

Financial Resources of Terrorist Organizations and Ways to Drain these Resources

Yusuf Can Ayaz- PhD Candidate Turkish National Police Academy, Turkey.

Selçuk Burhan Cihad Bacalan* - PhD Instructor Turkish Department, College of Education for Human Sciences,
University of Kirkuk, Kirkuk, Iraq.

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Abstract

Terrorism, one of the types of non-war political violence, creates difficulties in many parts of the world. Terrorist organizations, which need economic resources to maintain their existence, create an environment of terrorism by using these economic resources in line with their interests. On the other hand, actors fighting against terrorism are working to dry up these financial resources.

The economic struggle, which is seen as an integral part of the political, legal, social and military struggle against terrorist organizations, has an important place in limiting the opportunities and capabilities of terrorist organizations. The success of the fight against terrorist organizations is directly related to handling all aspects of the fight in a coordinated manner. In the study, the financial resources of terrorist organizations and the measures taken to dry up these resources in the fight against terrorist organizations were discussed. Additionally, ISIS's financial resources and the drying up of these financial resources were examined.

Keywords: Terrorism, Financing of Terrorism, Terrorist Organizations, Counter Terrorism, ISIS.

* E-mail: sbacalan@uokirkuk.edu.iq

1. Introduction

It can be seen that terrorism, which is an asymmetric threat, differs from conventional threats in many aspects. It is observed that the developments after the Cold War and the acceleration of globalization also created an opportunity for terrorist organizations to increase their capacity. Terrorist organizations, which consist of a terrorist act, political ideology/goal and a militant community organized along these lines, need financial means to advance themselves in these matters or to continue their existence. Terrorist organizations, which generate income through legal and illegal means, increase their power with these financial means. Therefore, drying up these financial resources is considered important in the methods of combating terrorism.

The fight against terrorism is a multi-dimensional effort and military methods constitute a small part of this fight. Among non-military struggle channels, economic measures are thought to make a great contribution to the overall struggle. These economic measures are taken by both states that fight directly against terrorist organizations and international organizations. Particularly, the entry of terrorist organizations into the areas where organized crime organizations operate or their cooperation with criminal organizations has diversified and complicated the financing of terrorism. This situation also makes the work of actors fighting against terrorism difficult. Therefore, it can be said that as the methods and tools of terrorist organizations, which can be seen as learning organizations, change, the actors fighting against terrorism also use new methods and techniques.

In the study, the financial resources of terrorist organizations and the importance of drying up these resources in the fight against terrorism are discussed in general. In addition, these financial resources and measures to drain them were examined through the example of the terrorist organization ISIS.

2. Terrorism and Terrorist organizations

Terror comes from the Latin word 'terrere'; It means to be shaken by fear, to cause to be terrified by fear. The word terrorism refers to the systematic use of violence for political purposes. There are various definitions of terrorism made by many people and institutions. According to Alex Schmid, known for his studies on terrorism, terrorism is a method of struggle in which random or

symbolic victims serve as a means of a target of violence.¹ Schmid argues that terrorism aims at a situation where the sense of security of the target people will be shaken through the victims. Paul Wilkinson evaluates terrorism separately from other types of political violence and lists the differences between terrorism conceptually and empirically as follows:²

- It is premeditated and designed to create a climate of extreme fear.
- It is directed at a wider target than the immediate victims.
- It inherently involves attacks on random or symbolic targets, including civilians.
- It is considered by the society in which it occurs as ‘extra-normal’, that is, in the literal sense that it violates the norms regulating disputes, protest and dissent.
- It is used primarily, though not exclusively, to influence the political behaviour of governments, communities or specific social groups.

Terrorist organizations are known as organizations that organize to achieve political goals. Variables such as the spread of terrorism have effects ranging from domestic to foreign policy. For example, the spread of terrorism in Iraq also affects Iran's foreign policy towards Iraq.³ These organizations appear to have motivations such as ideology, ethnicity and religion. David Rapaport examined modern terrorism in four waves and categorized it into periods corresponding to a period of approximately 40 years, which have integrity in terms of the ideologies, action strategies and methods of terrorist organizations.⁴ Rapaport emphasizes the importance of the use of the word "wave" and defines it as a "cycle of activity" in a given period of time, which is being developed in several countries around the world.⁵ Rapaport describes

1. Alex P. Schmid, Albert J. Jongman, *Political Terrorism: A New Guide to Actors, Authors, Concepts, Data Bases, Theories, and Literature*, New Jersey: Transaction Publishers, 2017, pp. 1-2.

2. Paul Wilkinson, *Terrorism Versus Democracy: The Liberal State Response*, London, Routledge, 2006, pp.1.

3. Moslem Haghi; Mohammad Yousefi Jouybari; Ehsan Shakeri Khoei, "The Impact of Identity Crisis in Iraq (post-Saddam) on the Islamic Republic of Iran Foreign Policy Orientation", *Geopolitics Quarterly*, Volume: 17, No 4, Winter 2022, p. 241.

4. David Rapoport, "The Four Waves of Rebel Terror and September 11", Charles Kegley (ed.), *The New Global*

Terrorism: Characteristics, Causes, Controls (New Jersey: Prentice Hall, 2003), pp. 37.

5. Shahrooz Shariati; Amir Hossein Vazirian, "Counterterrorism in Middle Eastern Foreign

organizations need financial means to achieve their goals. It is observed that the material elements that terrorist organizations have or want to have are similar to each other.

2-1. Financial Resources of Terrorist Organizations

When the economic dimension of terrorism is examined, it is seen that terrorist organizations are fed by economic elements in many respects. Terrorist organizations use economic means not only for their financial needs, but also to recruit militants and spread terrorism among the public. In addition, it is observed that actions that strengthen the organizational structure of terrorist organizations, attempts to recruit new militants, in-house training, and needs of the organization such as weapons or food require serious costs. There are many sources from which terrorist organizations are financially supported. In the literature, the classical sources of income of terrorist organizations are; It is noteworthy that there is aid from sponsor states, robbery, extortion, counterfeiting and forgery of official documents. However, when today's opportunities are added to these classical resources, financial resources have become quite diversified, especially with the intersections in the fields of activity of organized crime organizations and terrorist organizations. These resources are generally examined as government supports, financial resources obtained through legal means, financial resources obtained through illegal means and other resources.¹ In this context, state support directly or indirectly creates opportunities for terrorist organizations to be used as a tool and contributes to providing the financial resources that terrorist organizations need. Illegal activities; These can be listed as actions such as drug smuggling, arms smuggling, human trafficking, immigrant smuggling, threats, blackmail, extortion, robbery and kidnapping. Legal sources are; It consists of income from non-profit organizations, commercial enterprises and media organs.

While financing is important for terrorist organizations to continue their existence, it also provides financial resources for the actions of terrorist organizations. However, it is also noteworthy that terrorist acts have a much lower cost than preventing these acts. The fact that the terrorists behind the 1993 World Trade Center bombing raised money by selling fake T-shirts on

1. Bantekas, I., Current developments the international law of terrorist financing. *The American Journal of International Law*, 97(2), 2003, pp. 316.

New York City's Broadway, and the perpetrators of the 2004 Madrid train bombings sold fake CDs and drugs to support their actions, shows that terrorists also follow ordinary means of financing their actions. On the other hand, it is seen that the ways in which terrorist organizations earn much larger amounts of money not only ensure that actions are carried out, but also contribute to securing the future of the terrorist organization. UN reports state that Afghanistan's poppy crops, which are responsible for 86 percent of the world's opium supply, are the main source of financing terrorism. Al Qaeda is alleged to have profited from the Afghan poppy trade before fleeing the country when the Taliban-led government was overthrown in 2001.¹ The US Drug Enforcement Administration (DAE) also shared data supporting this view in a report dated 2003. Studies conducted by DAE reported that 14 of the 36 terrorist organizations on the list of terrorist organizations published by the US State Department are related to drug trafficking.² According to the US State Department, at least a dozen of the 25 largest terrorist organizations in the world, including FARC, Shining Path, Al Qaeda, Islamic Movement of Uzbekistan, Hezbollah, PKK, ETA, Tamil Tigers, have connections with international drug traffickers.³

Männik argues that Al Qaeda creates a special situation in this field and has a different profile in the financing of terrorism compared to other organizations and previous waves. The terrorists of the first three waves were financed to varying extents by ethnic diasporas, states, and the proceeds of criminal activity. In particular, anarchist terrorists of the first wave frequently used bank robberies to raise funds. Al Qaeda, on the other hand, was funded by Osama bin Laden's personal fortune of approximately \$280-300 million and through numerous front companies, and this amount was increased by a significant amount of money collected through charities.⁴

1.Eben Kaplan, "Tracking Down Terrorist Financing",2006, <https://www.cfr.org/background/tracking-down-terrorist-financing> 2006.

2.Rollins John; Wilson Clay, *Terrorist Capabilities for Cyberattack: Overview and Policy Issues*, CRS Report for Congress, Congressional Research Service, The Library of Congress, 2007.

3.Kimberley Thachuk, "Countering Terrorist Support Structure", *Defence Against Terrorism Review* Vol.1 No.1,2008, pp. 17.

4.Erik Männik, "Terrorism: Its Past, Present and Future Prospects", *Kaitsevæe Ühendatud Õppeasutused*,2009, pp. 12-166.

Aid plays an important role in financing terrorist organizations. In this context, aid is collected through foundations and NGOs, as well as direct support from states. It is noteworthy that terrorist organizations attempt to build popularity in order to prove that they are right. For example, it is stated that the terrorist organization PKK finds political and economic support more easily thanks to the popularity it has gained in Western Europe.¹

3. Measures to Fight Terrorism and Drain the Financial Resources of Terrorist Organizations

Terrorism is seen as a threat with asymmetric characteristics. In the nature of asymmetric threat, there are points where the threat is relatively superior to the opponent. The asymmetry that appears in the way the threat fights against the opponent partially determines the opponent's fight/suppression movements against the threat. Fighting terrorism is the set of measures taken to counter terrorist attacks and neutralize them. NATO fights against terrorism; It is defined as all preventive, defensive and offensive measures taken to respond to terrorist acts to reduce the vulnerability of forces, individuals and property to terrorist threats and/or acts.² In the publications of the US Office of the Director of National Intelligence (ODNI), counter-terrorism; It is described as the practices, tactics, techniques and strategies adopted to prevent or respond to both actual and suspected terrorist threats or actions.³ Counter-terrorism, which is short-term and based on urgency because it is more tactical, is the neutralization of terrorist organizations and their members, preventing their actions and eliminating their activities; It is based on military, intelligence, police, legal and organizational practices.⁴ Wilkinson states that the basic components of the counterterrorism strategy should be adjusted according to the type of terrorist threat faced.⁵

1. Audrey Kurth Cronin, *How Terrorism Ends: Understanding the Decline and Demise of Terrorist Campaigns*, Princeton University Press, Oxfordshire, 2009, pp. 21.

2. "NATO's military concept for defence against terrorism", NATO, https://www.nato.int/cps/en/natolive/topics_69482.htm

3. US National Intelligence: An Overview, 2013, ODNI, https://www.dni.gov/files/documents/USNI%202013%20Overview_web.pdf, pp. 72.

4. Ertan Beşer, Merve Seren, "Theoretical Framework of the Strategic Intelligence Concept and Its Role and Significance with Respect to Counter-Terrorism Policies", *Turkish Journal of Police Studies*, Vol. 13 (3), 2011, pp. 140.

5. Wilkinson, 203-204.

Implementing and combating terrorism is an issue that requires inverse proportion in terms of economic costs. The cost of committing terrorism is low, but the cost of fighting terrorism is quite high. While implementing terrorism is a very economical action, the fight against terrorism involves measures that require very high costs. While explaining this issue, Joseph S. Nye emphasizes that the cost of missing a flight is sometimes lower than the price of a ticket.¹ However, while terrorist organizations present their actions as if they were successes through propaganda methods, some comprehensive and costly measures taken in the fight against terrorism may not attract public attention, even if they are beneficial, because they are seen as 'activities that need to be done'.

Many states have put the fight against the financing of terrorism on a legal basis with their national laws. For this reason, fighting methods differ from country to country. The international dimension of the economic fight against terrorism is determined by many common decisions, especially UN conventions. The most notable international text was the 1999 International Convention on the Suppression of the Financing of Terrorism.² However, the difficulty in achieving international consensus on terrorism-related issues, especially the definition of terrorism, affects the economic fight against terrorism and makes it difficult to dry up the financial resources of terrorist organizations. On the other hand, legal sanctions are relatively developed regarding the financial resources provided by terrorist organizations, especially from transnational organized crimes. After the attacks of September 11, 2001; International institutions such as the UN, G8 and the European Union (EU) have taken important steps in cooperation.

In the context of national measures, the fight against the financing of terrorism focuses on tracking, detecting and punishing individuals and organizations that provide financing, especially within the scope of laws against illegal sources. In this regard, freezing the assets of individuals thought to be terrorists is still a controversial issue in the context of personal rights violations. In addition, the relationship that terrorist organizations establish with organized crime organizations requires strengthening the coordination

1. Joseph S. Nye, *Soft Power: The Means to Success in World Politics*, Public Affairs, 2005, pp. 29.

2. "International Convention for the Suppression of the Financing of Terrorism", UN, <https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>.

of security forces affiliated with a country fighting terrorism. As a matter of fact, such relations create a multiplier effect in increasing the capacity of terrorist organizations and increase the urgency of the fight.

In the changing understanding of intelligence after September 11, monitoring the economic activity managed by terrorists is of great importance, especially in terms of providing intelligence on the enemy's intentions. As a matter of fact, this situation made intelligence institutions; It has pushed terrorist organizations, terrorists and actions not only to 'prevent' but also to 'understand' them.

4. Financial Resources of the Terrorist Organization ISIS and the Fight Against ISIS

The emergence of ISIS posed a security challenge for the Middle East.¹ In the case of Iraqi neighbors, Iraqi refugee flood, spread of terrorism and formation of the radical movements and separatist activities in neighboring countries, are among the factors that compel them to do their best to hold a unified Iraq.² Therefore, ISIS's control of territory in Iraq is important for Iraq, its neighbors and the countries in the region. ISIS is both successful and dangerous, because it has become an actual proto state in parts of both Iraq and Syria.³ The terrorist organization ISIS, which came to the fore with the horror and violence it unleashed between 2014 and 2017, differs from many contemporary terrorist organizations in that it maintains territorial control. Having control over the area increased ISIS's political power and influence, enabled it to gain management capability, and increased the economic resources of the terrorist organization. The fact that ISIS has the opportunity to temporarily manage the economic resources of the government in the regions it has captured is seen as the difference in financing between other terrorist organizations and ISIS.

ISIS has gained economic resources ranging from oil and banks to benefiting from public services and taxing local economies. ISIS's economic resources

1. Shahrooz Shariati; Amir Hossein Vazirian, p. 248.

2. Mohammad Zaman Rastgoo; Ali Akbar Asadi; Syed Masoud Mousavi Shafaei, "Geographical Restriction and Interests as a Bulwark against Disintegration of Iraq", *Geopolitics Quarterly*, Volume: 13, No 4, Winter 2018, p. 275-276.

3. Abbas Mossalanejad, "Iran's Policy Toward Terrorist Groups and Regional Crises", *Geopolitics Quarterly*, Volume: 16, No 4, Winter 2021, p. 319.

are listed as follows according to the size of its revenues:¹

- Illicit proceeds from occupation of territory, such as bank looting, extortion, control of oil fields and refineries, and robbery of economic assets and illicit taxation of goods and cash that transit territory where ISIS operates;
- Kidnapping for ransom;
- Donations including by or through non-profit organizations;
- Material support such as support associated with Foreign Terrorist Fighters's
- Fundraising through modern communication networks.

The loss of control of the area by the terrorist organization ISIS, whose financing is largely based on the area it controls, caused it to be deprived of control of these resources and to lose power rapidly. However, the fight against ISIS cannot be achieved only through measures based on draining financial resources; It is seen that political, legal, economic and military measures are used in a coordinated manner in this struggle.

The struggle of the Iraqi security forces, which is effective in the military part of the fight against ISIS, and 'The Global Coalition to Defeat ISIS'², consisting of the participation of 86 countries, has damaged the economic opportunities of the terrorist organization, as well as the military results. In this way, ISIS ceased to be a strategic threat and fell to the level of a chronic security problem. Although ISIS, which suffered greatly in terms of economic resources, tried to obtain financial resources through illegal means, especially ransom, it was deprived of using large financial resources based on area control.

5. Discussion and Conclusions

It seems that the way for terrorist organizations to increase their capacity is through economic resources. Acting with awareness of this fact, terrorist organizations aim to strengthen and diversify their economic resources. This issue is on the agenda of terrorist organizations as well as the actors fighting against terrorist organizations. In other words, it can be said that one dimension of the fight against terrorism is the fight in the economic field.

1.FATF, 'Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL)', Financial Action Task Force, pp. 10-12.

2.The Global Coalition to Defeat ISIS consisting of 86 countries allowed Iraq to jointly exercise its right of self-defense against ISIS. The Global Coalition to Defeat ISIS: <https://theglobalcoalition.org/en/>.

In the fight against terrorism, apart from the military field, it is seen that areas such as political struggle, sociological struggle, legal struggle and economic struggle also come to the fore. In this context, it is noticeable that the measures to be taken in all these areas are taken in a coordinated manner in the fight against the terrorist organization ISIS. In this context, it can be seen that the fight against terrorism has achieved significant success after ISIS, which has different and stronger financial resources than other terrorist organizations, lost control of the area. It is seen that the fight against financial resources such as robbery, extortion, kidnapping for ransom, and smuggling, which are similar to other terrorist organizations, continues. However, it is known that ISIS continues to provide limited economic opportunities through these means.

Close monitoring of terrorist organizations by security forces is seen as effective in eliminating the ability of these organizations to surprise conventional forces and civilians in a limited time and space. Eliminating the possibility of surprise in attacks means eliminating an advantage of terrorism, which is an asymmetric threat. This approach also had important results in the fight against ISIS. However, it is known that there are still areas where ISIS operates by taking advantage of the terrain conditions, especially Diyala, Kirkuk and Salahuddin.

The success of the fight against terrorist organizations is directly related to handling all aspects of the fight in a coordinated manner. As a matter of fact, although the military capacity of ISIS is very low compared to the capacity it had between 2014 and 2017, eliminating the grievances that are the reason for the formation and spread of terrorism, both politically and economically, is a method of struggle that can prevent such an organization from emerging again.

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