



Complexities of Terror Financing and Radicalization in South Asia: A Critical Overview

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Abstract

Transnational Jihadist Militancy has long plagued South Asia by infiltrating and conducting militancy operations across borders. Pakistan has been the epicentre of terror financing in the region through various fake NGOs and charities. Moreover, it has been the breeding ground for multiple terror organizations. Pakistan has been using these terror outfits as a diplomatic tool in conducting international affairs with China's backing. India's proactive diplomacy and raising issues at various multilateral forums enabled it to push into the FATF grey list. Unfortunately, recently Pakistan has slipped out of it. This study aims to describe and explain the phenomena of terrorism financing in South Asia. Firstly, concepts and theories will be contrasted with and illustrated with examples from the methods of financing used by the major active terror groups in South Asia. Then, legal mechanisms created to tackle terror financing and their efficiency will be explored.

Keywords: Cross-border Terrorism, Counter-terrorism Cooperation, Terror financing, FATF, Radicalization, India-Pakistan

Introduction

According to Vidino, radicalization is "a highly individualized process determined by the complex interaction of various personal and structural factors."¹ Lambert and Wiktorowicz argue that "religious fundamentalists are cognitive extremists of whom just a minority are likely to turn to militant jihad."² Terrorism, in its broadest sense, refers to "attempts to further political ends by using violence to create a climate of fear, apprehension and uncertainty. While terrorism is often portrayed as anti-government, governments may also employ terror against their own or other populations, as in the case of 'state terrorism.'"³ For decades militant and terrorist groups have plagued South Asia, and there is no sign that their growth, violent actions, or ongoing violations of fundamental human rights will stop. Weak governance, corruption, and instability have resulted from the turbulent political climate and the protracted conflicts in Afghanistan, Pakistan, Jammu, and Kashmir. These conditions have also fostered an environment in which terrorist organisations can flourish and carry out their destructive objectives. It is crucial to note that these terror organisations' tenacious persistence would not be conceivable without the financial mechanism they have set up to carry out their actions. Using anything from drug trafficking to extortion, South Asian terror groups have been able to maintain their activities and continue to operate. Terrorist organisations need access to financial resources to move them covertly, such as through the hawala system. The techniques and tactics used to accomplish this relies on several variables, including the size of the group, the cost of their activities, their geographic locations, and the ability of the States in which they operate. It is challenging to pinpoint individual transactions and how the money is distributed due to the secrecy and opacity that surround terror organisations. In his work "The Sources of Terrorist Financing: Theory and Typology," which was released in 2011, Freeman constructed a typology that properly captures this phenomenon to demystify the complexity of terror financing. First, Freeman outlines the six criteria that terror organisations use to select their financial source. Quantity (the source that provides the largest amount of money), Legitimacy (the source does not go against the group's ideology), Security (the ability to obtain the funds without being discovered by the government), Reliability (predictable and consistent sources of income), Control (the source ensures moral influence and power), and Simplicity are all factors that must be considered (acquiring the source does not require advanced or specialised skills). A group's ability to support itself financially and, as a result, establish independence and authority, is maximised by an income source that meets these characteristics. In addition to these standards, Freeman presents the four main revenue streams for terrorist groups: state sponsorship, illicit activity, legitimate activity, and popular backing.

During the Cold War, when both the Eastern and Western camps supported militias whose armed conflict coincided with the interests of a foreign State, state sponsorship of militant groups, insurgencies, and terrorist organisations was particularly prevalent. As a result, the US backed the Mujahideen in

¹ Vidino, Lorenzo, 'Countering Radicalization in America, Lessons from Europe,' United States Institute for Peace. Special Report. Washington, DC: USIP, 2010, p. 1.

² Cf. Borum, Randy, 'Radicalization into Violent Extremism I: A Review of Social Science Theories,' Journal of Strategic Security, 4, 2011, p. 7-35.

³ Heywood, A. (2019). *Global Politics*. Pg-286. Red Globe Press.

their conflict with the Soviets in Afghanistan, while the Soviet Union backed the Palestine Liberation Organization (PLO). Though it became less common following the fall of the Soviet Union and the end of the Cold War, state sponsorship of terrorism still happens today. The Pakistani Intelligence Services' (ISI) funding of multiple anti-India insurgencies in Jammu & Kashmir and its murky motives is the most well-known instance of this happening in South Asia. Pakistan received millions of cash from the Central Intelligence Agency (CIA) during the Soviet invasion of Afghanistan to aid and train Afghan Mujahideen fighters. To fight India as a proxy, Pakistan instead sent these militants to Jammu and Kashmir towards the end of the conflict in 1989. According to estimates, Pakistan contributed up to \$50 million in the 1990s to jihadist groups that opposed India, including Lashkar-e-Taiba, Jaish-e-Mohammed, and Hizbul-Mujahideen. The ISI's support made it easier for these organisations to recruit members and collect money. Pakistan is renowned internationally as a terrorist "haven" where specific organisations are allowed to establish training camps, recruit and train people, gather cash, transit, and operate due to the State's political agenda. This is in addition to giving financial support.

State-Sponsored Terrorism and Radicalization of Youth

Funding from popular support is a typical source of income for terrorist groups operating out of Pakistan. To raise money for their terrorist actions, organisations like Lashkar-e-Taiba and Jaish-e-Mohammed have been known to target sympathetic communities, particularly those in the diaspora. This is a misuse of Zakat, one of Islam's five pillars. Muslims are compelled by Islamic law to give a portion of their wealth to those in need. The methods used by LeT to obtain funding from the general public will be examined in more detail in the paragraphs that follow. "Terrorists want to move money as quickly as possible to their destination to fund their operational needs. Hawalas, for example, allow for transfers to occur relatively quickly, while formal banking may require deposits to sit for a day before they clear. Bulk cash smuggling can vary depending on how far the cash needs to move, and how many borders it needs to cross. A false trade invoicing scheme probably requires the longest amount of time to complete."⁴ The origins of Lashkar-e-Taiba can be traced back to the late 1980s, when Jamaat-ud-Dawa (JuD), a proselyte organisation founded to spread the Ahl-i-Hadith doctrine (a branch of Islam that claims to uphold the "purest" form of the faith), merged with an anti-Soviet militia to form Markaz-ud-Dawat-wal-Irshad (MDI). To achieve its goals, the MDI established numerous branches and affiliates. The militant component of the organisation, Lashkar-e-Taiba, was established to engage in jihad. It's critical to remember that although these organisations go by the names MDI, JuD, and LeT, they all operate as branches of the same larger organisation and share the same ideology. This is acknowledged by the UN, which categorises LeT, JuD, and the Falah Insaniat Foundation (a philanthropic front) under one entity on the United Nations Security Council Consolidated List. LeT's use of its numerous branches to carry out terrorist activities, gain legitimacy, and take advantage of welfare produces a complex web that makes it difficult to track money going to and coming from the organisation. Simple methods of raising money include setting up donation boxes in JuD offices and stores or at public events. This not only raises questions about who is responsible for financing terrorism, but it also highlights the LeT's ingrained talent for inspiring individuals to support their cause by voluntarily donating a portion of their money to it. This happens not only in South Asia but also among South Asians who have migrated to other regions of the world, most notably Europe. Researchers have demonstrated that the UK is particularly susceptible to this because due to the sizeable Pakistani community there, is particularly at risk from this. For instance, when a devastating 7.1 magnitude earthquake struck Pakistan-Administered Jammu & Kashmir in 2005, the diaspora in Britain generously donated an astounding £5 million to charities in Pakistan, most notably JuD, for recovery operations. Investigation into a 2006 terrorist attempt to blow up transatlantic aircraft, however, revealed that at least half of the money given by unwitting donors was diverted to finance the LeT plot. The LeT receives funding from other countries in addition to the South Asian diaspora in Britain. LeT's humanitarian efforts have frequently been supported by Saudi Arabia, which has a history of fostering "Saudi-Wahabbi political and theological dominance across the Sunni Muslim world," as well as other Gulf States. Terrorist bases and launch pads have reportedly been relocated to several locations close to the border, according to the information. Operations are based out of homes on the other side of the border. In addition to this, terrorists are looking for fresh entrances into Indian territory. The LeT, JeM, and Harkat-ul-Mujahideen (HuM) training camps in POK's Muzaffarabad, Kotli, Mansehra, Bimber, etc. have begun operating intensively. POK, where there has been a significant rise in the number of terrorists, has more than 20 launch pads. "According to insiders, they are receiving assistance from both the Pakistani army and Inter-Services Intelligence (ISI), with ISI also planning to use POK to smuggle terrorists into India. In the previous several days, over 100 terrorists have arrived at the launch sites in Jammu and Kashmir's Machil, Keran, and Gurez regions across the border. Security troops on the International Border (IB) and Line of Control (LoC) have boosted their vigilance since Pakistan was removed from the list. Security forces have been ordered to patrol the border with utmost attention in anticipation of an upsurge in infiltration attempts under the cover of strong fog and precipitation. According to sources, infiltration routes become impassable after significant snowfall, which is why other routes are being looked for. Terrorist infiltration into J&K significantly decreased, and their financial support was likewise restricted. However, Pakistan is currently attempting to carry out its terrorist intentions once more."⁵ Security services anticipate that there may be an increase in instances like an infiltration, funding for terrorism, and narco-terrorism given the terrorists' increased activity during the previous week. Amit Shah, the Union Home Minister, recently claimed that after Article 370 was repealed, terrorist attacks have decreased by 34% and security force fatalities have decreased by 54%.

⁴ Freeman, M., & Ruehsen, M. (2013). Terrorism Financing Methods: An Overview. *Perspectives on Terrorism*, 7(4), 5–26. <http://www.jstor.org/stable/26296981>

⁵ Numbers swell at POK with Lashkar, Jaish camps; major infiltration likely.(30th October 2022) [freepressjournal](https://www.freepressjournal.in/india/numbers-swell-at-pok-with-lashkar-jaish-camps-major-infiltration-likely). Retrieved From: <https://www.freepressjournal.in/india/numbers-swell-at-pok-with-lashkar-jaish-camps-major-infiltration-likely>

Legal structural Framework in Terror financing

The International Convention for the Suppression of the Financing of Terrorism was adopted by the UN in 1999. This pact makes financing and carrying out terrorist activities illegal and encourages international judicial cooperation in counterterrorism prevention, investigation, and prosecution. 189 nation-States are parties to it, making it one of the most successful international treaties. It is a ground-breaking legal document because it is the first of its type. The agreement has two significant limitations, though. First, it doesn't provide a clear legal definition of terrorism or terrorist acts. States struggle to agree on which organisations and causes would be considered terrorists in light of the political sensitivity that surrounds terrorism. The notorious phrase " *one man's terrorist is another's freedom fighter*" perfectly illustrates this dilemma. However, this slogan took legal form in the 1999 Convention of the Organization of the Islamic Conference on Combatting International Terrorism.

Article 1, paragraph 1 of the convention states that:

"Terrorism' means any act of violence or threat thereof notwithstanding its motives or intentions perpetrated to carry out an individual or collective criminal plan with the aim of terrorizing people or threatening to harm them or imperilling their lives, honour, freedoms, security or rights or exposing the environment or any facility or public or private property to hazards or occupying or seizing them, or endangering a national resource, or international facilities, or threatening the stability, territorial integrity, political unity or sovereignty of independent States".

Article 2a of the same convention seems to provide an exemption clause:

"Peoples' struggle including armed struggle against foreign occupation, aggression, colonialism, and hegemony, aimed at liberation and self-determination by the principles of international law shall not be considered a terrorist crime".

These two articles appear to contradict each other. Furthermore, they make distinctions between armed struggles and could potentially legitimize the aims of certain terror organizations and further facilitate the politicization of terrorism. The Taliban, Lashkar-e-Taiba and Jaish-e-Mohammed are listed as terrorist organizations by the United Nations, and article 103 of the UN Charter states that the UN obligations of member States take precedence over other international agreements, and as such, it seems unlikely that member States of the OIC, such as Pakistan for example, would be able to justify decriminalizing said groups under article 2 of the OIC's convention.

Masood Azhar has been sought by the Indian government for more than ten years because of his involvement in numerous terrorist activities against India, including the assaults on the Indian Parliament in 2001 and Pulwama in 2019—both of which were claimed by JeM. Masood Azhar was not added to the Consolidated List until May 1, 2019, unlike JeM, which was included in the list in 2001. The Consolidated List is a register of all organizations and people subject to UN measures and sanctions due to the threat they pose. The United Kingdom and France, two permanent members of the Security Council, had backed India's efforts to add Azhar to the list, but the requests to censure Azhar came one after the other. China refused the proposal a fourth and final time in March 2019, claiming that India had not presented sufficient proof against Azhar. China broke its streak of consistently refusing the request, but only when Pakistan came under pressure from abroad and was threatened with fines by the Financial Action Task Force (FATF) for being "too soft" on terrorist organizations. The China-Pakistan Economic Corridor's multibillion-dollar investments in Pakistan may have been significantly damaged if Pakistan had been placed on the FATF's "blacklist" (CPEC). Important resolutions have also been adopted by the UN Security Council, including Resolutions 1373 (2001) and 2178. (2014). While Resolution 1373 (2001) and Resolution 2178 (2014) both state that "All Member States shall ensure that any person who participates in the financing, planning, preparation, or commission of terrorist acts or in supporting terrorist acts is brought to justice, and decides that all States shall ensure that their domestic laws and regulations established under these resolutions are implemented.

Conclusion

This study analyzed the methods used by terrorist organizations in South Asia to raise money, how that money is used, and the international legal frameworks in place to prevent the funding of terrorism. The lack of a clear, universal definition of terrorism and the fact that international laws can often be circumvented by domestic laws. The efforts of the FATF have proven to be a reasonable counterweight to these limitations, however, politics and international alliances keep influencing the outcome of the process. Although the FATF's efforts have shown to be a reasonable response to these restrictions, politics and global alliances continue to affect the process's conclusion. In addition to passing legislation that effectively prosecutes crimes related to terrorism, international collaboration must be enforced to more effectively investigate, prevent, and curb terrorism financing.

Reference

1. "Southeast Asia" is taken to mean all member countries of the Association of Southeast Asian Nations (ASEAN). Thus it covers Indonesia, Malaysia, the Philippines, Brunei Darussalam, Vietnam, Laos, Cambodia, Burma (Myanmar), Singapore, and Thailand but not East Timor.
2. John Gershman, "Is Southeast Asia the Second Front", *Foreign Affairs* (November/ December 2002), 81: 60–74.
3. Cf. Zachary Abuza, *Militant Islam in Southeast Asia* (Boulder: Lynne Rienner, 2003); and Angel M. Rabasa, *Political Islam in Southeast Asia: Moderates, Radicals, and Terrorists*, Adelphi Paper 358 (New York: Oxford University Press, 2003).
4. Countries covered are Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, South Vietnam, Thailand and Vietnam. Data proceeded by the authors are from MIPT Terrorism Knowledge Base, available at (<http://www.tkb.org/>), last accessed 30 June 2005.
5. Rohan Gunaratna, *Inside Al Qaeda: Global Network of Terror* (New York: Columbia University Press, 2002).

6. Brahma Chellaney, "Fighting Terrorism in Southern Asia. The Lessons of History," *International Security*, (Winter 2001/02), 26: 94–116, here p. 96; see also Niklas Swanstroem and Emma Bjornehed, "Conflict Resolution of Terrorists Conflict in Southeast Asia," *Terrorism and Political Violence* (Summer 2004), 16: 328–349; Sheldon Simon, "Southeast Asia: Back to the Future?," in Ashley J. Tellis and Michael Wills, eds., *Strategic Asia 2004–05: Confronting Terrorism in the Pursuit of Power* (Washington, DC: NBAR, 2004), 293.
7. Vidino, Lorenzo, 'Countering Radicalization in America, Lessons from Europe,' United States Institute for Peace. Special Report. Washington, DC: USIP, 2010, p. 1.
8. Cf. Borum, Randy, 'Radicalization into Violent Extremism I: A Review of Social Science Theories,' *Journal of Strategic Security*, 4, 2011, p. 7-35.
9. Heywood, A. (2019). *Global Politics*. Pg-286. Red Globe Press.
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