

FUNDING FEAR: THE ECONOMICS OF EAST ASIAN TERRORISM

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The *9/11 Commission Report*, the comprehensive account of the Al Qaeda attacks of September 11, 2001 and of the response of the United States, dedicates an entire chapter to what it calls the “New Terrorism.” A number of scholars and politicians have argued that the world is witnessing a shift in the traditional form of terrorism, now defined by its lethality, speed, and transnational nature. Walter Laquer identifies three characteristics particular to this new form of terrorism: (1) the potential use of weapons of mass destruction; (2) the decentralized and horizontal quality of the terrorist groups; and (3) the religious motivation driving the terrorists, making their objectives apocalyptic and universalistic (4-5). The Bush Administration has developed an all-encompassing global war on terrorism with this concept in mind: all movements which are understood to utilize terrorism will be placed under the label of “new terrorism” and will thus be subject to the same policies and treatment. Yet this conflation of terrorist activities and movements has the unfortunate effect of simplifying the terrorist threat. We are not, in fact, dealing with one “new” condition of terrorism, but with multiple types, each diverse in structure, organization, goals, and tactics. President George W. Bush declared in 2001:

“We will direct every resource at our command to win the war against terrorists, every tool of intelligence, of instrument of law enforcement, every financial influence. We will starve the terrorists of funding, turn them against each other, rout them out of their safe hiding places, and bring them to justice.” (Biersteker “The Global Effort”)

This statement makes it clear that targeting the financial activity of terrorist groups is a crucial part of the Bush Administration’s “war” on terrorism. Suppressing such activity limits the resources available to terrorist groups, preventing future attacks and deterring terrorist endeavors in general. The usefulness of these financial regulations, however, is ultimately tied to the assumption that policy makers are aware of the differences among

the financial activities of different terrorist groups. This essay explores the diversity of terrorist groups by specifically examining their financial activities, and posits a preliminary typological comparative analysis as a way of understanding these dissimilarities and of explaining their significance.

Terrorist financing concerns the movement, acquisition, and use of funds by non-state or sub-state actors who employ terrorism. Most discussions of terrorist financing either provide descriptive analyses explaining each individual group's financial activity or they examine the regulatory measures implemented to prevent terrorists from financing themselves. Very few researchers have considered the similarities and differences among the financial activities of different terrorist groups and how these activities relate to broader characteristics, such as the state of origin or operation. If we begin to contextualize terrorist financial activity within broader types or categories, it becomes clear that terrorism and the functioning of terrorist groups vary widely. More importantly, however, corresponding policies may be developed to counter specific modes of terrorist financing. To operationalize this typological analysis, I will employ a structural hypothesis relating terrorist financial activity to specific organizational methods, as well as distinguish between operations in the developed and developing world. To test these hypotheses, I will examine four terrorist groups operating in East Asia: Aum Shinrikyo in Japan, the Moro Islamic Liberation Front (MILF) and Abu Sayyaf Group (ASG) in the Philippines, and Jemaah Islamiyah (JI) in Indonesia, the Philippines, Malaysia, and Singapore.

Structural Hypothesis: The structures of terrorist groups exist on a continuum from hierarchical on one end of the spectrum to networked on the other. Within this range, I have defined three broad categories: hierarchical, hybrid, and networked. A terrorist group's organizational structure is determined by the group's expenditure, movement, and raising of funds. Terrorist specialists, like Jessica Stern and Rohan Gunaratna, have recently drawn links between the structure of terrorist groups and their internal workings, which include their mission, decision-making procedures, and recruitment strategies. These characteristics may be further extrapolated to correlate to the aforementioned use, movement, and raising of funds by terrorist groups. Thomas Biersteker argues that the "social organization of different groups using terrorism (hierarchical versus networked versus dispersed) can have important consequences for how they raise and move funds" (*Global*: 256). Drawing from Biersteker's conjecture, I suggest that as the structure of the terrorist group moves from networked to hierarchical, a shifting of financial activities can be discerned, from those resembling transnational actors, such as multinational corporations, to those resembling states. In other words, networked groups operate within the parameters of

the state system, like NGOs or business firms, while hierarchical groups tend to structure themselves in a more institutionalized and bureaucratic fashion. While there is no universal structural type for legitimate transnational actors, what is meant by this is that these networks tend to operate under the regulatory system of the state, like a business or NGO, rather than in overt opposition to the state, like the hierarchically organized terrorist groups. Groups that employ a hybrid structure operate in the middle ground between the networked and hierarchical structures and utilize aspects of both configurations.

Developing vs. Developed Hypothesis: The links between terrorist financing and the level of regional economic development has also yet to be meaningfully explored in analytical and academic literature. Terrorism analysts have found that informal value transfer systems, including remittance strategies, are important sources of funding and movement for terrorist groups in the developing world. Alternatively, groups operating in the developed world tend to employ the predominant *formal* banking system. Behaviorally, this distinction may be broadly related to describe characteristics of the terrorist group. Empirically, I observe that groups in the developed world tend to resemble legitimate organizations, while groups in the developing world participate in more overt criminal activities. Thus, the main addition that the development variable makes to the structural theory is that terrorist organizations in the developed world make more of an effort to appear like *legitimate businesses*.

A CATALOGUE OF TERRORIST GROUPS:

A comparative analysis of East Asian terrorist groups requires a brief summary of these groups and their activities:

Moro Islamic Liberation Front: The Moro Islamic Liberation Front (MILF) broke away from the Moro National Liberation Front (MNLF) following a failed peace agreement between the Philippine government and the MNLF in 1977. The MNLF's second-in-command, Hashim Salamat, created the Moro Islamic Liberation Front, maintaining the MNLF's goal of creating an Islamic state within the Bangsamoro homeland (the Mindanao Island, the Sulu archipelago, Palawan, Basilan, and the neighboring islands). In 1997, the MILF began negotiations for the creation of an autonomous Muslim region with the Philippine government. Despite a peace agreement signed by the MILF with the Philippine government in 2001, the group continues to conduct terrorist attacks throughout the southern Philippines. The group has also allegedly established training camps for Al Qaeda in Mindanao (Terrorism Knowledge Base and International Center

for Political Violence and Terrorism Research, ICPVTR).

Aum Shinrinkyo: Established in 1987 by Shoko Asahara in Japan, Aum Shinrinkyo is a cultish blend of Tibetan Buddhism, Hinduism, Taoism, and Christian thought. Asahara claimed that the present condition of the world indicated that apocalypse was nearing. Aum sought to hasten that apocalypse by taking over Japan, heralding a new order from chaos. On June 27, 1994, Aum released a nerve agent, sarin, over a district in central Japan, killing seven people and injuring hundreds. In its deadliest and most infamous attack, on March 20, 1995, ten Aum followers punctured bags of diluted sarin in five subway stations located under government offices and the National Police Agency's headquarters. Twelve people were killed and up to 6,000 were injured. In response, Japanese security forces arrested Aum followers, including Asahara, and closed the group's laboratories and production facilities. The group has recently renamed itself "Aleph," meaning "beginning," and is under the new leadership of Fumihiko Joyu. It has issued a public apology and promised at least \$2.5 million in reparations for victims of the attack, and has also publicly renounced violence. Although the group has not been associated with any terrorist act since 1995, Japanese officials remain concerned, and suspect that the group is continuing to recruit transnationally (Terrorism Knowledge Base and ICPVTR).

Abu Sayyaf Group: Like the MILF, Abu Sayyaf Group splintered off from the Moro National Liberation Front during its 1991 peace negotiations with the Philippine government. Unnerved by the movement towards a peaceful resolution, Abu Sayyaf emerged as a small but extremely violent terrorist organization. The group's original leader, Abubakar Janjalani, fought alongside Afghani *mujahideen* against the Soviet Union in the 1980s. Throughout the 1990s, the group conducted bombings, kidnappings, and executions of Filipino Christians. In 2000, the group apparently changed focus and began to kidnap foreigners, including tourists and journalists, in order to extract ransom payments. In April 2000, a \$25 million ransom was received in exchange for three French journalists (ICPVTR).

Jemaah Islamiyah: The roots of Jemaah Islamiyah (JI), or Islamic Community, can be traced to Darul Islam, an Islamist group that opposed Dutch rule in Indonesia in the 1940s. After opposing the secular Indonesian state, Muslim clerics Abu Bakar Baasyir and Abdullah Sungkar fled Indonesia to Malaysia in 1985. In Malaysia, they began to send Indonesians and Malaysians to Afghanistan, initially to fight the Soviet occupation and later to train in Al Qaeda camps. JI emerged as a regional organization with presence in Malaysia, Singapore, Indonesia, the Philippines, Thailand, and Australia (after 1993). JI organized the suicide bombing of two nightclubs on the

Indonesian island of Bali in October of 2002, killing 202 people, many of them young Australian tourists. JI's spiritual leader and co-founder, Abu Bakar Baasyir, was arrested one week after the Bali bombings. Riduan bin Isamuddin, also known as Hambali, the JI chief of operations, was arrested in Thailand in mid-August 2003. Hambali was an operative of both Al Qaeda and JI. Under Hambali, JI allegedly became an extension of Al Qaeda (Terrorism Knowledge Base and ICPVTR).

COMPARATIVE ANALYSIS

Hypothesis 1— Organization: Networked vs. Hybrid vs. Hierarchical

Since September 11, evidence has emerged of a growing tendency among terrorist organizations to seek out new methods of organization in order to evade detection in technologically sophisticated nations with vast and trenchant systems of law enforcement. Terrorist groups are seeking methods of organization other than the typical hierarchical or top-down approach. Traditionally, terrorist groups and insurgency movements employed a command and cadre system of authority: the leader issued orders to the advisors, who in turn commanded the soldiers. This is similar to the arrangement of state military organizations. Within the last decade, however, a new style of organizational method has emerged: the virtual network. Often referred to as “leaderless resistance,” virtual networks were initially employed by right-wing extremists operating in the United States. Louis Beam, self-styled ambassador for the Aryan Nation, writes that a hierarchical order is precarious for insurgency movements in that “technologically advanced societies...can often penetrate the structure, revealing its chain of command” (qtd. in Stern 34). In leaderless organization, on the other hand, “individuals and groups operate independently of each other, and never report to a central headquarters or single leader for direction or instruction” (qtd. in Stern 34).

These structural differences between networked and hierarchical groups suggest definite differences in terrorist financial behavior. Firstly, networked groups replicate the organization of legitimate businesses. These groups tend to operate in countries with a high degree of surveillance and efficient law enforcement; thus, a networked terrorist group disguises their intentions by employing legitimate fundraising behavior for their specific attacks. Networked groups tend to operate small, low-income businesses, as their purpose is to raise funds for a single attack rather than for a long-term struggle in a single territory. Referring to these as “networked groups” as such is a bit deceiving. Hybrid groups, which occupy a space between

“networked” and “hierarchical,” also employ a generic network structure. Those I refer to as networked groups employ a specific cellular structure involving multiple nodes, which act autonomously and interact with one another without substantial oversight from the hub. Hybrid groups tend to employ either a cluster-networked model or a hub-networked model. The latter structure is the forefather of the network structure, “a collection of regional affiliates that tie themselves closely to the parent firm but do not interact much, if at all, with one another” (Hatch et. al 23-8). The cluster model posits a number of regional affiliates that have achieved greater autonomy from the hub but that only interact with one another through the hub. Unlike cellular networked groups, hybrid groups are interested in long-term struggles (not single attacks); therefore, the small, short-term businesses which cellular groups employ to raise funds are less attractive as fundraising options. At the other end of the spectrum, hierarchical groups are what we may call “state-replicators.” These groups tend to be long-term revolutionary movements striving for the autonomy of the region in which they occupy. Typically, these groups operate in locales which lack state regulatory power, and they supplement the state’s role by providing welfare services and extracting taxes.

Of the groups in this study, only JI fits within the category of the cellular-networked terrorist group. JI reportedly has cells in Singapore, Indonesia, Malaysia, Australia, and the Philippines. Moreover, the perpetrators of the attacks committed by JI resemble the loose cellular structure methods utilized by Al Qaeda; individuals within the terrorist network embedded themselves within communities, hibernated, and then awakened when called on to attack. JI is an interesting case because the group started in Malaysia, a developing country, but then went on to operate in more industrialized places like Singapore and Australia. JI’s initial incarnation in the early 1990s resembled a hierarchical organization. The group’s evolution is not surprising when considered alongside its sister organization, Al Qaeda. Al Qaeda was a traditional insurgency movement fighting with the Afghan *mujahideen* against the Soviet Union. Not until the end of the Cold War and the emergence of the global hegemony of the United States did the character of Al Qaeda alter. Now the group leads a virtual brotherhood rather than a physical contingent of troops. The Madrid bombings, for instance, were directed and funded by Al Qaeda, but were not carried out by Al Qaeda operatives. We are seeing a virtualization of the Al Qaeda network in which cells are being removed further from the operations of the hub. Many people have likened groups like Al Qaeda and JI to the Ford Foundation, “where researchers present projects and after careful consideration some are funded while most are discarded” (Gunaratna 91).

Similarly, Al Qaeda and JI provide funding and support to groups and cells who wish to carry out attacks and participate in insurgencies.

As networked cells exist solely to perpetrate attacks, JI relies on small legitimate organizations to finance these short-term assaults. JI's operating chief, Hambali (Riduan Isamuddin), established a small palm oil export company in Malaysia with Yazid Sufaat, a biochemist and former Malaysian military officer. Between 1993 and 1996, Sufaat established Green Valley Medicine, Infocus Technology, and Secure Valley. Each one of these companies existed only so long as the attack projects that they were funding still needed resources. For instance, Green Valley Medicine, funded in 1996 and sold in 1999, was the primary source of income for a foiled JI operation in 2001, in which the group planned a series of bomb attacks against U.S., Israeli, and Singaporean interests in Singapore. Moreover, the business was used as a front to purchase and store ammonium nitrate earmarked for the vehicular bombs in the operation. Green Valley Medicine was one of a dozen small businesses JI started as fronts for their operations, which allowed cells to embed themselves within their respective communities while they secretly prepared for attacks (Turnbull 68).

While one part of the JI organization commits specific attacks, the other part, as mentioned, performs selection duties. The Singaporean government asserts that JI has an actual economic wing and that affiliated businesses are required to give 10 percent of their profits to JI's special fund called Infaq Fisabilillah. JI then redistributes these funds to its various cells as well as to other terrorist groups which have similar ideological goals. JI has also founded a number of charities, with which it raises funds as well as distributes money to various cells and terrorist groups. JI established the International Islamic Relief Organization (IIRO) and the Mercy Foundation in Malaysia, Indonesia, and the Philippines for the purpose of distributing funds. For the Bali bombings, JI employed the IIRO to transfer funds from its Philippine headquarters to cells in Indonesia who were preparing for the attack. By managing an international organization, JI was extremely susceptible to discovery, especially while operating in countries like Singapore which have extensive surveillance and law enforcement structures. Therefore, unlike other terrorist groups, JI went to great lengths to disguise its behavior by operating nominally within the limits of the law (Turnbull 154).

While JI may have tried to operate within the law, the MILF has made no similar attempt to disguise its intentions. The MILF has the structure of a traditional insurgency movement in that it controls a specific territory, the southern Philippines, and then launches attacks from that territory against its enemy, the Philippine government. Unlike JI, the MILF has a definite

leader who dictates and directs the activities of the entire organization. Hierarchical groups like the MILF, who occupy a specific territory, resemble states in terms of how they raise funds. The greatest sources of funds for the MILF are extortion and direct charity donations (“Culiat”). The MILF employs extortion as if it were collecting taxes (Financial Times 30 June 2003). In 2000, the MILF forced eight villages in the southern Philippines to give the group food and personal belongings, which the group carted away using the villagers’ farm animals. The MILF justified their attack by saying that the goods were necessary for the revolution, and as such were taxes (Manila Times 8 May 2003). In 2003, the MILF bombed a marketplace in North Catobato in reprisal for nonpayment of “revolutionary taxes.” Many hierarchically organized groups like the Revolutionary Armed Forces of Columbia (FARC) in Latin America, the Liberation Tigers of Tamil Eelam LTTE in Sri Lanka, and the Irish Republican Army (IRA) in Ireland consider themselves legitimate heirs to or authorities of the state. By employing extortion, these groups replicate state behavior of tax collection. As the MILF has a monopoly over the use of force in the southern Philippines, it mirrors state behavior in that it employs violence to maintain strength and capabilities (ICPVTR). Further evidence of the MILF’s state behavior exists in the organization’s relationship to drug smuggling. In 1999 the MILF seized forty suspected drug dealers and sentenced them to execution, acting as if it were the legitimate police and judicial force of the southern Philippines (BERNAMA 13 January 1999).

Charities have been another major source of income for the MILF. The Moro ethnic diaspora has played a greater role in raising funds for the MILF than it has for the JI and ASG terrorist organizations. This is often the case with hierarchical groups. For example, the LTTE receives a great deal of donations from Tamil communities in Canada. Because hierarchical groups typically inhabit specific areas and are embedded within ethnic communities, the related diaspora feel inclined to donate to those organizations, demonstrating support for their brethren. Often, as is the case with the MILF, charity organizations that give directly to military wings of an organization, or to the group’s charitable wing, are established internationally. For instance, according to Jeroen Gunning, some funding raised by Hamas “is spent on charitable, educational, and medical institutions” (Biersteker 86; Eckert 245). Through its charities, the MILF set up bakeries, schools, and orphanages for the local Moro people. Thus, hierarchical groups not only act like states by monopolizing the resources of violence and by exacting “taxes,” but also legitimize their activities by providing social services to their respective communities (ICPVTR).

While the MILF justified its illegal behavior within the terms and lan-

guage of a state, as the group aspires to play such a role, ASG and Aum both act outside of the law and harbor no qualms about such behavior. ASG and Aum resemble hybrid-structured groups, combining qualities of networked agents with those of hierarchical models. Within this hybrid category we may define ASG as resembling the cluster model, with a number of regional affiliates acting autonomously. Aum, on the other hand, maintained a hub network with a number of regionally dependent affiliates who did not act autonomously (Hatch et. al 23). As hybrid groups synthesize hierarchical and network structures, their financial activity often relates to the “state-replicating” role of hierarchical groups. Like the MILF, Aum and ASG both employ extortion as fundraising tactics, and both collect a fair share of money through charity donations. However, the qualitative differences between these two forms of fundraising are significant. For instance, Aum does not extort through traditional force of violence; instead, the group uses Japanese law against its victims. To extort money, the group raised funds through the use of the Japanese Religious Corporations law. Because the law gives so much protection to religious groups, Aum, along with other legitimate religious organizations, could establish offices and churches almost anywhere. Aum members and government sources said that they would use this legal guarantee to extort money from townspeople by threatening to move into their community. In 1999, Aum extorted \$9.2 million from one community on the condition that it leave town (“Global Proliferation of Weapons”). While the MILF employed tax-like extortion, Aum manipulated Japanese law to bribe communities. Another qualitative difference between Aum and the MILF exists in terms of charities. Aum maintained charities in Russia, Australia, the United States, Germany, Taiwan, Sri Lanka, and Japan (“Global Proliferation of Weapons of Mass Destruction: A Case Study on the Aum Shinrikyo”). While the MILF relied on diasporic communities to send funds voluntarily, Aum actively recruited members in various countries. The group also sold memberships to its organization, much like a country club.

While charities and extortion were an important source of funding for Aum, the group’s main financial supplies derived from legitimate businesses. The Japanese government estimates that Aum’s assets were worth over 100 billion yen, or approximately US \$1 billion. Aum also operated a computer business, which generated US \$63 million in funds, in addition to a chain of retail outlets. Aum earned further revenue through sales of publications and spiritual goods. The organization also lists 16 separate pieces of property in 11 different prefectures as parts of its holdings. Aum ran its organization like a business, operating companies throughout Asia, which funneled their profits back to Japan. Aum then used this capital to

develop weapons and drugs for its immediate members (“Global Proliferation of Weapons of Mass Destruction: A Case Study on the Aum Shinrikyo”). This decentralization of power resembles tactics first employed by Japanese firms, characterized by Walter Hatch and Kozo Yamamura as the “hub network.” Aum resembles this early network model, maintaining headquarters in Japan and receiving funds from various charities and business organizations throughout Asia. In this way, Aum resembles JI more than it does the MILF. Like JI, Aum used legitimate means to acquire funds; unlike JI, however, it developed businesses to sustain itself over long periods of time, not simply for specific attacks.

While Aum resides closer to the hierarchical end of the spectrum, the structure of ASG appears to be a “cluster network,” more closely resembling JI’s cellular behavior. ASG has one parent firm operating in the southern Philippines under the command of Khadaffy Janjalani, who took over for his brother, Abdulrajik Janjalani, in 1998 (Terrorism Knowledge Base). The group maintains various cells operating in both southern and northern areas of the Philippines and Malaysia. These cells conduct their own operations, often without direct knowledge or approval from Janjalani. For instance, twelve ASG gunmen seized twenty hostages from a famous resort in Malaysia, who were then taken to Jolo Island in the southern Philippines. The gunmen demanded that \$2.6 million be paid in ransom by the hostages’ relatives (Terrorism Knowledge Base). First, this exercise required a small number of ASG gunmen, who reportedly had been living in Malaysia for three years planning the attack, which illustrates the cellular nature of the group. Second, this example of kidnapping and extortion highlights an important form of funding for ASG.

While ASG, like Aum, acquires some funds from legitimate businesses, the majority of its money comes from extortion, kidnapping, and robbery. Aum extorted money by relying on a Japanese law which enabled religious groups to operate anywhere. ASG, on the other hand, extorts money through kidnapping and other overtly violent means (Terrorism Knowledge Base). In many ways, ASG resembles JI in that it operates small businesses with lesser production capacity than groups like Aum. ASG differs from JI in that these smaller businesses are employed for longer-term struggle and single attacks. ASG also resembles the MILF in that its greatest means of fundraising come from extortion, kidnapping, and robbery. However, these acts are qualitatively different from those of the MILF in that they occur less frequently and in that their payoffs are larger. While the MILF employs kidnapping to remind “its” people that the organization is in charge and thus demands little compensation, ASG kidnaps foreigners and tourists in order to gain large sums of money to sustain the group’s

activities. In other words, ASG is just like a typical criminal organization, and has even been described as a “gang of thugs.” Thus, ASG incorporates the structure of a networked group with some of the tactics of a hierarchical group.

Ultimately, this hypothesis provides us with three sound types by which to describe terrorist financing: networked, hybrid, and hierarchical. Networked groups are smaller, appear like legitimate organizations, and operate for short spans of time; hybrid groups are larger and employ a mix of legitimate and non-legitimate means to raise funds for sustained growth; hierarchical groups are state-replicators, and as such, use overt violence to pressure communities to sustain their actions for long-term goals. What does this typology mean for the broader law enforcement community? Some preliminary suggestions may include a method of undermining communal support for hierarchical groups. While public diplomacy is likely to feature significantly in the broader “war on terrorism,” in the case of hierarchical groups, government agencies can target a specific group of people to undermine support for and assistance to groups like the MILF. For instance, if the MILF obtains legitimacy within its area of operation by providing certain public goods, then one response would be to compete for that legitimacy by also providing public goods in greater quantity. This may include various types of aid and welfare support. An additional strategy which the Philippine and Bush administrations both seem interested in utilizing is the use of military force. Hierarchical groups, unlike their networked counterparts, occupy a specific territory, and thus traditional war or battles may be employed to remove insurgents from that area. Targeting finances is more difficult with respect to networked and hybrid groups. Hybrid groups are the easier of the two to target, as they are larger and operate for longer periods of time. This structure ensures that a continued increase in inspection and monitoring of finances is likely to reveal some irregularities, as in the case of Aum. With networked terrorist groups, screening and catching terrorist financial activity is more difficult. Networked groups do not operate large businesses, nor do they operate them for long periods of time. Additionally, these groups often receive funding from outside of the formal economy. These characteristics make it very difficult to detect and uncover their financial activities. Ultimately, governments have two options: they may either place more restrictions and greater surveillance on the financial flows and networks that enable these groups to operate, or may focus energy on methods of countering terrorist support. While I believe that continued monitoring and increased controls may slow down threats and reduce the operational effectiveness of terrorist groups, at some point these regulations will likely impede market liberalization and open

economic activities. If the flow of goods, people, and capital within and across state lines is mediate by increased government regulation then this will certainly decrease the productivity and effectiveness of the financial sector. While regulation is necessary, a major threat to these transnational networks, be it in the form of corporations or NGOs, is increased intervention of their activities, which has the ultimate effect of slowing the system down. This being the case, greater focus needs to be placed on undermining terrorist financing at its root by examining the sources of terrorist support and by trying to dismantle them.

Hypothesis 2—Developing vs. Developed:

Groups differ in their financial behavior depending on whether they operate in the developing or in the developed world. In this hypothesis, I apply categorizations provided by the World Bank wherein developing nations are defined as “low- and middle-income countries in which most people have a lower standard of living with access to fewer goods and services than do most people in high-income countries” (“Developing Nation”). Among the cases in this study, the Philippines, Malaysia, and Indonesia are all considered developing, while Singapore and Japan are developed. I found that groups operating in the developed world go to greater extremes to portray themselves as legitimate organizations than do groups in the developing world. Because developed nations have more robust law enforcement structures and greater capacity to implement regulatory procedures, terrorist groups operating within them will try to assimilate themselves into these existing structures. Groups operating in the developing world, on the other hand, are subject to less governmental scrutiny and authority. As a result, these groups can and do employ more overt criminal activities, such as kidnapping, extortion, and robbery.

Those nations with higher levels of economic development are likely to have a greater capacity to implement and enforce laws against terrorism and against terrorist financing, while nations in the developing world are likely to encounter greater difficulty. The best measure of a state’s ability and willingness to enforce regulations comes from a series of country profiles and interviews conducted by the Counter-Terrorism Committee (CTC) of the United Nations. Since September 11, 2001, the CTC has held yearly evaluations of attempts made by countries to prevent terrorist financing and to thereby implement multilateral initiatives.

The general trend in attempts to prevent terrorist financing may in fact be divided between developed and developing countries: Japan and Singapore have taken more extensive steps to prevent such financing than

have Indonesia, Malaysia, and the Philippines. For instance, of the 12 UN conventions concerning terrorism (i.e. the International Convention for the Suppression of Terrorist Financing), Singapore and Japan signed and ratified all twelve, while the Philippines only signed six, Indonesia ratified five, and Malaysia ratified three (“State Reports”). Moreover, while Singapore and Japan have made attempts to monitor and track financial flows throughout the banking sector by means of various technologies, Malaysia, Indonesia, and the Philippines appear to be encountering greater difficulty. These latter nations appear to be doing their best to regulate their economies and to implement the aforementioned conventions, but a lack of governmental capacity limits the effectiveness and reach of financial flow tracking abilities.

Capacity to regulate is certainly not the only differing factor between developed and developing countries with respect to terrorism; other important factors which certainly affect the way these terrorist groups operate include the technology of the banking system and the predominance of informal or formal economies. *Hawalas*, which are underground systems of international money transfers based on trust, pervade Southeast Asia, particularly in Malaysia, Indonesia, and the Philippines. Because *hawalas* are often used as labor remittance systems, many individuals operating throughout the developing world transfer funds through these informal banking networks because they are less expensive than the formal sector and also because they evade governmental scrutiny. Less expensive organizations make it easier to avoid taxation and government scrutiny. In the developing world, *hawalas* occupy a large share of the banking system because they are integrated culturally and socially within local communities.

Having discussed the financial workings of many of these groups, in this section I will focus specifically on the drug trade in explaining the differences between terrorist groups operating in the developed and developing worlds. To begin with, ASG and Aum both employ similar structural formations, but their behavior is quite different. While both of these groups are hybrid, the fact that Aum operates in the developed world while ASG operates in the developing world explains the variation in their behaviors. If we consider other terrorist groups operating in the developed world, such as JI, the Irish Republican Army (IRA), and the Aryan Nation, we see that these groups make greater efforts to appear like legitimate religious, business, and/or charitable organizations. Because regulations and policing are stronger in the developed world, these terrorist groups must adapt their behavior to mimic legitimate organizations which operate freely throughout these societies. Thus, Aum, like JI, has profited mostly from legitimate businesses and charities. ASG, on the other hand, is not bound

to strict regulatory procedures, and the group can kidnap and openly extort without significant fear of governmental retribution.

Drug smuggling serves as an example which elucidates differences in behavior between ASG and Aum. Of the groups in this case study, only ASG and Aum smuggled and produced drugs. The MILF purportedly did not want to compromise its legitimacy, while JI did not want to draw attention to its cells. Important differences in the way ASG and Aum dealt and manufactured drugs show how operating in the developed world differs from operating in the developing world. First, the types of drugs were significantly different. Aum produced LSD, steroids, and truth serums in its own pharmaceutical labs (ICPVTR), while ASG profited from marijuana plantations in the southern Philippines. Aum deceptively placed steroids in the “natural” supplements they sold to increase the vitamins’ appeal, while ASG trafficked drugs in Manila to raise funds in Mindanao (Vargas). To appear as a legitimate business, Aum went to greater lengths to disguise its activities as lawful; ASG, on the other hand, made no pretense about its illegal activities.

The developed versus developing hypothesis also explains why JI, which operated in Singapore and allegedly in Australia and Japan, went to greater lengths to disguise its behavior as legitimate, whereas the MILF, operating in a weakened area of the Philippines, was able to function without any claim to legality. One may argue, in fact, that the developing versus developed hypothesis reveals many of the same differences that the first hypothesis found. While the developed versus developing hypothesis does much to explain the need for groups to claim legitimacy, nuances exist within these organizations that this hypothesis fails to explain. For instance, in many ways Aum and the MILF are similar in that they both extort, operate large organizations, and receive a great deal of money from charities. In these three ways Aum and the MILF more closely resemble one another than either of the two other groups. The developed versus developing hypothesis allows us to predict further nuance in behavior in attempts by terrorist groups to appear legitimate and legal.

The result of the distinction between groups operating in the developed and developing worlds is fairly clear. Many governments in the developing world simply do not have the capacity to implement the enormous measures necessary to effectively target terrorist financing. Japan and Singapore are two nation-states with highly developed economies and regulatory systems which have grown and developed in conjunction with their economic growth. As many nations in the developing world are struggling to maintain economic growth, concomitant regulations are difficult to actualize. Aid from the developed world, in the financial sense and also

through structural and informational help, would go far in reducing terrorist access to funds in the developed world. Developed countries, however, must also think creatively about combating terrorist financing. Informal economies, for instance, exist everywhere, and regulating these systems has proven difficult for developing as well as for developed nations. Multilateral strategies will be the decisive factor in keeping every country on the same page and in assisting the efforts of countries in need of support. The United Nations Convention for Suppression of the Financing of Terrorism, established in 1999, was an important step in this regard, though much remains to be accomplished. While continued focus on utilizing military force and on physically combating terrorists on the ground is important in some respects, equal effort must be given to coordinating activities with other countries which do not have the resources or capabilities to suppress terrorist threats. If this is truly a global war, then it must be fought globally.

CONCLUSION

This work is an exploratory attempt to draw categories among the behaviors of various terrorist groups. While I believe that the hypotheses proposed help to explain a great deal of the financial behavior of terrorist groups, doubtless many other arguments can be made to further define and conceptualize these behaviors. This essay, in essence, is an effort to demonstrate the need for and possibility of drawing conclusions about terrorist groups by employing a typological methodology. The current Bush administration has supplanted a nuanced discussion of terrorism with the simple dichotomous distinction of “us” versus “them.” That discourse does little to facilitate a profound understanding of terrorism, let alone a more complex appreciation of the financial activity of terrorists. If anything, this study helps to demonstrate that all terrorist groups are not the same, and that we must not generalize terrorist behavior. Terrorists function differently depending on where they operate and how they organize themselves. These distinctions are only a beginning, but they are important because they force us to recognize that in a “war on terrorism,” there is no one-size-fits-all strategy.

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