



MONEY LAUNDERING – THE LINK BETWEEN INTERNATIONAL ORGANISED CRIME AND GLOBAL TERRORISM

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Abstract

The international organized crime networks (supported by “white collars”: experts, bankers, auditors, lawyers, as well as by government officials) practice smuggling (of weapons, ammunition, nuclear heads and substances, precious metals etc.), extortion, illegal migration, tax fraud, illegal gambling, kidnapping, blackmail, goods counterfeit, corruption and even murder in order to maximize their profits. These networks are interested in getting as much profit as possible for themselves, while the international terrorist groups are involved in violent public attacks (mainly explosions, with many human casualties, as well as airplane hijacking, hostages, military actions etc.) for political, ideological, national, ethnic and religious motivations. The international terrorist financing is the main link between organized crime, money laundering and international terrorism. Once this link annihilated, international terrorism will remain without its strongest financial support and thus it will be much easier eradicated.

Keywords

Transdisciplinary approach, organized crime, global terrorism, money laundering, tax fraud, corruption, white collar crime, Al-Qaeda, ISIS, cross-border migration, Tax Havens, Panama Papers

1. Introduction

This is a paper comprising a transdisciplinary approach of a very complex phenomenon: international money laundering, generated by the transnational organised crime groups and feeding (funding) the global terrorist organisations. In fact, as we shall demonstrate hereinafter, money laundering is the link between criminal activities and terrorism financing, worldwide.

Referring to the transdisciplinary approach, in our scientific research we have used relevant information sources from International Finance & Banking, International Trade & Economic Relations, Creative Accounting, History, Geopolitics, Geostrategy, International Law, Intelligence Analysis, English Language a.s.o. trying to create an original, clarifying synthesis on this subject.

The corrupted politicians, magistrates and law enforcement members facilitate the success of international organized crime groups and that is why fighting and mitigating corruption are of a paramount importance to cutting terrorist financing. In this respect, national, European and global authorities should strengthen their co-operation in order to counter and break the chain of organized crime, corruption and terrorist financing.

In order to complete and balance the analysis perspective, we ought to mention the fact that many (non-democratic, rogue) states supported and sponsored, sometimes massively, international terrorism,

although they will strongly and indignantly disavow these allegations. Some states have co-operated with terrorists to attain their own geopolitical, ideological, geostrategical and economic goals, for their own protection (to avoid terrorist attacks within their borders or against their own citizens) or to resolve some dirty matters, uncomfortable if known by the public opinion, using the terrorists as third party contractors.

By recourse to History, we remember that some socialist states (including the Union of Soviet Socialist Republics, where Carlos „The Jackal” studied in the Patrice Lumumba University; German Democratic Republic, where he had safe houses and was funded from; Hungary, where he lived for 2 years; and Romania, where he used to rest between assignments and from where he received 1 mil. USD to assassinate the defector gen. Ion Mihai Pacepa in USA and dissidents Paul Goma and Virgil Tănase in Paris, receiving also weapons and forged passports, etc.), and also Libya’s Moammar Ghaddafi, Iraq’s Saddam Hussein and Syria’s Hafez al-Assad used Illich Ramirez Sanchez a.k.a. „The Jackal” in 8th and 9th decades of the 20th century for some terrorist acts (the kidnapping of ministers of OPEC-member countries in Vienna in 1975, as well as hostages, extorsions, airplane hijackings, assassinations, attacks with explosives etc.).

It is public knowledge that anti-Western and anti-capitalist ideological terrorism in Western Europe during the 8th and 9th decades of the 20th century, practiced

by terrorist organisations like Brigate Rosse (Italy) and Baader-Meinhof (West Germany), for instance, were sponsored by the Union of Soviet Socialist Republics (USSR), according to a masterplan aiming to defeat capitalism; in this strategy there were also included the financing of marxist parties in the non-aligned countries (*“The Group of the 77”*), eurocommunist parties (in Italy, France, Spain, Portugal), non-government organisations militating for environment protection, for peace, against nuclear energy, anti-imperialist and anti-capitalist mass-media campaigns, etc. Subversion (espionage, disinformation, white & black propaganda, recruitments, bombings, sabotages, etc.) was also largely used by the communist USSR in USA, Canada, Mexico, etc.

Nowdays, among the states known as terrorist sponsors, there are Saudi Arabia (for anti-Israel Hamas and anti-Western ISIS and Al-Qaeda) and Iran (for Hezbollah, based in Lebanon, with anti-Israel orientation).

2. Money laundering: definition, forms, stages

According to the stipulations of Romanian Law No. 656/2002, *for prevention and punishment of money laundering and for prevention and combat of terrorist financing*, the meaning and forms of money laundering are:

“a) change or transfer of goods, knowing that they come from a crime, intending to conceal or disguise the unlawful origin of these goods or intending to support the offender to escape from prosecution, trial or imprisonment;

b) concealment or disguise of the true nature, source, location, destination, route, ownership or rights thereof, knowing that the respective goods come from a crime;

c) acquisition, holding or use of goods, knowing they come from a crime”. (art. 23).

We consider that in the content of the *money laundering* concept there must be also included association, supporting, encouragement, facilitating, training or counselling for perpetrating any of the actions stipulated in art. 23 of Law No. 656/2002, in order to discourage and repress the intellectually high qualified crimes (*“white collar crime”*).

Money laundering is a process aiming to give an appearance of lawfulness to illegally generated funds by offenders that will benefit from them afterwards.

Technically, money laundering, the conversion of „dirty” (illegally generated) money into „clean” (whitewashed, apparently legal) money is made by organised crime organisations in 3 stages:

- In the first stage – or *placement* of money, the offender introduces his illegal money in the legal financial system. This can be done by dividing the big amounts into small amounts, which are then deposited

in a bank account or are used to buy financial instruments (cheques, bills, warrants, promissory notes, insurance policies, etc.), gamble in bet agencies, casinos, etc.

- After placing funds in the banking system and gambling agencies, there follows the second stage – *stratification*. During this stage, the offender makes a series of exchanges or moves of funds in order to remove them from the sources they came from, the most used method to this end is their electronic transfer through a series of bank accounts all over the world. To this effect, the offenders prefer the territories or jurisdictions (Tax Havens – please see the current Panama Papers scandal, disclosed by Mossack-Fonseca Consulting Co. in April 2016) that do not cooperate with specialized investigative bodies empowered to combat this type of crimes.

- If the money successfully passed through the previous first 2 stages of its laundering, the offender or the group goes to the third stage – *integration*, during which the funds enter the legal economic circuit. The money launderer can now legally invest his funds on the real-estate or luxury goods market or in a business, at his free choice.

The 3 stages can be carried out sequentially, but they can occur simultaneously or, more often, they may overlap.

3. Money laundering: the link between organised crime and financing of international terrorism

Corrupted politicians, magistrates and law enforcement officers facilitate the success of the organised crime groups and this is the reason why combating and reducing corruption are of a paramount importance to cutting the financial sources of terrorism.

For this purpose, the national, European and international global authorities should strengthen their co-operation to counter organised crime, money laundering and terrorist financing.

International terrorist financing is an important link and beneficiary of money laundering from organised crime. Once this link eliminated, international terrorism will remain without its strongest financial support and thus it will be much easier to eradicate.

Organised crime, which includes transnational trafficking operations, is connected to terrorism, being one of its most important financing source. The profits of the organized crime activity are very high. According to the International Monetary Fund (IMF) reports, only financial frauds generate profits representing 5% of world’s Gross Domestic Product (GDP), and illicit drug trafficking generate 100 billion USD per year. A similar amount produces the counterfeit cigarettes smuggling. It is estimated that mob groups got in 2009 a profit of 135 billion USD from organised crime activities.

Considering as an example the international terrorist organisation Al-Qaeda (“The Base”), following a joint inter-intelligence agency activity, between 1999-2001 a terrorist network was disclosed, with branches in Great Britain, Canada, Spain, Germany, France, Belgium, USA, Italy Pakistan etc. The illegal financing channels formed a very well managed specific infrastructure, including national and international components, like:

- Specific financial and banking activities;
- Money transfers using debit and credit cards;
- Human beings trafficking, weapons, ammunition and drugs smuggling;
- Crude oil and petroleum products sales on the black market;
- Precious metals and stones contraband;
- Charity and humanitarian support activities.

The Islamic State of Irak and Levant (ISIL), also known as Islamic State of Irak and Syria (ISIS) generates monthly revenues amounting 12-15 million USD from blackmail, robberies, kidnapping and murders and daily revenues of up to 3 million USD from crude oil (extracted from occupied oil fields of Irak and Syria) selling transactions on the black market. This fact attracted the protests of Russia to the clandestine clients to stop buying “ISIS Brand” crude oil for dumping prices.

The Palestinian group Al Fatah – Abu Nidal Revolutionary Council (a part of PLO – Palestine Liberation Organisation), banned from Ghaza Strip (Palestinian Territories), has many representation offices in Syria, Yemen, Iran, Sudan and Lebanon, being one of the most financially viable terrorist organization. Besides the amounts received from the sponsoring states, it generates huge revenues from extortion and from its own legal businesses and shell companies.

Another important terrorist organization, representative for its activity and funding, is The Congress for Liberty and Democracy of Kurdistan – KADEK (ex-PKK), massively involved in the war against ISIS in Syria, but having also its own agenda: creation of a national state for the Kurdish people (about 30 million persons, according to a census in 2007), currently living in Syria, Turkey, Irak, Iran and some smaller parts of Armenia and Azerbaidjan. In most of the cases, the financing sources of KADEK are illegal, a fact that increases the danger represented by this organization. These sources include:

- Drug trafficking;
- Human trafficking;
- Extortion, blackmail, threats and similar offences;
- Protection fees;
- Kidnapping;
- Subscriptions from wealthy sympathisers.

The organisation has thousands of sympathisers in Turkey, Middle East and Europe (especially in Germany). The group acted in Romania too, getting funds from subscriptions, blackmail, extorsions, shell companies, etc. but its activists were expelled and forbidden to come back to Romania; the judicial investigation was legally aided by The Romanian Intelligence Service (SRI) between 2000-2015.

The Tamil Tigers (TT) in Sri Lanka (ex-Ceylon) are a very dangerous nationalist terrorist organization engaged in very violent actions to attain its goals (creation of an independent Tamil State). It benefits from a large support from many states and even from United Nations bodies. TT receives very generous funds for weapons, communication systems, terrorist actions, lobby and propaganda from the numerous Tamil communities in North America, Europe and Asia.

An important financing source of the TT organisation is illegal drug trafficking, the Tamils being famous from history as the first drug carriers from Asia to Europe.

As regards to the financial resources of Al-Qaeda, in the framework of a seminar organized in Munich by The German Intelligence Service (BND) on the theme “*Terrorism and its financing sources*”, experts in underground economy stated that the patrimony of the organization worths 5 billion USD. Its revenues come mainly from drug trafficking (40%), donations from the religious groups, governments and individuals (20-30%) and classical crime, especially racketing (20%). A department of Al-Qaeda is in charge of extortion from the states threatened by terrorist attempts. “*The financial power of Al-Qaeda*”, said Professor Friedrich Schneider, expert in parallel economies, “*exceeds all I have known so far about clandestine organisations*”.

4. Case Study: Terrorist financing by funds from drug trafficking

Terrorist financing methods differ from classical money laundering, although they are tightly connected.

In case of money laundering, the revenues coming from illegal activities are whitewashed or stratified in order to make them appear legal, and the offenders’ purpose is, usually, to earn as much money as possible. For terrorist financing, the source of funds is often „legal”, and the terrorists’ purpose is not earning as much money as possible, by all means.

The appeals to communities for various false causes funding are very efficient methods for fund raising to sponsor terrorism. Such a fund raising is made for and on behalf of charity organisations by exciting the patriotic, humanitarian, national, historical, ideological and religios feelings of the respective communities. The members of the communities think they donate money for a good, noble cause. In most cases, charity is only ostensible, apparent for the community.

From a technical perspective, the methods used by the terrorists and their associates aiming to raise illegal funds are just slightly different from the methods used by the traditional criminal organisations. Although it seems logical that funds coming from legal sources do not need laundering, the criminal organisations need to conceal or disguise the connections between them and their legal money sources. Similarly, the terrorist groups must find ways to whitewash these funds and use them afterwards without drawing the attention of the authorities. By examining the financial activities connected to terrorism, one can notice that terrorist groups use the same methods like criminal organisations as far as money laundering is concerned. Some methods preferred by terrorist groups are: cash counterband (by courier or cash cargo), structured cash deposits in, and withdrawals from, bank accounts, acquisitions of financial instruments (travellers cheques, bank cheques, warrants), debit and credit cards, fund transfers by swift or alternative (non-banking) transfer systems.

The difference between legal and illegal revenues raises a difficult legal problem in terms of applying the same measures to combat money laundering and terrorist financing. Money laundering, in general, was defined as a process during which funds generated by illegal activities are transferred or disguised in order to conceal the connection between the illegal activities and the respective funds. On the other hand, the final goal of terrorism, as mentioned hereinabove, is not making profit from fund raising. When terrorists or terrorist groups get financial support from legal sources (donations, publication sales), detection and tracking of these funds is more difficult.

Other important aspects connected to terrorist financing that make their detection more difficult refer to the size and the nature of the respective transaction. Financing for terrorist acts do not require large amounts of money, while the associated transactions are usually complex. For instance, an examination of the financial operations implied by the 9/11, 2001 showed that only small amounts of money were used by terrorists therefor. The amounts were under the materiality that required to be reported, and the operations were transfers by swift.

The beneficiaries were only foreign students, who received money from their parents as scholarships or grants for their studies, so these transactions could not arise suspicions for further checks with the implied financial institutions.

The necessity of financial transfer makes terrorists' money vulnerable to judicial investigation and risk of disclosure.

There are strong links between the activities of drug production and trafficking, organised crime groups and terrorist organisations and that is why it is harder and

harder to find the differences between them. They put together their people, expertise and means for their common benefit.

The terrorist organisations benefit from both legal (donations from sympathisers, legal business) and (mainly) illegal funds (classic and modern forms of crime: abuse of social benefits, extortion, kidnapping, human trafficking, cigarette smuggling, insurance fraud, credit & debit cards fraud, Ponzi skimming schemes, Nigerian Letters, cyber criminality etc.).

In most cases, the difference between legal and illegal fundings can hardly be operated, because legal and illegal methods overlap: apparently legal donations are in fact a consequence of threats and blackmail, legal business are in reality shell companies, some frauds are well staged and concealed and remain undetected for a long time (social security frauds, insurance frauds), etc.

The link between drug trafficking and terrorist financing is logical, real and strong, considering their common geographical location of drug production and terrorist groups (Asia, Latin America), (law) loopholes and the inability of national authorities to control their territory, corruption, the common criminal *modus operandi* of traffickers and terrorists, the high profitability rate of drug trafficking and the higher need of funds of terrorist organisations.

However, detection and punishment of the links between these two crimes (drug trafficking and terrorist funding) are very difficult, and as a result few cases have been prosecuted in European Union.

Some illustrative examples do exist. In 2007 an investigation of Europol started in Italy into the activities of an criminal organised group active in Afghanistan, Pakistan, Romania, Albania and Italy. The group had its headquarters in Rome and Milan and was involved in facilitating illegal immigration and drug trafficking for the purpose of financing religiously motivated terrorism. Only in May 2010, after a difficult investigation, all five alleged key organisers were arrested simultaneously: two in Italy, two in the United Kingdom and one in France. In a related operation a few days earlier, French authorities arrested another six members of the same organisation.

The best-evidenced case of EU drug market financing terrorism was in Madrid (Atocha Railway Station) bomb attack in March 2004. The attack killed 191 persons, wounded 2,000 and caused millions of euros' worth of damage to property. One of the terrorist cell members was a drug trafficker who was radicalised while serving time in prison in Morocco. He reportedly supported the Spanish terrorist cell (EUR 1 million) by trafficking hashish and ecstasy.

5. Current issues in dynamics

There are both alarming and gladdening signs in the international environment right in front of our eyes nowadays (April 2016).

As *alarming signs* we have the negative phenomenon (for the European culture, civilization and identity) of human migrations from Africa (Morocco, Tunisia, Libya, Mali, Chad), Middle East (Syria, Irak) and Asia (Pakistan, Afghanistan) to European Union countries, mainly to developed ones from Schengen Area (Germany, Austria, Sweden, Denmark) and Great Britain, but equally affecting by further redistribution other EU countries, such as Hungary, Czech Republic, Slovakia, Poland and Romania.

This massive migration has a complex determination (historical, political, demographic, humanitarian, economic, even strategic, from Islam point of view) forms, structures and various social categories (migrants for economic reasons, asylum seekers, refugees for political or war reasons), but also a very good organisation (financial, juridical, logistics, excellent orientation through unknown territories), deep and multiple consequences on the long run and huge dimensions (there is an estimation of 1,000,000 migrants to European Union till the end of 2016 and an equivalent number forecasted for 2016, should the limitation policy thereof will fail).

However, from the point of view of this paper's theme, one should underline the great terrorist potential of this social phenomenon: 80% of the migrants are young, trained, active, assertive men between 20-40 years of age, among which some thousands of ISIS and Al-Qaeda members have been already detected. In this context, under cover of this massive social (mainly humanitarian) phenomenon, lurks the major danger of international organised criminal transactions (drug and human trafficking, money laundering), especially that, exceeded by the huge flow of migrants, the authorities of the countries of access in the EU, or transit countries inside the EU (Greece, Italy, Hungary, Denmark) to the migrants' destination states, fail in completing the check, verification, classification, sorting and registration of the migrants, leaving this in liability of destination states' authorities (Germany, Sweden, United Kingdom).

Right before this current phenomenon (huge wave of migration), during the recent years, the EU encountered a high international social mobility. For instance, Slovenia (with a population of 2 million inhabitants) was transited by 14-16 million people each year. In this context, a legitimate question occurs: How can we reconcile national security requirements with freedom of citizens free movement demands?

As *gladdening signs* we have the last minute information (April 21, 2016) telling that Al-Qaeda and ISIS are at life & death war.

From the same category of good news is the fact that the Russian Federation was strongly involved in Syria for Bashar al-Assad between September 2015-March 2016, with up-to-date weapons (fighter aircrafts, missiles, armoured vehicles, warships in Tartus and Latakia ports), military combatants (airborne marines, the famous 810 Brigade that conquered Crimea Peninsula in 2014), intelligence officers and instructors, against Syrian Opposition, ISIS and Al-Qaeda, who have been weakened in the process.

In Geneva there are currently (May 2016) hosted peace talks between Syrian Power & Opposition, USA and Russian Federation representatives.

6. Conclusions

All the issues presented hereinabove prove the extension, complexity and magnitude of threat represented by the activities of international crime organisations, like money laundering as a source of terrorist funding, regardless the terrorist acts motivation. This is the reason why all the activities of terrorist prevention and combat should be intensified, both upstream (improving national and EU legislation; strengthening the co-operation between law enforcement agencies and intelligence services at national, EU and international level; dismantling international organised crime networks; destroying crops precursor drugs; strengthening banking operations control) and downstream (intensifying educational activities and media campaigns on this purpose; dismantling international terrorist groups; foreign direct investments in emerging countries that generate terrorism etc.) from international terrorist financing.

It goes without saying that these solutions are very complex, implying approaches at various territorial scales (national, EU, international) and from different intellectual and sectoral perspective (social, geopolitical, juridical, intelligence, operational, technical, economic, strategical, tactical), i.e. transdisciplinary.

From the international trade, financial, economic relations and intelligence analysis point of view, based on the information collected following the beneficiary's order and/or information in the specific data bases and from inter-allied & partner agencies, there must be defined patterns of the international organised crime groups *modus operandi*. These patterns have both an explanatory and a predictive value on the activity of the criminal groups, in order to anticipate, prevent and preemptively counter their actions, going all the way to their final liquidation.

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- Op. cit., pp. 224-225.
- It is also known as Islamic State (IS) for short. It has been established since 2010 on a limited territory at that time, but aiming to develop as a future Global Caliphate (a totalitarian, integrist state, having the Islamic Law – Sharia – both as civil and religious law; this state is ruled by a caliph, which acts both as a political and spiritual leader, at this time, the caliph is Abu Bakr al-Bagdadi) in East of Syria and North of Irak. IS has spread, following some progressive developments, also in Turkey, Lebanon, Nigeria and Saudi Arabia. IS started as a franchise of Al-Qaeda, but now it is at open war against this organisation. See also: https://ro.wikipedia.org/wiki/Statul_Islamic accessed on 11.04.2016.
- <http://www.mediafax.ro/externe/siil-si-afacerile-care-i-au-adus-o-putere-fara-precedent-cum-a-ajuns-cel-mai-bogat-grup-terorist-din-lume-sa-faca-milioane-de-dolari-pe-zi-foto-13159258> accessed on 12.04.2016.
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- For example: <http://www.bacau.net/lider-kurd-expulzat-din-romania-finanta-activitati-de-terorism-cu-banii-stransi-in-tara/> accessed on 12.04.2016.
- Op. cit., p. 387.
- Op. cit., p. 318.
- The Schengen Area includes 22 EU countries (all except Bulgaria, Cyprus, Croatia, Romania, Ireland and United Kingdom) plus Iceland, Liechtenstein, Norway and Switzerland.
- Ayman al-Zawahiri, the leader who took power in Al-Qaeda after the assassination of Osama bin Laden, declared himself a fierce enemy of the Islamic State: <http://stirileprotv.ro/stiri/international/cele-mai-puternice-organizatii-teroriste-din-lume-si-au-declarat-razboi-mesajul-liderului-al-qaeda-pentru-statul-islamic.html> accessed on 12.04.2016. ISIS was at first a part of Al-Qaeda, being its network acting in Irak. Two years ago, ISIS separated from Al-Qaeda and divided into 2 groups of Islamic State, acting in Irak and Syria. In the meantime, in Afghanistan and Pakistan, the fights between the Islamic State, on one side, and the Talibans and Al-Qaeda, on the other side, intensified.
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