⁵⁷⁸

However, the representation of terrorist financing presented in this thesis undermines such anti-politics. To replace it, this thesis hypothesizes here that terrorist finance, as

⁵⁷⁷ Michel Foucault, *Abnormal*, trans. G Burchell (New York: Picador, 2003), 48, quoted in Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008), 298.

⁵⁷⁸ Marieke de Goede, "Money, Media, and the Anti-Politics of Terrorist Finance," *European Journal of Cultural Studies* 11, no. 3 (2008), 298.

reconceptualized by this thesis, likely rests more on a foundation of ‘bio-politics.’ This term, also from Foucault, is a form of politics that deals with “how groups, communities and people are acted upon in order to support and promote collective life,”⁵⁷⁹ and is characterized by a form of regulatory power “to foster life or disallow it.”⁵⁸⁰ In terms of the liberal problematic of security, Duffield observes that biopolitics is the mechanism by which liberal societies obtain knowledge about and rationalize what processes are ‘best’ for a given group, community, or population,⁵⁸¹ and, echoing Dean,⁵⁸² states that biopolitics is distinct from but a necessary condition of liberal systems of governance.⁵⁸³ As such – and again given that terrorist financing is intrinsically a politicized topic – the representation of terrorist finance presented in this thesis is much more attuned to being grounded in biopolitics than anti-politics, which in turn makes it more amendable to being used to support actions in response to terrorism-related financial activity that are more aligned with liberal principles of governance than counter terrorist financing have been to date.

The conceptual representation presented in this dissertation rejects an anti-political and is aligned with a biopolitical approach to the liberal problematic of security, in three primary ways. First, by beginning with an assumption that terrorist finance is intrinsically contested and problematic, it undermines any attempt to represent the issue as anything other than this. This locates research into terrorist financing squarely as similar to those international security discourses that while employing post-structural and constructivist perspectives to understand

⁵⁷⁹ Mark Duffield, *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008), p5.

⁵⁸⁰ Michel Foucault, *Society Must be Defended: Lectures at the College de France, 1975-76* (London: Allan Lane, The Penguin Press, 1975-6).138.

⁵⁸¹ Mark Duffield, *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008), p5.

⁵⁸² Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (London: Sage, 1999), 113.

⁵⁸³ Mark Duffield, *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008), p5.

how the contested and problematic realities of conflict and security are both understood by researchers and governed by those in power.⁵⁸⁴

Second, by tightly focusing analysis on those political-economic interactions that either impact the behavior or capabilities of terrorist actors, or tell us about terrorist actors relationships with wider communities (i.e. the ‘right questions’), this thesis explicitly rejects the need to marginalize or repress any particular financial or economic practice, as is done in an ‘anti-political’ discourse. This is simply because any such practice or activity – including legitimate, legal, or otherwise ‘desirable’ ones – may be relevant to understanding terrorism-related economic activity. This enables future terrorist financing research to engage more fully with many contemporary IR debates, such as with a growing terrorism discourse that applies a diversity of disciplinary approaches (such as anthropology, psychology, social movement theory, and peace studies, among others) to understand the behaviors and socio-political contexts of terrorism,⁵⁸⁵ and with relevant area studies (especially those that focus on political economic issue of the Middle East and South Asia), which in turn produces more comprehensive and contextually sensitive depictions of these communities.

Third, by explicitly framing terrorist finance as an issue of concern of the ‘community of terrorist financing analysts’ and that how the issue is represented will change according to the objectives and purposes of the analysis, it encourages research that engages with both specific relevant communities of power (e.g. official/governmental, private sector/financial industry, charitable sector, the citizen public) as well as communities impacted by how

⁵⁸⁴ See especially Mark Duffield, *Global Governance and the New Wars* (London: Zed Books, 2001) and , *Development, Security, and Unending War: Governing the World of Peoples* (Cambridge: Polity, 2008).

⁵⁸⁵ For discussion of these approaches, see Ashvaig Gordon, "Terrorism and knowledge growth," in *Research on terrorism: trends, achievements, and failures*, ed. Andrew Silke, 104–118 (London: Frank Cass, 2004); and Jeroen Gunning, "Babies and bathwaters: reflecting on the pitfalls of critical terrorism studies," *European Political Science* 6, no. 3 (2007): 236–243..

terrorist financing is mediated and represented (e.g. ethnic and religious groups considered to be ‘involved’ in terrorist financing). This helps ensure that these often competing perspectives are represented in how terrorist financing is mediated and conceptualized. This enables future research on terrorist financing to be more than simply ‘useful’ to these communities, but to equate to nuanced knowledge that can contribute to how the liberal problematic of security, in terms of this issue, is addressed and resolved.

The Political Economic Dimensions of Terrorist Finance: Conceptualizing ‘Everyday’ Terrorist Financing

Although terrorist financing is at core a security issue, the representation of terrorist finance presented in this thesis emphasizes a central place of political economic interaction. This section therefore seeks to identify the key relevant themes within academic political-economic discourse. This both helps further locate this improved conceptualization of terrorist financing into the International Relations discipline, and provides direction to future research on terrorist finance.

By political economy, I refer to neither the narrow sub-discipline of International Political Economy (IPE) (in either its statist or ‘critical’ varieties), nor the hyperrationalist Marxist Political-Economy to which IPE was a response, but rather the socially incisive, philosophically sound, and morally conscious tradition begun by Adam Smith. This once great, but now somewhat lost, discipline of political economy, on the other hand, revolves simply around the study of how power and wealth influence one another. Such a socially and cognitively oriented conception of political economy provides a powerful rhetorical/intellectual device for ordering thought. This brings conceptual and rhetorical order to the complex empirical realities of terrorist financial activity. It allows for different

types of activity to be systematically differentiated and analyzed according to different logics, something necessary for such a complex and multivariate topic as terrorist finance.

In some ways, however, this is difficult to accomplish given the space limitations of this thesis. Political-economic discourse consists of a variety of often competing ontological, epistemological, and methodological approaches, including not only nationalist, liberal, and critical-constructivist perspectives,⁵⁸⁶ but also various formulations of each, such as “International Political Economy,” “Regulatory International Political Economy,” “Global Political Economy,” “Classical Political Economy,” et al. Choosing one or another approach thus requires due attention to the various debates and sub-debates within the chosen discourse, and rigorous assessment of the relevance of these debates to this dissertation’s representation of terrorist finance, as well as examination of any relevant discursive gaps that may exist. More simply, although fully engaging with IPE and other political economic discourse is important for long term understanding of terrorist financing – and thus also of full development and application of the representation of terrorist finance presented herein – doing so to this extent would simply be impossible within this thesis, let alone this section of this chapter.

Therefore, the discussion below will focus on two elements. First, it will explore what key conceptual issues and themes are most relevant to and can be best applied to the improved conceptualization of terrorist financing presented in this dissertation. This will provide a ‘meta’ perspective of political economic discourse to provide general conceptual context to the aspects of this representation of terrorist financing that relate to political economy, and also provide an outline of areas important for further research. Second, it will introduce a

⁵⁸⁶ For a discussion of this, see Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics*, 2nd (New York: Palgrave Macmillan, 2007), pp13-26.

specific theoretical framework of international political economy – ‘Everyday Political Economy’ – that provides a needed starting point for the fuller engagement with political economic theory that will take place outside of this dissertation.

These two contemporary discourses of political economy, ‘eclectic global political economy’ and ‘everyday political economy,’ come close to this. These discourses provide a systematic, methodologically sound template for analysis of the diverse everyday social, political, economic, institutional, ideational, and moral elements at play within terrorist finance, many of which are obscured, ignored, or even intentionally suppressed in existing discourse. Described below, they in particular offer promising conceptual grounding for the complex dynamics of political-economic choice and its consequences, which, as this dissertation has shown, lies at the center of the reality of terrorist finance.

Meta Perspectives: Eclectic Global Political Economy

As such, it is worthwhile to organize the following discussion according to a broad, ecumenical, ‘meta’ perspective of political economy that focuses in particular on the interplay between political power and inequalities in wealth. Therefore, the following is structured according to O’Brien and Williams’ ‘eclectic’ discourse of global political economy which provides a useful framework with which to outline and explore the political economic dimensions of terrorist financing.⁵⁸⁷ Most generally, Eclectic Global Political Economy (eGPE) focuses in particular on issues of power and inequality of wealth rejects one-dimensional views of political and economic orders as either basically conflictual or basically harmonious, arguing that political economy can be both, depending on factors such

⁵⁸⁷ The eclectic global political economy approach is most concisely summarized in Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics*, 2nd (New York: Palgrave Macmillan, 2007), p410. Although presented within a textbook, O'Brien & Williams argue that their ‘eclectic’ perspective “is not a random mix of existing theories” but represents “an explicit argument concerning the key issues and themes in global political economy.” O'Brien and Williams, pp410-11.

as institutions, actors, and structures.⁵⁸⁸ More specifically, eclectic global political economy consists of six analytic pillars, described below, and through which ultimately, it is possible to explain how the compendiums of individual choices and interactions that are the reality of terrorist finance become global systems; and how analytically it is possible to simultaneously separate distinct yet related political and economic factors within analysis yet also integrate them.

Integrating Economics and Politics

The first claim of an ‘eclectic’ discourse of global political economy is the assumption that politics and economics should be taken as conceptually and analytically inseparable. O’Brien and Williams observe that approaches that separate economics from politics lead to the reification and freezing of economic or political structures and processes within political economic discourse.⁵⁸⁹ An open question, however, is how precisely to integrate the various ‘logics’ of vastly different spheres of thought and action, e.g. cultural obligation vs. self interest vs. political mobilization vs. social expectation vs. cognitive agency, etc. Therefore, by assuming that there is no *ontological* separation between politics and economics, this approach welcomes my findings that analytic *devices* and *tools*, such as the Classical Realist ‘specificity of politics’ discussed earlier, can help structure analyses of terrorist financing and related issues without freezing them.

Historical Change

Secondly, O’Brien and Williams claim that analysis of political-economic issues such as terrorist finance should also be sensitive to historical change. In other words, political economic discourse should not be ahistorical and should describe how and from where contemporary political economic circumstances arose. It rests on the assumption that the

⁵⁸⁸ Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics*, 2nd (New York: Palgrave Macmillan, 2007), 418.

⁵⁸⁹ *Ibid.*, 410.

issues and concepts in the global political economy, as well as our interpretation of them, arise within specific historical contexts and thus do not have necessarily consistent meanings throughout history. As discussed, terrorist financing and our understanding of it has arisen specifically within specific historical contexts such as the Global War on Terror, the emergence of viable alternatives to the global neoliberal economy, the wide adoption of myths about and anti-rational analysis of international society, a global Islamic revival, globalization, and financial sector standardization, among others. This tenet provides a clear discursive home for the in-depth, empirically sound, context-specific research that ‘virtuous’ analysis of terrorist financing requires, and for which methods from the fields of history, anthropology, and area studies can be employed.

Agents and Structures

The third aspect of an ‘eclectic’ approach to global political economy relates to its structurationist approach, in which agents and structures are co-determined in complex ways, but the relative causation of which can be determined through empirical analysis more than abstract theorization. This offers to expand the conceptual horizons of terrorist financing research beyond the safe confines of both the traditional approaches of terrorism studies and their strong positivist and neorealist undertones, and the unsystematic, self-referential ‘critical’ approaches. Because actor behavior in terrorist financing (both at the core and the periphery) is determined by complex sets of causes and effects, the epistemological outlook is potentially opened up to data on the full range of actor characteristics, including not only political and operational factors such as ideology and transaction activity, but also societal, economic, institutional, cultural, and psychological factors like kinship, cost-benefit, and social norms. This enables more systematic, empirically grounded analysis by changing the central unit of analysis of this form of terrorist financing towards the two questions posited in Chapter Four, and away from agents (people and their attributes, like profile or intent), away

from structure (the social, political, economic, legal, and normative contexts of behavior), and away from definitions of states (failed states, weak states, and non-states). This conclusion fits well with O'Brien and Williams:

*“While the assumption of rational human behavior underlying rational choice models has something important to tell us about the events in the global economy, and makes for parsimonious theory, it is nevertheless deficient in failing to take account of diverse cultural practices, and variations in historical experience. Similarly, while structuralist approaches are useful in delineating the determinate social structure within which human action takes place they too often neglect or subsume the role of agency.”*⁵⁹⁰

Significantly, this in turn enables a thorough discussion of political-economic choice. The existing literature at times describes the outcomes of these choices or the context in which they occur, but there is little understanding of the dynamics by which individual actors engage with one another, and the consequences of these interactions. Secondly, it allows systematic evaluation of the ‘why’ of terrorist finance, specifically why do some terrorist actors succeed economically and others fail. This requires systematic, methodologically sound analysis of various social, political, economic, institutional, ideational, and moral elements, many of which are politically off-limits in the current discursive climate, such as the extent to which terrorist financing is a function of legitimate political support or apolitical social interaction.

The Role of Ideas

Fourthly, O'Brien and Williams argue that it is crucial also to incorporate thorough analysis of the ideas and cognitive elements of political economy, which are “significant elements in structures outcomes in the global political economy.”⁵⁹¹ This directly addresses the ‘contested’ nature of terrorist finance, and provides the tools to satisfy the crucial need for theoretical understandings of the social, political, and economic factors that constitute these

⁵⁹⁰ O'Brien and Williams, 2007, 410.

⁵⁹¹ Ibid.

realities, systematic collection of evidence relating to these factors, and mechanisms to solve specific problems within those realities. It also helps understand terrorist financing's role in the global political-economic system because they illuminate ways in which phenomena like terrorist financing can challenge, manipulate, and undermine the ideas that undergird that system. For example, the very language that is used to describe economic activity can impact political outcomes. As Tooze remarks,

*“The concepts and languages we use to describe and interpret what is going on in the world political economy are not neutral – in their origin, use, or purpose. Nor are they merely instruments through which we can discover an autonomous preexisting reality of political economy. Economic theory, concepts, and language are constitutive of reality.”*⁵⁹²

As demonstrated in the dissertation, terrorists (as well of course those who observe, analyze, and ‘counter’ them) exploit this, because they know that if only they use the right language, and fit into the right theory, i.e. if they “constitute” themselves to fit the constitutive reality that the neoliberal world has built, they will likely escape unnoticed. Theoretically speaking, this is the mechanism that they use to move among ‘criminal,’ ‘terrorist,’ and ‘legitimate’ political economies. This is a crucial point because those that are involved in terrorist financing typically fit into their multiple constitutive realities, whether through manipulation or design. This is a central element to the reformulation of terrorist financing, because it shows the crucial need for theoretical understandings of the social, political, and economic factors that constitute these realities, as well as mechanisms to solve specific problems within those realities.

Institutions and Institutional Change

The fifth aspect of the eclectic approach is that institutions and institutional change are important elements to understanding political economies, primarily because institutions affect behaviors and outcomes. This means that any formulation of terrorist financing must

⁵⁹² Roger Tooze, "The Missing Link: Security Critical International Political Economy and Community," in *Critical Security Studies and World Politics*, ed. Ken Booth (London: Lynn Reiner Publications, 2005), 144.

recognize that legal, state, and other institutions are being replaced by other less well understood but no less powerful institutions, such as global jihad movements, or global charities, or warlords, or global corporations, or social networks, or identity networks, etc, all of which can qualify as institutions or at least function similar to them. Again, this would enable further theoretical and methodological development related to increasing our understanding of these dynamics.

From the Individual to the Global

The final claim is that there is a close relationship between domestic social orders and trend/occurrences in global political economy and international orders, or in other words that the individual affects the global and vice versa. This issue is of great interest to me and in many ways it is a core issue of international relations. An interesting insight that comes from orienting analysis of political economy towards the individual is that it challenges some common conclusions about the relationship between terrorism and power. Many argue, on one hand, that terrorism is a ‘weapon of the weak,’ while others argue that it represents more a (usually unsuccessful) attempt to use violence as a shortcut to power. However, this dichotomy is really untrue, as Carolyn Nordstrom writes:

“If analysts cannot see the full compendium of economic, political, and social forces defining the emergent twenty-first century, yet the war orphan and [warlord] can, then who has the power?”⁵⁹³

Terrorism, like conflict, does not simply involve powerful warlords oppressing weak war orphans, and thus its analysis should not be a pointless debate about who should count as a warlord (terrorist) and who is a war orphan (their victims). Instead, if one views terrorism as simply an extension of the universal struggle for political power and economic wealth, this implies that terrorism involves the *continual transformation* of the weak into the strong – and back again – depending on the particular political economic circumstances. More simply,

⁵⁹³ Nordstrom, *Global Outlaw*, 2007.

warlords, terrorists, orphans, and victims all have power of different form within different context, and this concept provides a basis for systematically analyzing the ‘full compendium’ of these dynamics.

Everyday Political Economy

Although the ‘eclectic’ approach described above provides a solid, albeit general, basis for identifying certain key issues and themes for future research of terrorist financing into the discourse of political economy, Hobson and Seabrooke’s conception of “Everyday Political Economy” is useful as a single discursive starting point for more in depth exploration of the political economic dynamics of terrorist finance, in its alternative conceptualization presented in this thesis. Everyday Political Economy (EPE) relates to how ‘everyday’ actors act and react, resist and comply, and create and prevent change in an infinite number of subtle and nuanced ways. According to them:

Everyday actions are defined as acts by those who are subordinate within a broader power relationship but, whether through negotiation, resistance or non-resistance – either incrementally or suddenly – shape, constitute, and transform the political and economic environment around and beyond them.⁵⁹⁴

This also, as the similarity in terminology suggests, that ‘everyday political economy,’ reflects well de Certeau’s ‘everyday’ approach. In fact, this sub-discourse awakens the new and powerful realization that terrorist financing is at core about *change*, and thus the analysis of it is the analysis of (subtle, nuanced, yet potentially world-altering) change.

Hobson and Seabrooke propose that such ‘bottom-up’ change occurs in three varieties. The first, ‘defiance,’ refers to overt resistance, which in terms of terrorist finance could refer to the direct sponsorship activity described in the typology in the next chapter. The second form of change occurs because of ‘mimetic challenge,’ which is essentially covert resistance,

⁵⁹⁴ John Hobson and Leonard Seabrooke, "Everyday IPE: revealing everyday forms of change in the world economy," in *Everyday Politics of the World Economy* (Cambridge: Cambridge University Press, 2007), 15.

in which change “is generated when everyday actors adopt the discourse and/or characteristics of the dominant to cloak their resistance-challenges to the legitimacy of the dominant.” Agents, they argue, “appeal to the normative discourse of the dominant in order to push through their own subversive agenda.”⁵⁹⁵ Third, everyday change can take the form of ‘axiorational’ conduct, defined as “habit-informed, reason-guided behavior within which an actor still retains a concept of interest.” Axiorational behavior, they write,

“Is neither aimed at purely instrumental goals nor purely value-oriented goals. Rather [it] is where an actor uses reason to reflect upon conventions and norms, as well as the interests they inform, and then chooses to act in ways which are in accordance with broader intersubjective understandings of what is socially legitimate...actors often behave in economically rational ways, but that this is in part defined by norms and identities that prevail at any one point in time and which prescribe that which is rational in the first place.”

One can easily see the relevance of this conception of change. For example, it can uncover how actions such as providing financial support to the IRA for a vague, yet unassailably noble cause like ‘Irish freedom’ or al Qaeda for ‘the solidarity of the *ummah*,’ even though both discourses are demonstrably subversive to those causes. The result, analytically, is that such strategies can be systematically revealed and assessed, and then if necessary, countered. Systematic application of this conception would greatly help to integrate many of the still disparate conceptual strands brought forth in this dissertation.

Everyday political economy emphasizes that change occurs according to “dialogic” and “negotiative” relationships, rather than via any kind of mechanistic or self-serving/self-referential conception of human behavior. This implies first that rather than simply a situation in which elites oppress and the marginal resist, *all* actors involved are simultaneously resisting one another. This echoes some of the points above, but further illuminates power dynamics across the whole spectrum of political and economic behavior, and provides Cox’s ‘basic structure’ within which improved analysis of political economic

⁵⁹⁵ Ibid., 17.

realities can arise. More simply, it shows that the key to analysis of terrorist finance is to uncover which forms of resistance are used in what context, and which forms produce what outcome. From this foundation of knowledge, analysis of political economic phenomena – including terrorist finance – could become much more useful.

The benefits of this are immediately evident. For example, it overcomes completely the ‘terrorist vs. freedom fighter’ dichotomy by repositioning the problem as ‘No matter if they are terrorist or freedom fighters, one must ‘negotiate’ a relationship with them in a way that makes oneself successful.’⁵⁹⁶ In other words, it reorients both analysis and action towards a systematic understanding of relationships among actors and the consequences of those relations. This appears to have potential as the foundation for significant improvement in understanding not only terrorist finance but also the contemporary global political economy, especially if combined with systematic empirical work.

Conclusion

This chapter has presented an epistemic revision that better reflects the inherent intersubjectivity, complexity, and cross-cultural variations in terrorist financing activity. To review, I demonstrated that the ‘right questions’ to ask about terrorist financing concern the instrumentality of economic activity for terrorist actors and what such activity tells one about the relationship terrorist actors have with wider societies, because these questions get to the heart of the objectives of analysis, which are how to better understand terrorism and terrorists and how to respond to terrorism and terrorists in a way that protects and defends both liberal democratic society but also its principles. This instrumentality of economic activity as a conditioning – rather than determining – factor of terrorist behavior, recognition of which

⁵⁹⁶ In this context, the term ‘negotiate’ means roughly ‘systematic interaction,’ rather than necessarily ‘talking.’

creates a foundation for developing a framework for systematically analyzing and specifying the actual impact various behaviors have in given contexts. The same can be said for systematically analyzing and specifying the precise dynamics of these interactions and relationships that are illuminated by financial and economic support.

The chapter also discussed how terrorist financing can be reframed according to several new assumptions, which together focus on analyses of human agency, norms, socio-historical context, and the processes of power competition, value exchange, and knowledge creation, as well as recognition that the analysis of terrorist finance is itself a political project meant to serve specific interests of liberal democratic society. This reframes analysis of terrorist financing away from agents' characteristics (people and their attributes, like profile or intent), away from structure (the social, political, economic, legal, and normative contexts of behavior), away from the state (failed states, weak states, and non-states), and thus also away from approaches that have proven so unsuccessful in explaining terrorist financing. Instead, it orients analysis of terrorist financing towards the dynamics and consequences of political-economic decision-making and its consequences. Although this may appear to create an awkwardness of fit between structural dynamics of terrorist financing (like those raised in the case study of Chapter 2) and a conceptual emphasis on agency and reasoning, this awkwardness is only superficial since the next chapter demonstrates that it is possible to construct a conceptualization of terrorist finance that links the structural dynamics and reasoning in a way that the former depends on the latter. Specifically, the structural dynamics of terrorist financing (most importantly which value chains are accessed, how they are accessed, and what changes result from this access) depends on human choices (agency) about terrorist group values, objectives, and goals, which are themselves a product of rationality & freedom and the place of the individual in global society. This subtle but

important epistemological shift subordinates normative debates about ‘bad’ (i.e. terrorist) versus ‘good’ financing, and replaces it with a foundation of analysis that is not only closer to the specific (liberal democratic) interests and objectives it is supposed to serve, but also enables access to more analytic tools required to meet those objectives.

CHAPTER 5 Application: A New Typology of Terrorist Finance

This chapter introduces a practical analytic application of the reformulated epistemology presented in the previous chapter in the form of a typology of terrorist financing activity that enables a coherent and nuanced representation of such activity and thus also ultimately a systematic analysis of its empirical realities at both macro and individual transaction levels. Typologies are a familiar concept within the counter terrorist financing community, and are often used by governments, international organizations, financial institutions, and charities to tell them ‘what to look for’.⁵⁹⁷ By definition, they are a way to categorize activity, or in other words are essentially an epistemic theory of classification. The typology presented here splits terrorist financing activity into two distinct modalities, *value chain exchanges* and *material expressions of support* for terrorism, each of which has a distinct analytic logic. This essentially offers two definitions for terrorist financing. In other words, this chapter argues that terrorist financing can be more precisely redefined as either the *value chain* of terrorist actors or *material expressions of support* for terrorism.

Typologies – in character if not by name – appear throughout the International Relations discipline, often in association with hyper-rationalist or structural approaches,⁵⁹⁸ although the ubiquitous ‘levels of analysis’ epistemic formulation is in essence a typology. Even though terrorist finance is a phenomenon inherently contestable along politicized lines, a typology is nevertheless an appropriate device with which to apply the previous chapters’ research primarily because it will be legible to those in governments, the financial industry, and others in the community of terrorist financing analysts whom use analysis of terrorist finance to

⁵⁹⁷ For example Financial Action Task Force, *Terrorist Financing Typologies Report* (Paris, 2008).

⁵⁹⁸ For example, Waltz’s paradigmatic ‘man, state and international system’ formulation is essentially a typology.

inform action. Because this dissertation is in some ways inherently a political project by virtue of its subject matter, this legibility is important.

It is important to recognize here that often such a typology would be outlined and then tested against empirical evidence. This thesis, in this respect, may appear to put the proverbial ‘cart before the horse’ by proposing this typology in its final full chapter. This has been done because, simply put, the deficiencies in both the orthodox and critical literature on terrorist financing mean that it has taken the previous four chapters to even get to the stage where a new typology could be outlined. Fully testing it is thus outside what would be possible within the three years of a PhD dissertation. Therefore, in terms of the above metaphor, the thesis is focused on identifying what is in fact a horse and cart, where each can be found, how they could be brought together, and an outline of a plan to decide on the correct positioning of the horse relative to the cart. The actual placement of the horse and the cart in relation to one another thus lies beyond the confines of this dissertation.

More specifically, this typology provides a coherent, concise framework within which terrorism-related financial and economic activity can be represented, and thus ultimately serves as the epistemic foundation for an improved conceptualization of terrorist finance. This improved conceptualization is intended to provide ‘terrorist financing studies’ with an analytical framework upon which future, better, research on terrorist finance can proceed. In other words – specifically those of Canada’s main intelligence agency – there is a need for “a generally accepted model of terrorist financing,” which “would provide a clear and common strategic understanding of how terrorist financing operates and a sound basis for deciding how to respond to it.”⁵⁹⁹ As currently no such model currently exists, this typology is not

⁵⁹⁹ Canadian Press, "CSIS developing new model for understanding terrorist financing, documents show," April 20, 2008.

only a conceptually sound application of this dissertation's reformulated epistemology, but also a viable analytic alternative to the deficient 'orthodox' analytic frameworks.

The Terrorism Value Chain

This section argues that analyzing terrorist financing in terms of the value chains accessed by terrorist actors provides a way to representing and give meaning to those activities now encompassed by the term 'terrorist finance.' I argue that, in a fundamental way, 'terrorist financing' is similar epistemologically to a commercial value chain, which has been defined as, "the sequential set of primary and support activities that an enterprise performs to turn inputs into value-added outputs for its external customers."⁶⁰⁰ In this conception, terrorist 'enterprises' turn 'inputs' (e.g. volunteer labor, training, ideological or religious radicalism, weapons, donated money) into 'value-added outputs' (e.g. attacks, political power, social welfare, territorial governance, advantageous changes in state policy) for their 'external customers' (e.g. social, religious, ethnic, ideological, or other constituencies), via a 'set of primary and support activities' (e.g. the various financing and logistical methods often referred to in existing literature as 'terrorist financing techniques,' such as money laundering, *hawala*, or engagement in crime). Therefore part of what is now referred to as 'terrorist financing' can be more precisely defined as *the compendium of individual transactions in which various items of material and non-material value are exchanged that result in terrorist actors acquiring something of value.*

To illustrate this, compare for example HAMAS and General Electric (GE). The latter has a vast network of associated independent businesses and individuals that provide it with goods and services that range from the glass for its light bulbs to contracted advice for its

⁶⁰⁰ Interoperability Clearinghouse, *Glossary of Terms*, <http://www.ichnet.org/glossary.htm>. The term 'value chain' was coined in Michael Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: Free Press, 1998).

government lobbying, each of whom interacts with GE according to various objective-, relationship-, context-, time-, and place- specific dynamics. The same can be said of HAMAS, although of course the goods, services and forms of value will be different, as will the dynamics of exchange. Regardless of the variations, although its suppliers are accurately included as part of GE's 'value chain,' it would be nonsense to conclude that such interaction either makes them part of GE itself or necessarily beholden to GE. Similarly, just because someone interacts with HAMAS economically does not necessarily imply they 'are' HAMAS or part of the movement's 'infrastructure.'

Conceptually, reframing 'terrorist finance' as the above is a logical consequence of the arguments of the previous chapters. As discussed earlier, the term 'terrorist financing' is a misnomer in that much of the activity encompassed by that term involves neither terrorism nor money. Instead, terrorist financing more accurately refers to the flow of economic and material value to 'terrorist' actors, however that contested term is defined and represented. This helps distance understandings of 'terrorist finance' from the narrow normative, legal, and political contexts that dominate 'orthodox' thinking on terrorism and terrorist finance, and places the issue more in context of the everyday realities of how global and local political economies impact and are impacted by contemporary issues of international security. Although further research is necessary to fully understand the implications of doing so, understanding terrorist financing in terms more aware of and sensitive to both local and global socio-political realities is likely to significantly impact perceptions and actions related to terrorist finance. As discussed earlier, Nordstrom observes that a Marlboro-selling Angolan war orphan is often more aware than Western political officials or economists of the local and even global political economic realities that govern her society, a situation that implies that Western governments, academics, and societies are poorly positioned to not only

understand and research such realities, but also – and more importantly – act on and change them. The previous chapters clearly demonstrated that the same problem existed regarding terrorist finance, and this typology offers a coherent framework to address this situation.

In particular, re-conceptualizing terrorist finance as an issue of how certain political actors – ‘terrorists’ – access, influence, and are impacted by economic exchanges of value carries the implication that better approaches to understanding and responding to terrorist finance lie in understanding how terrorists interact with and influence particular local and global political economies. Specifically – given, as described in the previous chapter, that one of the two ‘right’ questions one should ask of terrorist financing activity concerns the extent to which such so-called ‘financial’ activity is instrumental to terrorist operations – the significance of terrorist financing lies not in the ‘financial’ activity itself, but in the activity that is benefited by that financial activity. Conceptualizing terrorist finance in terms of terrorist access to value chains implies that for analysis of terrorist finance to measure and assess this instrumentality, it must understand and engage with the local and global political economic realities with which terrorists themselves are interacting as part of these value chains.

It is important to emphasize here that this epistemic reformulation is an analytic claim, not a normative one. Naturally, it is reasonable for a politician for example to try to dissuade economic interaction with terrorist actors with these terms, or for legislators to pass laws to outlaw certain interactions with HAMAS that would be legal with GE, for instance. I argue simply that it is unreasonable for systematic analysts of terrorism and terrorist financing to base their epistemic frameworks on such normative claims. Analysis of how both organizations are ‘financed’ would thus focus on understanding the dynamics of its relationships with its value chain. GE for instance typically engages in formal written

contracts to govern its relationships with its suppliers, while HAMAS relies more on shared religious or ideological commitment, and both value strong personal relationships. Analysis of their ‘financing’ would thus focus, in part, on how these relationships and interactions affect the instrumentality of these organizations. For GE, this means shareholder value,⁶⁰¹ but for HAMAS it means its various social and political goals such as revenge and resistance against Israel, consolidation of power over the Palestinian territories, international recognition.

In general terms, the analytic implications of this redefinition are significant. As discussed in Chapter 4, focusing on instrumentality shifts the analysis of terrorist financing away from static descriptions of actors and methods and towards evaluation of more context-dependent flows, processes, and outcomes. For example, a hypothetical car manufacturer would prioritize maximizing the efficiency (a process) of its assembly line (a flow) in order to increase profit (an outcome) over sticking to any individual machine, laborer, or customer. Analogously, one could hypothesize that HAMAS (or any terrorist actor) is likely to place a higher priority on context-dependent processes such as recruitment or flows such as income generation than on any specific person to be recruited or method of generating income. To emphasize, both static descriptions of actors and actions and analysis of their instrumentality within given specific contexts are important. Mossad, for example, is likely to want to not only identify what is being smuggled to HAMAS and by what means, but also understand the various relationships that make such smuggling possible and significant for HAMAS operations. Existing literature on terrorist financing, however, typically privileges the former over the latter, as was discussed in Chapter Three. Characterizing terrorist finance (in part) as a value chain thus reverses the epistemological polarity of analysis of it.

⁶⁰¹ Which of course can be defined in many ways – profit, long term value, stock price, etc.

Hypotheses about Terrorist Financing Value Chains

The central hypothesis rising from a focus on ‘value chain’ activity is that terrorist actors likely access *existing* market flows for things of value (such as weapons, people, materiel, cash, and other goods and services) rather than create and manage their own closed ‘infrastructures’ or ‘networks’ to produce, move, or use these things. One can hypothesize that terrorist actors, like any actor, therefore seek out market flows that help them meet their objectives. In order to explain how this likely occurs – and thus where future research could best be focused – we must, as discussed in the previous chapter, start at a individual level of analysis, examining the individual exchanges that provide terrorist actors access to such market flows.

By reframing the discussion of Chapter Four, these individual exchanges can be represented as being governed by essentially two variables. The first variable is, using plain English, the *desire* of terrorist actors to access a particular market flow, which is essentially a function of the perception that such access will meet certain pre-existing objectives. This refers to the extent to which a terrorist actor would like to obtain the forms of value available within a given market, and is primarily a function of the terrorist actor’s rational assessment (in Sen’s conception of rationality) about how instrumental a particular form of value would be in assisting his objectives. More simply, one could hypothesize with reasonable surety that terrorist actors access pre-existing markets for reasons tied to their own objectives.

Given that many subsidiary factors influence a terrorist’s assessment of both his own objectives (including, as discussed in Chapter Four, ideology, tactical assessments, political, social, or cultural values, or perceptions about ones capabilities), as well as how a particular item of value would instrumentally serve them (such as, one could estimate, perceived

quality, reliability, worth, or other information available about the desired item of value), this places terrorism-related financial activity in a richer conceptual context, for example by helping highlight, nuance, and specify important differences among different terrorist actors.

A useful example relates to how differences in how terrorist actors' interactions with charities are represented. Using al Qaeda and HAMAS as examples, orthodox conceptualizations of terrorist finance tend to represent the differences between these groups use of charities to fund their activities as at core a difference in technique, with al Qaeda using a vast charitable "infrastructure" to fund its activities⁶⁰² and HAMAS instead using a more sophisticated network of charitable "front organizations."⁶⁰³ However, by applying this dissertation's alternative conceptualization of terrorist finance, such differences can be re-represented in terms of these groups' desire to access a particular value chain; in this case the flow of Islamist-oriented charitable donations. Representing this activity in these terms immediately highlights important nuance and specificity. For instance, although they both receive financial support from charitable organizations, available evidence indicates that whereas al Qaeda appears to regularly misappropriate funds towards militant operations meant for humanitarian purposes (as illustrated in Chapter 2), HAMAS makes concerted efforts to ensure all such donations are accounted for transparently and go towards the group's political, social welfare, and other non-military activities.⁶⁰⁴ In other words, although both groups access this particular value chain (albeit likely different parts of it), nevertheless, as Gunning observes, HAMAS desires to do so in order to maintain and strengthen its non-military activities and cement its reputation with its Palestinian constituency as a benevolent

⁶⁰² Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," *Strategic Insights* (Center for Contemporary Conflict) IV, no. 1 (January 2005).

⁶⁰³ Matthew Levitt, *HAMAS: Politics, Charity, and Terrorism in the Service of Jihad* (London: Yale University Press, 2006).

⁶⁰⁴ See discussion in Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008), pp99-104.

and incorruptible social movement, while al Qaeda appears to do so only to gain the ability to carry out violent terrorist attacks.⁶⁰⁵ This begins to illustrate how this alternative representation of terrorist finance provides a more systematic and coherent approach to that available in existing discourse.

To continue, one can also hypothesize, especially based on the discussions of Chapter Four, that terrorist actor assessments of value, objective, and instrumentality are completely context-specific. In other words, something that may be of value in one time or place may be less 'desirable' in another, even for the same terrorist actor. This is because goals change, situations change, and particular forms of value become relatively more or less valuable accordingly. Taking the example from Chapter 2, it seems that the Chechen separatists were likely seeking access to markets for drugs, arms, food, clothing, personnel, or services according to particular political-economic needs at particular times.

The second variable governing terrorist financing 'value chains' is the *ability* of terrorist actors to access these pre-existing market flows of value. This refers simply to the actual capability of the terrorist actor to not only access a market but to do so in a way that he is able to engage in an exchange that he finds 'desirable.' Drawing from the discussions of the previous chapter, the *ability* of a terrorist actor to access a given value chain can be characterized in terms of the *power* the actor is able to exercise within the individual interactions that would lead to such access, therefore in turn also a function of how and how well terrorist actors are able to interact with the societal environment that contextualizes those interactions.

⁶⁰⁵ Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008), pp99-104.

To illustrate, let us briefly explore how by examining the ability of the Taliban to access the market flows for opium and heroin one can arrive at important and highly useful conclusions about a terrorist actor. Prior to the 2001-2002 invasion of Afghanistan by U.S. and NATO forces, the ruling Taliban movement had – to generalize a complex relationship – a mutually advantageous partnership with the global drug trafficking networks that bought, processed, and sold Afghan poppy, in which these networks were able to operate in exchange for providing the Taliban significant revenue from the production and export of Afghanistan primary export.⁶⁰⁶ However, the invasion saw Taliban deposed from power, its leadership displaced, and most of its military and political capabilities destroyed, a change that unsurprisingly ended the group’s previous arrangements with drug trafficking organizations. Nevertheless, by 2004, the Taliban began to reconstitute itself as a military and political force in Afghanistan and Pakistan, primarily because it regained the ability to access the lucrative flows of value related to the opium trade. This was accomplished, as Peters documents, because Taliban leaders were able to use their strong kinship bonds and historical relationships with the Pashtun tribes that governed much of the Afghan-Pakistani border areas to facilitate both the smuggling of opium out of the region, as well as the importation of cash and its laundering.⁶⁰⁷ Since then, this relationship has evolved so that by 2008, the Taliban was staging large-scale military operations against NATO forces only in order to divert attention away from convoys conducting many tons of opium into Pakistan.⁶⁰⁸

Orthodox approaches to terrorist finance typically describe the above situation in terms of the growth of a so-called “crime-terror nexus,”⁶⁰⁹ a representation that, as Williams has noted,⁶¹⁰

⁶⁰⁶ Gretchen Peters, *Seeds of Terror: How Heroin is Bankrolling the Taliban and al Qaeda* (New York: Thomas Dunne Books, 2009), 67-101.

⁶⁰⁷ Peters (2009), 102-144.

⁶⁰⁸ Peters (2009), 102-144.

⁶⁰⁹ Tamara Makarenko, "The Crime–Terror Continuum: Tracing the Interplay between Transnational Organised Crime and Terrorism," *Global Crime* () 6, no. 1 (February 2004). See discussion in Chapter Three.

depicts the phenomenon far too unproblematically, and which does not necessarily require any exploration and specification of, or nuance about the centrally important historical, political, economic, cultural, social and other contexts that constitute the individual level realities of such a ‘nexus.’ By representing terrorist finance instead as in part a function of the ability of a terrorist group to access value chains, typology presented here forces analysis of terrorist finance to engage with these contexts and realities from the outset. In the above case, for instance, there occurred in essence a change in what was required of the Taliban to access its primary source of economic value – from mutually beneficial tolerance (when it was in a position of strength relative to the regions drug trafficking organizations) to active participation and support (when it was in position of relative weakness). Examining this change in terms of the dynamics by which individual political economic interactions both impact the capabilities and behaviors of terrorist actors and reflect relationships with wider communities, as Chapter Four proposes, then, for one, it is possible to place detailed empirical field research, such as by Peters,⁶¹¹ into a coherent conceptual and praxial framework and thus better and more systematically assess and utilize her information. More pithily, this indicates that by simply ‘asking the right questions’ about terrorist finance, one can arrive at answers that are more coherent, more precise, and ultimately more useful.

Engaging with the complex individual contexts of realities of terrorist finance via an examination of the ability of terrorist actors to access value chains naturally involves other factors, which will need to be explicated with further research. These factors may include, one could hypothesize, relationships with key players in a particular market (as above),,

⁶¹⁰ Phil Williams, “Terrorist financing and organized crime: nexus, appropriation, or transformation?” in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008).

⁶¹¹ Gretchen Peters, *Seeds of Terror: How Heroin in Bankrolling the Taliban and al Qaeda* (New York: Thomas Dunne Books, 2009).

institutional knowledge of the market (e.g. of regulations – such as KYC⁶¹² requirements – that must be met to access services), or simply logistical dynamics (e.g. that would impact the ability to acquire certain types of weapons in certain locations).

Overall, it is thus logical to assume that how and to what extent terrorist actors are able to access markets such as these will depend on their capabilities for interacting with these various market dynamics. More simply, a key assumption one can make about terrorist financing is that terrorist access to a given market will be dependent on their knowledge of the market and their abilities to access it in order to use it. The diversity of potential factors that could possibly influence the desire and ability of terrorist actors to access value chains, many of which are illicit and extra-legal, is implicit in the following from Nordstrom's is implicit in anthropological research:

The profit trail [of extra legal economies] is extensive and equally nontransparent. Cars, trucks, trains, ships, and airplanes must transport nonlegal goods from the point of production to the final destination. Each is produced by industrial centers, fueled by petroleum products, and piloted by professionals. Each transverses controls and international borders, where complicit personnel assist nonlegal as well as legal transfers. Handlers transport the commodities, experts test them, accommodating financial institutions lend and launder money, and less-than-legitimate security forces take a cut to ignore the law. Each step in the considerable set of transfers that moves any commodity across time, space, international borders, and the boundaries of the law carries these nontransparent earning into the markets of everyday life.⁶¹³

Although further research is required to document and analyze precisely how these factors interact with one another for specific terrorist groups and their access to particular value chains, it is possible to arrive at some general preliminary conceptual insights that would guide this further research by placing this typology in context of existing research on commercial value chains. Given that on a conceptual level, as Chapter Four outlined,

⁶¹² Know Your Customer

⁶¹³ Carolyn Nordstrom, "Extrastate Globalization of the Illicit," in *Why America's Top Pundits Are Wrong: Anthropologists Talk Back*, ed. Catherine Lowe Besteman and Hugh Gusterson (Berkeley: University of California Press, 2005), 151.

terrorist financing relates centrally to how individual level political economic interactions govern and are governed by various contextual factors, the work of Gereffi, Humphrey, and Sturgeon on commercial value chain governance is especially relevant.⁶¹⁴ They build a theoretical framework that argues that the key determinates of how value chains are governed are:

- A. *the complexity of information and knowledge transfer required to sustain a particular transaction, particularly with respect to product and process specifications;*
- B. *the extent to which this information and knowledge can be codified and, therefore, transmitted efficiently and without transaction-specific investment between the parties to the transaction; and*
- C. *the capabilities of actual and potential suppliers in relation to the requirements of the transaction.*⁶¹⁵

When placed in context of terrorist financing, their argument supports the hypothesis that how and whether terrorist actors access any given value chain will depend greatly on the knowledge and power dynamics that impact their desire and ability to seek out and achieve this access. This implies that the exact nature of how the particular factors that impact terrorist access to value chains interrelate is likely governed by how terrorist actors are willing and able to impact these power/knowledge dynamics in ways advantageous to them. Overall, the desire/ability explanation of the basic political economic decision-making process involved in the individual exchanges of the ‘value chain’ of terrorist financing thus is very similar in substance to both Amartya Sen’s rationality/freedom dichotomy discussed earlier as well as Atwood, Glatz, and Muggah’s motive/means explanation of the demand for small arms.⁶¹⁷

⁶¹⁴ Gary Gereffi, John Humphrey and Timothy Sturgeon, "The Governance of Global Value Chains," *Review of International Political Economy* 12, no. 1 (February 2005): 78-104.

⁶¹⁵ Gereffi, Humphrey and Sturgeon (2005): 85.

⁶¹⁷ Anne-Kathrin Glatz and Robert Muggah, "The Other Side of the Coin: Demand," in *Small Arms Survey 2006: Unfinished Business* (Geneva: Small Arms Survey, Graduate Institute of International Studies, 2006).

One very possible – and important, if born out in further research – implication therefore is that the same decision making process occurs whether buying small arms, remittance services, plutonium, transportation, or tomatoes, since, as indicated below, the processes by which terrorist actors access markets for everything from weapons to money to tires appears to be at core a function of managing information and relationships within governance structures particular to specific times and places, regardless of the item of value or the value chain accessed. The same naturally might be said of any actor interacting with contemporary political economies. .

Epistemically, this element of the typology requires a method centered on analysis of the market flows in which value is exchanged and the dynamics of exchange within them. In other words, it means a permanent shift in terrorist financing research away from the inherently deficient ‘orthodox’ descriptions of simply ‘who finances terrorism and how they do it,’ and towards research focused on collecting and evaluating evidence to understand the dynamics by which terrorist actors interact with, impact, and are impacted by local and global political economies. In general terms, therefore around the various forms and practices of power and value exchange evident within both the specific value chains accessed by terrorist actors and the activities taken in order for the terrorist actor to access those markets; as well as, most significantly, observation of the dynamics of how relationships, interactions, and movements within the global system *produce* these forms and practices of power and value, both individually and in aggregate. More specifically, this would in actual research practice likely entail at least the following:

- Identification and cataloging of the material and non-material resources (i.e. forms of value) used by terrorist actors.

- Identification of the existing markets flows and value exchange systems used by these actors to acquire these resources.
- Assessment of how and by whom these markets, value flows, and value transfer systems are governed and controlled, for example by collecting and analyzing data on structural factors, e.g. is the flow of value open and competitive, or is cartel-type behavior evident, or is it controlled tightly by one (e.g. a warlord) or many elites.
- Assessment of how access to these markets, value flows, and value transfer systems is or could be gained, both in general and specifically by the given terrorist actor, including identification and contextualization of the criteria for and methods of access and entry to these particular markets, e.g. kinship bonds, ideological credibility, economic wealth.
- Assessment of relevant local practices, traditions, and structures relating to politics and power (including ideology), society & culture (including religion), economics and business, and institutions and law.
- Identification of relevant geographies, for example any known trafficking or smuggling routes, or locations of regulated or unregulated marketplaces, etc.
- Research into how relevant terrorist actors have accessed these value chains in the past.
- Evaluation of how this access impacted threat actors' capabilities, operations, and other activities; what this access indicated or currently indicates about the terrorist actors' specific operational, social, political, and other relationships and behaviors; and what access to a particular market and/or acquisition of a particular resource indicates about these factors.

Although this alternative approach provides the foundation for an improved way to represent, research, and ultimately understand terrorist finance, it nevertheless also raises new analytic challenges. One is that naturally it is often difficult to collect data on the abovementioned areas, especially at the individual or transactional level of detail. However, as discussed in the previous chapter and as proven by researchers like Nordstrom, Peters, Horgan, and Kupatadze, among many others, this is hardly impossible, especially if one employs ethnographic or historical research methods like interviewing and observation. Another significant challenge is that, because much of terrorist financing occurs outside the highly formalized and regulated political economies of the Europe and North America, applying this typology requires deep understanding of non-Western, informal, extra-legal, and ‘shadow’ political economies, which are often hard to comprehend without local knowledge. Using these methods, it would be possible to build both a comprehensive data set about ‘terrorist financing’ behavior as well as a set of evidence-based of analytic judgments about the significance (i.e. instrumentality) of this behavior to given actors, times, and places. Both of these would be applicable to governments, financial institutions, and other relevant actors within liberal democratic societies.

In summary, the concept of the ‘value chain’ of terrorist actors represents one half of the new typology of terrorist financing presented in this dissertation. A basic irony of such ‘value chain activity’ is that it involves interactions that are mostly apolitical (i.e. not intentionally supportive of a terrorist cause) but which often directly lead to terrorist violence. This section introduced the general theory of how terrorist actors access existing markets for what they need. The following section discusses these processes in more detail and examines the advantages of this (re)formulation of terrorist finance relative to frameworks currently available in the literature.

Terrorist Access to Value Chains: Examples

This section provides an examples of some of the global and local value chains accessed by terrorist actors, and, as much possible with the evidence available, describes the processes by which terrorists achieve this access. Further research is required to provide greater empirical and analytical depth to these discussions, particularly in terms of the individual-level dynamics of political economic decision making evident in these activities, as well as the various consequences and meanings these findings would have for different audiences.

Accessing Value Chains Related to Money

Common sense would tell us that it is likely that much – but, as emphasized earlier, by no means all – activity usually termed ‘terrorist financing’ relates to how terrorist actors acquire and use money and its equivalents. As discussed in Chapter Two, orthodox approaches to terrorist finance promote a notion that terrorists squirrel away money in some sort of vast and secret infrastructure of bank accounts, hidden stores of cash, and various sophisticated financial vehicles. Applying the typology of a value chain to these activities puts this mistaken conception of terrorist financing to rest.

Cash

Terrorist actors, like anyone else, need cash to purchase goods and services. This means therefore that terrorist actors simply access existing market flows for cash, and engage in various individual exchanges of value in order to acquire the monetary instruments that they require to purchase other items of value, such as weapons, transport, labor, or long-term capability. In other words, the flow and the market for money, cash, currency, and their equivalents are epistemologically no differently than flows and markets for any other form of value.

In existing, orthodox, discourse on terrorist finance, the dynamics of how terrorist actors' access to flows of global or local market flows in the supply of cash and its equivalents – or in other words their acquisition of money – is described as in terms of how terrorist actors 'generate' money, e.g. through crime or charitable or business 'fronts.' In most cases, this is a misnomer, as terrorist groups, strictly speaking, rarely 'generate' money (unless of course they are printing counterfeit currency). More accurately – and in line with the conceptualization and representation of terrorism-related financial activity presented in this dissertation – money is simply the form of value for which value-added products are exchanged, and terrorist actors engage in various actions and interactions to access market flow for this particular form of value. For example, in the case mentioned above, the Taliban appears to be in large part 'funded' by huge amounts of cash related to the heroin trade. However, this belies the more complicated reality of the exchange of various forms of value – one of which is cash – in which the Taliban is engaged with local and global drug trafficking organizations. To grossly simplify a very complex phenomenon for the sake of space, if one were to trace the exact path of the cash received by the Taliban, it often would be something along the lines of the following.⁶¹⁸ The Taliban receives cash from a locally based drug trafficker (who may also be a warlord, tribal leader, or even government official) in exchange for opium made from poppy farmed from Taliban controlled lands. The trafficker provides the opium to other traffickers who smuggle the drug to its ultimate market in Europe, but also receives payment for this opium provided in cash from local business elites. These local business elites, who often are also involved in legitimate commerce throughout South Asia and the Middle East, receive their cash by intentionally over-invoicing exports to colleagues in the United Arab Emirates, employing a technique that has been

⁶¹⁸ For documentation and specific examples of this type of value exchange involving the Taliban and South Asian drug trafficking organization, see especially Gretchen Peters, *Seeds of Terror: How Heroin in Bankrolling the Taliban and al Qaeda* (New York: Thomas Dunne Books, 2009); and John Cassara, *Hide & Seek: Intelligence, Law Enforcement, and the Stalled War on Terrorist Finance* (Washington DC: Potomac Books, 2006).

termed as “trade based money laundering.”⁶¹⁹ Completing the chain, these UAE-based businesspeople receive cash from other similar business colleagues, some of whom will eventually received money directly from drug trafficking organizations that has been generated by the sale of drugs in Europe. It is clear to see, therefore, that ‘terrorist finance’ is superiorly represented in terms of the exchange of value, rather than an unproblematized issue of ‘terrorist money.’

In another example, from the case described in Chapter 2, foreign *jihadist* fighters were able to access flows of donated cash that flowed from donors in the Middle East through various branch offices of the Benevolence International Foundation (BIF) or Al Haremeim Foundation (AHF) and ultimately to the militants themselves (and of course onto corrupt Georgian officials and others beyond this). Representing this activity in terms of how ‘terrorists’ (in this case the foreign jihadists going to Chechnya) access ‘value chains’ (in this case the flow of cash described in the previous sentence) is likely to yield far richer analysis than ‘orthodox’ depictions of BIF and AHF as terrorist ‘fronts’ that “funnel” money to terrorists or more generally “underwrite” terrorism.⁶²⁰ This is because the former immediately raises important issues about the dynamics of this value chain and the realities and implications of access to it by specific terrorist actors. The following indicates just some of the significant areas of knowledge that could be illuminated by reframing this activity as value chain access:

⁶¹⁹ In brief, trade based money laundering can be described as: Bob wants to secretly pay Jim. Bob and Jim both also have legitimate import-export businesses. Bob overpays for goods Jim imports. According to law enforcement sources in the United States, this basic technique is used more often to avoid taxes than for any reason associate with organized crime, drugs, or terrorism. For a complete description, see Financial Action Task Force, "Trade Based Money Laundering" (Paris, June 23, 2006); and John Cassara, *Hide & Seek: Intelligence, Law Enforcement, and the Stalled War on Terrorist Finance* (Washington DC: Potomac Books, 2006).

⁶²⁰ Stuart Levey, "Address of Under Secretary Stuart Levey," to *The American Israel Public Affairs Committee Policy Conference 2005* (U.S. Treasury, May 25, 2005).

- The identity and background of all participants in each element of the value chain, from, for instance, the donors and organizers of the fundraising events that led to their donations to the corrupt Georgian officials who ultimately received payment for transporting the ‘terrorists’ to the Chechen border.
- The motives, social, cultural, and moral beliefs and practices, and other individual contexts that informed individual decisions about interacting with either this value chain, the charitable foundations, or the terrorist actors (e.g. how exactly did theological factors, such as inclusion of jihad within the justifiable bases for zakat donations, impact the decision making of the donors).
- The acts and practices of power that influenced the outcomes of these interactions, including, physical (e.g. armed force or threat thereof), social (e.g. kinship bonds), cultural (e.g. communication traditions), economic (e.g. command or control of resources), political (e.g. formal or institutional authority), or cognitive (e.g. influence over the production or acceptance of ideas or norms), among others.
- The local business, social, and cultural practices and customs that influenced the context, conduct, and outcomes of these interactions, as well as the meaning one might attach to them (e.g. do any cultural factors, such as Kist hospitality traditions, alter judgments about the legality or morality of certain decisions).
- The general criteria for entry and exit of this flow of value, and how readily other terrorist actors might meet these criteria (e.g. what criteria was considered – and considered by whom – to be sufficient for a recipient to receive funds donated to support jihad in Chechnya).
- The specific ways in which access to this value chain has in fact served (or not) the interests of particular terrorist or other actors (e.g. how exactly did this money impact

the behaviors and capabilities of Chechen separatists, or any other relevant given actor).

Money Services

Another flow of value that has been regularly accessed by terrorist actors is the market for what is commonly termed ‘money services,’ i.e. services for moving money around the globe and storing it securely when it is neither in motion nor in use. These services are clearly a form of value to terrorists, as they are to every other person and organization in the world, as without them both the accumulation and expenditure of wealth would be impossible outwith one’s immediate sphere.

Money is circulated around the world in a wide variety of ways, always dependent on the local political economic context. One way of course is through the global regulated banking system, which in recent years has become an incredibly cheap, efficient, and secure means to store and transfer monetary forms of value. Information technology and the global liberalization and standardization of banking regulation has meant that, in theory, one can not only securely store virtually any amount of money anywhere in the world, but also nearly instantaneously transfer or access that money across the world at the touch of a button. This system can of course benefit terrorist actors just as much as it can anyone else, as evidenced by the relatively open use of wire transfers, bank accounts, and ATM cards to circulate money between al Qaeda leaders and the 9/11 hijackers.⁶²¹ Using the above construct, the choice to use banks was both *desirable* in 2000 and 2001 for al Qaeda in that it both instrumentally served their objectives to fund a dispersed group of operatives from across the globe, and was (at the time) considered to be a relatively low-risk method of accessing

⁶²¹ John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004).

banking services, even for those committing illegal acts.⁶²² As discussed earlier, this has largely – although not entirely – forced terrorist and other illegitimate actors to seek other circulation markets. Before discussing them, however, it is worth emphasizing that banks are simply the most ‘modern’ element of the global market for money circulation services, and is no different on an epistemic level any other in that use of them is a function of one’s desire and ability to do so; which only emphasizes that market accessed by terrorist may function according to political-economic dynamics very different to those familiar in the West.

For example, the cases of Bayt al-Mal and the Yousser Company mentioned in Chapter Four illustrate the depth of information that can be gained if one approaches analysis of these designated ‘financiers of terrorism’ from the value chain perspective posited here, rather than with current orthodox approaches. In its press release announcing the designation as Specially Designated Global Terrorists, the U.S. Treasury stated that Bayt al-Mal and the Yousser Company, “function as Hizballah's unofficial treasury, holding and investing its assets and serving as intermediaries between the terrorist group and mainstream banks.”⁶²³ Orthodox approaches, as discussed in previous chapters, would – and in fact do⁶²⁴ – emphasize the importance of defining terrorist actor-linked providers of money services like Bayt al-Mal and the Yousser Company as part of the “network” or “infrastructure” of terrorist groups, in this case Hezbollah. But again, the perspective presented here offers a much richer analytic approach to representing and ultimately analyzing and responding to terrorist financing. For example, it provokes questions such as:

⁶²² It must be noted however that none of the 9/11 hijackers financial activities would have been ‘red flagged’ under present regulations. In this way, therefore, the regulations may be more of a factor in affecting the desirability of banking for terrorists in that they view it as higher risk, rather than them actually be less able to use.

⁶²³ United States Treasury, "Treasury Designation Targets Hizballah's Bank," *Press Release*, September 7, 2006, <http://www.ustreas.gov/press/releases/hp83.htm> (accessed April 10, 2008).

⁶²⁴ Matthew Levitt, "Adding Hezbollah to the EU Terrorist List," *Testimony to the Committee on Foreign Affairs, Subcommittee on Europe, United States House of Representatives*, June 20, 2007, <http://foreignaffairs.house.gov/110/lev062007.htm> (accessed April 20, 2008).

- What interactions do Bayt al-Mal and the Yousser Company have with legitimate Lebanese social, political, and economic actors?
- What do these intersections tell us about the place of Hezbollah in Lebanese society?
- Are these interactions structured along any particular social, cultural, political, or economic lines, such as sectarian, religious, ideological, or geographic?
- How easily can Hezbollah access the services provided by Bayt al-Mal and the Yousser Company through another provider? What alternative services or service providers are available, and how would changing providers impact the behavior and capabilities of Hezbollah?
- What impact did these services have on Hezbollah's military vs. political vs. social capabilities, in the short, medium, and long term?

More generally speaking, money is also circulated in cash form by couriers, remittance systems, and through non-cash instruments. This can be done legally in many countries, as long as a customs declaration is made. Often however, cash is simply shipped out of the country, which is actually very easy as only a fraction of shipments are ever inspected, meaning that with the right relationships and right monitoring one could ship cash anywhere. The other factor is that cash is not actually that bulky. One million dollars in \$100 bills weighs about 22 pounds / 10kg and could be made into 6 stacks of 20cm high, meaning that it could easily fit inside an average briefcase.⁶²⁵ Given current exchange rates, one could also use sterling or Euros for even more value by weight. Terrorist actors have been known to circulate monetary value by physically carrying currency. For example, HAMAS, Hezbollah, al Qaeda, and Jemahh Islamyiaa are all known to use cash couriers to transport sometimes

⁶²⁵ Calculated from official U.S. Treasury statistics.

millions of dollars.⁶²⁶ Large amounts of cash like this are often difficult to hide in western countries, but in much of the world “cash is king.” For example, in Iran, people regularly buy houses in cash. In the Middle East, exchanges of this size are also normal business operations. In corrupt countries large bribes are paid to the ruling elites usually in cash, which then must be moved and circulated. The bottom line is that movement of cash by courier is neither unusual nor very difficult in most of the world. Aside from banks, numerous systems move huge amounts of money around the world, ranging from the highly regulated money services businesses like Western Union and bureaux de change, to the so-called “informal value transfer systems” of hawala, chit, chi’en, and hundi, to the black market peso exchange, a Mexico-based illicit currency market. Each of these systems is run differently, but each has an organizational logic and abides by certain rules, often set by social or cultural norms within specific community contexts more than economic maximization. For example, hawala is based on social and kinship bonds and while a profit making enterprise is often conducted as a complement to other businesses (e.g. a convenience store) as a service to the operator’s community.⁶²⁷ Since 2006, Western Union has a similar focus, when as a corporation it made a business decision to drop their transfer rates, hire staff from the communities they serve, and even openly champion political causes important to immigrants.⁶²⁸ All this means that remittance systems are highly dependent on the political-economic contexts in which they operate. For scale, in 2006 worldwide 150 million migrants remitted more than \$300 billion through an estimated 1.5 billion distinct transactions.⁶²⁹

⁶²⁶ See for example Peter Slevin, "Cash Flow to Hamas Is More Restricted, Deeper Underground," *The Washington Post*, February 19, 2006: A23; Bureau of International Information Programs, U.S. Department of State, *Hezbollah "an Octopus" with Tentacles Around World, Officials Say*, September 28, 2006, <http://www.america.gov/st/washfile-english/2006/September/20060928183525adynned0.8449823.html> (accessed May 30, 2008); and Zachary Abuza, "Funding Terrorism in Southeast Asia: the Financial Network of Jemaah Islamiyah and Al-Qaida," *NBR Analysis*, December 2003; respectively.

⁶²⁷ See Passas, *Regulatory Frameworks for Hawala*, 2005.

⁶²⁸ Jason Deparle, "Global migration is cornerstone of Western Union growth," *International Herald Tribune*, November 21, 2007.

⁶²⁹ International Fund for Agricultural Development (IFAD), *Sending money home: Worldwide remittance flows to developing countries*, <http://www.ifad.org/events/remittances/maps/> (accessed May 30, 2008).

Money can also be circulated through non-cash instruments, such as false trade invoicing, gold, commodities, stolen cars, and pirated goods, among others; the exchange of each of which is governed by particular systems.

Accessing Other Value Chains

Weapons

Terrorist actors use a variety of weapons, including AK-47 assault rifle and RPG-7 rocket propelled grenade launcher, as well as the common FIM92A “Stinger” and the SA-7 "Grail" shoulder-launched surface-to-air missiles),⁶³⁰ but also arms intended for hunting or target shooting, such as shotguns and full-bore rifles.⁶³¹ Terrorist groups also have possessed and used medium and heavy sized infantry weapons, such as small and large caliber machine guns, small and large sized mortars, wire-guided missiles, and shoulder-held anti-tank missile launchers.⁶³²

Most explosives used by contemporary terrorist groups are improvised or at least modified from their manufactured form (e.g. a modification of found landmines or unexploded military ordnance).⁶³³ Explosives actually consist of three distinct components, the explosive charge, the fuse, and the triggering device, each of which may be procured separately or together with others. Explosive charges historically used by terrorist actors include Semtex, RDX,⁶³⁴ PETN,⁶³⁵ C4, Tri Nitro Toluene (TNT), common fertilizer, and dynamite. Fuses such as blackmatch, quickmatch, plastic igniter cord (PIC), stickymatch/tapematch, Chinese cracker, time fuse, cannon, flying fish, and visco are both commercially available and can be

⁶³⁰ Deputy Chief of Staff for Intelligence Assistant Deputy Chief of Staff for Intelligence – Threats, *Handbook: A Military Guide to Terrorism in the Twenty-First Century* (Fort Leavenworth, Kansas: U.S. Army Training and Doctrine Command, 2003).

⁶³¹ Ibid.

⁶³² Ibid.

⁶³³ Ibid.

⁶³⁴ Also known as Cyclonite or Hexogen, depending on the form.

⁶³⁵ The raw form of RDX.

improvised with readily available materials such as black powder, clear tape, cotton string.⁶³⁶ Triggering mechanisms vary widely in form and sophistication. They include pressure activated (physical, water or atmospheric) switches, electronic signal (remote control, radio frequency), electronic pulse, photo electric cell (i.e. "when dawn breaks"), motion detector, heat detector, radiation trigger, circuit connection (anti-handling device), time switch (electronic), time switch (acid activated), and fuse wire.⁶³⁷ By combining these components in various ways and adding items such as nail or bolts to increase the lethality, the terrorist actor can create a variety of different types of bombs, ranging from basic pipe bombs, to backpack, car, and truck bombs, to sophisticated barometric bombs that explode once reaching a certain altitude.

Terrorists actors have also used and been known to possess unconventional weapons such as nerve agents, biological agents, and radioactive materials, together commonly referred to as Chemical, Biological, Radiological, and Nuclear (CBRN) material. Terrorist use of CBRN weaponry has been a great concern for Western governments, sparked in part by Aum Shinrikyo's attack on the Tokyo subway using the sarin nerve agent, the unsolved anthrax attacks in the United States in 2001-2002, and the seeking and suspected possession of chemical and biological agents by people associated with the al Qaeda movement. The A.Q. Khan network was also suspected of exploring the possibility of selling nuclear material to terrorist actors.

Very generally, and assuming a desire to acquire such goods, the processes by which terrorist actors access markets for small arms, heavy weapons, and explosives varies depending on the ability of the terrorist actor to identify and access the value chain for the weapon in question.

⁶³⁶ *Pyrotechnics*, <http://www.chemlab.org.uk/Pyrotechnics/fuse.htm> (accessed November 11, 2007).

⁶³⁷ *Handbook: A Military Guide to Terrorism in the Twenty-First Century* (U.S. Army Training and Doctrine Command, 2003).

As explained above, this is largely a function of managing information and relationships within governance structures particular to specific times and places. Indeed, all of the weapons mentioned above can be obtained commercially and legally in some way, given of course that the correct information is provided in the correct form via the correct relationships to complete an exchange. For example, in the tribally governed provinces of Pakistan (and elsewhere) accessing a value chain for automatic AK-47s typically involves nothing more than locating and visiting one of many well-known establish open arms bazaars, thus requiring knowledge and relationships of this value chain possessed by most of the population there.⁶³⁸ However, purchasing the same weapon in most parts of Western Europe would entail either documenting that the buyer was a legitimate government user (e.g. a military), or accessing underground, criminal arms dealing networks, each of which would require a very different set of information and relationships. The same essential dynamic is present concerning other weaponry value chains, which terrorist and other actors can access by managing – in ways specific to the social, political, cultural, and other contexts present – both information (e.g. by forging end user certificates) and relationships (e.g. by interacting with traffickers).⁶³⁹

Naturally, however, precisely what weapon is sought out is largely a function of the strategic and tactical objectives of the terrorist actor *within a particular time and place*. For example, al-Qaeda has tended towards small and spectacular attacks, while Hezbollah favors more militarily significant operations. The corollary is that one could predict or at least make best guesses as to the type of weapons being sought out by a terrorist actor by analyzing their

⁶³⁸ For a discussion regarding weapons markets in Pakistan and Afghanistan, see Aamer Ahmed Khan, "Pakistan's flourishing arms bazaar," *BBC News*, June 21, 2006, and Gretchen Peters, *Seeds of Terror: How Heroin is Bankrolling the Taliban and al Qaeda* (New York: Thomas Dunne Books, 2009).

⁶³⁹ For a general description of the processes involved in arms trafficking, see Hugh Griffiths and Adrian Wilkinson, *Guns, Planes and Ships: Identification and Disruption of Clandestine Arms Transfers* (Belgrade: South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC), August 2007).

objectives. For example, al Qaeda is likely to seek nuclear capability, but Hezbollah is not because doing so would likely actually hinder its more regional political objectives.

Other Value Chains

Terrorist actors also require goods, services, and other items of value for logistical, administrative, recruitment, communication, intelligence / surveillance, and other purposes related to enabling terrorist operations or generally maintaining or expanding the group. For example, terrorist actors expend resources on the movement of their own personnel, including commercial transport, such as the cost to travel to and from the United States during the planning phase of the 9/11 attacks, as well as unrecorded or informal transportation services such as in the Georgia case described earlier in which corrupt Georgian officials charged \$10,000 per person for a foreign fighter to be transported to the Chechen border. These travel expenses also include costs for forged travel documents, such as visas or passports, all of which are available easily on black markets. Terrorist actors also expend resources on shipping services, such as for the delivery of weapons, or other supplies, or for the delivery of propaganda materials to the outside world, as well as communication needs, such as those associated with communication by phone, internet, courier, and other means. Personnel costs include recruitment and training cost, creating materials for them, and other costs. Intelligence costs involve surveillance equipment, vehicles, and other costs normally incurred in selecting and surveilling potential targets. Other expenses include food and shelter associated with operations.

One can safely assume that accessing the value chains for these items of value is often straightforward, at least in somewhat developed societies, involving primarily simply walking into a store or visiting the appropriate internet site. However, in other societies, especially those torn by war or poverty, acquiring weapons or illicit narcotics can be much

easier and cheaper than acquiring certain foods or professional services.⁶⁴⁰ Regardless, such access still must be gained by a combination of knowing where and from whom to purchase what good and also acquiring the correct type and amount of value to pay for it. The implication naturally is that, in many places in the world where terrorist actors operate, there is nothing fundamentally different in the individual interactions by which they procure weapons, satellite phones, or light bulbs. You just have to know the guy who sells them, and have enough to pay for it. This is true everywhere, although the ‘who,’ the ‘how,’ and the ‘how much’ will change over time, place, and circumstance.

Advantages over Existing Frameworks

Representing terrorist financing through a value chain paradigm brings many advantages to the analyst of terrorist finance. By focusing on instrumentality, it provides a ‘North Star’ to guide analysts and scholars as they wade through complex and often voluminous sets of data and seek to explain actions and events that can seem to have no or almost infinite possible explanation. In the slang of counterterrorism it helps ‘connect the dots’ and see at the same time ‘the big picture’ and ‘what to look for.’ More precisely, it provides an epistemological framework for systematically analyzing the interplay of power, value, and human agency within given political economic contexts at both transaction and system levels.

A secondary advantage is that shifting to a ‘value chain’ representation of terrorist finance is that it provides a viable alternative to replace once and for all the inaccurate, misleading, and easily abused idea of terrorist ‘financial infrastructure,’ which mistakenly implies that economic interaction with a terrorist actor – even if done so illegally, willingly, and knowingly – necessarily implies being a part of some wider terrorist financial ‘infrastructure’ or ‘network.’ It shows this to be no more accurate than concluding that the various

⁶⁴⁰ See for example Moises Naim, *Illicit* (London: William Heinemann, 2005).

interactions within a businesses value chain are actually part of that business. General Electric (GE), to return to the above comparison, has a vast network of associated independent businesses and individuals that provide it with goods and services that range from the glass from for its light bulbs to contracted advice for its government lobbying, each of whom interacts with GE according to various objective-, relationship-, context-, time-, and place- specific dynamics. Although these relationships are accurately included as part of GE's 'value chain,' it would be nonsense to conclude that such interaction either makes them part of GE itself or beholden to GE. Similarly, just because someone interacts with al Qaeda economically does not necessarily imply they 'are' al Qaeda or part of the movement's 'infrastructure.' It is useful to emphasize that this epistemic reformulation is an analytic, not a normative claim. Naturally, it is reasonable for a politician for example to try to dissuade economic interaction with terrorist actors with these terms. I argue simply that it is unreasonable for serious analysts of terrorism and terrorist financing to do so. This thus is another secondary benefit to this part of the typology, in that it draws a bright line between those that seek to analyze terrorist financing systematically and rationally, and that seek to do so to serve some narrow political, personal, or institutional interest.

The primary analytic outcome for liberal democratic society is that a value chain modality more accurately and comprehensively rates the importance of terrorist financing activity to terrorist actors than any other method currently available, who got what where when and why, and what does it mean. This re-orientes analysis of 'terrorist financing' towards assessment of the instrumentality of 'financial' activity as it directly relates to terrorist operations. In other words, the significance of terrorist financing lies not in the 'financial' activity itself, but in the actions that are benefited *by* that financial activity. This insight is only possible by viewing terrorist financing in terms of a value chain.

Ironically perhaps, value chain transactions are likely to most directly lead to specific acts of terrorist violence, even though the dynamics of them are typically apolitical. For example, by providing efficient financial services (e.g. bank accounts, ATM access, and international wire transfer services) to al Qaeda operatives in the United States, Sun Trust Bank was a critical component in the value chain for the 9/11 attacks, even though the bank broke no law and there has never been any implication that employees of the bank were in any way aware in advance of the attacks or sympathetic to al Qaeda's objectives.⁶⁴¹ Nevertheless, by representing Sun Trust's terrorism-related financial activities in terms such as "a component of al Qaeda's value chain," it is possible to simultaneously research and assess the bank's role in the attacks, without also requiring a corresponding political, ethical, or legal judgment. Of course these latter judgments are likely to be important to various members of the community of terrorist financing analysts (e.g. law enforcement or intelligence agencies, or simply academic researchers), the point is that the 'value chain' based representation of terrorist finance presented here allows these judgments to be distinct from analysis of the actual activities. More briefly, the approach allows analysis of terrorism-related financial *activity* that is separate from (while still informing) the constructed and contingent *meaning* various audiences necessarily will attach to such activity. This enables a more systematic approach to researching terrorist finance that is not only coherent, but also ultimately useful to a multiplicity of audiences (even ones that hold opposing political or moral perspectives).

Material Support for Terrorism

In one sense, terrorist financing is more accurately the 'material support' of terrorists, their violent and non-violent activities, and the causes for which they supposedly fight. However,

⁶⁴¹ John Roth, Douglas Greenburg and Serena Wille, *Monograph on Terrorist Financing: Staff Report to the Commission*, (Washington DC: National Commission on Terrorist Attacks Upon the United States, 2004).

as has been noted in the literature, understanding of this support, its dynamics, and when and how exactly it translates into material or financial support is unsystematic and theoretically weak. In other words, terrorist financing is often seen as “material support of terrorism,” but the dynamics of this support are underspecified. This section develops an epistemic theory of the material support for terrorism. I argue that the material support for terrorism is a four-part continuum, each of which exhibits different behavioral dynamics, analytic logics, and response options. The first two parts of the continuum, “sponsorship” and “sympathy,” describe material support to actual terrorist operations. The second two parts, “subsidy” and “ambient support,” describe other forms of material support not to actual acts of terrorist violence, but to the non-violent organizational and socio-political aspects of terrorist actors. This chapter represents a significant contribution to understanding terrorist financing as it actually exists, and is the first step in moving beyond the critiques of the previous five chapters.

Hypotheses about Terrorist Finance as Material Support

The second typological mode of terrorist financing I present is that of *material support* for terrorism. As discussed previously, terrorism is at core a socio-political phenomenon and as such reflects certain norms, values, beliefs, and interpretations regarding global and local societies. ‘Support’ for terrorism thus seems clearly to be a reasoned choice grounded in these beliefs that ranges in form from agreement with broad principles like ‘self-determination’ or ‘Islamic unity’ to donating money directly to a terrorist organization in order finance specific acts of violence against an enemy. Currently, however, such dynamics of support are grossly underspecified. The following typology of terrorist financing thus presents a taxonomical continuum of activity by which people provide value that supports terrorists and the causes for which they fight. More precisely, I hypothesize that terrorist

financing in the form of material support consists of *freely and rationally chosen action, which are grounded in particular social and political ideas, that result in the provision of material goods, services, or other forms of value that are instrumental to the objectives of terrorist actors.*

This raises three important conceptual issues that need explanation. The first is that it conceives material support as an *action* produced by certain ideas that are related to certain terrorist actors. For some this may be problematic as many ideas ‘linked’ to terrorists are widely held and seen to be legitimate. For example, the cause of Palestinian statehood – or even violent Palestinian resistance against violent Israeli occupation – is a belief held by many who do not agree with the terrorist tactics of HAMAS. Similarly, many in the Irish-American community believed in the idea of a united Ireland but were disgusted by the terrorism of the IRA. Nevertheless, conceptually it appears both more accurate and more useful to in some way analytically connect terrorists with the causes for which they claim to fight, and thus necessarily also with those that support those causes whether or not they themselves support the associated terrorist actors.

The implication, therefore, is that understanding material support of terrorism requires specifying and understanding the epistemic *nature* of that connection. For this reason, I have developed a preliminary taxonomy of such connections, in the form of continuum of activity consisting of ‘sponsorship support’ and ‘sympathy support’ at the end involving material support for the operations of terrorist actors, and ‘subsidy support’ and ‘peripheral support’ at the continuum’s other end in which people materially support the socio-political objectives of terrorist actors rather than their operations themselves. This continuum represents a typological reconceptualization of terrorist financing that enables one to accomplish this

much more systematically than is possible with either orthodox or critical approaches to analyzing terrorist finance, and is explained in detail in the following section.

Secondly, this formulation of material support grounds analysis of terrorist financing into analysis of the choices that go into supporting terrorist objectives, and thus of the values, beliefs, and ideas that inform and drive those choices. This takes human agency seriously, and further research based on this approach would contribute to the ongoing debates regarding the role economic poverty and inequality play in provoking and sustaining terrorism.⁶⁴² Instead, using Sen's conception of rationality as a basis, 'material support' can thus be seen to be governed by the content of the rationales driving support, the extent that those choosing to engage in material support of terrorism were (culturally, politically, cognitively, morally) free to do so, and the factors that strengthen or diminish the power of those rationales. This implies clearly that individuals bring local concerns into even global social movements. This is not new. In fact, it is the basis of any large scale political movement, from the Roman empire, to Christianity, to Islam, to Communism. Burke describes very well how much of al Qaeda's success is due to its ability to co opt local concerns into a global struggle, much as Communism or even Americanism did before.⁶⁴³ Therefore, by representing terrorist finance as individual level material expressions of support for certain socio-political causes avoids the pitfalls of conceiving terrorism as a global political movement or organization forces terrorist groups into a political space that they do not occupy. Further research based around this approach could thus contribute to understandings of how and why individuals come to support terrorism (the critical factor of

⁶⁴² See for example Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War," *Oxford Economic Papers* 56 (2004): 563-595 who argue that socio-economic factors play a greater role in determining participation in political violence than political factors; and Alan Kreuger and Jitka Maleckova, "Education, Poverty, Political Violence and Terrorism: Is There a Causal Connection?," *Journal of Economic Perspectives* 17, no. 4 (2003): 119-144, who argue that there is no generalizable causal connection between economic deprivation and participation in terrorism.

⁶⁴³ Jason Burke, *Al Qaeda: The True Story of Radical Islam* (London: Penguin, 2003).

terrorist financing),⁶⁴⁴ and provide a way to analyze the rationality of terrorist actors and their supporters, something that many have had difficulty doing out of fear that doing so somehow ‘legitimizes’ terrorists and their causes.

Third, this part of the typology focuses on the *consequences* of such material support by focusing the outcome of analysis, like above, not simply on descriptions of actions and ideas, but on what they mean for terrorist actors’ ability to achieve their objectives. One irony of this activity is that even though it by definition involves a will to support terrorism, the economic actions seem to typically result in supporting non-violent activities, such as social-welfare and propaganda. Given that terrorists often fight for vague or broad objectives it is entirely reasonable to hypothesize that materially supporting actions that empower the ideas on which these objectives are based is tantamount to ‘supporting terrorism.’ In fact, analytically this appears to be logical. The point therefore is that when states are seeking ways to respond to terrorism it is likely impractical or unfair to outlaw all ‘material support’ for terrorism, if not outright anti-liberal. That said, one can also hypothesize that it is still desirable for states *learn from* such material support, as it will give unique insight into the social and political power of both terrorists and the causes linked to them. This is largely because that measuring *material* support in this way can provide a window into how seriously various individuals and groups take which causes and objectives, for the same reason that prices contain much information about the various factors that go into economic choice.

Under United States law, terrorist financing is generally synonymous with ‘material support.’ This is an accurate conflation. The plain English definitions of ‘support’ are sufficient for

⁶⁴⁴ Especially the literature on ‘radicalization’

our purposes here, and in fact hint at some of the ways in which individuals support terrorism and its related objectives.

A Continuum of Material Support for Terrorist Objectives

In summary, the below continuum of material support for terrorist objectives provides an approach for systematically analyzing how the ideas and actions of individual people combine to provide instrumental support to the objectives of terrorist actors. Ultimately, this offers a preliminary template for accurately and comprehensively rating the relative importance of much ‘terrorist financing’ activity.

Sponsorship

The first part of the continuum of material support of terrorist financing is what can be referred to as ‘sponsorship,’ defined here as the *direct and active material support for violent terrorist operations that mean to serve certain shared objectives*. More precisely, ‘sponsorship’ thus encompasses those activities in which an actor exercises agency intentionally and with at least some foreknowledge of their ultimate use to provide material forms of value directly to actors without meaningful intermediaries or intervening processes who immediately and unambiguously are, or are intending to be, involved in the planning, execution, or exploitation of a terrorist act of violence.

For illustration, Afghan warlord Gulbuddin Hekmatyar could be categorized as a ‘sympathetic’ supporter of terrorism for his explicit, direct, and active material support of Chechen militant and terrorist groups and likely also of al Qaeda. Very briefly, Hekmatyar was one of the most well known and powerful mujahedeen during the Afghan-Soviet war of the 1980s, but unlike many of his compatriots he actively and publicly expressed both a

takfiri interpretation of Islam as well as a deep hatred of the United States,⁶⁴⁵ and on February 19 2003 was designated a “Specially Designated Global Terrorist” by the United States Department of State.⁶⁴⁶ Currently, Hekmatyar is leader of a militant group known as Hizb-i-Islami Gulbuddin (HIG) that not only controls large amounts of territory in Afghanistan’s Kunar and Nuristan provinces along the country’s border with Pakistan, but also is heavily invested in the illicit trade of timber, gemstones, and heroin out of these provinces.⁶⁴⁷

This implies several things. First is that this conception of ‘sponsorship’ is at the same time both more precise and more broad than traditional views that focus on state support of terrorism. I argue that any actor can “sponsor” terrorism, state and non-state alike. This requires the state sponsorship model, most thoroughly elucidated by Byman,⁶⁴⁸ to be expanded to include for example activities such as fundraising or individual donations to terrorist actors as well as direct transfers from state governments. Whether a state or not, sponsors of terrorism exercise a free and rational choice to mobilize material resources not only on behalf and in support of a terrorist actor but also in service of the specific objective of carrying out terrorist violence. Second is that sponsorship necessarily entails belief in terroristic conflict to achieve one’s own political objectives. In other words, the analytic ‘unit’ of sponsorship is political support for the (primarily tactical) objective of terroristic conflict. Sponsorship behavior is fundamentally a form of warfare, either in its active or ‘symbolic’ forms, and thus must be addressed as such. Third is that sponsorship implies a ‘straight line’ from the sponsor to violent terrorist objectives, which distinguishes them for example from those sympathizers who fund an amorphous terrorist ‘cause’ rather than an

⁶⁴⁵ Omid Marzban, "Gulbuddin Hekmatyar: From Holy Warrior to Wanted Terrorist," *The Jamestown Foundation*, September 2006.

⁶⁴⁶ "Designation of Gulbuddin Hekmatyar as a Terrorist," *Press Statement* (U.S. Department of State, February 19, 2003).

⁶⁴⁷ Gretchen Peters, *Seeds of Terror: How Heroin in Bankrolling the Taliban and al Qaeda* (New York: Thomas Dunne Books, 2009), p127.

⁶⁴⁸ Daniel Byman, *Deadly Connections: States that Sponsor Terrorism* (Cambridge: Cambridge University Press, 2005).

actual terrorist actor. This is only possible with this nuanced distinction which enables systematic assessment of the actual, tangible importance of a material supporter to a terrorist actor.⁶⁴⁹

Sympathy

The second part of the continuum of material support of terrorist financing is what I refer to as ‘sympathy.’ “Sympathy” is of course a familiar term, but I argue that it is an important element in material and financial support of terrorist activity. ‘Sympathetic support’ is defined here as *indirect, passive, and/or ad hoc support for violent terrorist operations that mean to serve certain shared objectives*. By this I mean activities that are not strategic but either opportunistic or passive and contingent on a particular time and place, and thus rely on more emotional, normative, or cognitive factors rather than rational calculation. Thus it can include forms of non-material support as well, such looking the other way at a border crossing or lowering the price of a weapon, but only if such action was undertaken out of sympathy for the violent activities of a terrorist actor. This distinguishes similar actions in support for either the non-violent activities of terrorist actors or support for broader, non-actor or group specific causes, which may or may not have a violent component. This is the reverse of the above example in which a sympathizer supports the cause, but not the actor.

For illustration, Afghan warlord Gulbuddin Hekmatyar could be categorized as a ‘sympathetic’ supporter of terrorism for his opportunistic – albeit ongoing – material support of al Qaeda. Very briefly, Hekmatyar was one of the most well-known and powerful mujahedeen during the Afghan-Soviet war of the 1980s, and served as prime minister of Afghanistan from 1993 to 1994 and again in 1996. However, unlike many of his compatriots he actively and publicly expressed both a *takfiri* interpretation of Islam as well as a deep

⁶⁴⁹ Richmond, 2003.

hatred of the United States,⁶⁵⁰ and on February 19 2003 was designated a “Specially Designated Global Terrorist” by the United States Department of State.⁶⁵¹ Currently, Hekmatyar is leader of a militant group known as Hizb-i-Islami Gulbuddin (HIG) that not only controls large amounts of territory in Afghanistan’s Kunar and Nuristan provinces along the country’s border with Pakistan, but also is heavily invested in the illicit trade of timber, gemstones, and heroin out of these provinces.⁶⁵² Journalist Gretchen Peters reports that HIG works closely with al Qaeda members present in the neighboring Pakistani districts of Bajaur and Dir. Although few specifics are given, she implies that Hekmatyar, via his HIG subordinates, enables al Qaeda operatives to participate and profit from these illicit trades, most likely by either providing heroin, timber, or gemstones directly to al Qaeda (which it can then sell on using its own networks) or by allowing al Qaeda operatives to participate in HIG’s own trafficking networks.⁶⁵³

Although Hekmatyar provided direct material support to a terrorist actor (i.e. either marketable goods or at least access to his trafficking network), this case is best categorized as sympathetic support because Hekmatyar has at various times sought to distance himself ideologically from al Qaeda and Osama bin Laden,⁶⁵⁴ and the support he likely has provided to the group is much more ad hoc and opportunistic, rather than active and direct. Most likely, this is because while Hekmatyar is sympathetic and supports al Qaeda’s objectives, he is also known to be aware that too active and overt material or rhetorical support of al Qaeda may provoke actions by the United States or Pakistan that could not only disrupt his trafficking networks but also jeopardize his well-known ambitions to return to national

⁶⁵⁰ Omid Marzban, "Gulbuddin Hekmatyar: From Holy Warrior to Wanted Terrorist," *The Jamestown Foundation*, September 2006.

⁶⁵¹ "Designation of Gulbuddin Hekmatyar as a Terrorist," *Press Statement* (U.S. Department of State, February 19, 2003).

⁶⁵² Peters (2009), 127.

⁶⁵³ Peters (2009), 128.

⁶⁵⁴ Candace Rondeaux, "Afghan Rebel Positioned for Key Role," *The Washington Post*, November 04, 2008.

leadership in Afghanistan.⁶⁵⁵ This case thus illustrates the various individual-level social, political, economic dimensions of terrorist financing, and generally that material support of terrorism is very profitably represented in these terms.

Subsidy

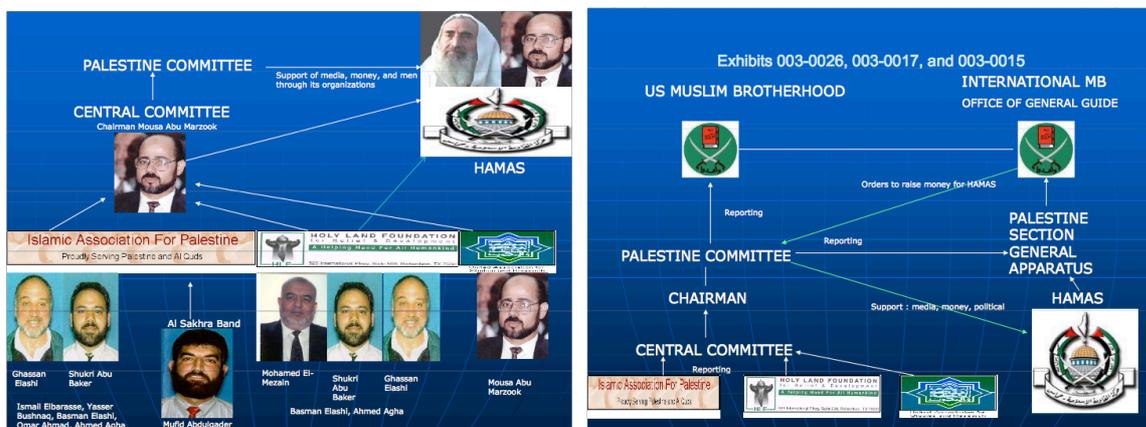
The third part of the continuum of material support of terrorist financing is what I refer to as ‘subsidy.’ Because terrorist actors are political actors, we must distinguish material and political support of violent and non-violent activities. This is a normal thing to do, and explains how Americans can be opposed to their government’s foreign policy but still love their country and pay their taxes, and how Europeans can fund charities associated with HAMAS but not, in their mind, fund HAMAS suicide bombers. ‘Subsidy support’ is defined here as *active material support for those non-violent activities of terrorist actors that mean to serve certain shared objectives*. ‘Subsidy’ involves material support as an expression of support for terrorist actors, but only of their non-violent, non-terroristic activities.

The case of the Holy Land Foundation, the directors of which were convicted of providing ‘material support’ to HAMAS, provides a useful illustration of ‘subsidy’ support of terrorist groups. The presentation slides shown in Figure 5.1 below are taken from a U.S. Government Exhibit in the terrorist financing trial of the HLF directors. As one can see in the slide, HLF was accused of helping provide media, money, and men to Hamas. This is true, although it is not the best way to describe the situation. This way looks at the HLF as an entity that has to be determined to be either involved or not involved in financing terrorism. This is a legalistic viewpoint. A political viewpoint would require examining the individual exchanges involved. One would then see that certain members of HLF were had social bonds with members of Hamas, and supported their political cause. They then used their position as

⁶⁵⁵ Candace Rondeaux, "Afghan Rebel Positioned for Key Role," *The Washington Post*, November 04, 2008.

leaders of a charity to support this cause, in several material ways. This type of behavior happens all the time for a variety of political causes, for example a prime minister of a country making policy on the advice of business people who then benefit from that policy change is, if done legally, simply ‘serving one’s constituency,’ and it is the core of political behavior. And that terrorist actors are specifically political animals, as previously discussed, then serving and being served by one’s constituency is at its core.

Figure 5.1: Holy Land Foundation Trial Material Support Chart



The analytic implications are twofold. First, it implies that terrorist financing is sometimes a form of political expression, and thus that terrorist groups must be analyzed as political entities, i.e. actors with political objectives that compete against and with analogous objectives of other political actors, including states. When put into this context terrorist financing is often an expression, and as such is often a non-violent activity, i.e. it is an exchange of value in order to express some thought or belief. Analytically, therefore, the important question is what precisely is being expressed and how does it change over time and place.

Second, subsidizing a terrorist actor, one can hypothesize in this conception, often actually constrains their violent terrorist activities, because the terrorist actor feels pressure to maintain their subsidies even at the expense of changing their operations or objectives. For example, Gunning points out that HAMAS is much more constrained in its behavior because it is financially bound to its constituents, whereas al Qaeda is not.⁶⁵⁶ This interesting side effect of subsidy support, while valuable in that it supports other core political-economic missions of the group, also ties terrorist groups to constituencies who may conflict with their other or broader missions. In this way, it would be logical to hypothesize, subsidizing terrorist actors binds them to certain constituencies, but often not the ones for whom they supposedly act. For example, Gunning argues that Hezbollah, even though it is a Shi'a group within Lebanese sectarian based political community, receives funding support from Lebanese Christian groups, which in turn influences Hezbollah to act in certain ways as representing all of Lebanese society's interests, especially in opposition to Israel.⁶⁵⁷ In other words, donations from subsidizing actors within Lebanese Christian communities appear to broaden Hezbollah's desired public identity into an 'all-Lebanon' group, in certain contexts. The point of this is not to assume any cause-and-effect relationship, but simply to point out certain the important implication that financial dynamics, it can be hypothesized, will generally follow preexisting social or political dynamics. And of course the reverse is true, one can know the financial dynamics by examining social and political contexts. Al Qaeda does not have this problem because they do not engage in subsidy support because they have no non-violent social or political program. Analytically, this is a good indicator of how socially embedded a terrorist actor is. In addition, it is both reflects and a reflection of local political economic contexts.

⁶⁵⁶ Gunning, 2008.

⁶⁵⁷ Jeroen Gunning, "Terrorism, charities, and diasporas," in *Countering the Financing of Terrorism*, ed. Thomas J Bierstecker and Sue E Eckert (London: Routledge, 2008).

Peripheral

The fourth part of the continuum of material support of terrorist financing is what can be referred to as ‘peripheral support.’ “Peripheral support” is a new term, but I argue that it is an important element in material and financial support of terrorist activity. I define ‘peripheral support’ as *material & non-material support for broad socio-political objectives shared by terrorist actors*. The central dynamic of such activity is the material expressions of support for the ‘politics of terrorism.’ In other words, this means material assistance meant to further goals of terrorist actors. For example, this would include both Arab benefactors of Al Qaeda in Iraq, Boston cops for Irish freedom, and any supporter of a Hamas government.

For illustration, much – but by no means all – of the financial support provided by Irish Americans to the Irish Republican movement could be considered ‘peripheral support.’ Throughout its existence, the IRA received significant financial support from the Irish-American community; for example, in the early 1970s the IRA received approximately half its annual operational budget (at the time about £4 million⁶⁵⁸) from U.S. sources.⁶⁵⁹ These funds originated primarily from fundraising organizations,⁶⁶⁰ the largest of which was NOR Aid. From its founding in 1969 until 1991 NOR Aid raised approximately \$3.6 million for Irish republican causes through a combination of testimonial fundraising dinners and an extensive campaign to solicit donations through direct mail, dinner-dance benefits, and ‘passing the hat’ in Irish bars and businesses in major U.S. cities.⁶⁶¹ This money was ostensibly to provide support for any number of causes related to Ireland and Irish republicanism, ranging from political activities to support to the families of imprisoned IRA

⁶⁵⁸ Adams, 1986, 131.

⁶⁵⁹ Adams, 1986, 137.

⁶⁶⁰ Comprised of both Irish citizens living in America, and American citizens of Irish descent – See Adams, 1986, 137; and Andrew Mumford, "Intelligence Wars: Ireland and Afghanistan – The American Experience," *Civil Wars* 7, no. 4 (2005), 382.

⁶⁶¹ Adrian Guelke, "The United States, Irish Americans and the Northern Ireland Peace Process," *International Affairs (Royal Institute of International Affairs 1944-)* 72, no. 3 (July 1996), 524.

members,⁶⁶² but much of it actually went to purchase weapons for the IRA, a fact essentially admitted to by several NORAIID leaders in their 1982 arms smuggling trial.⁶⁶³ The key difference separating this activity from ‘sympathetic’ support is that, generally, donors of this funding were intending to provide support to Irish republicanism generally, but not necessarily the IRA itself.

This case, specifically the way in which the U.S. Government dealt with NORAIID, raises some interesting points regarding the regulation of such ‘peripheral’ support groups. For example, despite such clear and well-established links between NORAIID and the IRA, the U.S. Government’s response was ambiguous. In some ways, U.S. officials were indifferent or even sympathetic to NORAIID’s activities. Under the American Foreign Agents Registration Act of 1938 all organization raising money to be remitted overseas are required to name the primary ‘foreign principal’ to which the money is directed. Although it tried to register a different recipient, the official ‘foreign principal’ of record for NORAIID in fact has been the Irish Republican Army since a U.S. district judge ruled in 1981 that NORAIID was “an agent of the IRA providing money and services for other than relief purposes.”⁶⁶⁴ Despite this, NORAIID has always been allowed to operate openly and freely in the United States, even to such an extent that members of Congress, high-level state officials, and various other prominent people with ties to the Irish American community regularly attended NORAIID’s fundraising dinners.⁶⁶⁵ Guelke makes an important observation about these fundraising efforts which sets such participation firmly in a domestic political context:

⁶⁶² Ibid.

⁶⁶³ The defendants were NORAIID founder Michael Flannery and four others. They did not deny smuggling arms to the IRA, but they did claim that the CIA paid them to do it. See Adams, 1986, 137-142; Mumford, 2005, 382; and Guelke, 1996, 523-525.

⁶⁶⁴ Quoted in Warren Richey, "The Noraid connection," *Christian Science Monitor (international edition)*, January 19-25, 1985.

⁶⁶⁵ Adams, 1986, and Guelke, 1996.

“By no means all of the politicians who went to such dinners could be counted as supporters of the Provisional IRA; NORAIID was the beneficiary of the American political elite's disposition to be joiners.”⁶⁶⁶

Conversely, the British government applied great diplomatic pressure to the U.S. Government to investigate and prosecute those involved in financing IRA terrorism. This became politically easier after the 1979 IRA murder of Lord Mountbatten undermined the moral legitimacy of the IRA for many in the Irish American community. In addition, the close relationship between U.S. President Reagan and U.K. Prime Minister Thatcher led to increased efforts of U.S. authorities against IRA fundraising in the United States, including the arrest and 1982 prosecution of NORAIID founder Michael Flannery for arms smuggling. In fact, these efforts were successful in permanently diminishing the share of funds the IRA received from the U.S. from almost half in the 1970s to perhaps one-tenth of that by the late 1980s.⁶⁶⁷ Interestingly, both the IRA and the British government largely ignored this development. The IRA and its political arm Sinn Fein for example continued to exploit the increasingly fictional foundation of financial support in the U.S. to bolster its claims that it was a legitimate military organization involved in a legitimate armed struggle. This ambiguity led to a contradictory U.S. approach towards terrorist financing in the Northern Irish case. On one hand, the U.S. allowed an avowed terrorist financing organization to operate within its territory, but on the other hand it used existing laws to take increasingly robust – and ultimately successful – actions against it. When put in context of the domestic and international politics of the day, however, the reasons for these contradictions are perfectly clear and comprehensible. This illustrates that how prior to the formalization of the regime counter terrorist financing actions were undertaken largely to explicitly serve the national interests of the states executing the actions. Surprisingly, perhaps, this is not always the case in the current regime.

⁶⁶⁶ Guelke, 1996.

⁶⁶⁷ Adams, 1986, 137.

Advantages over Existing Frameworks

This typological formulation contributes a potentially powerful framework of analysis that will enable accurate and comprehensive assessments of the meaning and importance of terrorist financing activity to global and local societies, illuminating which financial activity is relevant to which actors, communities, and analytic outcomes. This would allow, for example, conclusions about future trends in terrorist finance by researching evident trends in the various types of support in a given time and place, or relevant to a particular terrorist actor or socio-political cause. A second is that risk and associated response can be systematically evaluated together along this ‘continuum’ of behaviors.

In general terms, this typology serves the liberal democratic objective of promoting the rule of law, specifically by more rationally establishing the norms of business ethics upon which laws that regulate how actors in the private and charitable sector interact economically with terrorist actors. Currently, laws such as the USA PATRIOT Act proscribe some economic interactions with terrorists but allow others, a situation that has led to confusion and unintended social consequences. For example it is illegal to sell – often even unknowingly – value transfer services to a terrorist actor, but legal to sell groceries to that same actor. While this may seem a silly example, it highlights the need for clear laws based on transparent and consensus norms, something difficult regarding terrorist finance given that often-legitimate societal variations (such as in informal value transfer systems) are mistaken for ‘red flags.’⁶⁶⁸

This typology serves this function, as it provides an epistemology for nuanced analysis of how different societal variations impact both terrorist financing and liberal democratic society. For example, existing terrorist financing regulations emphasize the relevance of verifiable identification and traceable financial transactions to determine whether an activity

⁶⁶⁸ That is, indicating a higher likelihood of interaction with terrorists.

is likely involved in terrorist financing, even though most poor people in the world lack any form of identification, and in many middle eastern societies cash transactions with minimal or different forms of tracking (i.e. without names attached) are common. By tying such societal variation to the political economic decision making of terrorist actors, however, the above typology provides a framework for constructing more nuanced and more effective counter terrorist financing legislation, particularly relating to informal value transfer systems.

Conclusion

This chapter showed that for the purposes of analysis, the epistemological foundations of terrorist finance laid out in Chapter Four can be formulated into an applicable ‘typology’ of terrorist financing behavior. This typology posited that terrorist financing actually consists of two analytically distinct forms of conduct. To review, they are:

- the compendium of individual transactions in which various items of material and non-material value are exchanged that result in terrorist actors acquiring something of value; and
- freely and rationally chosen actions, which are grounded in particular social and political ideas, that result in the provision of material goods, services, or other forms of value that are instrumental to the objectives of terrorist actors.

The previous chapters mentioned that a popular conception of terrorism-related financial activity, upon which much counter terrorist financing action is based (as discussed above), is that it ‘exploits’ ‘legitimate’ economic systems, and must be therefore pushed ‘out’ of those systems. These normative-based frameworks I argue however are inferior to the epistemic view presented here in this typology. The above typology is based on the different assumption that the financial networks of HAMAS *is* the system, just as General Electric is.

In other words, both simply represent how different actors produce, acquire, and use forms of value in order to increase their power within their global environment. From this foundation, one can then proceed to systematically analyze, for instance, their interests and objectives, the nature and extent of their power, in what forms of value and value exchange they engage, and the consequences of all of the above for various subjects, such as liberal democratic society.

Ultimately, therefore, this typology represents a teleological theory of human behavior, in that it is concerned with the actual conduct of people at the individual level, within given contexts and tied closely to explicit analytic goals. This represents a significant advancement in the analysis of terrorist finance, for the reasons explained in the next chapter.

CONCLUSION

Applying this Dissertation to Future Research on Terrorist Finance

This dissertation aimed to improve how terrorist financing is conceptualized, specifically by engaging with relevant critiques to build an original, alternative way of representing terrorist finance based around a typological understanding of the complex, intersubjective everyday realities of the individual political-economic decisions that govern terrorist financing activity. The improved conceptualization presented here achieves this goal by offering a framework that is capable of producing knowledge that both more accurately reflects the realities of terrorist financing, and is more useful and applicable to the ‘community of terrorist financing analysts’ both within and outside International Security debates. To emphasize the contribution this research represents to spheres of both academic discourse and practice, the dissertation concludes by discussing how the conceptualization presented herein contributes to the International Relations discipline, specifically by outlining a program of future research that could be based upon the findings of this dissertation.

This dissertation, given the conceptual nature of terrorist financing, was necessarily and simultaneously bedded in critique and focused on problem solving within a particular subjective and political context. As such, it waded into much more philosophically important – and turbulent – waters where ideas and action, philosophy and politics, knowledge and power intermix. In *Beyond Good and Evil*, Nietzsche captures the essence of this turbulence and our intellectual ‘duty’ in relation to it, writing:

"This world with which WE are concerned, in which we have to fear and love, this almost invisible, inaudible world of delicate command and delicate obedience, a world of "almost" in every respect, captious, insidious, sharp, and tender--yes, it is well protected from clumsy spectators and familiar curiosity! We are woven into a strong net and garment of duties, and CANNOT disengage ourselves--precisely here, we are "men of duty," even we! Occasionally, it is true, we dance in our "chains" and betwixt our "swords"; it is none the less true that more often we gnash our teeth under the circumstances, and are impatient at the secret hardship of our lot. But do

*what we will, fools and appearances say of us: "These are men WITHOUT duty,"--
we have always fools and appearances against us!"⁶⁶⁹*

As we have seen, much of the ‘orthodox’ literature on terrorist finance is written to imply that understanding terrorist finance requires one to uncover dark secrets about the global ‘infrastructures’ and “mysterious”⁶⁷⁰ networks that supposedly finance terrorism. However, has been discussed, while the world of terrorist finance is indeed often ‘invisible’ and ‘inaudible,’ it is very much knowable and comprehensible. This is because what is referred to as ‘terrorist finance’ is most basically simply a certain sub-set of political economic activity about which liberal democratic societies are currently concerned. It can thus be observed, analyzed, interpreted, and acted upon, just like any other manifestation of human behavior. In other words, this dissertation demonstrates throughout that terrorist financing is very much an ‘everyday’ activity in which certain individuals make certain decisions that lead to particular outcomes that in different ways and for a variety of reasons results in enabling certain opponents of liberal democratic societies.

Within this context, especially given that full testing of the conceptualization presented herein was not possible within the time and space constraints of a PhD dissertation, it seems logical to conclude with an exploration of how exactly how this dissertation could be applied to making the financial dimensions of those deemed to be ‘terrorists’ – more ‘visible’ and ‘audible.’ To do so, this conclusion first will discuss potential – and in a few cases actual – applications of the representation of terrorist finance presented in this thesis, as well as the typology proposed in Chapter Five, to the specific systems of actions and power of the various components of the community of terrorist financing analysts.

⁶⁶⁹ Frederich Nietzsche, *Beyond Good and Evil*, Chapter VII.

⁶⁷⁰ Victor Comras, "Al Qaeda Finances and Funding to Affiliated Groups," *Strategic Insights* (Center for Contemporary Conflict) IV, no. 1 (January 2005).

Applications to the Community of Terrorist Financing Analysts

As discussed in Chapter One, the ‘community of terrorist financing analysts’ refers both to the audience of this thesis, as well as those who mediate representations of terrorist finance. In other words, it is they who are the ‘powerful’ who use and are impacted by the ways knowledge about terrorism-related financial activity is created and structured. To review, the this audience consists of the following communities:

- Researchers of terrorist finance, and academics publishing works relating to the issue.
- Financial intelligence or compliance sections of financial institutions.
- Military or intelligence community analysts who specialize in collecting, analyzing, and exploiting data about the financing of terrorist actors.
- Law enforcement agents and attorneys who investigate and prosecute terrorist financing cases, as well as those who provide legal defenses for those accused of terrorist financing related offenses.
- National government regulators who formulate and enforce regulations regarding terrorist financing.
- Legislators and executive administrators who make and implement laws against terrorist financing, including elected political leaders as well as appointed cabinet ministers and their deputies.
- International standard setting bodies and regulatory forums.
- Other professions or the general public, as long as they are interested in terrorist financing or attempts to regulate and ‘fight’ it.
- Members of so-called ‘high risk’ social, political, or cultural communities that are perceived to be more likely to be involved in or supportive of terrorist financing.

The following sections outline how this thesis can contribute to both the academic and praxial components of the community of terrorist financing analysts.

Contributions to Communities of Practice

Regarding spheres of practice, although systematically determining how this thesis could contribute and be applied to various relevant systems of power and practice would indeed be a worthwhile project, it would require research beyond what is possible for this concluding chapter. With this caveat, it is nonetheless possible to briefly outline the potential contribution across different and even competing spheres of practice in order to illustrate that the re-conceptualization of terrorist finance within this thesis has accomplished its goal of providing a foundation for understanding terrorist finance that can produce coherent and systematic knowledge about terrorism-related financial activity how ever this knowledge is ultimately mediated or used.

In the first instance, the alternative conceptualization of terrorist finance presented in this thesis allows governments to re-represent terrorism-related financial activity not as a problem of ‘bad’ or ‘threatening’ money, but of either an instrumental element of the capabilities and behaviors of terrorists, or something that reflects – and therefore an important vehicle to learn about – the relationships terrorists have with the communities and political economies within which they interact. This reconceptualization could thus be the foundation of potent intelligence and analytic tools, such as, for example, a comprehensive taxonomy or ‘risk map’ of terrorist financing activity based largely on deductions from knowledge of local political-economic and socio-cultural dynamics, without necessarily penetrating actual terrorist groups; based on estimates of the likelihood a suspected actor or activity is both active in a particular ‘high risk market’ and has a relationship with terrorist actors within

these markets. In other words, this typology provides a viable framework to, in effect, make relatively accurate ‘best guesses’ about terrorist financing in given times and places.⁶⁷¹

Second, this thesis enables the financial industry to systematically re-imagine terrorist finance as the politicized and securitized problem that it has always been, a recognition that would help counter the deleterious impact of orthodox perceptions of the issue as unproblematic and uncontested. This recognition would likely lead to more systematic reevaluations of regulations meant combat the financing of terrorism (CFT), especially in terms that compared the considerable costs such regulations impose on the financial industry with the actual benefits provided to governments. In particular, one could predict that – given that terrorist finance appears to often involve the exchange of non-monetary forms of value outside of the regulated, ‘Western’ financial system – this would lead to the conclusion that the financial industry is much less of a central component of CFT efforts than currently perceived. If this prediction was proven to be accurate, this would in turn indicate that the financial industry’s primary contribution relates to financial intelligence, rather than financial warfare, and therefore regulations, to be cost-effective, should focus more on financial reporting and analysis requirements, rather than those related to account blocking and designations.

Third, the alterative representation of terrorist finance presented herein empowers the public, charities, and ‘high risk’ communities to comprehend the changes in society driven and justified by this issue and to provide input about which of these changes are just of not. For example, members of communities that are portrayed as supportive of terrorism can better understand why this is the case and can more successfully delineate differences among who

⁶⁷¹ That is, by the markets various terrorist actors could and likely would access Information technology is probably needed to support this viably, as much of this data is available from anthropological, sociological, economic, historical, or area studies research.

and what they support so as to support political and social objectives without necessarily supporting violent groups that share those goals.

More specifically, the table below summarizes the potential contributions to each segment of the community of terrorist financing analysts specifically by the improved conceptualization presented in this thesis.

Table C1: Predicted and Actual Contributions of this Thesis to the Spheres of Practice within the ‘Community of Terrorist Financing Analysts’	PRIVATE SECTOR			GOVERNMENT						OTHER			
	FINANCIAL INTELLIGENCE ANALYSTS	AML/CFT COMPLIANCE OFFICERS	CHARITY MANAGERS	MILITARY	INTELLIGENCE COMMUNITY	LAW ENFORCEMENT / PROSECUTION	DEFENSE OF ACCUSED	FINANCIAL SECTOR REGULATORS	LEGISLATORS	EXECUTIVE ADMINISTRATORS	INTERNATIONAL STANDARD SETTERS	GENERAL PUBLIC	“HIGH RISK” COMMUNITIES
CONTRIBUTION													
Case study of terrorist financing along the Chechnya-Georgia Border, 1999-2002													
Deficiencies in ‘orthodox’ representations of terrorist finance									A				
The ‘Right Questions:’ <i>Impact</i> on terrorist actor behavior and capabilities				C						D			
The ‘Right Questions:’ <i>Reflection</i> of terrorist actor relationships with wider communities	B			C						D			
Reframed bases of conceptualizing terrorism-related financial activity				C						D			
Typology: terrorist finance as interaction with value chains				C						D			
Typology: continuum of material support for terrorist actors or terrorism related causes				C						D			

As illustrated, the alternative representation of terrorism-related financial activity presented in this thesis has wide potential application across communities of practice, not only among state organs involved in identifying, prosecuting, or otherwise ‘fighting’ terrorist actors, but also to communities who have been negatively impacted by counter terrorist financing practices in the past, such as defendants in terrorist financing / material support criminal cases, as well members of religious, social, or political communities that are perceived to be sympathetic to terrorist groups. In the boxes denoted with a letter, the findings of this thesis

have already contributed to the community of practice identified. In particular, this thesis has already been applied to: to help the U.S. Congress identify problems in existing terrorist financing legislation (A); the formulation of investigative frameworks and questionnaires related to terrorist financing at one of the five largest global banking groups (B); the training of special operations soldiers in the collection and exploitation of intelligence on terrorism-related financial activity (C); and the preparation of formal advice about how to restructure counter terrorist financing practices to a senior appointed government official with executive policy and budgetary authority (D).⁶⁷³

Regarding contributions to academic discourse, researchers of terrorist financing and those academics that produce works within what is termed here as terrorist financing studies will benefit from the representation of terrorism-related financial activity in primarily three ways. First, the reframed conceptual foundation of the issue presented in Chapter Four (i.e. the ‘right questions’) provides a cogent point of reference from which both empirical and theoretical investigation of terrorist finance can proceed. Second, by relocating terrorist finance within International Relations as an issue of individual-level securitized political economic interaction, the thesis helps deepen theoretical understanding of not only terrorist finance, but also of extra-legal political economies in general, and provides a theoretical construct within which future investigation of these complex, intrinsically politicized and contingent, and largely under-researched issues can advance. Third, the typology presented in Chapter Five presents both a coherent framework for structuring positivist, empirical research on terrorism-related financial activity (regardless of one’s perspectives on or definitions of terrorism, money, globalization, or other contested and problematic issues of contemporary international relations), as well as even a series of hypotheses that can be tested

⁶⁷³ Details of these contributions are sensitive, but available as required.

and refined as necessary. The below section explains in more detail how these advances could form the basis for a more formalized and systematic research program about terrorist finance.

A Program for More Formalized Research on Terrorist Finance

This section explains in more detail how this dissertation forms the foundation for a program of research that could produce a formalized analysis of the financing activities and contexts of those deemed to be ‘terrorists’ that more empirically comprehensive, analytically systematic, and methodologically repeatable than anything available in either the orthodox or the critical literatures. This not only outlines how future research could proceed in this emerging area of interest, but also illustrates more specifically the contribution and significance to International Security discourse this dissertation’s improved conceptualization of terrorist financing represents. It is important to note that because it seeks to formalize many of the conceptual findings of this dissertation, the proposed research program must for the sake of repeatability consolidate some complex themes into singular variables.

The proposed research program comprises six (6) distinct but related elements of documentation and analysis. The elements complement each other, and together they are intended to provide needed conceptual order to measuring and documenting the complex and intrinsically politicized dynamics of terrorist finance. The proposed program centers on documenting what makes change within the flows of value accessed by terrorist actors. In other words, it holds that terrorist financing can be understood by documenting political economic change-making, and that in turn political economic change-making can be understood by documenting what value ‘flows’ each actor in a conflict accesses, and what

political-economic changes result from accessing these flows. This allows analysis of a complex subject that is systematic, comprehensive, and repeatable.

First, it is helpful to describe the ontological, epistemological, and typological components of this method, which combined allow for documentation of the interrelated dynamics of power and value exchange relevant to terrorist actors. Epistemologically, the research program proposes to narrow analytic focus to power. In other words, this means that power – specially to influence interactions with value chains – is the central ontological feature of terrorist financing, and therefore that it is fruitful to focus explicitly on data that tells us about the forms, practices, and exercise of power. By power, I simply mean the ability to influence the actions of others, a vague definition, based, as discussed in Chapter Four, in Classic Realism, that allows for consideration of all forms and practices of power, including physical, cultural, economic, political, psychological, etc. To simplify again, this means that terrorist financing is essentially about the ability to make change. However, this alone is not a sufficient guide to collecting data on terrorist financing, namely because it begs the foundational question, ‘what is terrorist financing?’

This question is addressed by assuming that, ontologically, terrorist financing relates essentially to the aggregation of various flows of value, each constantly shifting and each in truth an aggregation of many individual exchanges. Again, I adopt an intentionally vague definition of value. I take value to mean anything of value, including cultural value, economic or material value, political value, including flows of material and non-material forms of value, e.g. goods, services, norms, ideas, etc. Therefore, I propose, terrorist financing activity – i.e. the change-making behavior with which we are concerned – is focused on making change to these flows. In other words, the proposed epistemology first

narrows the epistemic focus of research on terrorist finance to the role and dynamics of power (change-making), and second simplifies the financial underpinnings of terrorist actors to a compendium of individual interactions with individual flows of value. All of this of course is based on the baseline assumptions above, which hold, it is worth emphasizing again, that this occurs in context of certain analytic objectives. The outcome is that terrorist financing activity can in theory be measured in terms of how such action ‘makes change’ in local value chains accessed by terrorist actors in ways that are specifically relevant to pre-specified analytic outcomes desired by the analyst. But in practice, how to structure a methodology to actually document this change making? The next section proposes a program to do so.

Element 1: Defining and Bounding Terrorist Conflicts

The first element is a method for identifying, defining, and describing terrorism. As discussed in the dissertation, ‘terrorism’ is an inherently contested issue and therefore it seems fruitless to attempt to provide one single universally applicable definition. Therefore the research program proposed here intentionally goes without one. Instead, the research program proposed here simply calls for *an explicit and systematic specification of variables that define and separate, and bound a specific ‘terrorist conflict.’* These defining, limiting, and bounding variables could include particular determinations of time, place, group, ideology, or some combination thereof.

For example, the case study in Chapter 2 could be so defined, limited, and bounded in several different ways, depending on some combination of the following variables, or others. The following table illustrates only a small few of the variations possible to define, limit, and bound the conflict mentioned.

Table 1			
Time	Place	Group	Ideology
Second Chechen War	Russia	Chechen <i>boeviks</i>	Chechen Separatism
1992-2002	Chechnya	al Qaeda	Violent Takfiri Salafist Islamism
	Pankisi Gorge	Chechen Jihadists	Jihad in the 'Way of Allah'

Various combinations of these variables are possible, and thus each different combination represents a different way of defining, limiting, and bounding a terrorist conflict. For example, the above case could be part of a conflict bounded as “violent takfiri salafist Islamist terrorism in Chechnya during the Second Chechen War” or “militant Chechen separatism from 1992-2002.” Naturally, the particular combination used depends in large part on the *a priori* objectives and perspectives of the analyst. For example, a counterterrorism analyst in a Russian government intelligence agency might find the former the more useful combination of variables with which to define, bound, and limit the conflict he seeks to analyze, while an academic historian of the Caucasus might find the latter a more helpful formulation.

The significance lies in neither which combination of variables are used nor which boundaries are set for a particular terrorist conflict, but simply that they are set, and set explicitly. This naturally raises all sorts of political, moral, legal, and other issues and complexities, and requires the analyst to wade into these murky waters. However, since terrorism is inherently politicized already, then the analyst has already done so, and this is simply a call for these inherent – but often unstated – normative and political biases, beliefs, views, and objectives that mediate any given view of terrorism and terrorist actors to simply be made explicit to the extent that is necessary to make decisions on which combination of variables should define, limit, and bound how the terrorist conflict under analysis is represented. Therefore, it is also useful to explicitly identify which normative and political beliefs – such as liberal democracy, support for a particular country’s foreign policy, etc –

underlie the chosen set of variables. This last step however is not necessary because many of these beliefs are implicit in which variables are chosen. For example, bounding a conflict by a set of variables such as “Radical Islamist Terrorism in Chechnya” likely – albeit not certainly – carries certain identifiable – or at least possible – political beliefs about terrorism and ‘radical Islamism,’ as well as about those who seek to counter them. Naturally, since these fundamental beliefs are also contested and likely contentious, it does behoove the analyst to make them explicit as much as possible.

Element 2: Defining and Documenting Terrorists

The second element of the research program is a method for defining the combatants in terroristic conflicts; otherwise known as ‘terrorists.’ One often-commented upon feature of terrorism is that the term is intrinsically contested and political, and based on one’s own norms and political ideas, which leaves a definitive approach to identifying who exactly is a terrorist uncertain. However, even though many simply assert that a terrorist is one who is designated as such by liberal democratic governments, the processes and objectives that inform these designations are often arbitrary and contradictory, and always political and contestable. For example, while Hezbollah’s ‘military wing’ could and is defined as a terrorist group by both the United States and the European Union, only the former classifies the group’s political leaders who sit in the Lebanese parliament as the same. This is important obviously because if these parliamentarians are indeed considered to be ‘terrorists’, then a host of analytic and practical implications are likely to flow from this determination, such as the propriety, legality, and prudence of economic and financial support for these political leaders.

Given this complexity, the research program proposed here proposes to limit the definition of terrorism to those individual or collective actors who either commit (i.e. one’s own actions)

or commission (i.e. the exercise of power to influence others to commit the action) acts of war with boundaries specified in Element 1. Acts of war are defined as acts of deliberate violence for social or political goals, as opposed to violence committed solely for economic gain (e.g. criminal violence) or for some internal psychological motive (e.g. ‘everyday’ murder). The war/violence distinction is to keep analytic focus on the defining actors of a conflict. In other words, given that there can be no conflict without acts of war, it is not only logical to focus on these actors, but also useful as seen below.

The research program proposed here also proposes that combatants can be documented by collecting data on what can be referred to as ‘Terrorist Attributes.’ There are likely almost as many ways to document terrorists as there are parties interested in doing so. The following however is a coherent, comprehensive, and useful schematic for representing and documenting the activities, nature, and defining characteristics of terrorists.

- Composition
 - Structure
 - Organizational Dynamics
 - Geographic Location
 - Strength
 - Recruitment
- Personalities / Specific Individual Participants
- Ideology
- Radicalization
- Objectives & strategy
- Operations
 - Targets
 - Tactics
 - Training
 - Communications
 - Weapons
 - Operations Table
- Logistics
 - Finance
 - Weapons Acquisition
- External relationships
- Culture
- Miscellaneous Information

- Threats to the Interests/Beliefs/Ideas of the Analyst⁶⁷⁴

Element 3: Documenting the Economic Contexts of Terrorist Actors

The third element of the research program proposed here is a method for modeling the economics of a terrorist conflict. As discussed above, this is often seen as a difficult, if not impossible, analytic task, as it necessarily must incorporate the full compendium of complex individual level exchanges of value, much of which is not monetary or even material, and which often involves seemingly opposed actors (e.g. combatant economically interacting with opposing combatants, or combatants economically interacting with non combatants such as civilians, businesses, NGOs, and foreign governments). However, I posit that this complexity can be documented to a sufficient level of accuracy by collecting data on three significant aspects of economic interactions within a terrorist conflict, collectively referred to here as ‘Economic Context Attributes’.

The first set of Economic Context Attributes is a record of the economic resources used by terrorist actors. The specific variables include:

- Item of Value
- Number / Amount of Item
- Associated tactics of Terrorist
- When Acquired?
- Who acquired?
- Acquired from whom?
- Where Acquired?
- Acquired for what? (description)
- Where Item is in Use?
- End User
- Miscellaneous (motives, etc)
- Monetized Price (amount)
- Monetized Price (currency)
- Exchange Rate (to USD)
- Dollarized Price (or some other common currency for cross-comparisons)⁶⁷⁵

⁶⁷⁴ This set of variables originates from the Dynamic Threat Assessments of the Universal Adversary Program of the U.S. Department of Homeland Security. This particular framework for analysis of conflict actors was designed by Helios Global Inc, a consultancy, and represents a modification of the schematic contained in U.S. Army Field Manual (Interim) 3-07.22 – *Counterinsurgency Operations*.

⁶⁷⁵ Thank you to Charlotte Bullen for her assistance in refining these variables.

The second set of Economic Context Attributes relate to the value chains for each of these resources within or via the conflict zone, and specifically two variables that together allow one to document the individual exchanges of which economic activity within conflicts is comprised. The first variable is, using plain English, the *desire* of terrorists to access a particular market flow, which is essentially a function of the perception that such access will meet certain pre-existing objectives. This refers to the extent to which a terrorist would like to obtain the forms of value available within a given market, and is primarily a function of the terrorist's rational assessment (here using Sen's conception of rationality⁶⁷⁶) about how instrumental a particular form of value would be in assisting his objectives. More simply, the research program holds that terrorists access pre-existing markets for reasons tied to their own objectives. Of course, many subsidiary factors influence a terrorist's assessment of both his own objectives and how a particular item of value would instrumentally serve them, including information available about the desired item of value (e.g. quality, reliability, value), and agreement on strategic and tactical objectives. In addition, it must be emphasized that these assessments of value, objective, and instrumentality are completely context-specific. In other words, something that may be of value in one time or place may be less 'desirable' in another, even for the same terrorist. This is because goals change, situations change, and particular forms of value become relatively more or less valuable accordingly. For example, the terrorists in virtually any conflict would seek access to markets for drugs, arms, food, clothing, personnel, or services according to particular political-economic needs at particular times. Similarly, in some places it's easier or cheaper to get AK-47s than tomatoes; but one must know the market and how to access it in order to use it.

⁶⁷⁶ Amartya Sen, *Rationality and Freedom*. Cambridge, MA: Harvard University Press, 2002

The second variable governing the role of ‘value chains’ in conflicts is the *ability* of terrorists to access these pre-existing market flows of value. This refers simply to the actual capability of the terrorist to not only access a market but to do so in a way that he is able to engage in an exchange that he finds ‘desirable.’ This is governed, generally, by the amount of power the terrorist is able to exercise within that market flow. In other words, individual economic transactions within conflicts are therefore a function of how and how well terrorists are able to interact with their societal environment. Power, especially political economic power, is complex, but it is possible here to make some initial determinations of how to measure and analyze the factors that govern the form, nature, and amount of power terrorists can exercise over and within a market flow. The subsidiary factors influencing the ‘capability’ to access value flows thus include such things as prior relationships with key players in the market (e.g. Taliban can easily access arms markets in tribal areas of Pakistan because many of them are members of these tribes), or institutional knowledge of the market (e.g. of external intermediary markets for natural resources).

Element 4: Documenting Governance of Value Chains Accessed by Terrorist Actors

The fourth element of the research program proposed here is a method for modeling governance within a terrorist conflict. Given the complexity of contemporary conflicts, governance structures and practices are often complex, ever-varying, and perhaps surprising or unexpected to the analyst. For example, while conflicts such as those in Sierra Leone, Democratic Republic of Congo, Somalia, and Pakistan are often termed ‘civil wars’ (implying a war between a government and an opposition force), recent conflict research indicates that they are really societal complexes in which competing actors vie for and

compete over governance of flows of value, knowledge, and socio-political power and control, often using violence and warfare as simply tools of this competition.⁶⁷⁷

Within this context, the research program proposed here posits that governance of economic value within a terrorist conflict can be documented by collecting and analyzing data in three primary areas, only one of which relates directly to economics. First, the research program proposed here proposes to collect data to determine who influences and controls the markets and by what acts and practices of power do they do so. This would include data on such attributes such as local business practices and customs, the identities and biographies of the individual economic players active in buying and selling of a particular good or service, and the profit margins of each of those players, among other variables still to be determined. Second, the research program proposed here proposes to collect data to determine who controls territory and by what acts and practices of power do they do so. This would include data primarily on identifying first who enforces entry, exit, use of, and claims to land, and the methods, techniques, and practices these individuals or groups utilize for such enforcement. Third, the research program proposed here proposes to collect data to determine who produces knowledge and by what acts and practices of power do they do so? A vulgar measurement of this data would be to identify all indigenous researchers, non-indigenous specialists in the variables bounding the conflict determined in Element 1, the periodicals/newspapers that cover or are published in the terrorist conflict, the consultancies, think tanks, and other private research organizations that cover or are based in the terrorist conflict, and the government (including intelligence) agencies that produce knowledge about the terrorist conflict.

⁶⁷⁷ See for example, Christopher Cramer, *Civil War is Not a Stupid Thing* (London: Hurst & Company, 2006); and Mark Duffield, *Global Governance and the New Wars* (London: Zed Books, 2001).

Although naturally all this information about a terrorist conflict would be useful, nevertheless how does one validate that these three proposed datasets represent a useful mechanism for understanding the governance of economic value within conflicts. I posit that to assess this, one can evaluate these datasets according to three different criteria. The first criterion is how this control and influence over value flows, territory, and information influence value chains in ways that serve the interests of any violent conflict actors. This will illuminate the extent by which each actor in a terrorist conflict zone contributes to the economic success of each terrorist and therefore the continuation of the conflict. The second criterion is how this control and influence over value flows, territory, and information influences changes in political or social orders in ways that serve the interests of any violent conflict actors (note: intention is not considered here, only consequence). This will illuminate the extent by which each actor in a terrorist conflict zone contributes to the welfare of the population, or doesn't. The third criterion is how this control and influence over value flows, territory, and information produce knowledge that serves any of the violent conflict actors (information threats). This will illuminate the extent to which actors active in a terrorist conflict zone control the narrative and therefore ideas about the conflict, and to what interests this serves.

The combination of governance of value flows, territory, and information is in essence governance of political economic change. Therefore, the first four elements of the research program proposed here constitute a method to document and model political economic change making within conflicts. The remaining three elements of the research program proposed here serve to document and model how such political economic change making impacts and reflects terrorists in conflict, and how knowledge produced by the research program proposed here can be applied to efforts to influence the outcomes of conflicts.

Element 5: Documenting the Meaning of Economic Activity to Terrorists

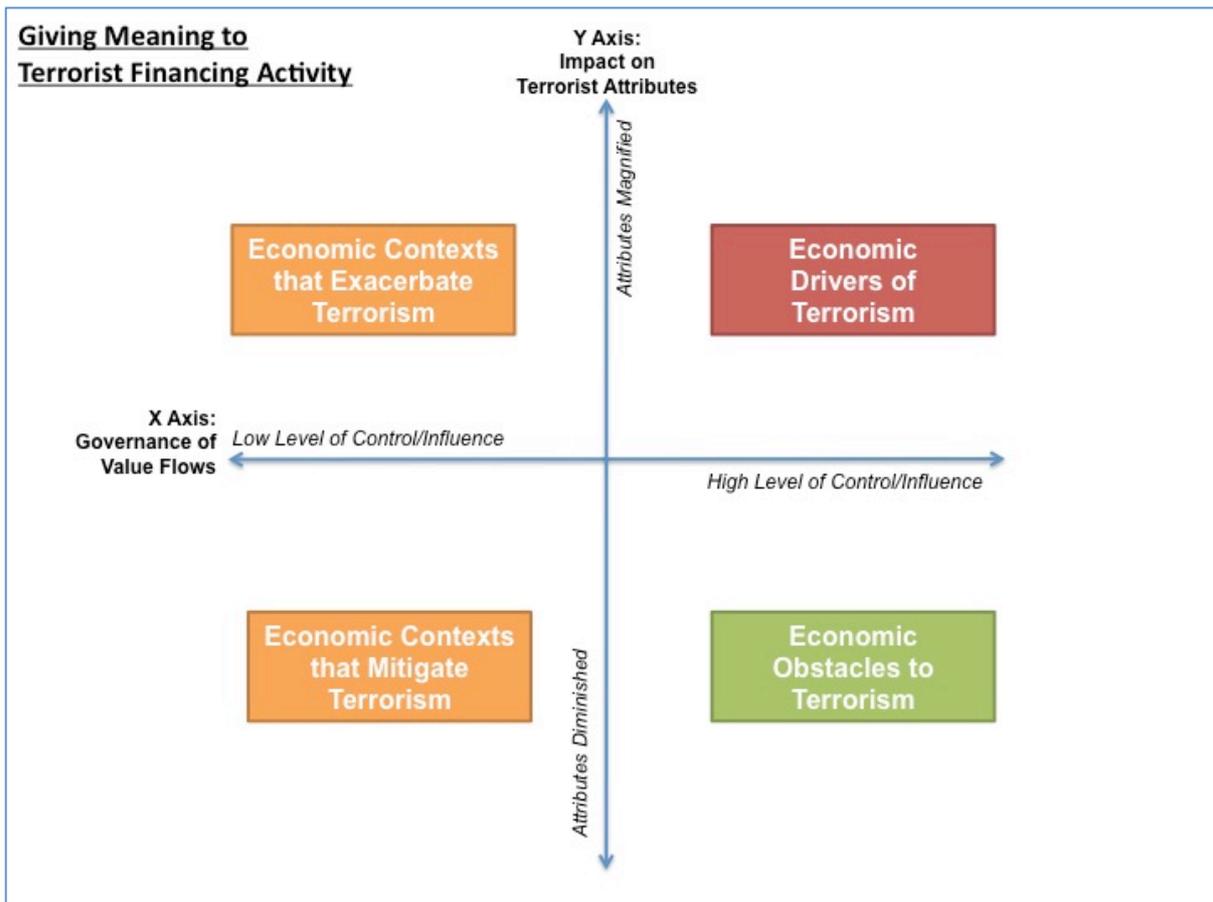
The fifth element of the research program proposed here is a method for documenting what political economic change-making tells us about terrorists within a terrorist conflict. The purpose of this element of the methodology is to begin to overcome and manage the high levels of complexity and subjectivity surrounding efforts to document and give proper meaning to observations about political economic activity in conflict. For example, what if money intended for humanitarian aid is being used to support terrorists? Is the meaning we give to this behavior that humanitarian organizations are ‘fueling conflict?’ Or what if corrupt businesses are serving the same function?

To resolve questions such as these, this element of the research program proposed here integrates the knowledge collected in the previous four elements of the research program proposed here by asking the question: “What does the political economic change making documented in the research program proposed here element 4 reflect about the variables identified in the research program proposed here element 1 or 2.” This can be restated less briefly, as “What do the governance structures and practices that produce changes in value flows, socio-political orders, territorial control, and/or information within a terrorist conflict reflect about the defining, limiting, and bounding factors of that conflict and/or the identifying attributes of that conflict’s terrorists.”

This allows one to assess the relative importance of political economic changes. This could be done in particular by documenting how the political economic change making documented in the research program proposed here element 4 impacts the outcome(s) produced by the variables identified in the research program proposed here element 2. This can be restated less briefly, as the question, “How do the governance structures and practices that produce

changes in value flows, socio-political orders, territorial control, and/or information within a terrorist conflict impact the behaviors produced by the attributes a terrorist conflict's terrorists." Measuring this is in essence a method of giving meaning to political economic activity within a terrorist conflict, as illustrated in the graph below.

This graph illustrates that governance of value flows can impact the attributes and behaviors of terrorists – and therefore impact the outcomes and dynamics of the conflict – in four primary ways. First, economic activity in conflicts can be given meaning as *Economic Contexts that Exacerbate Conflict*. These are existing flows of economic value over which terrorists have little control and influence, but which nevertheless magnify and enhance the attributes of terrorists. For example, poverty can magnify and enhance the appeal of extreme ideologies and facilitate recruitment to terrorist groups, or an unregulated small arms market can ease access to weaponry and thus amplify the military capabilities of terrorists. Second, economic activity in conflicts can be given meaning as *Economic Contexts that Mitigate Conflict*. This is the reverse of contexts that exacerbate conflict, in that in this case existing flows of economic value diminish the attributes of terrorists, for example when a decrease in socio-political inequality leads to less attraction to extremist and violent groups; or, in a case in which governance of value flows in one area can influence that in another, when an increase in the power of state to enforce land rights, collect taxation, distribute government spending diminishes the ability of terrorist groups to generate wealth through the exploitation of natural resources.



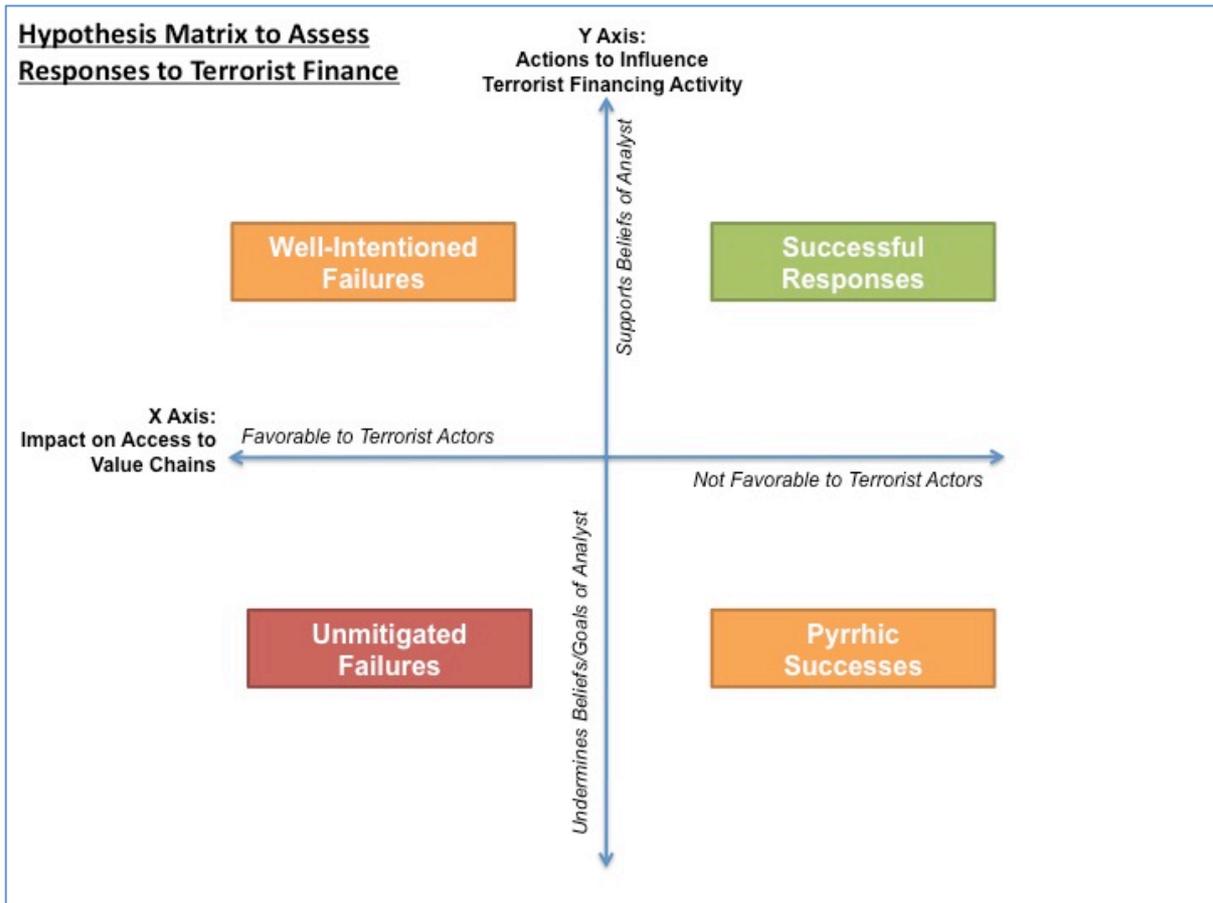
Third, economic activity in conflicts can be given meaning as *Economic Drivers of Conflict*. This refers to when terrorists have high levels of control over flows of economic value that directly and positively impact their specific attributes. An natural example is that control over natural resources – such as the control of the poppy trade by the Taliban in Afghanistan – can each generate massive amounts of material wealth for terrorist groups, which in turn can strengthen not only their military capabilities but also their ability to make political, social, and cultural change that is to their advantage. Finally, economic activity in conflicts can be given meaning as *Economic Obstacles to Conflict*. The opposite of Economic Drivers, this refers to when terrorists attributes are diminished despite or because of the fact that they have high levels of control and influence over a particular flow of value. For example, although Loyalist paramilitaries in Northern Ireland largely governed the flow of illegal drugs in the province, this control – despite being very profitable and a primary

funding mechanism for their military capabilities – also greatly discredited them in the views of their intended political and social constituencies.

Element 6: Applying this Knowledge to Influence the Behavior and Capabilities of Terrorists

The final element of the research program proposed here is a method for integrating and applying the knowledge produced in the previous elements of the research program proposed here to practices and exercise of power meant to influence the outcomes of a particular conflict. Outcomes of conflicts can be influenced in many different ways and for many different ends. The research program proposed here offers a way to make attempts at influencing conflict outcomes more transparent. This element is included because it not only offers a way to stop, resolve, mitigate the effects of – or even win – a terrorist conflict, but also allows one to place the political economics of conflict into wider political, normative, and practical contexts. In other words, if one can understand how a terrorist conflict can be impacted by influencing political economic activity within it, then one can also comprehend or at least examine who might benefit and seek such outcomes.

The research program proposed here accomplishes this via a comparison of the variables from Elements 5 and 1 in order to determine their precise or estimated relationship. Once this relationship is determined, then an appropriate set of structures, practices, and ultimately actions can also be determined. This can be stated less briefly as a graph that assesses what structures, practices, and actions will impact, in ways that serve the normative and political beliefs of the analyst, existing governance structures and practices within a terrorist conflict, which themselves produce changes in value flows, socio-political orders, territorial control, and/or information that in turn impact terrorist behaviors that run counter to the normative and political beliefs of the analyst. An example of such a graph is below:



This graph shows that using the research program proposed here it is possible to represent and schematize the relationship between the meaning one attaches to economic activity within a terrorist conflict and one's practical and analytic objectives vis a vis the same conflict. In particular, the graph shows that responses to conflict (i.e. actions meant to influence the outcomes and dynamics of a terrorist conflict one way or another) can be assessed as a function of whether the impact on the governance of political economic activity in ways that the analysts views as favorable or not favorable to the terrorists of a terrorist conflict, and whether this action is in line with the underlying normative, political, analytic, or other beliefs of the analyst. In particular, it demonstrates that by analyzing their impact on the governance of relevant political economies, responses to terroristic conflict can be represented in four general categories.

First, *Successful Responses* are those actions that change political economic reality in ways that are not only antagonistic to terrorists but also fit closely with the aims and beliefs of the analyst. This helps explain how, for example, the growth of the middle class in Northern Ireland and in the Republic of Ireland served to lessen the ongoing conflict there. Second, *Unmitigated Failures* are those responses that both impact the governance of political economies within conflicts in ways that favor terrorists and violate the principles, beliefs, or objectives of the analyst. For example, many critics of covert American support to the regime of Augusto Pinochet are in essence arguing that such policy represented an unmitigated failure in that it not only strengthened the political economic control of certain terrorists (e.g. Pinochet and his fellow coup plotters) but also undermined American principles such as support for rule of law and human rights. Third, *Well Intentioned Failures* are those responses that serve the interests of the analyst but also benefit terrorists. Examples of such failures would include increases in humanitarian aid that are simply stolen and used by terrorist groups in a terrorist conflict, or programs to develop a country's natural resources, but which ultimately only serve to increase the wealth and power of terrorist groups. It should be noted that Well Intentioned Failures can be politically useful to those engaging in them, especially when there is a lack of knowledge, information, or simply concern about whether the responses are achieving their intended effects. Fourth, *Pyrrhic Successes* are those actions that do negatively impact terrorists – and thus serve to undermine if not mitigate conflicts – but do so at the cost of violating the normative, political or other beliefs and objectives of those conducting the response. This could include for example increased surveillance of financial activity by the United States and EU governments in the name of fighting terrorist financing, which appear to have diminished the ability of terrorist groups to use the global commercial financial system, but at the price of lessened protections

for civil liberties and some high profile cases of individuals wrongly identified and punished as financiers of terrorism.

Summary

This concluding section set out to outline an analytic methodology with which the complex and often difficult to research realities of terrorist financing can be documented, represented, and schematized. I argue that the research program proposed here represents a promising – and, more significantly, a systematically testable – approach for documenting and modeling terrorist financing because, even though the results may be a vulgar representation of reality, the research program proposed here is systematic about not only the attributes of conflict, but also in its explicit engagement with the subjectivity of terrorism and contemporary conflict. It would naturally require and benefit from further empirical testing and analytic refinement, both of which are beyond the scope of this dissertation.

Conclusion

This thesis began with an exploration of how orthodox understandings of terrorist finance generally ‘ask the wrong questions’ about terrorist financing, and presented an analysis of what, epistemically, the ‘right questions’ are, upon which this thesis ultimately built an alternative conceptualization of terrorism-related financial activity that represents such activity in terms centered around the contextualized dynamics of individual-level political-economic interaction. In particular, this thesis found that the term ‘terrorist financing’ is a misnomer in that much of the activity encompassed by the term involves neither terrorism nor finance, and thus can be more successfully analyzed in terms not counterproductively governed by both these intrinsically problematic and contested concepts. Instead, terrorist financing can be alternatively represented typologically as either the exchanges of economic and material value that empower ‘terrorist’ actors, or specific material expressions of support

to either ‘terrorists’ or ‘terrorism’-related socio-political movements (however this contested term is defined). This typology and the improved conceptualization presented in the thesis, it is argued, constitute a framework for representing terrorism-related financial activity within which, compared to existing discourse, more accurate and precise knowledge of the political economic dimensions of terrorist actors can be produced and mediated in terms that are more useful to all members of the community of terrorist financing analysts.

This dissertation contributes to the academy by directly confronting a topic that despite being subject of a vast and powerful regime that costs billions and affects the behavior of millions remains grossly and destructively misunderstood. While further research remains to further explicate and apply the findings, conclusions, and hypotheses raised in this thesis, its contribution rests in its successful presentation of an empirical field study of terrorist finance, an extended critique of existing analysis, a systematic reformulation of the epistemological foundations of the issue, an application of this new epistemology to the topic, and a blueprint for a viable research program to continue to improve understanding of this complex and difficult topic.

Most significantly, this dissertation simply acts on acceptance of the full epistemological consequences of recognizing that the analysis of terrorist finance is itself a political project meant to serve specific interests of liberal democratic society. More precisely, it provides a conceptual framework that helps address the liberal problematic of security as it related to terrorist finance, and also is viable alternative to dominant analytic approaches that require one to uncover dark secrets about the global ‘infrastructures’ and “mysterious” networks that supposedly finance terrorism. However, while the world of terrorist finance is indeed often invisible and inaudible to the casual observer, it is very much knowable and comprehensible

– if one asks the right questions and has frameworks to represent the issue in ways that support systematic, repeatable research that is both empirically grounded and conceptually sound. This dissertation fundamentally argues that what is referred to as ‘terrorist finance’ is at core simply a certain sub-set of political economic activity about which liberal democratic societies are currently concerned. It can thus be observed, analyzed, interpreted, and acted upon, just like any other manifestation of human behavior. This subtle but important epistemological shift subordinates normative debates about ‘bad’ (i.e. terrorist) versus ‘good’ financing, and replaces them with a foundation of analysis that is not only closer to the specific (liberal democratic) interests and objectives it is supposed to serve, but also enables access to more analytic tools required to meet those objectives.

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