

Financing Terrorism: Economy's Dark Side

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Abstract

In the hidden depths of covert operations and clandestine dealings, the sinew of currency entwines in a sinister ballet, fueling the malevolent fires of terrorism, bestowing upon it the means to unleash havoc and anguish upon unsuspecting souls. Within the intricate web of the global economy, the haunting specter of terrorist financing looms large, its tendrils entangling a labyrinthine network of cartels funding jihadist endeavors, all entwined within the ideological struggle between material wealth and religious fervor. The aim of this study is to delve into the intricate layers of terrorist financing. The first layer involves conducting a literature review focusing on the 2000s, providing insights into the subject. Moving on to the second layer, a behavioral analysis of terrorist financiers is presented, highlighting the formation of alliances between terrorists and financiers. The third layer examines the utilization of advanced technology and intelligent materials in combating the issue of terrorist financing. Finally, the research concludes with an overview of the challenges posed by the influence of the black economy in a globalized world.

Index terms: ATF, Black Economy, Financing Terrorism, Hidden transaction, White-Collar Crime

1. Introduction

Terrorism, a persistent menace that knows no borders, continues to pose a significant threat to global peace and security. Behind every act of terror lies a complex web of funding that fuels these operations, allowing extremist groups to carry out their deadly agendas. Unraveling the intricate mechanisms and sources of terrorist financing is crucial in our collective efforts to combat this grave threat.

Terrorism can be seen as a rational call from the jihadists, who focus on power and intimidation to finance their activity and to fulfill their terrorist objectives which cannot be obtained by legal and democratic methods.

Furthermore, we can say that the terrorists weigh the costs and benefits they would have before acting to raise funds simultaneously the costs and risks they assume to create new strategic gates. This happens as a result of achieving the objectives of attracting a large number of financial sources, new members in jihadist organizations or establishing new relationships with other extremist groups, all merging in the hope of achieving political and ideological goals.

Terrorist financing emphasizes the idea of a phenomenon that involves the solicitation, collection or provision of funds with the intention that they can be used to support terrorist acts or organizations, where the bases of financing can be both licit and illicit.

Nonetheless, the term and phenomenon of terrorist financing does not have a generally accepted interpretation, but depends on the circumstances of the terrorist Islamists.

Gaining a comprehensive grasp of the fundamental elements of terrorist financing is of utmost importance. To achieve this, we delve into the illicit channels, money laundering techniques, and the

exploitation of legitimate sectors that form the bedrock of the financial machinery empowering extremists in funding their malevolent endeavors.

To achieve meaningful progress in combating terrorist financing, a multi-faceted approach is required. This encompasses robust legislative measures, effective intelligence gathering and sharing, capacity building, financial institution vigilance, public-private partnerships, and public awareness campaigns to promote financial transparency and integrity.

Besides, the entire process of terrorist financing follows a circuit that includes the request, collection or supply of funds with the intention that they enter the area of support of jihadist groups. The focus of the Mujahideen's power games in financing their activity often competes in hiding the financing and the nature of the financed activity, not so much the sources of the dirty money as in the case of money laundering [11].

Financing terrorism is said to be deeply embedded in and represent a substantial portion of global capitalism, where this association gotten in touch with capitalism originates through the prism of the connection with the idea of competition, economic freedom and yield maximization, which define the capitalist system [6].

This paper examines the field of financing jihadist activities through a three-pillar structure. The first pillar involves a literature review on current approaches to terrorist financing. The second pillar explores the connection between terrorist groups and funding entities, providing a behavioral analysis of terrorist financiers. The third pillar responds to the second pillar and highlights the methods employed by international organizations to combat this phenomenon, with a particular focus on the contribution of advanced technology. The article concludes by summarizing key points regarding the global economy and the challenges posed by terrorist financing.

2. Literature review

Terrorism remains a significant global threat, as terrorist groups continually explore new avenues to finance their operations. In recent years, the utilization of tax havens as a method for terrorist financing has garnered considerable concern. Tax havens, characterized by low tax rates or tax exemptions, stringent bank secrecy laws, and limited financial regulations, have become conducive environments for terrorist financing due to the anonymity and lack of transparency they provide.

In this literature review, we analyze the scope of the issue of financing terrorism, the strategies employed for laundering money and transferring funds to terrorist groups and the efficacy of measures implemented by governments and international organizations to combat these concerns.

Black-collar criminals in high finance are the representatives of illegal activities with direct involvement in terrorism. Brokers, lawyers, financial advisers, bankers or directors of fictitious or underground companies who manage other people's money are some of these organized crime actors [9].

Terrorist groups have strengthened/coagulated the financing of illegal activities by disguising them as goods and cash, creating Islamic charities not controlled by the government, and involving small transfers of money by the capital market [5].

As per the information provided by Stephen, terrorist financing can involve the collaboration and merger between terrorist organizations and non-state actors. Notably, close cooperation has been observed between terrorist organizations and smuggling groups, as well as the utilization of cartels to facilitate their activities [12].

According to William, the measures implemented to combat terrorist financing heavily rely on surveillance and criminal investigation. However, these measures, employed in the context of the 'war on terror,' can have unintended repercussions on the financial transactions of individuals, regardless of their citizenship status [16].

Jeffrey Simser underlined that the system aimed at countering the financing of terrorism can be enhanced to reduce costs and risks for financial institutions while increasing actionable intelligence. Striking a balance is crucial between the defined objective, actionable intelligence, and the mechanism employed to achieve that objective [15]. In the perception of Katarzyna Bilicka and Clemens Fuest, countries categorized as tax havens have consistently entered into a greater number of TIEAs (Tax Information Exchange Agreements) with nations that they share stronger economic connections with, such as through foreign direct investment. In this way, TIEAs illustrate tax information exchange agreements that each tax haven is obliged to sign with at least two other countries, in order to position itself in accordance with OECD standards [4].

Frederic Compin has analyzed in his paper called 'Terrorism financing and money laundering: Two sides of the same coin?', the connection between a terrorist and a financial criminal. The reaction for this highlighted that financial criminals focus to maximize investments and minimize risks, while terrorists seek to maximize risks in order to achieve their objectives. Nevertheless, both rely on current data, financial instability, and market capitalism to carry out their actions [7].

From the point of view of Gheorghe Cosmin Manea and Cristian Valeriu Păun, terrorist networks continue to benefit from the flow of illegal resources that circulate through tax evaded regimes that do not cooperate for rules, agreements, standards, treaties, conventions or regulations against the terrorist apparatus [13].

According to Noura Ahmed Al-Suwaidi and Haitham Nobanee approach the directions of anti-terrorist financing (ATF) and the main perspective, the terrorist groups often operate in secrecy through closed networks and industries with low levels of transparency. Despite this, terrorists may offer lucrative economic incentives, such as smuggled cigarettes, fake products, illegal drugs, and supposed charitable donations [1].

Michele Sabatino described the terrorism financing process as an illustration of globalization, where globalism was a bridge between organized crimes and the global economy. Essentially, money from illegal activities is laundered by criminals or terrorists and then used to fund new illicit ventures. Money laundering is the preliminary stage of financing terrorism, which is why the so-called tax havens appeared, where everything appears legal in the legislative loopholes so that the chain of dirty money cannot be broken [14].

Carolyn Alfieri highlighted the idea that terrorist groups are increasingly employing new methods, such as cryptocurrency, to generate funds. Cryptocurrencies facilitate seamless global transactions for these groups, enabling easy sending and receiving of funds. Examples involving Hamas, an al-Qaeda affiliate, and ISIS highlight how terrorists are utilizing cryptocurrencies to generate revenue through donations. In these instances, Hamas's military branch, AQB, solicited Bitcoin donations through their website, while ISIS and an al-Qaeda affiliate developed a scheme involving the purchase of cryptocurrency coupons. These cases underscore the diverse strategies employed by terrorist groups to acquire financial resources [2].

The literature review on terrorist financing provides a comprehensive analysis of the existing research and scholarly works on the subject. It sheds light on the various aspects of terrorist financing, including its underlying causes, funding sources, and methods employed by terrorist groups. The review also highlights the challenges faced in combating terrorist financing and explores the effectiveness of different preventive measures and international initiatives. Overall, the literature review serves as a valuable resource for understanding the complexities of terrorist financing and informing future efforts to address this global security threat.

3. Behavioral patterns exhibited by the terrorist financier

Terrorism funding originates from multiple sources, facilitated by a well-connected network that utilizes various means such as cryptocurrencies, charities, looting, theft, money laundering, shell

companies, tax havens, drugs, arms trade, narcotics, drug trafficking, organ trafficking, and more. Considering these implications for terrorist financing, here is a proposed series of key elements characterizing the financier of jihadist activity [3].

- **Use of networks and connections:** terrorist financiers frequently depend on vast networks and personal connections to acquire and move funds, involving both internal collaborators and external partners.
- **Anonymity:** terrorist financiers employ various methods, including money laundering, cryptocurrencies, or intermediaries, in an attempt to hide their identities.
- **Use of informal financial networks:** terrorist financiers can exploit informal financial channels like hawala, enabling them to transfer money covertly while minimizing traceable evidence.
- **Unusual financial transactions:** terrorist financiers possess the ability to utilize informal financial channels, such as hawala, enabling them to clandestinely transfer funds while leaving behind limited discernible traces.
- **Motivation:** terrorist financiers can be motivated by various goals, such as extremist ideology, support for a radical political or religious cause or a desire to destabilize society.
- **Connections to terrorist groups:** terrorist financiers can be affiliated with established terrorist organizations or operate independently while holding ideological sympathies and affinities.
- **Funding scheme:** specific funding models utilized by terrorist financiers may include cash donations, international bank transfers, or the exploitation of informal financial systems.
- **Use of illicit and alternative financial resources:** terrorist financiers depend on illicit or alternative funding sources, including drug trafficking, smuggling, robbery, extortion, or financial support from state or terrorist-supporting organizations.
- **Use of advanced technology and encrypted communication channels:** terrorist financiers employ advanced technologies, such as cryptography and encrypted communication channels, to conceal and safeguard fund transfers as well as the exchange of sensitive information.
- **Financial expertise and capabilities:** there might be indications that terrorist financiers possess advanced understanding of the financial system and techniques related to money laundering.
- **Engagement with other individuals under suspicion:** terrorist financiers may have connections with other individuals or groups suspected of engaging in terrorism or illegal activities.
- **Flexibility and adaptability:** terrorist financiers adapt quickly to changes in the regulatory environment and detection methods, adjusting their tactics and using new techniques and funding channels to avoid sanctions and achieve terrorist objectives.
- **Use of non-profit and charitable organizations:** terrorist financiers can employ non-profit and charitable organizations as conduits to conceal money flows and provide a façade of legitimacy for seemingly lawful financial transactions.
- **Use of the global financial system:** terrorist financiers endeavor to exploit vulnerabilities and loopholes in the international financial system, enabling them to move funds across borders and evade detection.
- **Use of corruption and infiltration of financial institutions:** terrorist financiers may employ corruption and infiltration of financial institutions to acquire confidential information, evade investigation, or facilitate illicit transfers of funds.

A crucial aspect is to acknowledge that these characteristics are general and can vary based on terrorist groups and specific contexts. Authorities and law enforcement agencies are continuously striving to identify and counter these attributes and behaviors, aiming to combat terrorist financing and prevent acts of terrorism.

4. Technological weapons

The institutional brigade, composed of various specialized institutions dedicated to detecting and halting terrorist financing, employs cutting-edge weaponry in its battle against the phenomenon. At the forefront stands the Financial Action Task Force (FATF), the main governing body, armed with the most advanced tools and strategies. These professional bodies propose so-called anti-terrorist financing (ATF) measures, which come as an escape hatch from jihadist problems [10].

To combat terrorist financing, a range of counter-offensive tactics can be employed, leveraging advanced technology and intelligent materials capable of infiltrating the realm of jihadists and dismantling their activities [8].

- **Natural language processing (NLP) techniques:** using NLP can help identify key words and linguistic signals that indicate terrorist financing in written or verbal communications. This approach can help detect threats and radical speech early.
- **Facial recognition and fingerprint identification technology:** cutting-edge technologies can be employed to compare facial images and fingerprints with existing databases, facilitating the identification and tracking of individuals affiliated with terrorist organizations. This enables enhanced surveillance and monitoring capabilities to mitigate potential threats.
- **Social network analysis:** by monitoring and analyzing activities on social media platforms and other social networks, valuable insights can be gained regarding the connections and interactions among individuals and groups suspected of engaging in terrorist financing. Utilizing algorithms for sentiment analysis and identification of communication patterns enables the detection of potential threats.
- **Big Data analysis:** the application of big data analytics technologies plays a crucial role in processing and identifying intricate patterns and interconnections across various data sources. By harnessing these advanced tools, it becomes possible to uncover elusive terrorist financing schemes that may elude traditional detection methods. Through comprehensive analysis of extensive data sets, hidden relationships and anomalies can be revealed, enabling proactive measures to combat and disrupt terrorist financing activities.
- **Geospatial data analysis:** by utilizing geospatial information and mapping technologies, it becomes possible to detect geographical areas or regions where suspicious activities or unconventional financial transactions associated with terrorist financing may be occurring. These technologies enable the identification, visualization, and analysis of such activities, facilitating targeted monitoring and intervention efforts. Integrating geospatial data into the detection process enhances the ability to identify and disrupt terrorist financing networks effectively.
- **Online behavior analysis:** by closely monitoring the online behavior of individuals suspected of terrorist financing, authorities can gather crucial clues regarding their intentions and activities. Engaging in activities such as accessing radical websites, searching for bomb-making information, or participating in suspicious transactions on online platforms can serve as red flags for potential involvement in terrorist financing. Through vigilant scrutiny and analysis of these online behaviors, law enforcement can

identify and investigate individuals involved in illicit financial activities associated with terrorism.

- ***Using automatic image recognition and text analysis:*** technology can analyze images and texts to uncover possible connections to terrorism and its funding. This involves examining social media posts, threatening letters, and other related materials associated with terrorist activities.
- ***Alliance with the private sector:*** collaboration with banks, financial service providers, and other private sector entities is instrumental in the detection of terrorist financing. These organizations play a crucial role by providing valuable data and information that can contribute to the identification of suspicious financial activities. By fostering knowledge sharing and exchanging experiences, the effectiveness of counter-terrorist financing efforts can be significantly enhanced. The partnership between public and private sectors establishes a robust framework for proactive measures and swift response in combating terrorist financing networks.
- ***Advanced financial transaction monitoring technologies:*** implementing financial transaction monitoring and analysis systems is a valuable approach to identify money laundering schemes and suspicious transactions linked to terrorist financing. These advanced technologies enable the detection of irregular patterns and activities within financial transactions. By utilizing algorithms and rules-based systems, these tools can generate.
- ***Use of artificial intelligence and predictive analytics:*** can be harnessed to create predictive models aimed at detecting potential risks related to terrorist financing. These models enable the real-time identification of suspicious transactions and behaviors, empowering swift and well-informed decision-making processes.
- ***Communications monitoring technologies:*** communications interception and analysis technologies play a crucial role in detecting the exchange of information and financial transactions associated with terrorist financing. These technologies encompass the monitoring of various communication channels such as phone calls, text messages, and encrypted communication to identify potential indicators of terrorist financing activities.
- ***Open-source intelligence analysis (OSINT):*** by leveraging open intelligence sources such as websites, blogs, and public reports, valuable insights and details regarding terrorist financing activities and schemes can be obtained. Through careful monitoring and analysis of these sources, significant connections and information can be uncovered, aiding in the understanding and detection of terrorist financing networks.
- ***Using satellite monitoring technology:*** satellite monitoring technology is instrumental in identifying suspicious activities, including the movement of vehicles or construction in sensitive areas. By utilizing satellite imagery, valuable data and contextual information can be obtained, shedding light on potential sources of terrorist funding.
- ***Use of voice recognition technology:*** voice recognition technology enables the identification and analysis of communications and telephone calls made by individuals suspected of engaging in terrorist financing. This technology can help detect distinctive speech patterns and language cues, contributing to the identification and investigation of potential instances of terrorist financing.

Weapons of the technological age encompass sophisticated systems and technologies that heavily rely on electronic, computer, and communications components. Their purpose is to enhance the effectiveness and precision of military endeavors, enabling enhanced surveillance, command, and destructive capabilities.

5. Conclusions

The article emphasizes the importance of enhancing international cooperation in the fight against terrorist financing. Governments should increase the sharing of information and collaborate in implementing both preventive and punitive measures. It is crucial to effectively implement financial security policies and adhere to pertinent international regulations.

The dynamics of the global economy are shaped by the proportion of legal and illegal financial activities. In this regard, the funding of terrorist groups, driven by a desire for destruction, highlights how the economy inadvertently facilitates the growth of illicit activities operating covertly.

Certainty in the world of financing terrorism is far given the fact that it is a clandestine and secret activity, thus: it is not known how big this industry really is, the shrouding in mystery of other sources through which terrorists finance their activity, how much they put the basis of their terrorist activity in tax havens, what is the volume of prohibited transactions that pass through banking institutions, the main channels through which the subsidization of jihadist activity passes, but also what is the number of those who know that they are involved in cases of supporting Islamic terrorists, secret cases in charitable causes. Everything seems to be a nebula if we dig deeper.

The utilization of advanced technology in the fight against terrorist financing can yield substantial advantages, improving the efficiency and precision of financial monitoring. It enables swift identification of suspicious transactions and the prevention of funds reaching terrorist organizations, thus diminishing their operational capacity.

However, it is crucial to acknowledge the dual nature of technology in this context. While it aids in advancing and refining methods for financing from the perspective of terrorist financiers, it also presents challenges that must be addressed. Safeguarding data, ensuring privacy, and fostering collaboration between authorities, the financial sector, and technology providers are vital considerations.

To close, While the fear of death may influence terrorist financing, it is important to note that funding sources for terrorism are diverse, including donations, drug trafficking, ransom payments, and other illicit activities. To address this issue, a comprehensive strategy is necessary. Promoting security, justice, and sustainable development is vital in reducing vulnerabilities to terrorist financing and undermining the appeal of extremism. By addressing underlying causes such as political instability, regional conflicts, and economic disparities, we can create an environment less conducive to terrorist activities.

Essentially, the economic theory of terrorism allows us to draw a prototype of the behavior exhibited by jihadist Islamic organizations. These organizations are driven by two fundamental aspects: money and religion, which both symbolize power. It is this convergence of money and religious ideology that serves as the catalyst for the catastrophic events humanity has witnessed.

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