

Developments in Terrorism Financing and Dutch Government Policy

Master thesis

Master Public Administration
University of Twente

Date: 21 April 2010

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Summary

Terrorism is a special type of risk, both acting and not acting to prevent and combat terrorism can have far reaching consequences for freedom and democracy. One of the ways to combat terrorism is to combat the financing of terrorism. This thesis addresses the research question: *What developments are there in the financing of terrorism and what are the consequences for the Dutch government policy?*

To be able to address the topic of terrorism financing it is necessary to define terrorism. There is no agreement on a common definition of terrorism and it is difficult to arrive at one. This difficulty is exacerbated by the political dimension of the discussion. Through study of the elements used in several of the more commonly used definitions it is possible to arrive at a definition. In this thesis this definition of terrorism is used: *Terrorism is threatening with or perpetrating, acts of serious violence directed at people or acts aimed to cause socially disruptive property damage, by a non state actor, for the purpose of the generation of massive fear intended to coerce or to intimidate governments or societies.*

The Dutch government uses a wide array of policy and legal instruments to limit money laundering and terrorism financing. The policy is emergent, the result of the policy implementation of many actors combined with central direction. The Dutch policy can be evaluated by studying three questions. Is there government policy on all the sources, transfer methods and destinations of terrorist financing? Is this policy properly implemented in law? And is this policy effective?

Recent activities of terrorists in the Netherlands consist of threats to security and other activities. Both types of activity are interesting for law enforcement due to their damage potential. The most likely threat is Islamic terrorism, but also right-wing extremism and animal rights extremism could develop into a terrorist threat. Other groups are also active in the Netherlands for fundraising and other support activities.

The organizational form of terrorism has an impact on the financial needs. Five organizational ideal types can be distinguished through differentiation in hierarchy and boundaries: lone wolf, 'traditional' organization, hybrid organization, franchise movement and the inter-organizational network. The organizational form most commonly found in the Netherlands is the hybrid organization. These organizations are small, or the organization division in the Netherlands is small. Other organizational forms encountered are lone wolves and inter-organizational cooperation. Therefore the need of funds is small and the collection of funds is small in scale.

All terrorist organizations employ activities to finance themselves. The financing of terrorism can be described in several key topics: the sources, the transfer methods and the destinations of terrorist funds. Terrorist organizations differ greatly in their organization and their financial needs. The organizations deploy a wide range of activities for financing. These activities range from the use of state support to legal enterprise. To combat these activities the policy therefore has to be multi faceted. In the Netherlands, not all of the globally applied sources are used to collect the funds. Terrorist groups looking to perpetrate an attack in the Netherlands will most likely employ small scale legal and illegal activities to gather funds, for example labour or petty crime. The activities of this group are well covered by the policy. Terrorist groups operating in the Netherlands to support terrorism outside the region might use the same methods, but are also more likely to tap the migrant community and use bogus charities for their aim. This second set of activities is less well covered by the policy.

Studying the response of terrorist organizations to shifts in their resources and in response to counter-terrorism can help in predicting future behaviour and threats. The current mix of resources can be used to predict the actions that will be taken to limit resource insecurity. Studying the internal dynamics of a terrorist organization can explain why effective counter-terrorism policy can seem ineffective at first. Theories of organizational learning can add extra lines of approach to attack the financial structure of a terrorist organization. The population ecology theory provides us with the insight that new terrorist organizations are likely to target weaknesses in the financial system not exploited by the current generation of terrorist organizations. Counter-terrorism should therefore not only concentrate its effort on weaknesses that are being exploited at present.

It is likely that terrorist *cells* will further develop their resource gathering activities and therefore become less vulnerable to counter-terrorism activity. This development might prove to be one of the principal developments in terrorist financing in this decade. Since the war on terrorism financing is mostly aimed at disabling the flow of larger amounts, a shift in focus might be necessary. In the Dutch case this does not pose a big threat since the policy is already aimed at small scale terrorism financing.

In essence, the Dutch policy on terrorism financing is covering all its bases. However, there is room for improvement. The Dutch policy on terrorism financing can be improved through further monitoring and control of the outflow of money to terrorist supporters outside the EU. There are options, especially in the area of diaspora, sympathisers and charity contributions.

Preface

During visits to the Basque Country and Sri Lanka I came into contact with the effects of terrorism. Talking to the people in these locations made it very clear how a few can have a big impact on many. Events like September 11, the Madrid train bombings and the Beslan school attack shocked the whole world. After specializing in Public Safety during my master Public Administration, what better subject for my thesis could I chose than a public safety issue with a big impact on present-day society?

While writing this thesis I spoke to many people. I would like to thank the following people for their feedback and information:

A., NCTb¹

K., NCTb

Guus Meershoek, Twente University

Marsha de Vries, Twente University

I also would like to thank my wife for her support and commentary. Last but not least I would like to thank my parents for their continuing support during my entire time at the university.

Hugo Trouw

Enschede, March 2010

¹ Disclaimer: the fact that (some of) this thesis has been read by employees of the NCTb does not entail the thesis represents the views of the NCTb or its employees.

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Chapter 1: Introduction

Terrorism is seen as one of the most important risks in present day society. An example of this is the Dutch government campaign *Nederland tegen terrorisme*² (Postbus 51, 2009). Terrorism is also often regarded as a potential threat for the future (Drennan & McConnell, 2007: 8). It is hard to deny the veracity of these claims considering the large number of big terrorist attacks in the first decennium of this century. A few examples of attacks which became headline news all around the world are the attacks in the United States (2001), Moscow (2002, 2010), Bali (2002, 2005), Madrid (2004), Beslan (2004), London (2005) and Mumbai (2006, 2008). This list is far from complete. Nevertheless it is noteworthy that the fear of terrorist attacks is greater than one would expect based on the number of victims. For example in 2001 in the United States during the biggest terrorist attack in recent history 2.973 people lost their lives (National Commission on Terrorist Attacks Upon the United States, 2004: 311). In comparison, in the same year 42.443 people died in the same country as a result of traffic accidents (CDC, 2009). Yet it is indisputable that the fear of terrorism considerably surpasses the fear of traffic. This fear results from the fact that people have little information and control over the exposure to and the magnitude of the risk of terrorism, while it is still a product of human action. It is these *fright factors* (Drennan & McConnell, 2007: 70) which make terrorism so terrifying. On top of that, every terrorist attack is by definition designed to spread fear amongst civilians. Beck (2009: 135) characterizes terrorism as a risk that “*can trigger both limited losses and unlimited catastrophes*”. Although the actual attack is often limited in place and time, the economic, social and political effects are in some respects unlimited.

The fear of and the potentially catastrophic consequences of terrorism give legitimacy and necessity to government action. The events of the 11th September 2001 considerably increased the perceived necessity and also the willingness to take measures. These attacks amongst other things accelerated the development of measures against terrorism financing. For instance, as early as on the 23rd September 2001 president Bush signed the *Executive Order 13224* (Federal Register, 2001), which froze the assets of suspected terrorists. On 28 September *Resolution 1373* of the United Nations Security Council (2001) followed. In this resolution the UN Security Council decided that all states should prevent and prosecute the financing of terrorism (United Nations Security Council, 2001: 2).

This renewed willingness and obligation to take measures against terrorism also has another side. Both the government and society are less prone to listen to objections to measures from for example civil rights activists (Drennan & McConnell, 2007: 189). Beck (2009: 10) goes a step further and states, admittedly with exaggeration, “*it is not the terrorist act, but the global staging of the act and the political anticipations, actions and reactions in response to the staging which are destroying the Western institutions of freedom and democracy*”. The government therefore not only has a responsibility to restrict terrorism, it should also be watchful that the cure is not worse than the disease.

Terrorism is an international problem. Terrorist organizations are rarely based in a single country, often parts of the organization for example for training or financing are based at some distance from the theatre of war. To be able to successfully combat terrorism, the fight against terrorism cannot stop at the border. Beck (2009: 41) states that the *only* way to deal with global risks like terrorism is

² The campaign *Nederland tegen terrorisme* (The Netherlands against terrorism) included a website, brochures and even TV ads explaining that every citizen can help to prevent terrorism.

transnational cooperation. Due to the globalizing of terrorism a growing number of countries are involved in the fight against a single terrorist organization.

The degree of 'success' of a terrorist attack is often decided by three factors: knowledge, means and motivation. First of all knowledge is needed to know which is the 'best' way to execute the attack. It is not hard to make a bomb, but to make a good bomb a lot more knowledge is needed. Secondly, the available means have to be sufficient to be able to carry out the attack. For example, weapons have to be available or sufficient finances to acquire them. Finally, motivation is needed. The timing of an attack is easier for a suicide bomber than for a terrorist who needs some time to get away. The absence of a larger catastrophe at the first attack on the *World Trade Center* in New York in 1993 can be explained using these factors. Ramzi Yousef told investigators that "*if he had been given more money, he would have made 'a more efficient bomb'*" (Reeve, 1999: 108), he also told them he considered poison gas but dismissed it as being "*too expensive*" (means). The bomb did not explode completely (knowledge) and was not parked in exactly the 'ideal' spot (motivation) (Napoleoni, 2004: 32). Combating the financing of terrorism can have an impact on all three factors, of course most directly on means. It is therefore without doubt that combating terrorism financing is integral to the fight against terrorism.

Problem definition and research questions

Due to the effects of terrorism there is in this decennium a lot of public support for measures against terrorism. The measures are not easily taken because of the potential dangers to individual civilians and their liberties. These measures are also complicated as a result of the many actors and interests involved. These three elements make terrorism and combating terrorism a very interesting and relevant object of study. Combating terrorism financing is an essential part of this. This thesis will focus on terrorism financing and the developments in it. It will then address the issue what these developments mean for Dutch government policy. The ultimate goal of this thesis is to answer the following main question:

What developments are there in the financing of terrorism and what are the consequences for the Dutch government policy?

To answer this question, a number of smaller questions have to be answered first. These sub questions will be discussed in different chapters. To be able to say anything about terrorist networks, two questions have to be answered:

- a. *What is terrorism?*
- b. *What kinds of terrorist organizations are there?*

These questions will be answered in chapter two and three of this thesis. The first question will be addressed through the discussion of the definition of terrorism. This will delimit the concept for further use in the thesis. Then, different types of terrorist organizations and networks will be discussed. In chapter four the thesis continues with:

- c. *How do terrorist organizations finance their activities?*

This chapter outlines the different ways of financing terrorism. This will clearly show the diversity and pragmatism of terrorist financing. In the next chapter contemporary terrorism in the Netherlands will be discussed. Here, three questions will be asked:

- d. Which kinds of terrorist activities can be found in the Netherlands at present?*
- e. Which organizational forms show these activities?*
- f. How are these activities financed?*

Next, the fight against terrorism financing is discussed in chapter six:

- g. How does the Dutch government combat the financing of terrorism?*
- h. How are these policies implemented?*

In this chapter the combating of terrorist financing is discussed. The focus of this chapter is the Dutch policy, but it will be embedded in a wider international context. What is the legal foundation of the policy against terrorism financing? Does the policy cover all the main aspects of terrorist financing? This chapter will also address the perceived and expected effectiveness of instruments used. Chapter seven will address a measure of the effects of counter-terrorism:

- i. How do terrorist organizations react to counter-terrorist activity?*

In this chapter the organizational response of terrorist organizations to counter-terrorism will be addressed. Do the terrorist organizations change as a result of counter-terrorist activity? This chapter will have an international focus.

Finally, in chapter eight the last question will be answered:

- j. What are the consequences for the Dutch government policy?*

In this chapter the findings from the previous chapters will be summarized and used to answer the main question. What do these findings mean for Dutch government policy? In this chapter there will be recommendations for policy.

Data sources

This subject is not an easy object of study. It can be a challenge already to map the financing of a big public project where the information is publicly available. Terrorist organizations tend to be more secretive about their finances. This limits the availability of information. The limited availability of information makes it harder to check the reliability of sources. The lack of information can sometimes be compensated by the use of less scientific sources which creates an additional threat to the validity of the research. In this thesis there are two ways to compensate for limited availability of information. First, the local focus can be widened. This thesis studies mainly Dutch policy. When there is for example limited information on how terrorist networks respond to Dutch policy, studying the response of terrorist networks to similar policy in other countries can be helpful. The second way of dealing with the problem is looking at the wider scope of crime. In the earlier example it can also be helpful to look at the response of organised crime in general to similar Dutch policy.

A further challenge is the neutrality and objectivity of the research. The researcher is often biased by his own emotional response to terrorism and other examples of injustice in the world. This is unavoidable and present in almost any work about a heavy subject like terrorism. Although every effort has been made to keep this thesis as scientific and unbiased as possible, it will no doubt be possible to find evidence of bias in this work. This unavoidable bias should be taken into account when sources are used. Sometimes the bias is less accidental and more a reflection of the interests of the author. This is more common in journalistic sources. For the researcher it is therefore always important to check what the source of the information is and what the interests of this source are, to be able to evaluate the reliability of the information.

In this thesis, the sources most utilized and relied upon are scientific articles and books, preferably cited in other scientific literature and/or from renowned authors. Other sources used are policy documents and Law. Less important arguments might be supported by less scientific sources like biographies and news media. If questionable sources are used this will be made clear in the text.

Chapter 2: The definition of terrorism

There are many different definitions of terrorism. Rosenthal (2008: 7) calls terrorism a *contested concept*. It is not simple to get to a good definition, all the more because every organization looks at terrorism in a different way. Every organization chooses a definition that fits with the political values and interests of that organization (Rosenthal, 2008: 8). The Public Prosecutor's Office will apply a definition that is valuable for criminal prosecution. An organization like the *Algemene Inlichtingen- en Veiligheidsdienst*³ (AIVD) will use a slightly different definition that fits better with its sphere of action.

There is also internationally no agreement on the definition of terrorism. Rosenthal (2008: 9) indicates that the United Nations presently has not been able to arrive at a generally accepted definition. There are many treaties and resolutions on terrorism, including resolution 49/60 of the United Nations General Assembly of 1994. This is the first time a more specific rejection of international terrorism can be found and therefore it can be used as a definition. In this resolution terrorism is described as: "*Criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes (...)*" (United Nations General Assembly, 1995: 4).

Schmid had already determined as far back as 1983 that there were at least 109 definitions of terrorism. Since then this number has undoubtedly risen. Schmid (1984: 75-77) names 22 different elements that appear in the definitions. On average there are five elements in a definition. The ten most common elements are⁴:

<i>Element</i>	<i>Frequency</i>
1. Violence, force	83,5 %
2. Political	65 %
3. Fear, terror emphasized	51 %
4. Threat	47 %
5. (Psych) effects and (anticipated) reactions	41,5 %
6. Victim-target differentiation	37,5 %
7. Purposive, planned, systematic, organized action	32 %
8. Method of combat, strategy, tactic	30,5 %
9. Extranormality, in breach of accepted rules, without humanitarian constraints	30 %
10. Coercion, extortion, induction of compliance	28 %

Although there is some consistency in the elements most commonly included in the definitions of terrorism, it remains a complicated and hard to define concept. If we want to answer the question 'What is terrorism?' with a definition we will have to look closer at the process of defining terrorism. First the political dimension of defining terrorism will be discussed. This will answer the question why there is no single common definition of terrorism. Second, several widely used definitions will be discussed to derive an accurate and usable definition of terrorism for this thesis.

³ General Intelligence and Security Service.

⁴ The numbers shown in this master thesis here are different to the 1983 research data. In 1988 Schmid and Jongman published an updated version of the research (Hoffman, 2006: 34).

Political dimension

It is not strange that it is difficult to arrive at an uniform definition of terrorism in the political process. Stone (2002: 133) states that problems are defined in terms of how much a desired state differs from the current state. Both the desired state and the current state are a matter of debate. The author argues that problem definition is a matter of representation and is therefore strategic. All actors “*deliberately and consciously fashion portrayals so as to promote their favoured course of action*”. This illustrates the role that politics play in the definition of terrorism. Every actor will try to get a definition of terrorism accepted that includes the groups and interests that they want to see gone but excludes the groups and interests they are trying to protect. This makes it very hard to agree on a specific definition of terrorism.

For political actors there can be an additional incentive to avoid a clear definition of terrorism: it can benefit the consensus. Although not everybody considers the same people terrorists, everybody hates terrorism. By treating terrorism as a symbol it allows more room for ambiguity and therefore support. Elder and Cobb (Stone, 2002: 157) state that “*symbols provide the vehicle through which diverse motivations, expectations, and values are synchronized to make collective action possible*”. The ‘*War on Terror*’ is such a symbol which aligns potentially competing interests.

There is also a historical explanation for the lack of a clear definition of terrorism that complements the first point of Stone above. During the cold war the mutual deterrence exerted through the threat of nuclear weapons contributed to the rise of indirect warfare (Chaliand & Blin, 2007: 209). States supported a whole range of guerrilla and terrorist organizations in theatres across the world. In these conflicts France was the first country in the early 1950’s to legitimize state supported terrorism as ‘*counter-rebellion*’ (Napoleoni, 2004: 44). The idea was that the use of terrorist groups by a state as a tool to combat rebellion and other subversive elements was a legitimate strategy to stay in control. Other countries soon adopted this strategy as well and during the entire time of the cold war a lot of conflicts were fought out by guerrilla and terrorist groups supported by states from opposing sides of the political spectrum. One of the popular examples of this type of policy is the support of the Taliban in Afghanistan in the 1980’s by the United States, Pakistan and Saudi Arabia (Muller, Spaaij & Ruitenberg, 2004: 37). The fact that these countries are now the mortal enemies of the Taliban and their allies shows the irony of this ambiguous morality.

The notion of ‘the ends justify the means’ has far but died out. In an interview with The Guardian (Tomasky, 2007) the then American presidential candidate Hillary Clinton said: “*The bottom line is, you can't lump all terrorists together. And I think we've got to do a much better job of clarifying what are the motivations, the raisons d'être of terrorists. I mean, what the Tamil Tigers are fighting for in Sri Lanka, or the Basque separatists in Spain, or the insurgents in al-Anbar province may only be connected by tactics. They may not share all that much in terms of what is the philosophical or ideological underpinning.*” Throughout the world these words have been received as a variation to the popular adage ‘*one man's terrorist is another man's freedom fighter*’⁵. It is a dangerous misconception that the methods of terrorism can be acceptable depending on their goal. The fallacy of the existence of ‘*justified terrorism*’ has not made it easier to clearly define terrorism.

⁵ One could argue if this is a correct interpretation of the words spoken by Hillary Clinton. The fact that Clinton does not give a clear reason for why it is useful to distinguish between terrorist groups opens a door for this dangerous interpretation. It is useful to distinguish between motivations to develop an effective strategy to combat a terrorist treat. However, looking at the motivations and not the actions when answering the question if a terrorist group should be fought is not useful.

Towards a definition

In the previous paragraphs it was established that there is no single definition of terrorism. It was also established that it is unlikely politics will supply such a uniform definition. Laqueur, a renowned scholar on the subject, even considers it impossible to define terrorism (Hoffman, 2006: 33). However in this thesis a single definition will be necessary to define and delimit the scope of this thesis. To arrive at this definition several steps have to be taken: the elements of the definition have to be chosen and the scope of these elements has to be decided. To start of a closer look will be taken at some of the definitions being used in practice.

The *International Convention for the Suppression of the Financing of Terrorism* refers to terrorism as an “*act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.*” (United Nations, 1999: 2). This definition has three key elements: violence, symbolic value of victims and intimidation/coercion. The definition is fairly limited, the intimidation or coercion can only be reached through an act of (intended) bodily harm. The United States Department of Defense (US-DoD) (2009: 550) defines terrorism as: “*The calculated use of unlawful violence or threat of unlawful violence to inculcate fear; intended to coerce or to intimidate governments or societies in the pursuit of goals that are generally political, religious, or ideological.*” This definition is slightly broader, it includes also the threat of violence. Contrary to the previous definition it also names fear as the vehicle of intimidation or coercion. This definition also refers to the *possible* goals of terrorism. In the process of clearly defining a concept, attributing a characteristic that is generally there but not necessary, is not beneficial.

In the Netherlands, the AIVD makes in its definition of terrorism a distinction between terrorism and political violent activism. In 2001, the *Binnenlandse Veiligheidsdienst* (BVD)⁶ defined terrorism as “*het plegen van of dreigen met op mensenlevens gericht geweld, met als doel maatschappelijke veranderingen te bewerkstelligen of politieke besluitvorming te beïnvloeden*”⁷ (Binnenlandse Veiligheidsdienst, 2001: 9). The destruction of property and disruption for political reasons, however severe, were classified as political violent activism. Terrorism is different from political violent activism in that it is aimed at the loss of human life or deliberately factors in the possibility that lives are lost (Binnenlandse Veiligheidsdienst, 2001: 7). The distinction between these two types of political violence has two motivations: internal and external. The different definitions are used internally to decide what special intelligence powers are proportional to the crime. Externally, a clear use of separate terminology is intended to encourage a proportional response from politics and society (Binnenlandse Veiligheidsdienst, 2001: 9). In 2007 the AIVD defined terrorism as “*het plegen van of dreigen met op mensenlevens gericht geweld of het aanrichten van ernstige maatschappijontwrichtende zaakschade, met als doel maatschappelijke veranderingen te bewerkstelligen en politieke besluitvorming te beïnvloeden*”⁸ (Algemene Inlichtingen- en Veiligheidsdienst, 2007: 16). Here, the destruction of property is added to the possible acts of terrorism. The distinction between political violent activism and terrorism is now found in a difference in seriousness and size. Political violent activism is different from terrorism because the

⁶ Domestic Security Service, which became the AIVD in 2002.

⁷ “*committing or threatening with violence aimed at human lives, for the purpose of bringing about social change or influencing political decision-making.*”

⁸ “*committing or threatening with violence aimed at human lives or causing serious socially-disruptive property damage, for the purpose of bringing about social change or influencing political decision-making.*”

violence is not aimed at human life, and in seriousness and size not of a socially disruptive nature (Algemene Inlichtingen- en Veiligheidsdienst, 2007: 14). In 2009 a final adjustment of the definition is made. The principal Dutch authority on counter-terrorism, the Nationaal Coördinator Terrorismebestrijding⁹ (NCTb) and the AIVD both adopt a new definition of terrorism: *“Terrorisme is het uit ideologische motieven dreigen met, voorbereiden of plegen van op mensen gericht ernstig geweld, dan wel daden gericht op het aanrichten van maatschappij-ontwrichtende zaakschade, met als doel maatschappelijke veranderingen te bewerkstelligen, de bevolking ernstige vrees aan te jagen of politieke besluitvorming te beïnvloeden.”*¹⁰ (Tweede Kamer der Staten-Generaal, 2009a: 9). This definition introduces ‘ideological motives’ as an element of terrorism. The above definition also widens the definition. The scope of violence is defined slightly wider to include actions aimed at seriously hurting people (Tweede Kamer der Staten-Generaal, 2009a: 10). The element of destruction of property is also defined slightly wider to include poorly or not executed attacks as well. The definition includes fear as a possible aim, although the NCTb also acknowledges itself that fear is more a mean than a goal (Tweede Kamer der Staten-Generaal, 2009a: 10). The widening of the definition of terrorism leads to smaller definition of political violent activism since it is a negatively defined concept. However, the usefulness of the concept for a proportional approach of political violence remains.

The Dutch law defines terrorism as a crime with a terrorist intent (Wetboek van Strafrecht, art. 83). Article 83a of the Dutch criminal code states: *“Onder terroristisch oogmerk wordt verstaan het oogmerk om de bevolking of een deel der bevolking van een land ernstige vrees aan te jagen, dan wel een overheid of internationale organisatie wederrechtelijk te dwingen iets te doen, niet te doen of te dulden, dan wel de fundamentele politieke, constitutionele, economische of sociale structuren van een land of een internationale organisatie ernstig te ontwrichten of te vernietigen.”*¹¹ (Wetboek van Strafrecht, art. 83a). This definition includes the necessary precedent of an illegal act, grave fear, coercion, disruption and destruction. Ideology is not mentioned.

The different definitions use different elements as a logically necessary condition to consider an act to be an act of terrorism. The definitions also differ in the scope of the elements. The elements that are a necessary condition in the different definitions can be schematically presented:

<i>Definition</i>	<i>Necessary conditions</i>
<i>UN</i>	(1), (5 or 6)
<i>US-DoD</i>	(1 or 2), (4), (5 or 6)
<i>NCTb</i>	(1 or 2), (3), (4 or 5 or 6)
<i>Dutch Law</i>	(1 or 2), (4 or 5 or 6 or 7)

⁹ National Coordinator for Counterterrorism.

¹⁰ *“Terrorism is defined as threatening with, making preparations for or perpetrating, for ideological reasons, acts of serious violence directed at people or other acts intended to cause property damage that could spark social disruption, for the purpose of bringing about social change, creating a climate of fear among the general public, or influencing political decision-making.”*

¹¹ Article 83a of the Dutch criminal code roughly translates as: Terrorist intent means the intent to severely frighten the population or part of the population of a country, or to unlawfully force a government or international organization to do, not do, or allow something, or to severely disrupt or destroy the fundamental political, constitutional, economical or social structures of a country or an international organization.

Elements

1. *Violence against people*
 2. *Destruction of property*
 3. *For ideological reasons*
 4. *Causing fear*
 5. *Coercion of government*
 6. *Coercion of society*
 7. *Destruction of fundamental structures*
-

To define a complex construct like terrorism a primary qualifier is needed to decide between the elements of the concept and the scope of these elements. In this thesis the negative impact of terrorism on the population will be used as a starting point, for the effect of a phenomenon on the population is the primary source of legitimacy of any government action.

The above definitions have some elements in common: an action intended to intimidate or coerce a larger actor or group. De Graaff (2008: 52) notes that for terrorists, terrorism is a violent “*short-cut*” to get what they want. The vehicle of coercion is fear, the fear limits the freedom of choice. Terrorism thus consists of at least three elements: an act, which through fear, coerces a larger group. What should be the scope of these elements in the definition?

Not all acts should be included to be a possible precursor to terrorism, there should be a real threat in the nature of the act to have any effect. The acts should be defined in a positive way, to prevent the definition to be used to silence political opponents. For example, a country wide strike can effectively coerce a government. However, this non-violent act should of course not be considered terrorism. Whether the act is carried out is not important, also the threat of carrying out the act can have the intended psychological response. The preparation of an act however will not have any effect on a population since the preparation will be covert. If the preparation of an act is overt, then it can be perceived as a threat to carry out the act. Therefore, both the act and the threat of the act should be included in the definition, the preparation should not¹².

The essence of terrorism is the generation of fear, it is the fear of more violence not the violence itself that causes the response. However, not all fear is severe enough for the desired effect. Effective coercion can only be reached through massive fear. The definition should include a qualifier for fear. An interesting definition to consider here is the definition by Cooper (2001: 883): “*Terrorism is the intentional generation of massive fear for the purpose of securing or maintaining control over other human beings.*” Cooper’s definition stays close to the essence of terrorism, though in its simplicity it covers more than the concept the word ‘terrorism’ generally refers to. Terrorism is generally¹³ used in reference to *political terrorism*, when fear is used to exercise control over the government or society as a bigger group. The group has to be big enough to qualify. The definition should therefore specify the group size.

Two elements appear once in the necessary conditions for terrorism mentioned in the four discussed definitions: ideology and destruction of fundamental structures. The definition of the NCTb includes ‘ideological motives’ as a necessary condition for terrorism. Comparing this with the earlier mentioned definition of the US Department of Defense which makes a distinction between

¹² It is important to realize, if preparation for a terrorist act is not considered terrorism this does not mean it is not a criminal offence.

¹³ The Oxford Dictionary (2009) describes a terrorist as “*a person who uses violence and intimidation in the pursuit of political aims*”. The last part of the definition (political aims) signifies that the target is a larger group. Hoffman (2006: 2) arrives at a similar conclusion.

political, religious and ideological, this could lead to an interesting but confusing discussion about the meaning of 'ideology'. This addition is aimed at emphasizing the difference between terrorism and regular crime (Tweede Kamer der Staten-Generaal, 2009a: 9). However, whether a terrorist blows up a bus to coerce a government into revoking a law for ideological reasons or for financial gain does not make the act any different for the occupants of the bus or the government. Often, the distinction between terrorist and criminal is not that clear (Binnenlandse Veiligheidsdienst, 2001: 8). Including any reference to ideology in the definition creates a grey area that does not benefit the clarity of the definition.

The second element only mentioned once is the severe disruption or destruction of fundamental structures of a country or international organization as a goal of terrorism. Without discounting this as a possible goal of terrorism, one could ask if it is necessary to include it in the definition. If the acts in the definition are defined properly the *illegal* disruption or destruction of fundamental structures will only be possible through committing such an act. Separate inclusion of this element is therefore unnecessary and potentially harmful to rights of legally disrupting these structures.

Finally, terrorism is generally considered an act of non state actors or sub national groups (Binnenlandse Veiligheidsdienst, 2001: 8; Hoffman, 2006: 40), although this is rarely included in the definition. Also, threat or violence perpetrated by a state is a separate issue in its characteristics and does not fit the scope of this thesis. Therefore, state actors should be excluded in the definition.

This all leads to the following definition of terrorism, borrowing heavily from the five discussed definitions:

Terrorism is threatening with or perpetrating, acts of serious violence directed at people or acts aimed to cause socially disruptive property damage, by a non state actor, for the purpose of the generation of massive fear intended to coerce or to intimidate governments or societies.

Reverting back to the basis of terrorism makes this definition more flexible to deal with new kinds of terrorism, for example cyber terrorism. This definition also leaves less room for justifying terrorist acts. However, this does not mean this definition is perfect. The application of a definition is always a judgment call and terrorism will always be a hard to define concept.

Defining terrorism financing

In contrast to the definition of terrorism, there is a more commonly agreed on definition of terrorism financing. The *International Convention for the Suppression of the Financing of Terrorism* (United Nations, 1999: 3) prohibits the act of "*directly or indirectly, unlawfully and wilfully, [providing] or [collecting] funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out*" terrorist acts. 'Funds' can be any contribution, for example funds sponsored by a state or funds intended for charity. The convention defines funds as: "*Funds means assets of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including, but not limited to, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, letters of credit.*" (United Nations, 1999: 2). This definition set will be used in this thesis.

Chapter 3: Organizational forms of terrorism

In this chapter the organizational forms of terrorism will be discussed. Terrorism can be perpetrated both by a single individual or a group. Three distinct organizational entities can be distinguished: single terrorist, terrorist organization and inter-organizational cooperation. Within terrorist organizations three types of organization can be singled out: traditional, hybrid and franchise organizations. This amounts to five different organizational forms or ideal types of terrorism that will be discussed in this chapter.

The first issue that presents itself when discussing the organizational forms of terrorism is one of nomenclature. When referring to a group of cooperating terrorists is this a terrorist *organization* or a terrorist *network*? This is not an easy question to answer since it is largely dependent on the entity being discussed. In this discussion it is important to distinguish between organizations with a network structure and networks. In theory this is easy, but in practice there is often no clear divide between the two (Mayntz, 2004: 10). Etzioni defines organizations as “*social units (or human groupings) deliberately constructed and reconstructed to seek specific goals*” (Lammers, Mijs & Van Noort, 2000: 29). Stinchcombe¹⁴ (Lammers *et al.*, 2000: 31) states that a certain level of hierarchy is needed to consider a group an organization. A network does not have a hierarchy, networks are leaderless by definition (Mayntz, 2004: 8). Hall (Jaffee, 2001: 5) characterizes an organization as a collectivity with some sort of identifiable boundary, normative rules, hierarchy and procedures. Terrorist groups differ in the extent in which boundaries and hierarchy exist. Both dimensions shall be used to distinguish between the different organizational forms of terrorism.

Lone wolf terrorism

The single terrorist or *lone wolf* terrorist works alone. Therefore, the boundaries are absolute. This type of terrorist is hard to track and therefore feared. Due to the limited interaction with the environment, the lone wolf is the nightmare of intelligence agencies (Hoffman, 2006: 40). The lone wolf is an individual who shares the ideology of a group¹⁵, but independently carries out actions in support of the group goals without any communication with others (Algemene Inlichtingen- en Veiligheidsdienst, 2009b: 9). Lone wolves can be found for example in Animal Rights circles. A famous example of a lone wolf (although not a terrorist) is Volkert van der Graaf who assassinated Pim Fortuyn in 2002.

‘Traditional’ organizations

The more strict hierarchical terrorist organizations are often referred to as the *traditional* or *old* terrorist organizations. These organizations are structured much like conventional armies. An example of this type of organization was the LTTE in Sri Lanka. The LTTE is¹⁶ one of the most ruthless if not the most ruthless terrorist organization in the world (Federal Bureau of Investigation, 2008; Anderson & Sloan, 2009: 388). This organization has managed to raise an army of around 10,000 to 16,000 soldiers (Géré, 2007: 380; Hoffman, 2006: 143; Anderson & Sloan, 2009: 388) and developed

¹⁴ Stinchcombe defines formal organizations as “*Any social arrangement in which the activities of some people are systematically planned by other people (who, therefore, have authority over them) in order to achieve some special purpose*” (Lammers *et al.*, 2000: 31).

¹⁵ The group which (unknowingly) provides the ideology does not have to be a terrorist group.

¹⁶ It can be argued that the LTTE lost their ‘title’ in May 2009 when the organization was incapacitated by the death of the majority of their leadership and the loss of all their controlled territory in Sri Lanka.

a sea and an air wing (Hoffman, 2006: 143). Other more pronounced hierarchical organizations are for example *Fuerzas Armadas Revolucionarias de Colombia* (FARC) in Colombia and *Hamas* in Israel. The boundaries of these organizations are relatively well defined. The members often wear uniforms. In some organizations the members are given membership cards (Napoleoni, 2004: 88) or other symbols of membership like cyanide capsules (Hoffman, 2006: 140-141).

Hybrid organizations

Hybrid terrorist organizations utilize more network characteristics in their design. The hierarchy in this type of organization is less strict and centralized, but still clearly present. The structure of the organization is more decentralized and therefore less vulnerable. Decentralization in terrorist organizations can be found both at the top level and the lower levels. For example, the Irish Republican Army (IRA) has a shared leadership in a council (Richardson, 2007: 68). In the lower levels of terrorist organizations the use of cells is an example of decentralization. These can be found in nearly all terrorist organizations (Mayntz, 2004: 11). The adaption of network structures in the organization not only limits the vulnerability of the organization, it also allows for more flexibility (Mayntz, 2004: 12).

The further an organization becomes more 'networked' the less defined the boundaries become. Whereas the more strict hierarchical 'traditional' organizations rely on a base of professionally trained terrorists, these types of organizations allow more amateurs in their ranks (Hoffman, 2006: 271; Mayntz, 2004: 12). The boundaries can be characterized as open and fluid (Mayntz, 2004: 12).

Franchise organizations

The most extreme network version of the terrorist organization is the franchise organization. Mayntz proposes to describe the present day *Al Qa'ida* as a franchise system (2004: 17). This type of organization willingly spreads its ideology and methods for others to use. This concept is closely related to the *lone wolf*. The emergence of this system is often referred to as one of the most important trends in present day terrorism (Hoffman, 2006: 271). In this type of organization the hierarchy is limited to steering by ideology. The communication is one way, top down. The boundaries are completely open, the central leadership has no control over who uses the information made available by them.

An example of a terrorist organization inspired by *Al Qa'ida* is *Al Qa'ida in the Islamic Maghreb* (AQIM). The organization, then known as *Groupe Salafiste pour la Prédication et le Combat* (GSPC), is a break off faction of the *Groupe Islamique Armé* (GIA). GSPC was originally aiming for goals limited to the territory of Algeria. After 2003, it aligned itself more openly with *Al Qa'ida* and broadened its goals (Anderson & Sloan, 2009: 609). However, one could argue that due to the increasing closeness of AQIM and *Al Qa'ida*, AQIM is now a part of the hybrid organization of *Al Qa'ida* instead of a separate franchise organization.

Inter-organizational networks

Already in the 1960's terrorists organizations sought each other out for training and weapons trade (Hoffman, 2006: 76-77). From a resource dependency perspective it is understandable and likely that these kind of alliances or networks are formed between terrorist organizations. These networks are leaderless and therefore lack a clear hierarchy.

The boundaries of these networks were traditionally controlled through interpersonal contact. The internet offers new possibilities here (Muller *et al.*, 2004: 32). It has become a lot easier to come into

contact with like-minded people. In this light, Arquilla and Ronfeldt speak of the concept of *netwar* (Hoffman, 2006: 39). Netwar is a mode of conflict attuned to the information age. Muller *et al.* (2004: 33) mention the possibility of swarm attacks. Swarm attacks¹⁷ are attacks orchestrated in a network where the attackers only meet in time or place during the actual attack. Due to the limited knowledge of the whereabouts of the other participants, these attacks are hard to prevent and prosecute.

Conclusion

The different organizational forms of terrorism are all closely related. All forms differ in their hierarchy and boundaries. In the table below an overview is given of how the forms differ on these properties:

	<i>Lone wolf</i>	<i>'Traditional' organizations</i>	<i>Hybrid organizations</i>	<i>Franchise movement</i>	<i>Inter-organizational networks</i>
<i>Hierarchy</i>	n/a	High (centralized)	Medium (decentralized)	Minimum (ideology)	None (leaderless)
<i>Boundaries</i>	Absolute	High (defined)	Medium (less defined)	Low	Minimum (undefined)

The terrorist organizations do not stick to ideal types discussed above and they often evolve and change over time. Most (if not all) terrorist organizations have both hierarchical and network characteristics in their structure. Mayntz (2004: 13) names a set of three distinctive features that set terrorist organizations apart from regular organizations. The central leadership uses *generally formulated goals and strategies* as their principal mode of central control. The second distinctive feature is in *the latency of the relations*. There is little communication between different units, however this does not constitute that the relationship is weak. The third distinctive feature is *the strong identification of individuals with the organization and its goals*. This feature provides a binding factor that makes effective steering possible despite the mode and latency of the steering. These features resemble the 'professional style' of policy implementation as described by Terpstra & Havinga (1999: 51). Lower level steering by a *primus inter pares* fits within this style and can be found in terrorist organizations, correcting for the less dominant top-level steering.

In this thesis terrorist actors will often be referred to as terrorist organizations. Since organizations are the most dominant organizational form, though not literally correct, this will refer to all the different organizational forms of terrorism.

¹⁷ Swarm attacks can be seen as the terrorist version of a *flash mob*.

Chapter 4: Financing of terrorism

This chapter will give a brief description of how terrorism is financed. This description will concentrate around three questions: where does the funding come from, what is it used for and how does it get there? First the destination of the funds will be discussed, then the sources and finally the methods of transport.

Destinations

It is often pointed out that terrorism is a cheap weapon. The total cost of attacks of 11th September 2001 was less than 500,000 US dollars (National Commission on Terrorist Attacks upon the United States, 2004: 172). Most terrorist attacks are even cheaper. The attacks on the US embassies in Kenya and Tanzania in 1998 cost only approximately 10,000 US dollars (National Commission on Terrorist Attacks upon the United States, 2004: 498), the Madrid bombings in 2004 also cost approximately 10,000 US dollars, the attack on the U.S.S. *Cole* in 2000 was an expense of approximately 5,000 US dollars (Hutchinson & O'Malley, 2007: 1099). These numbers raise the question why terrorist organizations collect millions or even billions¹⁸ in funding. It is not beyond discussion if terrorist organizations are indeed able to raise these massive sums. There are little to no reliable estimations on the proportions of the 'terrorist economy'. Some numbers have proven themselves both very mediagenic and very unreliable (De Goede, 2006: 206). However, terrorist organizations devote most of their activity to organizing and ensuring its survival, not the attacks (Chaliand & Blin, 2007: 183-184). Small terror groups have a limited need for resources, but when the organizations grow larger their needs increase (Bovenkerk & Chakra, 2005: 7). The upkeep of large terrorist organizations is enormous (Muller *et al.*, 2004: 40).

Ward (2005: 26) points out that organizations need funds to acquire materials for their actions, and gain access to the knowledge to use them. The author adds: "*As a result, terrorist groups that are financially secure have a distinct advantage*". Aside from the actual attacks, terrorist organizations employ a large range of activities. These activities can include for example: recruitment, propaganda, training, arms procurement, political activities, research and development, and of course fundraising. On top of this there are costs for salaries, surviving relatives' pensions, transport, bribes, materials, etc.

Funds can also be appropriated to buy political support for the terrorist organization or cause. Migaux describes (2007a: 318) how Bin Laden used his funds to build modern roads and housing in Sudan in exchange for the support of the authorities. A few years later Bin Laden used his funds again, this time in Afghanistan, to forge an alliance with the Taliban leadership¹⁹ (Migaux, 2007a: 321). This type of strategic spending is not limited to the developing world. In 2007²⁰ the then American presidential candidate Hillary Clinton decided to return some campaign contributions after an individual contributor was linked to the LTTE (Jayawardhana, 2007). This individual contributed

¹⁸ The exact amounts of funds terrorist organizations can employ are often a matter of debate. At one point Al Qa'ida reputedly had billions of US dollars worth of funds at its disposal (Hoffman, 2006: 284).

¹⁹ Bin Laden donated an approximate 10 to 20 million US dollars per year to the Taliban (National Commission on Terrorist Attacks Upon the United States, 2004: 171).

²⁰ A similar incident occurred in 2000 when Hillary Clinton decided to return some campaign contributions when the links between the contributors and terrorism emerged in the media (Emerson, 2000).

over 17,500 US dollars²¹ to campaigns of Democratic Party politicians including Barack Obama (Federal Election Commission, 2009). Another contributor accused of supporting the LTTE (Esposito, Jones, Schlechter & Ross, 2009) through the TRO, a front organization posing as a charity, made 130,000 US dollars in contributions to political organizations in the US (Federal Election Commission, 2009).

Funding of terrorist organizations is also regularly 'misappropriated' within the terrorist organization. Many terrorists have found the membership of a terrorist organization a convenient source of self-enrichment. For example, the Palestinian leader Yasser Arafat reputedly managed to amass over one billion US dollars in assets (Ehrenfeld, 2003: 23). Displacement of funds also happens among lower level terrorists, in the 1980s the members of the *Ulster Defence Association* (UDA) took up to 80 percent of the collected money for themselves (Naylor, 2004: 57).

Sources

Terrorist organizations apply a very pragmatic approach to fundraising. If they control smuggling routes they often will traffic drugs, arms or humans. If they control farmers and farmland, they will often grow drugs. If they claim to represent an ethnic community with a large diaspora, they will seek or coerce the support of this group. If NGOs get involved in conflict regions they will be used. In this chapter several sources of funds will be discussed: state sponsorship, organized crime, diaspora and charity, and legitimate business enterprises.

State sponsorship

State support of terrorism can be divided into two categories: active and passive support of terrorism. During the cold war both Western and non-Western nations used terrorism as a cheap and covert way of conducting foreign policy. Since then, state sponsorship has not ceased to exist (Hoffman, 2006: 263). Currently, the focus is on so called *rogue states*. For example, the United States government currently lists Cuba²², Iran, Sudan, and Syria as state sponsors of terrorism (Anderson & Sloan, 2009: 640). These are states that give active support to terrorist groups. The active support of states gives terrorists access to enhanced resources. In the 1980's, state sponsored terrorist attacks were on average eight times more lethal than other terrorist attacks (Hoffman, 2006: 261). Although the same few countries are often named as active supporters of terrorism, it should not be concluded that active state support of terrorism at present is limited to these countries alone. For example, as a facilitator of the peace negotiations between the LTTE and the Sri Lankan government, the Norwegian government developed friendly ties with the LTTE. How far these ties developed, and whether this subsequently turned into active support of terrorism is difficult to answer. The Norwegian government reportedly assisted in the procurement of arms by the LTTE (Ferdinando, 2009a; 2009b), charges the Norwegian government subsequently denied (The Island, 2009). These allegations are hardly proof active state support of the LTTE by Norway, this example is merely intended to show how active state support could also happen in countries near the EU.

²¹ Only 2300 dollars of the in total 17,534 dollars donated by Ramanathan Ranjan has been returned. After returning one contribution, Democratic Party politicians including Hillary Clinton accepted new contributions by this individual (Federal Election Commission, 2009).

²² Whether Cuba is still a rogue state can be matter of discussion, there is no recent evidence of support for terrorism available in public sources (Muller *et al.*, 2004: 37). Cuba remains on the US list as a result of the country granting asylum to many terrorists in the past (Anderson & Sloan, 2009: 641).

A different type of state that attracts terrorist organizations are the *failed states*. In these states there are (large) areas where the central government is unable to fight terrorists setting up camp in their territory (Muller *et al.*, 2004: 38). A well known example of this type of state is Somalia. Failed states do not support terrorism, they are unable to effectively fight terrorism. According to Byman (2005: 2) it can be considered passive state support of terrorism if the state knowingly allows “*a terrorist group to raise money, enjoy sanctuary, recruit, or otherwise flourish without interference but does not directly aid the group itself.*”²³ This kind of support for terrorism is very frequent, not limited to non-Western countries, and dangerous. For example, in the preparation of the attacks of the 11th September 2001 several countries failed to step in to prevent financing (Saudi Arabia, Germany) and preparation (Malaysia) (Byman, 2005: III). Another less incidental example of passive support of terrorism can be found in several European countries. In many countries the LTTE, or sympathizers of this terrorist organization, organize a ‘heroes day’ on the 27th November each year. On that day they remember and mourn the fallen terrorists. In practice this results in speeches and plays that glorify terrorism. Children of all ages are encouraged to participate in these activities. Despite the European Union ban on the LTTE in May 2006 (NRC Handelsblad, 2006: 5), this day can be organized without much difficulty in many European countries, including the Netherlands. In 2007 and 2008, for example, the LTTE organized the day at *Sportcomplex Merwestein* in Nieuwegein²⁴ (Tamil Nation, 2009). This type of support activities are not unique to the LTTE, several terrorist organizations organize cultural festivities to rally support for their cause. Allowing terrorist organizations to perform support activities out of reach of the target nation, has a significant impact on contemporary terrorism. Gunaratna (2001: 180) states that passive state support is at present as much if not more significant in sustaining terrorism than active state support of terrorism. The author also argues that democracies are – with the constitutionally protected freedom of speech and association – exceptionally vulnerable to the risk of providing passive support for terrorism. In the discussion about state support of terrorism one has to recognise that in a democracy it is practically impossible not to allow some passive support of terrorism. However, it should be a constant object of discussion which activities should be protected by the democratic rights and which activities are eroding these rights.

Another example of state support of terrorism can be found in the misappropriation of development aid. Due to shortcomings in control a part of the development aid ends up in terrorist hands. Ehrenfeld (2003: 8) shows for example how the European Union contributions to the Palestinian Authority are used to fund terrorism. Whether this can be considered active state support or grave negligence on the part of the European Union is a matter of debate.

Criminal enterprise

Many terrorist organizations have used crime as a source of funds. A wide range of criminal activities have been deployed by terrorist organizations. These activities include for example drug trafficking, robbery, extortion, kidnapping, smuggling, theft and fraud. In the 1980s, when the active state support of terrorism was declining as a result of the ending of the cold war, new sources of funding were needed. A new alliance emerged between narcotics traffickers and international terrorists (Petrakis, 2001). Along with this new alliance the term *narco-terrorism* emerged (Bovenkerk & Chakra, 2005: 4). Most if not all major terrorist organizations are now involved in the global drug

²³ This definition excludes those who willingly support or are unable to combat terrorism.

²⁴ A considerable number of photos of this day (or a similar event at Merwestein) can be found on tamilloverz.com/tyo/Tyo%20Gallery, pictures a_372 through a_455.

trade. This involvement can include protection, cultivation of drugs and shipping. This alliance is not limited to drug crime, any cooperation between criminal and terrorist organizations that is mutually beneficial is possible. These alliances are often short-term (Dishman, 2001: 44) and opportunistic.

There are a lot of similarities between terrorist and criminal organizations; they both rely on covert organization of their activities and there is an indifference to the societal and moral norms in the pursuit of their goals. In the literature there are two main distinctions to be found between terrorist and criminal organizations: attention and goals. The criminal organization wants no attention for its enterprise, while the terrorist organization intentionally seeks out public attention with its deeds (Bovenkerk & Chakra, 2005: 11). The criminal organizations main goal is considered to be economic profit while the terrorist organization is said to be motivated by ideology and wants to achieve political change (Bovenkerk & Chakra, 2005: 3). Dishman (2001: 45) argues that the difference in aims and motivations make it difficult to cooperate for terrorist and criminal organizations. However, one could question if ideology or wealth are the real motivators of the leaders of the terrorist or criminal organization. Often, the desire for power is more dominant (Bovenkerk & Chakra, 2005: 10). Also, when a criminal organization aimed at profit wants to give a clear signal to its enemies, it might act as a terrorist organization. When a terrorist organization is trafficking drugs, it will act as a criminal organization. At a certain point it is impossible to distinguish between terrorists funding their terrorism with drugs and drug traders protecting their trade with terrorism. This example supports the notion put forward by some authors that *"terrorism could change into organized crime and vice versa"* (Bovenkerk & Chakra, 2005: 4). Dishman (2001: 48) gives the example of Myanmar where many traditional insurgent groups have given up their political aims and now solely focus on the drug trade. Bovenkerk and Chakra (2005: 12) give two striking examples where *"War between ideologies stops, as it were, at the edge of cannabis and poppy fields."*

Dishman (2005) points out comparable trends in the cooperation between terrorists and organized crime. Due to law enforcement efforts, directly or indirectly, both lower ranking criminal and terrorist operatives are becoming increasingly separated from their leadership. Lower level criminals have fewer reservations about cooperating with terrorists. For the terrorists there is a higher necessity to cooperate with criminals because the cells now lack the funds and expertise the leadership previously supplied. This results in what Dishman (2005: 238) calls *a leaderless nexus* between terrorists and criminals, an increased cooperation between lower and mid-level operatives of terrorist and criminal organizations. Two consequences spring from this: the shift from single deal cooperation to long term alliances and hybrid terrorist criminal organizations (Dishman, 2005: 246). Instead of single event cooperation between terrorists and criminals, long term alliances will develop between lower and mid-level terrorists and criminals. The hybrid terrorist criminal organization is an organization of the type *"criminal by day, terrorist by night"* (Dishman, 2005: 247). Dishman gives the example of the Madrid bombings where one of the terrorists' involvement was masked by his criminal activities.

The needs of terrorist organizations decide the type of crime they will engage in (Hutchinson & O'Malley, 2007: 1099). Small terrorist groups like a lone wolf or a franchised cell will most likely perpetrate low-risk, low-profit crime. Larger organizations with their bigger needs will employ a more organized approach towards crime, development of in-house large scale criminal activities is most likely (Hutchinson & O'Malley, 2007: 1105).

Diaspora and charity

Another important resource for terrorist organizations is the diaspora with its sympathisers and charities. Many conflicts and economically motivated migration have resulted in large migrant groups around the world. Frequent media coverage of the human suffering as result of wars and conflicts has resulted in a large number of charities aimed at lessening this. These groups are utilized by terrorist organizations through propaganda, fraudulent charities and extortion.

Propaganda is an important tool of terrorist organizations with regard to fundraising. Propaganda can manipulate minds, undermine the confidence in the enemy, and win sympathy and support (Hoffman, 2006: 198-199). The internet has added new power and possibilities to terrorist propaganda (Hoffman, 2006: 201). The internet supplies any terrorist with the possibility of an unlimited audience. There are countless websites supplying readers with the why and how a cause can be supported. Terrorist groups like to present the support of terrorism as a religious duty. Many Islamic terrorist groups abuse the Islamic concepts of *zakat* (National Commission on Terrorist Attacks Upon the United States, 2004: 170) and *jihad*. Migaux (2007b: 294) quotes an influential Islamic extremist scholar who said that *jihad* is a lifelong individual obligation. If a person is (temporarily) not able to participate in the physical *jihad* he has to support it financially. However, this never releases the person from the duty to partake in the physical *jihad*. This abuse is not limited to Islamic terrorist groups, for example, the LTTE presented the contributions of Tamil migrants as a part of “*their sacred duty to recover the land of Tamil Eelam*” (Gunaratna, 2001: 187).

Terrorist organizations not only collect money from the migrant community through appealing to their sense of nationalism or duty as mentioned above. They also use (the threat of) violence to extort money from the migrant population. The threat of violence can also be aimed at family members living in the home country; this is referred to as *collateral coercion* (Gunaratna, 2001: 182). An example of a terrorist organization using collateral coercion is the LTTE. This organization is the most successful terrorist organization with regard to fundraising among the diaspora population. The LTTE received 80 to 90 percent of its annual budget from this source (Fair, 2004: 31), and effectively turned the war in Sri Lanka into a diaspora-funded war (Cochrane, Baser & Swain, 2009: 690). The LTTE has managed to set up offices and cells in at least 54 countries (Chalk, 1999). In the Netherlands the activities of the LTTE have been under investigation by the AIVD since the LTTE was put on the EU terrorism list (Algemene Inlichtingen- en Veiligheidsdienst, 2008b: 36).

Terrorist organizations also use charities as a significant source of funding (Bell, 2008: 455). The application of funds for terrorist purposes can happen with or without the knowledge of the benefactors and management of the charity. Examples of charities deliberately funding terrorist organizations are the *Holy Land Foundation* (HLF) funding Hamas (Ehrenfeld, 2003: 38) and the earlier mentioned TRO funding the LTTE (Gunaratna, 2001: 188). Both organizations have been banned in many countries. Charities are attractive targets for terrorist organizations. Their character is very suitable to raise money and transfer it to conflict areas without arousing direct suspicion (Bell, 2008: 456).

Legitimate business enterprises

Terrorist organizations use legal businesses in two ways to raise funds: labour and shares. Terrorists frequently hold regular jobs. Terrorists use investments in legitimate businesses as a source of financing as well. Several terrorist organizations use this as a low-risk source of funding. The IRA for example owned a taxi company which yielded a yearly profit of approximately one million euro. It also owned security firms, shops, hotels and bars (Muller *et al.*, 2004: 43). Other terrorist

organizations with a big legitimate business portfolio are the LTTE (Fair, 2004: 31-32) and Al Qa'ida (Muller *et al.*, 2004: 43). These businesses are also useful for money laundering (Muller *et al.*, 2004: 42).

Transfer methods

The funds used for terrorism are often spent in a different place from where the funds are collected (Winer, 2002: 23). This makes it necessary for terrorists to transfer funds. There are many ways to transfer funds, here four ways will be briefly discussed: regular²⁵ banking, informal value transfer systems, e-banking and physical transfers.

Terrorist organizations use regular banks to transfer funds. For example, the funds for 9/11 have been transferred through Western banks like the Citibank and money transfer services like Western Union and MoneyGram (De Goede, 2006: 126). The ease and accessibility of regular banks in Western countries makes this system a logical choice to transfer money. The massive number of transfers in this system also yields advantages, it makes suspicious transfers hard to detect (Ward, 2005: 25).

In the world there are several *informal value transfer systems* (IVTS) that provide an alternative to Western banks. An example of an IVTS is the *Hawala* system. This system works through a network of independent agents called *hawaladars*. The procedure is very similar to regular banking. When a client wants to transfer money he contacts a hawaladar and gives him the money. The hawaladar will then contact another hawaladar near the intended destination of the transfer. The hawaladars record their debts in their books and make the funds available for the recipient. This *modus operandi* is typical for IVTS (Passas, 2005: 7). There are many misconceptions in the scientific literature about IVTS. These misconceptions are propagated by ignorance and 'facts by repetition' (Passas, 1999: 20). The systems are often wrongly portrayed as designed for criminal use and paperless. However, the system is suitable for use by terrorist organizations. In addition to the lack of formal control of the system and the excellent infrastructure in developing countries, some IVTS brokers are also able to transfer large sums (Passas, 2005: 10-11). Although it is likely that IVTS is also used by terrorists and supporters in the Netherlands, little evidence of this has been found, possibly due to the limited traceability (De Poot *et al.*, 2009: 115).

The third method of transfer discussed here is e-banking. This is a collective term for a number of methods of electronic banking and electronic wallets. Together with the rise of the internet and the mobile phone, a large number of electronic banking initiatives²⁶ have seen the light of day. These systems can be vulnerable for use as a hard to trace transfer method. Ehrenfeld and Wood (2007) describe how, using a mobile phone payment system, money can be transferred anonymously. The use of any system where identity control can be circumvented is attractive for terrorists. A segment that should not be overlooked here are the *digital virtual communities*²⁷. In 2006 an estimated one billion US dollar was spent these virtual economies (EU Counter-Terrorism Coordinator, 2008: 6). However, with these methods one can question the practical usability. The 'virtual transfers' will generally leave some traces in a system. Also, to be able to spend the 'virtual money' it has to be

²⁵ The use of the word 'regular' is debatable here, the Western banking system is not the most common system in every part of the world. Since this thesis discusses implications for Dutch government policy the banking systems are named according to the Western perspective.

²⁶ Examples are paypal.com, clickandbuy.com and ukash.com.

²⁷ For example secondlife.com.

converted to cash, or deposited in a bank account. These characteristics detract from the supposed untraceability of this type of transfers.

The last category of money transfer discussed here is the physical transfer. This transfer method involves the physical transport of money or valuable goods and commodities. Terrorist groups often have control over smuggling routes used for their criminal enterprises and arms procurement. This infrastructure is also used to transfer funds. Couriers are also used to transport money and valuables. The advantage of this system is the limited traceability, but compared to other methods it is fairly slow.

Summary

Terrorist organizations employ a wide range of activities to collect and transfer funds. The funds are not just intended for attacks, most of the funds are needed for other expenses. The table below gives a summary of terrorist financing discussed in this chapter:

<i>Sources</i>	<i>Transfer methods</i>	<i>Destinations</i>
Active state support	Regular banking	Organization costs
Criminal activity	Informal value transfer systems	Attacks
Diaspora and sympathizers	E-banking	Political support
Abuse of charity	Physical transfer	Self-enrichment
Abuse of development aid		
Legal businesses		

Chapter 5: Contemporary terrorism in the Netherlands

The recent history of terrorism in the Netherlands starts more or less in the 1970's. Most notable are the violent terrorist attacks by South-Moluccan youth. These attacks started with a hostage taking at the residence of the Indonesian ambassador in 1970 (Muller, 2008: 219). At the start of the attack one police officer was murdered. Other attacks followed in 1975, 1977 and 1978, and several people were killed (Muller, 2008: 237). These attacks were not the only terrorist incidents of that era, but they were the most severe (Muller, 2008: 227). The attacks lead to a professionalizing of the approach to terrorism.

Roughly 30 to 40 years later there are still terrorists operating in the Netherlands. This chapter will discuss contemporary terrorism in the Netherlands. There are two kinds of terrorist activities in the Netherlands: threats and other activities of terrorists. Threats are individuals or groups who are a direct threat to security in the Netherlands. Other activities are, for example, terrorists that stay in the Netherlands in preparation of an attack in another country or for more general support activities. Although only the first group poses a threat to security, both groups are targeted by law enforcement for two reasons. First of all, although the second group is not a threat at present, it might become a threat in the future. A group aimed at supporting terrorism can change in nature at any time and prepare an attack (Algemene Inlichtingen- en Veiligheidsdienst, 2009a). Second, the second group poses a threat to civilians in other countries and this creates the responsibility to act.

This chapter will discuss different terrorist activities that recently took place in the Netherlands. It will address the likelihood of the same or similar activities taking place in the Netherlands, since this is useful to evaluate the fit of the policy. Three levels are distinguished here: likely, possible and unlikely. Terrorist organizations of course do not publish detailed reports on their current activities. Intelligence agencies are also limited in their openness, they constantly have to preserve the balance between openness and secrecy (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 11). The rating applied here relies on intelligence reports of the AIVD, threat assessments of the NCTb, scientific studies and news reports. The description of activities will also address the organizational forms that show the activities and the related methods of fundraising.

Islamic terrorism

At present, the biggest threat to security in the Netherlands is Islamic terrorism. This kind of terrorism can be divided into three interlinked groups: local autonomous jihadists, returning jihadists and international jihadists.

Local autonomous jihadists

In 2004 the threat of terrorism came mainly from local autonomous jihadist groups, for example the '*Hofstadgroep*'. Around that time there were around 10 to 15 similar groups operating in the Netherlands (Alberts & Derix, 2009: 20). This threat is now as good as gone (Alberts & Derix, 2009: 20) and is not considered a concrete threat (Nationaal Coördinator Terrorismebestrijding, 2009). There are still individual jihadists in the Netherlands (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 6). Although at present their level of activity is very low and their cooperation is very fragmented (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 6), their presence still poses a possible threat for the future. These actors are also involved in the facilitation of terrorist acts. These activities include aiding terrorists with settling (arrange access and lodgings), financing and

communication (De Poot *et al.*, 2009: 54). For example, certain actors in the Netherlands have supplied jihadists with fake identification cards (De Poot *et al.*, 2009: 111).

Autonomous local groups like the *Hofstadgroep*, are most like hybrid terrorist organizations. One of the reasons the AIVD gives for the decline of these terrorist organizations is the lack of strong leaders (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 7). This signifies that there is some hierarchy in the groups. The AIVD often describes these groups as fluid networks (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 4), in other words the boundaries are less defined. Other organizational forms are also possible. It is possible, for example, for a member of small radical group to develop into a lone wolf. A third organizational form encountered in context is inter-organizational cooperation. There is inter-organizational cooperation between actors in the Netherlands among themselves, and internationally (De Poot *et al.*, 2009: 155). These relationships are highly dynamic (De Poot *et al.*, 2009: 165).

For these small autonomous groups, the primary source of money will be legal activities like labour and illegal activities like fraud and petty crime. For example, several members of the *hofstadgroup* held regular jobs (Vermaat, 2008: 252). Examples of criminal activities of terrorist organizations in the Netherlands include shoplifting, credit card fraud, burglary, drug related crime (Mascini & Verhoeven, 2004: 23). Drug crime is only incidentally used as a source of funds, however this can be highly lucrative (De Poot *et al.*, 2009: 113). Jihadists sometimes receive some money from (criminal) sympathisers. Jihadists and sympathisers also collect money for the jihad, both openly and under the guise of charity (De Poot *et al.*, 2009: 115). International cooperation doesn't seem to play an important role in the financing of these groups.

Returning jihadists

The focus of local jihadists is currently more on the jihad outside Europe (Algemene Inlichtingen- en Veiligheidsdienst, 2009a). A new development is the increasing number of Europeans joining the international jihad, for example in Somalia. In July 2009 four Dutch nationals were arrested at the Somali border in Kenya, allegedly on their way to join a jihadist training camp (Nationaal Coördinator Terrorismebestrijding, 2009). This kind of jihadists might return with instructions to carry out attacks on European targets (Nationaal Coördinator Terrorismebestrijding, 2009). This threat is not just theoretical. Two different groups of jihadists, who returned from Pakistan to execute attacks in Europe, were arrested in Germany and Denmark in 2007 (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 12). At present, the AIVD has not witnessed the return of many trained or experienced jihadists to the Netherlands. However, this is a likely threat for the near future.

Returning jihadists will on return most likely seek to integrate in the current network of jihadists in the Netherlands. They could develop into an inspiration and an accelerator for domestic hybrid organizations (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 19). Another possibility is that they prepare attacks in isolation as lone wolves or as part of a small cell. Their skills and domestic connections will give them access to all financing methods open to local groups. In addition, their international connection might give them access to some funding from international sources.

International jihadist groups

In August 2009 the threat of terrorism in the Netherlands consisted mainly of the threat of international jihadist groups (Nationaal Coördinator Terrorismebestrijding, 2009). An indication of this threat is the arrest of Akeel Abbasi in March 2008 (Alberts & Derix, 2009: 19). Abbasi, a Pakistani national, was sent to the Netherlands to prepare for a terrorist attack in Europe. The Netherlands is

still considered a legitimate target for attacks (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 6), due to amongst other things the military presence in Afghanistan and the release of the movie *Fitna* by the Dutch parliamentarian Wilders. The possible repercussions of certain offensive acts are illustrated by the failed attacks in Denmark in 2007 (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 12) and 2010 (NRC Handelsblad, 2010a). In addition to this, there is a strategic repositioning visible in the choice of targets by international terrorist organizations, they now consider Western targets a bigger priority (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 16). However, these organizations are more interested in several other European countries, for example France, Germany and Denmark (Tweede Kamer der Staten-Generaal, 2009a: 4). Still, this is a possible threat for the future.

International jihadists in the Netherlands are most likely individual or small cells working on behalf of bigger international terrorist organizations. There are several international terrorist organizations active in the Netherlands or one of the neighbouring countries. However, at this point these organizations are mostly aimed at support activities, such as financing the international jihad (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 6). Examples of some organizations are the Islamic Movement of Turkistan²⁸ (IMT) (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 23) and the earlier mentioned AQIM (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 20). The latter is suspected to play an important role in the recruitment of jihadists in Europe (Anderson & Sloan, 2009: 609). Although international jihadists have more contacts for outside financial support, this does not mean it is always available to them. Cells of bigger organizations are also often left at their own devices to gather the money needed (Mascini & Verhoeven, 2004: 21), therefore it is likely if they operate in the Netherlands that they display similar fundraising activities as local groups.

Conclusion

Although the threat of local autonomous jihadist groups for the moment has mostly subsided, there is still a threat of Islamic terrorism in the Netherlands. There are two developments visible. Local jihadists are more focussed on the jihad outside Europe, and international terrorist organizations are more focussed on targets in Europe. Where these developments meet, this can lead to an increased threat to security in the Netherlands and Dutch targets worldwide. Overall, Islamic terrorism is still a likely threat for the immediate future.

Other threats and activities

Aside from the threat of Islamic terrorism, some threat is also coming from other extremist groups, for example right-wing extremists and animal rights extremists.

Right-wing extremism

Although radical Islamic terrorism is the biggest threat, there are also other (potential) terrorist threats in the Netherlands. Also racist organizations might employ fear as a weapon to discourage immigrants in general to come to or stay in the Netherlands. In the United Kingdom, Scotland Yard has already warned of a "*spectacular*" terrorist attack by right-wing extremists (Dodd, 2009). Although the last years have seen a decline in right-wing extremist violence, violence against Islamic targets has been on the rise (Wagenaar & Van Donselaar, 2009: 9). An example of a suspected

²⁸ Also known as the Islamic Party of Turkistan, formerly known as Islamic Movement of Uzbekistan (IMU) (Anderson & Sloan, 2009: 313-314).

terrorist with right-wing extremist sympathies is Eric Jan Quakkelsteijn (NRC Handelsblad, 2010b). The AIVD considers the threat of right-wing extremist terrorism small and unlikely to develop from current known organizations (Algemene Inlichtingen- en Veiligheidsdienst, 2009c: 37). The possibility of the emergence of other right-wing extremist lone wolf terrorists make this threat a possible threat for the future.

Animal rights extremism

A third group of (potential) terrorists are radical animal rights activists. In 2008, the proposed establishment of a business park in the bioindustry, *ScienceLink* in Venray, lead to protests from animal rights activists. During these protests several people were threatened²⁹ (Algemene Inlichtingen- en Veiligheidsdienst, 2009b: 15). The activists used fear as a weapon to influence the decision making process. The project was cancelled, but what impact the threats had on the decision making process is unclear. The scale of this and other similar incidents is too limited to consider it terrorism, it is farfetched to assume a big portion of the population was in massive fear. Still, the number of violent incidents is on the rise (Algemene Inlichtingen- en Veiligheidsdienst, 2009b: 15), it appears the willingness to use violence is increasing. The violent incidents are organised and perpetrated by single individuals or by small groups (Algemene Inlichtingen- en Veiligheidsdienst, 2009b: 9). Sometimes these individuals are a member of bigger animal rights organizations, though the attacks are never claimed on behalf of the larger organization. At present animal rights activists do not pose a terrorist threat, but if the violence increases it might develop into a threat for the future. Animal rights activism and extremism has a strong international component. There is a frequent contact between different organizations, some of the activities are carried out with other organizations (Algemene Inlichtingen- en Veiligheidsdienst, 2009b: 20). There were financial links with organizations in the United Kingdom, but the Dutch organizations seem to be financially self-reliant at present. Animal rights activism finances itself through making collections at malls, small benefit concerts, but also through regular jobs (Algemene Inlichtingen- en Veiligheidsdienst, 2009b: 20). Which part of this money is used in support of animal rights extremism is not clear.

Other terrorist activities

Aside from the actors that could pose a direct threat to security in the Netherlands, also other terrorist actors operate in the Netherlands. These actors operate in the Netherlands in support of terrorist organizations that operate outside the region. Examples of these organizations are the LTTE, the *Partiya Karkaran Kurdistan* (PKK) and the *Devrimci Halk Kurtuluş Partisi/Cephesi* (DHKP/C) (Algemene Inlichtingen- en Veiligheidsdienst, 2007, 2008b, 2009c).

The LTTE employs a wide network of fundraising activities around the world. The organization has managed to set up offices and cells in at least 54 countries (Chalk, 1999). Examples of their fundraising activities are the use of bogus charities and the tapping of the migrant community. The *Tamil Rehabilitation Organization* (TRO) operated as a bogus charity in the Netherlands. This charity is currently not operating in the Netherlands anymore, however it is possible that some activities have continued under a different name. A new charity has been registered in the same address as the banned fraudulent charity. It is also possible that migrant communities in the Netherlands are

²⁹ A car of a director of a participating company was set on fire. A house of an alderman was visited. Houses of the directors of the property developer were plastered with paint and they were told in a later published letter: “Nu was het alleen maar wat verf, binnenkort zijn wij niet meer zo vriendelijk. Tot volgend jaar.” (This time it was only some paint, soon we won't be this friendly. See you next year).

targeted by terrorist supporters for fundraising. Six members of the LTTE were arrested in Germany in March 2010 for fundraising activities (Ferdinando, 2010). In Germany the LTTE extorted members of the migrant community (Ferdinando, 2010), there have been reports of similar activities in the Netherlands (Botje, 2006).

Conclusion

Recent activities of terrorists in the Netherlands consist of threats to security and other activities. Both types of activities are interesting for law enforcement due to their damage potential. Contemporary terrorism in the Netherlands can be summarized in a table. This table describes the likelihood, the organizational forms and the financing methods. The likelihood gives a rough measure for the likelihood that the actors will engage in terrorism or give material or financial support for terrorism. The organizational forms describe what organizational forms are most likely to be used. The financing methods are the methods most likely applied by the actors. This results in the following table:

<i>Activity</i>	<i>Likelihood</i>	<i>Organizational forms</i>	<i>Financing methods</i>
Autonomous jihadists	Possible threat, likely support	Lone wolf, hybrid, inter-organizational cooperation	Regular jobs, crime, sympathisers, charity
Returning jihadists	Likely threat, Possible support	Lone wolf, hybrid, inter-organizational cooperation	Regular jobs, crime, sympathisers, charity
International jihadists	Possible threat, likely support	Lone wolf, hybrid, inter-organizational cooperation	Regular jobs, crime, sympathisers, charity
Right-wing extremism	Possible threat	Lone wolf, hybrid	Regular jobs, crime
Animal rights extremism	Possible threat	Lone wolf, hybrid, inter-organizational cooperation	Regular jobs, charity
Other activities	Unlikely threat, possible support	Traditional, hybrid	Regular jobs, crime, sympathisers, diaspora, charity

In chapter four, the possible sources of funds for terrorism were discussed. Comparing these possible sources with the above table, makes it possible to give a score for the likelihood these methods will be used for terrorist activities in the Netherlands:

<i>Sources</i>	<i>Likelihood</i>
Active state support	Unlikely
Criminal activity	Likely
Diaspora and sympathizers	Likely
Abuse of charity	Likely
Abuse of development aid	Unlikely
Legal businesses	Likely

Discussion

The assessment of this chapter is limited due to the information used, a more accurate assessment could be made with more detailed information. Also, the assessment is based on known threats, at any time new threats can arise. The NCTb warns against complacency, a new threat doesn't have to come from a well-known origin (Tweede Kamer der Staten-Generaal, 2009a: 1).

The rise of information technology has added another dimension to the threats. Terrorist organizations now do not have to employ any activities in the Netherlands to pose a threat to national security. A method that enables terrorists to strike from a distance is *cyberterrorism*. Although a popular word to use, there is no uniform definition of cyberterrorism (Luijff, 2008: 151). Cyberterrorism can be described as the use of computer network tools as the main instrument of a terrorist act³⁰. For example, a hacker who remotely attacks the process control systems of a chemical plant intent on generating massive fear would be a cyberterrorist. Cyberterrorism is one of the few terrorism methods that does not require any physical terrorist presence near the target of the attack. This distinct nature of the method compared to other methods warrants a discussion here. Cyberterrorism as a method is still maturing. At present (most likely) not a single computer attack launched by a terrorist organization has resulted in a loss of life. Still, the threat should not be ignored (Luijff, 2008: 162). Luijff (2008: 168) considers it unlikely that cyberterrorism will become a prominent threat in the upcoming years. However, the method is likely to grow and although it is not a big threat at present, it is likely to pose a bigger threat in the future.

³⁰ Some authors consider a physical attack on information systems an act of cyberterrorism. However, since both the skills of the perpetrator and the skills of the defender in the event of such an attack would be quite similar to 'traditional' terrorism, this would not contribute to the depth and usefulness of the concept cyberterrorism.

Chapter 6: The Dutch fight against terrorism financing

Chapter four outlined three activities in financing: collecting, transferring and spending funds. A fourth activity, the possession of funds, links all the above activities. This creates four simultaneous areas of operation to combat terrorism financing: make it harder to collect, possess, transfer and spend funds. This chapter will review the efforts of the Dutch government to combat the financing of terrorism. It will address the coverage and the effectiveness of the policy. Is there government policy on all the points? Is this policy properly implemented in law? And is this policy effective? First the international context will be discussed, and then the Dutch policy in each of the four areas will be reviewed.

International context

The Dutch policy combating terrorism financing is embedded in a larger international context. This context consists of many initiatives including international treaties, United Nations resolutions, European Union legislation and several non-compulsory initiatives. These four will be discussed here.

Treaties and the United Nations

The events of the 11th September 2001 accelerated the development of measures against terrorism financing. For instance, these attacks led to a shift in policy in the United States (De Goede, 2006: 120), a country which has previously been rather reserved in its financial legislation. On the 28th September the United Nations Security Council adopted *Resolution 1373*. In this resolution the UN Security Council decided that all states should prevent and prosecute the financing of terrorism (United Nations Security Council, 2001: 2). This resolution is not the first resolution on terrorism financing. In 1970 the UN General Assembly already rejected active *and* passive state support of terrorism: “no State shall organize, assist, foment, finance, incite or tolerate subversive, terrorist or armed activities directed towards the violent overthrow of the régime of another State” (United Nations General Assembly, 1970: 123). In 1994 this obligation was renewed: “States must (...) refrain from organizing, instigating, facilitating, financing, encouraging or tolerating terrorist activities and to take appropriate practical measures to ensure that their respective territories are not used for terrorist installations or training camps, or for the preparation or organization of terrorist acts intended to be committed against other States or their citizens” (United Nations General Assembly, 1995: 5). With additional resolutions for example of the UN General Assembly in 1995 (UN General Assembly, 1996) and the UN Security Council in 1998 (United Nations Security Council, 1998) and 1999 (United Nations Security Council, 1999) there is no shortage of calls for the prosecution of terrorism. Through Resolution 1373 the UN Security Council created a new committee tasked with monitoring the implementation of the resolution (United Nations Security Council, 2001: 3), the Counter-Terrorism Committee (UN-CTC) (Counter-Terrorism Committee, 2009a). All United Nations member states are urged to cooperate with this committee, for instance through *Resolution 1624* (United Nations Security Council, 2005: 3). The UN-CTC plays a central role in the international cooperation for the development of the counter-terrorism capacity of all participating nations. It considers itself “the world’s largest body of information on the counter-terrorism capacity of each of the 192 UN Member States” (Counter-Terrorism Committee, 2009a). The committee has also set up a directory of best practices, including best practices to prevent and suppress the financing of terrorism (Counter-Terrorism Committee, 2009b).

There are at present 16 international counter-terrorism legal instruments (Counter-Terrorism Committee, 2009c). One of these legal instruments is the *International Convention for the Suppression of the Financing of Terrorism* (United Nations, 1999), which entered into force in 2002. Currently 171 out of 192 UN member states are party to the treaty, including the Netherlands (United Nations Treaty Collection, 2009). This convention requires parties to prevent and counteract the financing of terrorism, and hereby target the use of legal and illegal fronts for terrorism as well; to hold those who finance terrorism liable for such acts, and to provide for identification, freezing and seizure of terrorist funds, not accepting bank secrecy as a justification for refusing to cooperate (Counter-Terrorism Committee, 2009c).

These treaties and resolutions add additional legal foundations and legal obligations for domestic policy and laws on terrorism and terrorism financing. The Netherlands has to operate with its policy within the framework set out by the UN. Since international terrorism can only be effectively dealt with through international cooperation this kind of a legal framework is essential. However, the UN policy is not completely coherent many argue (Van Ginkel, 2008: 869). The weak points of the UN policy are the weak legal foundation of several measures introduced, the lack of a common definition of terrorism and the unclear relationship between human rights³¹ and terrorism.

Financial Action Task Force

In 1989 the Financial Action Task Force (FATF) was established as an inter-governmental organization by the G-7. Currently the membership of the FATF consists of 2 regional organizations and 33 countries and territories, including the Netherlands (Financial Action Task Force, 2009a). The FATF is an inter-governmental organization first tasked only with studying and developing measures against money laundering. In 2003 its mandate was extended to terrorism financing (Financial Action Task Force, 2009b). The FATF has developed a list of 40 recommendations to combat money laundering and an additional 9 special recommendations to combat terrorist financing (Financial Action Task Force, 2009c). The FATF recommendations are held in high regard by policy makers, both in the Netherlands and internationally. The recommendations are regularly used as a starting point for new policy or as an evaluation framework of current policy. However, the level of expertise of the FATF is not unquestioned. The organization is criticized by Van Duyne and Levi (2009: 119) for unsatisfactory methodology in some of its publicized research. The Dutch representative of the FATF is criticized for lack of professionalism (Van Duyne & Levi, 2009: 117). The authors also point out that although the FATF is formally an advisory body, it does act as investigator, prosecutor, judge and guard (Van Duyne & Levi, 2009: 19). Still, the influence the FATF has in the shaping of policy combating money laundering and terrorism financing is undeniable. Therefore the nine special recommendations on terrorism financing will be discussed in this chapter.

The nine special recommendations to combat terrorist financing encompass (Financial Action Task Force, 2009d):

1. Ratification and implementation of UN instruments;
2. Criminalising the financing of terrorism and associated money laundering;
3. Freezing and confiscating terrorist assets;
4. Reporting suspicious transactions related to terrorism;

³¹ Human rights abuses by terrorists do not always result in a decline of support by the international community for the terrorist actors, sometimes the reverse is true. Ignatieff (2003: 45) gives the example of the Kosovo Liberation Army committing human rights abuses to trigger reprisals which lead to international intervention in their favour. The same dynamic could be witnessed in other conflicts.

5. International co-operation;
6. Alternative remittance;
7. Wire transfers;
8. Non-profit organizations;
9. Cash couriers.

These recommendations have some similarities with the attention points discussed in chapter four. All recommendations will be discussed throughout this chapter.

Other initiatives

An initiative that originated from the banking sector is the *Wolfsberg Group*. The group comprises of eleven global international banks. The group came together in 2000 to draft anti-money laundering guidelines and develop standards for financial services industry (Wolfsberg Group, 2009). In 2002, standards to combat terrorist financing were added to their scope of activities. The group supports the special recommendations of the FATF (Wolfsberg Group, 2002). At present, no Dutch banks are a member of the *Wolfsberg Group* (Wolfsberg Group, 2009). Considering the position of the Netherlands as one of the front runners in the fight against terrorism finance (De Goede, 2006: 1), it might be beneficial for the Dutch government to encourage a Dutch bank to join the group.

European Union

In addition to effects of the attacks in 2001 in the United States, the events of the 11th of March 2004 in Madrid served as an added catalyst for counter-terrorism cooperation in the European Union (Keohane, 2005: 1). In 2004 the first *EU Counter-terrorism Coordinator* (EU-CTC) was appointed (Council of the European Union, 2009a). His task mainly consists of, comparable to the task of the UN-CTC, coordination of cooperation between counter-terrorism actors of member states. Keohane characterizes the EU-CTC as virtually powerless (2005: 18), but not without some successes (2005: 19). The EU-CTC reports regularly on the state of affairs of counter-terrorism policy of the EU as a whole and the individual EU member states. All 49 recommendations of the FATF have been implemented in European Law in five separate pieces of legislation (EU Counter-Terrorism Coordinator, 2008: 3). In July 2008 the EU Council endorsed the 'Revised Strategy on Terrorist Financing' (EU Counter-Terrorism Coordinator, 2009: 1). This strategy recommends cooperation in general and the development of specific measures (EU Counter-Terrorism Coordinator, 2008: 2) (The EU-CTC reports regularly on the implementation of this strategy (EU Counter-Terrorism Coordinator, 2009). The *Stockholm Programme* also addresses the issue of terrorism financing. It recommends the continuing adaptation of measures to new threats and new methods used by terrorists (Tweede Kamer der Staten-Generaal, 2010: 36).

Dutch policy

The Dutch counter-terrorism policy is characterized as a wide approach of both repression and prevention (Bron, 2008a: 474). Many organizations are involved in both shaping and implementing the policy, for example: intelligence agencies, different police and other investigation departments, the immigration service and the Public Prosecutor. Combating the financing of terrorism is a part of the integral counter-terrorism policy (Bron, 2008a: 476).

The Dutch policy countering terrorism financing can be described as a chain approach. The different activities in the chain are supervision, reporting, tracing, prosecution, conviction and seizure (Financial Intelligence Unit - Nederland, 2008: 18). With every activity, many different actors are

involved. For example, the AIVD has a special team researching and investigating terrorism financing in or via the Netherlands (Algemene Inlichtingen- en Veiligheidsdienst, 2004: 163), the NCTb has specialists on terrorism financing, and the police has a Financial Intelligence Unit (FIU) to just name a few. It is impossible for an actor to combat terrorism financing by itself. Therefore good cooperation between the different actors in the chain is essential. Every actor develops its own policy to contribute to the common goal. This decentrally generated policy represents a significant part of the overall policy. This makes the policy complex and fragmented, and therefore difficult to describe and evaluate. To address this problem, the complex multi-actor policy arena will be described in this chapter according to the four activities in financing described earlier. First, a general introduction into the legal base of the policy will be given.

From international treaties and European legislation the Netherlands has a juridical obligation to codify the prevention and prosecution of terrorism financing. The legislation in this area was, following European legislation, renewed in 2008 with the '*Wet ter voorkoming van witwassen en financieren van terrorisme*'³² (Wwft). The financial support of terrorist organizations is criminalised through article 140a of the Dutch criminal code. With this, the Dutch government also complies with the first and second special recommendations on terrorism financing of the FATF (Financial Action Task Force, 2009d). In 2008, a report was published by the *Algemene Rekenkamer*³³ evaluating the effectiveness of the government policy on money laundering and terrorism financing (Algemene Rekenkamer, 2008). This report concluded that money laundering and terrorism financing are insufficiently prevented, and the chances of discovery and prosecution of these activities are small (Algemene Rekenkamer, 2008: 15). The government did not agree with these conclusions (Algemene Rekenkamer, 2008: 25). This issue illustrates the lack of insight into the effectiveness of measures on terrorism financing. To be able to successfully evaluate policy combating terrorist financing this needs to be improved.

A part of the Dutch approach to combat terrorism and terrorist financing is international cooperation. The fifth special recommendation on terrorism financing of the FATF is encouraging international cooperation (Financial Action Task Force, 2009d). The Dutch government considers international cooperation essential for the fight against terrorism (Tweede Kamer der Staten-Generaal, 2008d: 6). The Netherlands take part in many forms of international cooperation, both bilateral and multilateral. There is bilateral cooperation in the field of terrorist financing with, for example, Algeria (Tweede Kamer der Staten-Generaal, 2009d: 6). Multilateral cooperation takes place within the EU, but also, for example, between the EU and the Gulf Cooperation Council (GCC) (Tweede Kamer der Staten-Generaal, 2009d: 6). There is also international cooperation between law enforcement agencies. For example, the *Financial Intelligence Unit Nederland* (FIU-Nederland) is a member of the *Egmont Group*. This is an international group of Financial Intelligence Units aimed at improving cooperation between the units (Egmont Group, 2009a). At present 116 FIUs are member of the Egmont Group (Egmont Group, 2009b). The wide array of international cooperation shows the importance given to it by the government. This does not automatically mean that the cooperation is effective, international cooperation in the field of counter-terrorism is extremely challenging (Muller & Petit, 2008: 305). However, international cooperation has, especially in the EU, already had some results.

³² Money Laundering and Terrorist Financing Act.

³³ Dutch Court of Audit.

The Dutch policy combating terrorist financing is characterized by international cooperation and a wide multi-actor approach. A lot of different measures and legal regulations are in place. The policy, the regulations and their effectiveness in the fields of countering the collection, possession, transfer and spending of terrorist money will now be described and reviewed.

Possession

A way to reduce the possession of funds by terrorist organizations is the freezing and confiscating of terrorist assets. The third special recommendation on terrorism financing of the FATF recommends this course of action (Financial Action Task Force, 2009d). The legal foundation of the freezing and confiscating of terrorist assets is found in Resolution 1373 of the UN Security Council (United Nations Security Council, 2001). From there it has been transposed in European law and Dutch law (Commissie evaluatie antiterrorismebeleid, 2009: 41). Initially the legal regulations did not hold up in court. In 2008 the European court ruled that the procedures for listing on the terrorism list were in violation of fundamental rights (Tweede Kamer der Staten-Generaal, 2008a: 4). Since then the legal protection of the listed terrorist has been added to the procedure on EU level. However, on UN level legal protection remains an issue (Commissie evaluatie antiterrorismebeleid, 2009: 43).

The policy of freezing and confiscating assets has had some proven effectiveness. In combination with other measures it created financial difficulties for Al Qa'ida (Tweede Kamer der Staten-Generaal, 2009a: 4). Also in the Netherlands the funds of several terrorists have been frozen. However, in practice Dutch counter-terrorism actors do not regularly consider the possibilities of freezing and confiscating terrorist funds (Commissie evaluatie antiterrorismebeleid, 2009:54). Why this is, is not clear (Commissie evaluatie antiterrorismebeleid, 2009:55).

Transfer methods

In chapter four several methods to transfer funds were discussed: regular banking, IVTS, e-banking and physical transfer.

Regular banking

The Wwft regulates a legal obligation of all financial institutions, intermediaries or traders when engaging in a transaction to ascertain which parties they are dealing with³⁴, and report any unusual or suspicious transactions to a central reporting authority. A transaction is defined as unusual when it meets any of a set of indicators provided by a subsidiary order. This order includes both objective and subjective indicators for suspicious transactions. This signifies a shift from a 'rule-based' to a 'risk-based' approach: instead of detailed instructions how to implement the legislation, it puts a demand on the output (Jaeger, 2008: 3). The reporting authority tasked with the registration of the reports is the FIU-Nederland. The *Fiscale inlichtingen- en opsporingsdienst en Economische controledienst*³⁵ (FIOD-ECD), the investigative service of the *Belastingdienst*³⁶, is tasked with the criminal investigation of non-compliance with the reporting and administrative obligations of the Wwft (Jaeger, 2008: 10).

There are high expectations of suspicious transaction reporting, it is seen as a useful tool in the prevention of terrorist attacks (De Goede, 2006: 128). The FATF recommends suspicious transaction

³⁴ The seventh special recommendation on terrorism financing of the FATF recommends the linking of origin identity data with all wire transfers (Financial Action Task Force, 2009d).

³⁵ Fiscal Information and Investigation Service/Economic Investigation Service.

³⁶ Tax and Customs Administration.

reporting in its special recommendation number four (Financial Action Task Force, 2009d). One of the methods applied to satisfy the demands put on financial institutions to report any suspicious transactions is the use of automated *risk profiles* or *suspicious transactions datamining* (De Goede, 2006: 128). These automated systems use data about the clients to compare their transaction behaviour with their peers and search for 'unusual' behaviour. These methods have several drawbacks: dangers to privacy, problems with incorrect data or duplicate names and the so called *chilling effect* (De Goede, 2006: 130). The frequent use of electronic payments have turned bank records into a diary, accessing this information poses an obvious threat to privacy. Incorrect data or duplicate names can result in the wrong person being questioned by authorities. Examples from the past prove that even if the mistake is discovered, correcting it can take years. The chilling effect describes the phenomenon that people change their behaviour if they know they are being watched, even if they do not display any criminal behaviour, they will try to conform to what they consider 'normal'. Also, the effectiveness of suspicious transactions datamining as a tool to prevent terrorist attacks can be questioned. There are billions of transactions every day, terrorist attacks are preceded by only a few transactions if any. The whole notion of suspicious transactions datamining is built on the presumption that terrorists use the financial system in a distinct and recognizable way (De Goede, 2006: 131), sometimes they do but often they do not. It is important to realize these concerns and evaluate these methods with proper attention to effectiveness and the possible negative side effects of the policy.

Informal value transfer systems

The sixth special recommendation on terrorism financing of the FATF addresses the weaknesses in IVTS (Financial Action Task Force, 2009d). IVTS in general is vulnerable to abuse of criminal and terrorist organizations when they operate outside government supervision and control. However IVTS provide an essential service to migrant communities remitting money to their family in their home country. In some countries IVTS is cheaper and more reliable than regular banking (De Goede, 2006: 125). Imposing a ban on IVTS would have a significant negative economic impact on developing countries (De Goede, 2006: 127). Therefore, in the last decade efforts have been aimed at pushing IVTS into the regulated sphere of money transfer offices. In November 2007 the EU launched the *Payment Services Directive*³⁷ to uniformize the different rules on payment services in the European countries. This directive was due to be implemented in November 2009. All IVTS providers operating in the EU are now required to have a permit, with accompanying demands on trustworthiness and financial administration (Van den Bergen, 2009: 29). In the Netherlands this Directive has been implemented through the '*Wet inzake de geldtransactiekantoren*'³⁸ (Wgt) and the Wwft. The upcoming years will prove whether this policy can successfully transform IVTS in a well regulated and culturally accepted money transfer system. Tracking down and prosecuting individual IVTS dealers who avoid the legal obligations to cut costs will be important to make this transformation successful.

E-banking

There are numerous initiatives of e-banking, many of which make it possible to avoid any kind of identity check. The EU CTC recognises the need of policy to protect new payment methods and

³⁷ Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market.

³⁸ Law concerning money transaction offices.

virtual communities from abuse for terrorism financing (EU Counter-Terrorism Coordinator, 2008: 6). However, additional measures to address this vulnerability are still under development (EU Counter-Terrorism Coordinator, 2009: 5). The Dutch policy on this subject is unclear, any cooperation has not lead to policy or policy research addressing this specific issue.

Transactions with a virtual community fall under the standard legal provisions of transactions and can be monitored through suspicious transaction reporting. Transactions within a virtual community are legally unclear and outside the supervision mechanisms of government. Considering the growth of this sector this is a void. However, with the provision made in chapter four on practical usability of e-banking for terrorists this void might not have serious consequences.

Physical transfer

One of the most basic ways of transporting funds is the physical transportation of currency and valuables. The FATF addresses this topic with its ninth special recommendation, on cash couriers. The FATF recommends that governments should have measures in place to be able to check and if needed seize large amounts of funds being physically transported over the border (Financial Action Task Force, 2009d). Since June 2007 new legislation is in place in the European Union making it mandatory to declare amounts over 10,000 Euro when entering or leaving the EU (Tweede Kamer der Staten-Generaal, 2007: 1). Legally this covers the physical transfer of money. However, the effectiveness of this measure is decided by the intensity of the inspections of the customs agencies. The Dutch Customs Administration uses a money sniffer dog since 2006. This approach is quite successful, in 2006, this lead to a total of over 4 million Euros being intercepted (NRC Handelsblad, 2007: 15). In 2007, 2008 and 2009 respectively amounts of 2.7 million, 3.5 million and nearly 4 million Euros were intercepted (Radio Nederland Wereldomroep, 2010).

Sources

In chapter four several sources of funds for terrorism were discussed. In chapter five the likelihood that these methods will be used for terrorist activities in the Netherlands was rated. This resulted in the following table:

<i>Sources</i>	<i>Likelihood</i>
Active state support	Unlikely
Criminal activity	Likely
Diaspora and sympathizers	Likely
Abuse of charity	Likely
Abuse of development aid	Unlikely
Legal businesses	Likely

This chapter will only discuss the sources most likely to be used by terrorist actors in the Netherlands. Therefore it will address: criminal activity, diaspora and sympathizers, abuse of charities, and legal businesses.

Criminal activity

Terrorists often gather funds through criminal profits. In chapter five it was shown that terrorist organizations in the Netherlands mostly use small scale criminal activity to fund themselves. Generally they are not involved in organized crime. There are no characteristics in the criminal acts that set the 'terrorist' criminals apart from 'regular' criminals. Therefore, it is not practically possible

to combat it as a separate problem. All criminal activity of terrorists is covered by regular criminal law, therefore there is no need for extensive discussion of the topic here.

Diaspora and sympathizers

The financial support of terrorist organizations is illegal, however there are still individuals supporting terrorism. There are two kinds groups of terrorist sympathizers: voluntary and involuntary supporters. The government conducts policy to reduce radicalisation of voluntary supporters of terrorism (Tweede Kamer der Staten-Generaal, 2009a: 10). This policy can be seen as effective in the case of Islamic radicalism if you attribute the decline in Islamic radicalism in the Netherlands to the government policy (Algemene Inlichtingen- en Veiligheidsdienst, 2009a: 9). However, the policy is mainly aimed at preventing individuals turning into terrorists, the financial support of terrorists is given little attention to. Also, the attention of the government goes to potential domestic threats. Some groups supporting terrorism are not included in the execution of the policy. For example, there is no government activity to discourage (sympathizers of) the LTTE to organize promotion activities in the Netherlands. It is also legal to organize activities to glorify terrorism; the organized promotion of a banned terrorist organization is legally considered in free speech. In 2005 the Dutch government proposed the idea of a law to make the glorification of terrorist acts illegal, but due to fears for free speech the idea was never put before parliament. It might be interesting here to research the introduction of a distinction between informal and organized glorification of terrorism³⁹.

Involuntary supporters of terrorism are forced, sometimes by collateral coercion, to contribute to the 'cause'. Especially in cases of collateral coercion the willingness of victims to report the crime is very limited. Although there are sufficient legal opportunities to prosecute the perpetrators, the lack of reports makes it difficult to gather evidence. Although collateral coercion probably does occur in the Netherlands, no arrests have ever been made.

Overall, there is room for improvement. Financially supporting a terrorist organization is prohibited by law in the Netherlands. Many activities encouraging breaking this law are not prohibited. The support of terrorist organizations is discouraged through policy. However, this policy has little attention for financial support of terrorist organizations and it is mainly aimed at domestic threats.

Abuse of charities

Charities are regularly abused by terrorist organizations for financing purposes. The eighth special recommendation on terrorism financing of the FATF addresses the vulnerability of non-profit organizations (Financial Action Task Force, 2009d). The International Monetary Fund (IMF) (2004: 57) evaluated the Dutch compliance with the eighth special recommendation in 2004. It found that new measures were needed to make non-profit organizations less vulnerable to abuse by terrorist organizations. The Dutch government considers charities first and foremost a private matter (Tweede Kamer der Staten-Generaal, 2008b: 2). The government has a double approach: a system of self-regulation with some additional government control. The *Centraal Bureau Fondsenwerving*⁴⁰ (CBF) has an important role in the system of self-regulation (Tweede Kamer der Staten-Generaal, 2008b: 2). Charities have to comply with certain regulations if they want to apply for a quality mark. Although a special quality mark for small local charities has been developed (Centraal Bureau

³⁹ After all, there is a difference between an imam saying in a train to his friends that suicide bombers should be celebrated and saying the same thing when preaching at a mosque.

⁴⁰ Central Bureau on Fundraising.

Fondsenwerving, 2010), it is still possible not to apply for a quality mark without raising any suspicion. The government control consists of two bodies, the *Belastingdienst* and the Public Prosecutor. Charities can apply for tax benefits at the *Belastingdienst*, in exchange they have to show some financial data. The Public Prosecutor has powers to intervene when there is serious doubt if a charity is acting according to its bylaws (Tweede Kamer der Staten-Generaal, 2008b: 3). New regulations for foundations are under development to increase the transparency through an obligation for foundations to publish basic financial data (Tweede Kamer der Staten-Generaal, 2005: 4). Although recent improvements have made the non-profit sector more transparent and less vulnerable to abuse, the coverage of the supervision of charities is not airtight (Tweede Kamer der Staten-Generaal, 2008b: 1). A study showed another weakness, religious communities can collect large sums without any government supervision (Van der Stoep, Snippe & Bieleman, 2007: 92). The supervision in this sector is apparently based on 'good faith'.

It is illegal for charities as well to financially support a terrorist organization. What exactly constitutes the financial support is unclear. If a charity working in a conflict area pays a 'revolutionary tax' to a terrorist organization it is financially supporting a terrorist organization. However, no charities have been prosecuted for this type of financial support. A common rebuttal to a call for the strict prosecution of charity organizations financially supporting terrorist organizations is to say it was necessary to help the people. This flawed reasoning is gleefully abused by terrorist organizations. However, it is impossible for charities to avoid working in any kind of conflict situation. The development of guidelines for working with terrorist organizations without actually helping them is needed.

Due to the insufficient supervision and legal action against charity organizations the effectiveness of the government policy to reduce the abuse of charity organizations can be questioned. There has been some success in taking down malevolent charities. The assets of several charities have been frozen for support of terrorism (United Nations Security Council, 2005: 6). However this seems to be more the result of suspicious transaction monitoring than the direct government supervision.

There is policy to reduce the abuse of charity organizations. The government supervision of domestic fundraisers is improving but still insufficient. The legal prosecution of charities financially supporting terrorist organizations is limited. The effectiveness of the overall policy is questionable.

Legal businesses

Terrorist organizations use legal businesses in two ways to raise funds: labour and shares. Terrorists frequently hold regular jobs. Terrorist organizations also own normal businesses and companies. There are no indications (many of) those companies are operating in the Netherlands. It is likely that terrorists use complicated legal constructions to hide the ownership of their companies; this makes it harder to assess the size of the problem. There is good government supervision in the sector. Legal persons in the profit sector are supervised through, amongst other things, tax obligations and suspicious transaction reporting.

The government has several legal instruments to deal with terrorist owned companies. The government can freeze and confiscate any assets of terrorists. The government also has the authority to ban or dissolve any legal person if their activity or intention is a threat to the public order. This authority is based on article 20 of book 2 of the *Burgerlijk Wetboek*⁴¹. There is new

⁴¹ Civil Code.

legislation⁴² under development that will give the government also the authority to retract permits or exemptions (Bron, 2008: 488). The use of similar instruments in criminal cases has proven to be effective.

Although probably not all companies owned by terrorists and operating in the Western world have been found, there are no indications many businesses are in the Netherlands. The government has several legal instruments that are likely to be effective.

Destinations

There are many destinations of terrorist funds, in chapter four, four specific destinations are outlined: organization costs, attacks, political support and self-enrichment. In the Netherlands, most transactions are monitored by financial institutions to satisfy the demands of the earlier discussed suspicious transaction reporting regulations; these destinations are not exempt from those regulations. However, because these are important destinations for terrorist funds, it is wise to ask: are there any additional regulations in place or would such policy be recommendable? These spending activities take an important place in the finances of the terrorist organization. Apart from attacking their funds, it would be equally beneficial to attack their purchasing power.

Organization costs

Large terrorist organizations spend most of their funds on organization costs. It is hard to make specific regulations addressing this spending because the spending mainly consists of everyday items. For example, a terrorist organization will need paper, but putting special regulations on paper would be overdone.

Attacks

The government has policy to limit the access to weapons and explosives. In april 2008 the European Council adopted the *Action Plan on Enhancing the Security of Explosives* (Tweede Kamer der Staten-Generaal, 2009a: 16). The Netherlands has put this plan into action, for example it is now impossible for private individuals to buy certain chemicals. In addition, there is a new phone number to report suspicious trade in chemicals. There are also measures to make it more difficult for radicalised individuals to obtain firearms in a legal way (Tweede Kamer der Staten-Generaal, 2009c). The result of this policy is that terrorists need to seek out less easy channels to acquire weapons. This might lead to extra risk of detection.

The Dutch policy on weapons is fairly restrictive. There are several laws and regulations restricting the use and trade in weapons. The most important law is the *Wet wapens en munitie*⁴³, restricting the possession of firearms.

Policy limiting the legal access to weapons is only effective though if the illegal access to weapons is also limited. Since 1999 reducing the possession of and the trade in illegal firearms has been one of the priorities for the Dutch government (De Vries, 2008: 80). However, in the policy it is not treated as such. Although the supply and demand in illegal firearms seems to be declining, De Vries (2008: 86) questions if this is the result of the policy. According to the author, there is clear room for improvement.

⁴² *Wetsvoorstel Bestuurlijke Maatregelen Nationale Veiligheid* (Administrative Measures National Security Bill).

⁴³ Weapons and Ammunition Act.

Political support

In the Netherlands, contributions to a political party are not public. It would certainly benefit the openness and accountability and therefore the quality of the democratic system to make any contributions (above a minimum amount) public. It would also benefit the quality of the democratic system if contributions can only be given by natural persons and contributions are bound to a maximum amount. After all, we live with the curious system where a large sum given two weeks before the elections most likely will be considered a campaign contribution, and the same sum given two weeks after the elections most likely will be considered a bribe. Although it might seem like these observations wander away from the subject of this thesis, it is wise to realize one of the weaknesses in the system that terrorist organizations (and many others) might try to exploit. At this moment a new law is in development addressing these concerns (Tweede Kamer der Staten-Generaal, 2009b: 185), to what extent has not been announced yet.

At this moment there are insufficient legal regulations to protect the political system from abuse by terrorist actors. Although there is more attention for the void in the law, the developing policy has not been approved yet. However, there are no indications of widespread abuse of the political system by terrorist organizations.

Self-enrichment

Terrorists using their position of power for self-enrichment are not a problem. Any funds that end up in a Caribbean bank account or at a luxury cars dealership is money not spend on terrorism. In chapter seven the work of Shapiro and Siegel will be discussed that shows how self-enrichment can have disruptive effects in terrorist organizations. However, funds might be allocated to a different purpose at a different moment. Also, the potential financial benefit will make a career in terrorism more attractive (Shapiro & Siegel, 2007: 411). Although tracking self-enrichment of terrorists should not be a policy priority, it should not be neglected. Additionally, luxury needs to be stored somewhere which makes the terrorist easier to track.

There is no Dutch policy in place targeting self-enrichment specifically. It is targeted along with the other assets of terrorists through the policy on possession.

Conclusion

There are many different areas of policy in the Dutch policy combating terrorist financing. In the introduction of this chapter three questions were posed. Is there government policy on all the points discussed in chapter four? Is this policy implemented in law? And is this policy effective? The answers to these questions are in the table below. All the topics of the nine special recommendations on terrorism financing of the FATF are present in Dutch policy, five are indicated in the table.

<i>Sources</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Criminal activity	+	+	+
Diaspora and sympathizers	±	±	±
Abuse of charities*	-	+	-
Legal businesses	+	+	+

<i>Transfer methods</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Regular banking*	+	+	?
Informal value transfer systems*	+	+	?
E-banking	-	-	-
Physical transfer*	±	+	+

<i>Possession</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Freezing and confiscating*	+	±	+

<i>Destinations</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Organization costs	+	+	+
Attacks	±	+	-
Political support	±	-	±
Self-enrichment	+	±	+

+	sufficient
±	point of attention
-	insufficient
?	unclear
*	FATF recommendation

In chapter five two fundraising profiles were distinguished that are most likely to appear in the Netherlands: groups with targets in (or near) the Netherlands and groups with targets outside the region. The first group most likely has a small scale approach to fundraising, comprising of legal activities and petty crime. The activities of this group are well covered by the policy. The second group might employ a wider array of activities also including the use of the migrant community and the abuse of charities. This second set of activities is less well covered by the policy.

Chapter 7: Organizational response to counter-terrorism

Like any organization, the terrorist organization is not independent from its environment. Dishman (2005: 239) points out that terrorist organizations are often forced to adapt to evade the authorities. It is important to know how terrorist organizations adapt to a changing environment to be able to design effective counter-terrorism policy. How do terrorist organizations respond to counter-terrorism policy? In this chapter this question will be addressed, with a focus on terrorism financing. A good understanding of the mechanisms involved can help in predicting future behaviour and threats.

Counter-terrorism can have an impact on terrorist organizations through several mechanisms. It can have an impact through the resource dependency of the terrorist organization, the internal dynamic in the terrorist organization, the terrorist organization can engage in organizational learning and the effect could show through population ecology. These four mechanisms will be discussed here, along with policy implications.

Resource dependency

Although unconventional in their means, terrorist organizations are also bound by more conventional organizational dynamics. Terrorist organizations operate in a task environment with suppliers, competition, customers and regulatory groups. These environmental actors determine the supply and demand of resources important to the terrorist organization. The resource dependency approach argues that organization behaviour is decided by negating resource uncertainty. One of the important resources for the terrorist organization is money. The organization will therefore position itself in such a way that the inflow of money will be secure. The resource dependency approach offers two types of strategy to manage resource uncertainty: *buffering* and *bridging* (Jaffee, 2001: 220). A terrorist organization can create a buffer by saving some money in times of plenty and by that guarantee a minimum level of the resource for future use. Buffering is common in terrorist organizations. This offers an explanation for terrorist organizations with large financial reserves that spend little.

A second type of strategy, *bridging*, involves developing relationships with the environment to reduce resource uncertainty. Examples of this type of strategy are long-term contracts and vertical mergers. Bridging is also common in terrorist organizations. A terrorist organization can seek closer links with a supplier to increase control over the resource supply. The terrorist organization can also integrate suppliers or supplier activities in their organization. For example, if a criminal party which buys drugs of the terrorist organization proves unreliable, the terrorist organization can opt to distribute the drugs themselves. This increases the control of the terrorist organization over the resource gathering of the primary resource: money.

Both strategies allocate resources to other activities than perpetrating attacks. In the situation of buffering, money is being allocated for future use, these resources cannot be used in the present. In the situation of bridging, manpower is being allocated to, for example, criminal activities and cannot be used for attacks. Buffering does not necessarily make the terrorist organization less vulnerable to counter-terrorism, it will just delay the effects. Bridging makes the terrorist organization less vulnerable through the removal of a dependency on a supplier. However it does make the organization more vulnerable through the addition of an activity that law enforcement can attack. It also makes the organization more vulnerable because flexibility is sacrificed for control.

Agency problems

Shapiro and Siegel (2007: 405) give several examples of underfunded terrorist cells in a large well funded organization. This could be an example of buffering. However, Shapiro and Siegel offer a different explanation for why wealthy terrorist organizations are not spending their money on numerous attacks. They argue that the pressure of counter-terrorist actors results in a lack of control over the middlemen by the top cadre of the terrorist organization. The bosses are not able to keep sufficiently frequent contact out of fear of detection. Additionally, the middlemen responsible for the attacks often operate in a different geographical location to the leaders. These two factors lead to an information asymmetry between boss and middleman. The information asymmetry between terrorist boss and middleman can be aptly illustrated by an email conversation between Ayman al-Zawahiri and a Yemeni Al Qa'ida cell. Al-Zawahiri writes in 1999 (Cullison, 2004):

"With all due respect, this is not an accounting. It's a summary accounting. For example, you didn't write any dates, and many of the items are vague.

The analysis of the summary shows the following:

1- You received a total of \$22,301. Of course, you didn't mention the period over which this sum was received. Our activities only benefited from a negligible portion of the money. This means that you received and distributed the money as you please ...

2- Salaries amounted to \$10,085—45 percent of the money. I had told you in my fax ... that we've been receiving only half salaries for five months. What is your reaction or response to this?

3- Loans amounted to \$2,190. Why did you give out loans? Didn't I give clear orders to Muhammad Saleh to ... refer any loan requests to me? We have already had long discussions on this topic ...

4- Why have guesthouse expenses amounted to \$1,573 when only Yunis is there, and he can be accommodated without the need for a guesthouse?

5- Why did you buy a new fax for \$470? Where are the two old faxes? Did you get permission before buying a new fax under such circumstances?"

Six days later, the Yemeni cell replies:

"We don't have any guesthouses. We have bachelor houses, and the offices are there too. We called it a guesthouse hypothetically, and we don't have any bachelors except Basil and Youssef. And Abd al-Kareem lives at his work place.

If I buy a fax and we have two old ones, that would be wanton or mad."

Due to the information asymmetry, the terrorist leadership has very limited options to control the flow of money in the cell. Therefore they will only supply the cell with the funds necessary for one

operation. Due to the limited availability of 'true believers' terrorist organizations are forced to fill support positions with less committed individuals (Shapiro & Siegel, 2007: 412). The shortness of cash is exacerbated by middlemen exploiting the information asymmetry by siphoning off money for themselves (Shapiro & Siegel, 2007: 408). This dynamic leads to the prioritizing of other activities by the terrorist organizations over attacks.

Shapiro and Siegel (2007) studied these inter-organizational dynamics through a rational choice model. They reach two interesting policy implications in their research. Increased pressure on middlemen might force terrorist organizations to start employing 'true believers' in support roles because the risk becomes too great for lesser committed individuals. The increased pressure might therefore have a reverse effect, the easier management of 'true believers' will make successful attacks more likely (Shapiro & Siegel, 2007: 423). Shapiro and Siegel (2007: 424) argue that counter-terrorism activity should therefore be aimed at the funds and not at the middlemen. However, this implies terrorist organizations have the opportunity to replace the less ideologically sound middlemen with 'true believers'. This is not a matter of course.

The second policy implication that follows from the model is in the effect of interdicting funds. Shapiro & Siegel found the relationship between terrorist budget constraints and the likelihood of an attack to be nonlinear. Counter-financing activity might have limited to no effect until the money gets tighter, at this point the likelihood of attacks will dramatically decrease (Shapiro & Siegel, 2007: 424). Shapiro and Siegel point out that not realizing this nonlinearity might lead to stopping potentially effective counter-financing policies too quickly.

Organizational learning

A third mechanism that describes adaptation of terrorist organizations to counter-terrorism policy is organizational learning. In order to survive, terrorist organizations need to be able to adapt quickly to environmental changes. To be able to do this, the terrorist organization has to have the ability to learn at an organizational level (Jackson et al., 2005: 9). Effective learning of a terrorist organization makes it less vulnerable to counter-terrorism (Jackson et al., 2005: 23). For example, if a counter-terrorism actor comes up with a new measure to combat terrorism, the terrorist organization needs to learn a new way of dealing with this measure.

In general, more formalized organizations have greater difficulty to adapt to and learn from environmental change (Jaffee, 2005: 176). While larger organizations might have a bigger potential of learning, increased difficulty of communication through group size might have the opposite effect (Jackson et al., 2005: 38). Organizations with specialized wings in their structure have a clear advantage; the concentration of knowledge in a specific department facilitates learning. Organizational structures with significant autonomy for individual units also have a positive impact on learning. However, the implementation of lessons learned in other parts of the organization will be hindered by the autonomy. Also, chances for strategic learning are less in a less centralized organization (Jackson et al., 2005: 39). These arguments support the use of a separate specialized financial unit in terrorist organizations. Such a unit will be able to cultivate and improve knowledge of finance gathering most effectively. However, this also provides a chance for counter-terrorism since a more centralized unit is more vulnerable. In situations of high counter-terrorist pressure on the financial specialists of a terrorist organization it will therefore be unlikely that the financial specialists will be concentrated in one unit.

Terrorist organizations have considerably more time and opportunity to learn if they have sufficient safe haven to experiment and innovate away from government pressure (Jackson et al., 2005: 43).

The safe haven therefore not only offers the terrorist organization a chance to breathe but also develop. Outside of government pressure the terrorist organization has more opportunity to choose an organizational form more suited for combating other challenges.

Jackson et al. (2005: 52) name several measures that could be taken to target the learning ability of the terrorist organization. These measures include limiting access to critical information, disrupting knowledge exchange within the organization, denying a safe haven to innovate and overloading the learning systems. The responsibility for combating terrorism financing is being shared by many governmental and non-governmental organizations. The knowledge exchange between these actors is (partly) taking place in the public sphere. The information in these public discussions could also be used by terrorist organizations; therefore it is important that all actors have access to a more closed forum to publish confidential articles and concerns. A second method of limiting organizational learning is to disrupt the knowledge exchange. Not only key experts within the terrorist organizations should be targeted, also the individuals who play a central role in the *exchange* should be taken out of the network (Jackson, 2005: 55). The third method, denying a terrorist organization a safe haven to innovate does not stop at supporting failed states in regaining control. Byman (2005) shows how terrorist organizations can also find a safe haven in Western countries. Only through active tracking and prosecution of all activities of terrorist organizations can any kind of safe haven be found and destroyed. The fourth method of limiting organizational learning is to overload knowledge systems. A terrorist organization only has a limited learning capacity; therefore this weakness can be used. This can be done in several ways, for example, by decreasing the predictability of counter-terrorism actions or the rapid presentation of new counter-terrorism measures.

The approach of organizational learning shows that the disruption of terrorism financing is wider than taking down the financial structures of terrorist organizations. In addition, targeting the ability to rebuild these structures and innovate could be targeted.

Population ecology

Learning does not have to occur within the terrorist organizations lifetime to have an effect. The *population ecology* theory states that environmental factors decide which organizations have the highest likelihood to survive and therefore some sort of natural selection takes place among organizations (Jaffee, 2005: 214). Many population ecology theorists consider organizations unable to effectively adapt to the environment⁴⁴. Following this theory, a reaction to counter-terrorism will be found more with new threats than with existing terrorist organizations. Hoffman (2006: 250) supports this idea with the observation that "*an almost Darwinian principle of natural selection also seems to affect terrorist organizations*". Hoffman describes how the new generations learn from its predecessors through studying past mistakes, press and trial information.

Therefore, counter-terrorism actors should not only concentrate on weaknesses in the system that are being exploited at present. They should also actively look for weaknesses that *could* be exploited in the future.

⁴⁴ Here, Kaufman goes as far as stating that organizational survival is "Largely a matter of luck." (Jaffee, 2005: 217).

Conclusion

There are four different approaches that can be taken to study the way terrorist organizations adapt to counter-terrorism: studying resource dependency, internal dynamics, organizational learning and population ecology. These approaches each offer different policy implications.

Following the resource dependency approach it is likely that terrorist organizations will use the strategy of buffering if they have the funds to do so; they will use bridging if they have the manpower to do so. Both strategies offer advantages for the terrorist organizations and chances for counter-terrorism. Buffering will make terrorist organizations less dependent the continuity of the inflow of funds. The weak point of the strategy is that it moves activities ahead in time, there allowing counter-terrorism actors more time to deal with the specific organization. Bridging offers the advantage of a more secure inflow of funds. The weak points are the creation of a bigger target for counter-terrorism to attack and the sacrifice of flexibility.

Studying the internal dynamics of a terrorist organization shows influence of the information asymmetry on funding allocation in the organization. The internal dynamics could lead to a distortion of the effects of counter-terrorism. Effective policy increasing the pressure on the financing of a terrorist organization could initially lead to no change or even a rise in the likelihood that an attack takes place. Continuing pressure could lead to a sudden dramatic drop in the likelihood of attacks. Therefore, the likelihood of attacks should not be used as a direct indicator of the state of finances of a terrorist organization.

Terrorist organizations need to engage in organizational learning to adapt to new counter-terrorism activities. The ability to learn and therefore adapt to counter-terrorism can be targeted. This can be done through encouraging more decentralization in the terrorist organization, limiting access to critical information, disrupting knowledge exchange within the organization, denying a safe haven to innovate and overloading the learning systems. Targeting the ability to learn will make counter-terrorism efforts more effective.

The population ecology theory provides us with the insight that new terrorist organizations are likely to target weaknesses in the financial system not exploited by the current generation of terrorist organizations. Counter-terrorism should therefore not only concentrate its efforts on weaknesses that are being exploited at present.

After the decline of active state support of terrorism at the end of the cold war, the development and integration of money gathering activities by terrorist organizations made the organizations more independent, more financial secure and therefore less vulnerable. In the current era the resource dependency is less between state actors and terrorist organizations, the main tensions can now be found within the terrorist organizations. The terrorist cells are dependent on the organization for their resources. The pressure exerted by counter-terrorism actors on the links between the terrorist organization and the terrorist cell increases the resource insecurity of the terrorist cell. It is likely that the terrorist cell itself will apply strategies like buffering and bridging to lessen the resource insecurity. Buffering will lead to less resources being spent on actual operations. Bridging will lead to more resource gathering by the terrorist cell, for example through petty crime. It is likely that terrorist cells will further develop their resource gathering activities and therefore become less vulnerable to counter-terrorism activity. This development might prove to be one of the principal developments in terrorist financing in this decade.

Chapter 8: Conclusions and recommendations

Terrorism is a special type of risk, both acting and not acting to prevent and combat terrorism can have far reaching consequences for freedom and democracy. One of the ways to combat terrorism is to combat the financing of terrorism. The effectiveness of this approach should not be overestimated, it should be part of a wider counter-terrorism strategy (Muller, Spaaij & Ruitenberg, 2004: 218). This thesis should be seen in that light, not as a recommendation to give the financial approach priority over the others, but as a recommendation how to improve the approach.

In chapter one of this thesis a research question is posed:

What developments are there in the financing of terrorism and what are the consequences for the Dutch government policy?

In this thesis a set of ten smaller questions were discussed to be able to answer the main question.

What is terrorism?

To be able to address the topic of terrorism financing it is necessary to define terrorism. There is no agreement on a common definition of terrorism and it is difficult to arrive at one. This difficulty is exacerbated by the political dimension of the discussion. Through study of the elements used in several of the more commonly used definitions it is possible to arrive at a definition. In this thesis this definition of terrorism is used:

Terrorism is threatening with or perpetrating, acts of serious violence directed at people or acts aimed to cause socially disruptive property damage, by a non state actor, for the purpose of the generation of massive fear intended to coerce or to intimidate governments or societies.

What kinds of terrorist organizations are there?

The organizational form of terrorism has an impact on the financial needs. Five organizational ideal types can be distinguished through differentiation in hierarchy and boundaries. This gives the following result:

	<i>Lone wolf</i>	<i>'Traditional' organizations</i>	<i>Hybrid organizations</i>	<i>Franchise movement</i>	<i>Inter-organizational networks</i>
<i>Hierarchy</i>	n/a	High (centralized)	Medium (decentralized)	Minimum (ideology)	None (leaderless)
<i>Boundaries</i>	Absolute	High (defined)	Medium (less defined)	Low	Minimum (undefined)

How do terrorist organizations finance their activities?

All terrorist organizations employ activities to finance themselves. The financing of terrorism can be described in several key topics: the sources, the transfer methods and the destinations of terrorist funds. Terrorist organizations differ greatly in their organization and their financial needs. The organizations deploy a wide range of activities for financing. These activities range from the use of state support to legal enterprise. To combat these activities the policy therefore has to be multi

faceted. It is possible to distinguish the main sources, transfer methods and destinations of terrorist funds on a global level:

<i>Sources</i>	<i>Transfer methods</i>	<i>Destinations</i>
Active state support	Regular banking	Organization costs
Criminal activity	Informal value transfer systems	Attacks
Diaspora and sympathizers	E-banking	Political support
Abuse of charity	Physical transfer	Self-enrichment
Abuse of development aid		
Legal businesses		

Which kinds of terrorist activities can be found in the Netherlands at present?

Recent activities of terrorists in the Netherlands consist of threats to security and other activities. Both types of activities are interesting for law enforcement due to their damage potential. The most likely threat is Islamic terrorism, but also right-wing extremism and animal rights extremism could develop into a terrorist threat. Other groups are also active in the Netherlands for fundraising and other support activities.

Which organizational forms show these activities?

The most commonly found organizational form is the hybrid organization. These organizations are small, or the organization division in the Netherlands is small. Other organizational forms encountered are lone wolves and inter-organizational cooperation. Therefore the need of funds is small and the collection of funds is small in scale.

How are these activities financed?

Not all of the globally applied sources are used to collect funds. Most likely the following methods of fundraising are used:

<i>Sources</i>	<i>Likelihood</i>
Active state support	Unlikely
Criminal activity	Likely
Diaspora and sympathizers	Likely
Abuse of charity	Likely
Abuse of development aid	Unlikely
Legal businesses	Likely

Terrorist groups looking to perpetrate an attack in the Netherlands will most likely employ small scale legal and illegal activities to gather funds, for example labour or petty crime. Terrorist groups operating in the Netherlands to support terrorism outside the region might use the same methods, but are also more likely to tap the migrant community and use bogus charities for their aim.

How does the Dutch government combat the financing of terrorism?

The Dutch government uses a wide array of policy and legal instruments to limit money laundering and terrorism financing. The policy is emergent, the result of the policy implementation of many actors combined with central direction.

How are these policies implemented?

The Dutch policy can be evaluated by studying three questions. Is there government policy on all the sources, transfer methods and destinations of terrorist financing? Is this policy properly implemented in law? And is this policy effective? This evaluation leads to the following outcome:

<i>Sources</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Criminal activity	+	+	+
Diaspora and sympathizers	±	±	±
Abuse of charities*	-	+	-
Legal businesses	+	+	+

<i>Transfer methods</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Regular banking*	+	+	?
Informal value transfer systems*	+	+	?
E-banking	-	-	-
Physical transfer*	±	+	+

<i>Possession</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Freezing and confiscating*	+	±	+

<i>Destinations</i>	<i>Policy coverage</i>	<i>Legal coverage</i>	<i>Effectiveness</i>
Organization costs	+	+	+
Attacks	±	+	-
Political support	±	-	±
Self-enrichment	+	±	+

+	sufficient
±	point of attention
-	insufficient
?	unclear
*	FATF recommendation

In chapter five two fundraising profiles were distinguished that are most likely to appear in the Netherlands: groups with targets in (or near) the Netherlands and groups with targets outside the region. The first group most likely has a small scale approach to fundraising, comprising of legal activities and small crime. The activities of this group are well covered by the policy. The second group might employ a wider array of activities also including the use of the migrant community and the abuse of charities. This second set of activities is less well covered by the policy.

The possible transfer methods are fairly well covered by policy and law. There are reasons to question the effectiveness of the policy. This effectiveness remains mostly unclear. The policy and legal provisions of e-banking are limited since they are tied to the regular banking system. Any e-banking method that operates relatively separately from banks escapes the supervision. Currently this is not an important threat, but it could develop into a bigger threat in the future.

How do terrorist organizations react to counter-terrorist activity?

Studying the response of terrorist organizations to shifts in their resources and in response to counter-terrorism can help in predicting future behaviour and threats. The current mix of resources can be used to predict the actions that will be taken to limit resource insecurity. Studying the internal dynamics of a terrorist organization can explain why effective counter-terrorism policy can seem ineffective at first. Theories of organizational learning can add extra lines of approach to attack the financial structure of a terrorist organization. The population ecology theory provides us with the insight that new terrorist organizations are likely to target weaknesses in the financial system not exploited by the current generation of terrorist organizations. Counter-terrorism should therefore not only concentrate its effort on weaknesses that are being exploited at present.

These dynamics mostly apply to slightly larger terrorist organizations. Considering the limited size of most terrorism financing activities in the Netherlands, these do not offer immediate benefits for Dutch policy. However some bigger organizations possibly operate in the Netherlands and these dynamics can be used to frustrate relations by exploiting these weaknesses. On EU or global level these insights offer more advantages to combat larger terrorist organizations.

Finally, it is likely that terrorist cells will further develop their resource gathering activities and therefore become less vulnerable to counter-terrorism activity. This development might prove to be one of the principal developments in terrorist financing in this decade. Since the war on terrorism financing is mostly aimed at disabling the flow of larger amounts, a shift in focus might be necessary. In the Dutch case this does not pose a big threat since the policy is already aimed at small scale terrorism financing.

What are the consequences for the Dutch government policy?

In essence, the Dutch policy on terrorism financing is covering all its bases. However, this does not mean it is perfect. There is ample room for improvement. This thesis offers several insights that can be used to improve the policy. However, when improving the policy it is important to realize that, at present, terrorism financing in the Netherlands is a small scale phenomenon. The possibilities for further reduction of terrorism financing in the Netherlands should therefore not be overestimated. Since terrorism financing in the Netherlands is a small scale phenomenon, one could ask if the Dutch government approach is excessive. Several measures do entail negative effects, for example, for privacy. Therefore it is important to always evaluate measures and compare the positive and negative effects. However, two points have to be taken into consideration when evaluating the policy. First, several measures used to combat terrorism financing have been introduced to combat money laundering as well. When evaluating these measures, the effects on money laundering also have to be taken into account. Second, terrorism financing is not just a domestic issue. The effects of the policy should also be considered on a global level. Therefore, to simply state that the Dutch government policy is excessive just because domestically it is a small scale problem, would be short sighted.

Recommendations

Recommendations for policy can be formulated from these findings. The Dutch policy has attention for most sources and methods of terrorism financing. However the effectiveness is decided by the practical implementation of the policy. Further study in this direction is recommended. For example, study into risk of arrest pertaining to the different transfer methods could reveal some insights into the effectiveness of the policy.

The Dutch policy on terrorism financing can be improved through further monitoring and control of the outflow of money to terrorist supporters outside the EU. There are options, especially in the area of diaspora, sympathisers and charity contributions. Charities are still vulnerable to abuse by terrorist organizations. The government supervision of domestic fundraisers is improving but still insufficient. The supervision of charities can be improved, also through further encouragement of self-regulation. Also, the information position of the contributors can be improved to limit unintentional contributions. If contributors know which charities operating in a certain area are 'clean' they are less likely to support questionable charities. The policy to discourage sympathizers from supporting terrorist organizations can be improved. The current policy on radicalisation could be expanded to include the groups that do not add to the threat to security *inside* the Netherlands.

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List of abbreviations

9/11	The terrorist attacks in the United States on the 11 th September 2001
AIVD	<i>Algemene Inlichtingen- en Veiligheidsdienst</i> General Intelligence and Security Service
AQIM	Al Qa'ida in the Islamic Maghreb
BIF	Benevolence International Foundation
BVD	<i>Binnenlandse Veiligheidsdienst</i> Domestic Security Service
CBF	<i>Centraal Bureau Fondsenwerving</i> Central Bureau on Fundraising
DHKP/C	<i>Devrimci Halk Kurtuluş Partisi/Cephesi</i> Revolutionary People's Liberation Party/Front
EU-CTC	European Union Counter-terrorism Coordinator
FARC	<i>Fuerzas Armadas Revolucionarias de Colombia</i> Revolutionary Armed Forces of Colombia
FATF	Financial Action Task Force
FIOD-ECD	<i>Fiscale inlichtingen- en opsporingsdienst en Economische controledienst</i> Fiscal Information and Investigation Service/Economic Investigation Service
FIU	Financial Intelligence Unit
GCC	Gulf Cooperation Council
GIA	<i>Groupe Islamique Armé</i> Armed Islamic Group
GSPC	<i>Groupe Salafiste pour la Prédication et le Combat</i> Salafist Group for Preaching and Combat
HLF	Holy Land Foundation
IMF	International Monetary Fund
IMT	Islamic Movement of Turkistan
IMU	Islamic Movement of Uzbekistan
IVTS	Informal Value Transfer System
LTTE	Liberation Tigers of Tamil Eelam
NCTb	<i>Nationaal Coördinator Terrorismebestrijding</i> National Coordinator for Counterterrorism
PKK	<i>Partiya Karkaran Kurdistan</i> Kurdistan Workers' Party
TRO	Tamil Rehabilitation Organization
UDA	Ulster Defence Association
UN-CTC	United Nations Security Council Counter-Terrorism Committee
US-DoD	United States Department of Defense
Wgt	<i>Wet inzake de geldtransactiekantoren</i> Law concerning money transaction offices
Wwft	<i>Wet ter voorkoming van witwassen en financieren van terrorisme</i> Law to prevent money laundering and terrorism financing
WRR	<i>Wetenschappelijke Raad voor het Regeringsbeleid</i> Scientific Council for Government Policy