



Universidad Católica de Valencia  
San Vicente Mártir

## **TERRORISM AND ORGANIZAD CRIME: THE ECONOMIC NEXUS**

**JUAN MOROTE SARRIÓN y  
THOMAS BAUMERT**

**Documento de Trabajo nº 8. Diciembre 2008**



# **INSTITUTO JOVELLANOS**

INSTITUTO UNIVERSITARIO DE INVESTIGACIÓN JOVELLANOS  
PARA ESTUDIOS AVANZADOS SOBRE INNOVACIÓN, POLÍTICA Y ECONOMÍA



## **TERRORISM AND ORGANIZED CRIME: THE ECONOMIC NEXUS<sup>1</sup>**

**JUAN MOROTE SARRIÓN and THOMAS BAUMERT**  
**Universidad Católica de Valencia “San Vicente Mártir”**

### **Summary**

Terrorism has recently been defined as a sort of low intensity war which tries to economically erode its opponent. But the fact that the cost of massive attacks has rapidly diminished, does not imply that terrorist group do not longer need massive economic flows in order to maintain their operating structure. Thus, it becomes relevant to study the incomes of terrorist groups. And these rely increasingly on benefits derived from activities related to organized crime. This paper aims to highlight some aspects from this economic nexus between terrorism and organized crime.

### Key words:

*Terrorism, crime, drugs, arms, smuggling*

---

<sup>1</sup> This paper was presented at the XV World Congreso of the Internacional Society of Criminology, Barcelona, June 20-25, 2008.

With this exposition we are going to think about some questions and point out some ideas about the relations between organized crime and terrorism, specially in its economic aspect. There is not a huge bibliography on this subject, although it is for each factor considered in a separate way. Anyway, we consider it is very interesting to study these two questions together.

The connections between terrorist groups and international criminal organizations are complex: linking money, geography, politics, arms and tactics to create a mutually beneficial relationship. It is proved that a significant portion of the incomes of Hezbollah or Hamas come from the selling drugs activities in other parts of the world. The connection between crime and terrorism is especially observed where three factors converge, namely, poverty, a weak state and corruption.

These three factors are able to be found specially in Africa, and in West under Sahara Africa to be precise, there is increasing the presence of Al-Qaeda in a very significant way.

With varying ethnic conditions, cultural backgrounds and the endowment of natural resources, Central and West African countries share some of the world's lowest standards of living. Eleven of the fifteen members of ECOWAS<sup>2</sup> and seven of the eleven members of ECCAS<sup>3</sup> are among the 30 countries at the bottom of the 2005 UNDP Human Development index<sup>4</sup>. Wide inequality in the distribution of wealth, unchecked demographic growth associated to rapid –uncontrolled– urbanization, are all features common to West and Central African societies and factors contributing to the increased importance of crime and criminal activities as an option for individuals to break of the poverty cycle.

The very structure of many West and Central African economies, based on the exploitation of natural resources (mining or single-crop export-oriented agriculture), coupled with a patrimonial conception of the State, within which national natural and financial resources 'belong' to the individual(s) in power, also contribute to create a conducive environment in which flouting the law and using institutional prerogatives for private goals is not only justified but even considered an indicator of power. All such factors attract unscrupulous economic operators, facilitate the establishment and development of local and transnational criminal networks and promote the rooting of a

---

<sup>2</sup> The Economic Community of West African States (ECOWAS) includes Benin, Burkina Faso, Cape Verde, The Ivory Coast, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

<sup>3</sup> The Economic Community of Central African States (ECCAS) includes Angola, Burundi, Cameroon, Central African Republic, Chad, (Republic of) Congo, (Democratic Republic of) Congo, Equatorial Guinea, Gabon, Rwanda and São Tomé e Príncipe.

<sup>4</sup> 2005 World Human Development Report, UNDP. The report lists 177 countries. Due to the lack of data, the list does not include Liberia. As for individual countries, the following can be singled out: in ECOWAS, Benin (162), Burkina Faso (175), Cape Verde (105), The Ivory Coast (163), The Gambia (155), Ghana (138), Guinea (156), Guinea Bissau (172), Liberia (n.c.), Mali (174), Niger (177), Nigeria (158), Senegal (157), Sierra Leone (176) and Togo (143); in ECCAS, Angola (160), Burundi (169), Cameroon (148), Central African Republic (171), Chad (173), (Republic of) Congo (142), (Democratic Republic of) Congo (167), Equatorial Guinea (121), Gabon (123), Rwanda (159) and São Tomé e Príncipe (126).

cultural model in which money can buy everything (including impunity, political power, social consideration and respectability)<sup>5</sup>.

West African seashores and ports have become the hub of transatlantic cocaine trafficking. In addition to large cocaine shipments transported by sea, stocked in West Africa and rerouted to final destinations in western countries, hard drugs are smuggled by international criminal networks using 'disposable' human carriers with false passports and forged visas. Golden Crescent heroin enters the region mostly by air to be later re-exported to Europe and to a lesser extent the US.

Let's see a concrete example. Guinea Bissau This West African state of 1,5 million people is one of the poorest in the world.

Its chief exports? Cashews, shrimp, and cocaine. Cocaine, in a country with no coca bush? That's right.

More than four tons of cocaine has been seized in West Africa in 2007, a 35 per cent increase over the entire haul for 2006. From 2004 to 2006, for the continent as a whole, the annual cocaine seizures in Africa have been above 2.5 tons, whereas between 1998 and 2003 annual seizures averaged about 0.6 ton. Preliminary data for the first three quarters of 2007 indicate a record level of 5.8 tons of cocaine seized in African countries, 99% of this having been seized in Western Africa.

Drugs are also being seized in international waters off the Gulf of Guinea.

One reason why this region is becoming a major drug trafficking hub is its location. West Africa is an ideal staging point along the route from South America to the cocaine markets of Europe.

Big shipments are hidden on fishing boats and freighters, then broken up into smaller consignments that are sent by fast boats up the coast to Morocco or Spain.

Moreover, Africa's weak states offer the least resistance as a substitute for traditional cocaine-smuggling routes in Central America and the Caribbean, which are being blocked.

Many countries in the region cannot control their own territory, cannot administer justice, and are plagued by corruption.

To appreciate the malaise of a country like Guinea Bissau, imagine that you are a policeman there and are tipped off about a drug shipment coming in by plane.

First, you have to find a car to drive to the landing strip, and get official permission and money to fill up the petrol tank. There is no way to call for backup without a two-way radio and no electricity to charge your mobile phone.

If you reach the scene of the drop in time, the next challenge is to build a makeshift roadblock to stop the truck from off-loading the cocaine.

Strangely, the truck's driver is wearing an army uniform and is not too concerned when you seize his cargo. You take him to the police station in the back of the car - without handcuffs, because you don't have any.

---

<sup>5</sup> A. Philip de Andrés, *West Africa under attack: Drugs, Organized Crime and Terrorism as the new threats to global security*. UNISCI Discussion Papers, Nº 16 (January 2008). Philip de Andrés is member of the United Nations Office on Drugs and Crime.

A senior government official intervenes to try to secure his release. The police chief refuses, and is so incorruptible that he sleeps beside the drugs to prevent the multi-million-dollar evidence from disappearing.

Later that week, the suspect is released into the care of the military, and the police chief is fired. This is a true story. And it is not an isolated case.

Nor is Guinea Bissau the only country in the region vulnerable to serious organised crime.

Convoys of heavily armed four-wheel-drive vehicles travel at high speed across the Sahel region of Western Africa, bringing hashish from Morocco via Mauritania, Mali, and Niger to Chad and beyond.

This drug trafficking equivalent of the Dakar Rally covers 4.000 kilometres of inhospitable terrain, across regions controlled by rebel groups and terrorists associated with al-Qaeda in the Islamic Maghreb.

These forces are probably profiting from the drug trade.

Several hundred West and Central Africans languish in the prisons of Thailand, Pakistan and Colombia (just to mention major drug markets) on long drug-related sentences, without mentioning the 'mules' killed on their way to destination markets by ruptured drug ovules. Hard drugs are not only trafficked out of the region but increasingly consumed in deadly homemade cocktails: in Liberia child soldiers reported the abuse of locally-made crack cocaine mixed with gunpowder. Cannabis cultivation is widespread for local, regional and to a lesser extent Northern European markets.

When we talk about organized crime we are not telling just about drugs traffic, in fact, the same routes used for smuggling drugs and illegal migrants appear to be used also for the flourishing trade in counterfeit and pirated items originating mostly from Far East Asia but also, according to some reports, from Latin America. The problem of counterfeit items seriously affects local industries, particularly the entertainment, food and pharmaceutical sectors. In this context, it is worth noting that, according to the World Bank Institute<sup>6</sup>, music represents the third most important component of annual economic growth and revenue in GDP terms in Senegal, Mali, Ghana and Cameroon. Intelligence gained from Interpol<sup>7</sup> investigations uncovered suspected connections between organised crime gangs involved in music piracy in Ghana, Guinea (Conakry), Liberia and Nigeria and Middle Eastern terrorist organisations. Examples of CDs and CDRs carrying propaganda messages from extremist groups have been found in Mali, Mauritania and Nigeria.

According to several studies, there are four to eight million light arms in West Africa alone, representing a major obstacle to the ending of civil conflicts in the region. The easy availability of small arms coupled with the inability of the State to provide due security, control over its territory and fair justice foster violent behaviour, crimes against property and eventually anarchy. The trivialisation and privatisation of the use of violence coupled with impunity and corruption are, in this context, at the root of violent strife, often ending in open civil war.

---

<sup>6</sup> Presentation of the World Bank Poverty Reduction Strategy for 30 African countries in September 2002 in Dakar, Senegal.

<sup>7</sup> Interpol Report on Intellectual Property Pirated Goods, May 2004, p. 35-37.

West and Central Africa are rich in natural resources. Oil, precious stones, gold, platinum and timber are often the most important source of revenues for a number of West and Central African States. Considering the overall political context within which these resources are exploited, it goes without saying that their control is often the cause of lasting internal conflicts, and that their exploitation is the source of financing of private armies. The links between organised crime, terrorist groups and both rebel groups and rogue States/kleptocracies in Africa have been shown in a number of official UN reports, including those on Sierra Leone and the Democratic Republic of the Congo<sup>8</sup>.

It's undoubted that funds from West African diamonds supported Hezbollah's operations in the Lebanon. In Nigeria, around 60,000 to 100,000 oil barrels a day, worth an estimated US\$4 billion a year, are siphoned off from illegally tapped pipelines and shipped abroad by international smuggling gangs. The profits are then used to finance the arms race in which criminal gangs and tribal militias are engaged, sustaining ethnic bloodletting in the oil-rich but impoverished Delta region.

Analysts and counter-terrorism experts point to the fact that the terrorist group, al Qaeda, is used, and is continuing to use, rough diamonds in West Africa. The think-tank Global Witness presented evidence<sup>9</sup> that confirms that al Qaeda has been involved in the rough diamond trade since the 1990s. Firstly in Kenya and Tanzania and then in Sierra Leone and Liberia, where they began to show an interest in diamond trading in 1998, following the crackdown on their financial activities in the wake of the US embassy bombings in Kenya and Tanzania. This report argues that there are several reasons why al Qaeda has used rough diamonds:

- As a means of raising funds for al Qaeda cells;
- To hide money targeted by financial sanctions;
- To launder the profits of criminal activity;
- To convert cash into a commodity that holds its value and is easily transportable.

Walter H. Kansteiner, Undersecretary of the African's Affaires in the United States, said that where a national state should be and instead of it there is a space, always the lords of the war come to fill it; Where is possible to find a more fertile place to germinate the seeds of international terrorism?

When we talk about Burkina Fasso or Sierra Leone we are not referring to the countries that are considered dun areas. This adjective was used by the Helen Kellog Institute for International Studies, to design a big part of a state in which the government doesn't control the illegal activities, for example the Peru high plain, the sothern regions of Colombia, the Amazon region in Brazil, also some parts of Malaysia or the Philippines.

The African Countries we are talking about are countries without any juridical or political structure.

---

<sup>8</sup> Antonio L. Mazzitelli *The Challenges of Drugs, Organised Crime and Terrorism in West and Central Africa*, ARI 43/2006 - 6.4.2006, Real Instituto Elcano (Área África Subsahariana).

<sup>9</sup> "For a Few Dollars More: How al Qaeda moved into the diamond trade", Global Witness report, (April 2003), pp. 11-21.

In July 2000 a Belgian military intelligence report about diamond smuggling from Angola into Antwerp and the part played by Belgium in this illegal trade concluded with the following statement<sup>10</sup>: There are indications that certain persons, the ‘Lebanese connection’, mentioned in the diamond smuggling file, also put in an appearance in files on money laundering, the drugs trade and the financing of Lebanese ‘terrorist’ organizations such as AMAL and HIZBOLLAH. This finding gives a whole new dimension to the issue of diamond smuggling; we are NO longer dealing simply with white-collar crime.

The same goes for the trafficking of illicit arms and light weapons manufactured locally or imported from other parts of the world, drugs or narcotics and human trafficking. Some of these activities are made possible by common ethnic affiliations (in terms of language, beliefs, perceptions and support) at either side of the borders and intense economic activity undertaken along these corridors. Armed attacks and extortion at illegal check points, and robbery and criminal activities experienced especially along the Benin-Nigeria corridor of the West African borders also constitutes common cross-border crimes.

The control and regulation of cross-border activities are critical for ensuring peace and stability, and for promoting appropriate political and socio-economic activities needed to integrate West Africa economies. The movement of persons and goods is inevitable in undertaking these cross-border activities. Studies conducted have shown that between 4 and 5 million ECOWAS citizens ply the highways and frontiers of the Community’s territory every month<sup>11</sup>.

Mali, Niger and Burkina Faso experience cross-border raids and attacks based on pastoral disputes between cattle herders and settler farmers.

When a State collapses the process begins necessarily, as it happened at Lebanon in the seventies. Armed groups fill the space, a collapsed state is just a black hole which needs to be filled up. First of all, these groups start controlling little areas far from de bigger cities. Then they create their own infrastructure, regulate the markets and how the trades are made, even begin to set up international relations with the neighboring weak countries. For example in august 2000, Peruvian authorities were involved in a weapons smuggling case, in order to make a lot of weapons to the Colombian FARC. Peruvian Army made an official request to the Jordanian Government, for buying 50.000 storming rifles Kalasnikov AK-47 made in Bulgaria. The Ukrainian freight airplane loaded with the weapons left Amman crewed by Russians, the plane stopped over Canary Islands, Mauritania and Granada. But, before arriving to it’s destination, at Iquitos (Perú), all the weapons were thrown away with parachutes above the positions of the Colombian FARC. At the return flight the plane was loaded with drugs. It’s estimated that the freight airplane carried over 40 tones of cocaine, destined mainly to the Soviet Union. Several high-ranking officials were involved in these smuggling acts, so a few months after, president Fujimori tendered his resignation<sup>12</sup>.

---

<sup>10</sup> “Belgian intelligence, Un-classified. 7756/45”, in: For a Few Dollars More: How al Qaeda moved into the diamond trade, Global Witness report, (April 2003).

<sup>11</sup> Lamine, Cissé. “*The ECOWAS and the Daily Events: The Present Realities of the Integration Process within the Sub-region*”, Agenda 2006, (GJA & FES: Accra), p. 47.

<sup>12</sup> Loretta Napoleoni, Yihad, cómo se financia el terrorismo en la nueva economía, Ed. Urano, Barcelona, 2004.

A kilogram of cocaine typically wholesales at around US\$ 46,700 in many of the key European markets. A ton would therefore be worth just under US\$50 million on reaching its destination, and double that amount at retail level. The entire GDP of a small country like Guinea Bissau was only US\$304 million in 2006<sup>13</sup>, or the equivalent of six tons of cocaine at wholesale level in Europe. According to the IMF, the national budget of Guinea Bissau in 2006 was equal to 41.3% of its GDP, or US\$125 million, slightly more than the wholesale value of two and half tons of cocaine. Guinea Bissau is an interesting case in point, because indications are that this country is particularly utilized by traffickers. While eight West African countries have seized more than 100 kg of cocaine in either of the last two years, Guinea Bissau has done so in both of them.

There is a very important connection between weak states and Islamic terrorism, let's see: Western Africa after September the eleventh attacks has been directly connected to the global anti-western jihadist ambitions of Bin Laden. Al-Qaeda is known to have made logistical inroads into West Africa, seeking to radicalize regional Islamist sentiment, benefit from the pervasive influence of organized criminality that infuses states such as Nigeria and exploit the weak, porous borders and institutional structures that are characteristic of states throughout the Sahel and Maghreb<sup>14</sup>.

To conclude we are going to show what should be called the Macy's of criminal activities: Hezbollah. It's known that many terrorist groups benefit from the trade in heroin, cocaine, methamphetamines and hashish. The last overview available includes: the Revolutionary Armed Forces of Colombia (FARC); Hezbollah; the UÇK in Kosovo; the Islamic Movement of Uzbekistan; and the Abu Sayyaf Group in Philippines.

Hezbollah's modus operandi is a perfect example of the dual identity of Islamic radical organizations that publicly identify themselves as "political" entities –but are in fact designated as Foreign Terrorist Organizations by the US State Department- and their less known criminal activities. To maintain and expand its political-social activities in the Shi'ite community in Lebanon and elsewhere, Hezbollah needs large sums of money. The USD 100 million to 120 million it is said to receive annually from Iran, are just a drop in Hezbollah's bucket. Where did Hezbollah's funds come from?

Hezbollah's support comes from both legitimate and illegal resources. The legitimate channel includes charitable organizations operating worldwide, donations from individuals, and proceeds from legitimate business. Drug trafficking is a major money maker for Hezbollah, endorsed by the mullahs through a special fatwa. In addition to the production and trade of heroin in the Middle East and cocaine in and from South America, Hezbollah facilitates, for a fee, the trafficking of other drug smuggling networks. It cooperates, for example, with the FARC or with the "Abadan drug ring", a long established Iranian drug network, allowing them to use the Hezbollah-controlled drug routes in Lebanon to transport heroin and opium from Iran and Afghanistan to Europe and North Africa.

Hezbollah's other illegal sources of funding include money laundering; illegal arms trading and smuggling; counterfeiting and selling currency (US dollar "super

---

<sup>13</sup> For more information refer see World Bank website: <http://devdata.worldbank.org/external/CPProfile>.

<sup>14</sup> For more information, refer to Timothy Docking, "Terrorism's Africa Link," *The Christian Science Monitor*, (November 14, 2001 Congress, 2002); and John Mackinlay, "Osama Bin Laden: Global Insurgent," *African Security Review* 10/4, (2001).

notes”) and goods (designer clothing and accessories); piracy of compact discs and DVD’s; trafficking in humans; and conducting elaborate import-export schemes with traders from India and Hong Kong to Ivory Coast, and South and Central America. Hezbollah also extorts “donations” from Shi’ites, specially Lebanese immigrants in South and North America, under the threat of physical harm or death.

Hezbollah operatives also generate huge profits from the theft and resale of stolen vehicles and baby formula; credit card, welfare, social security, marriage, healthcare, and insurance fraud; forgery of passports, drivers’ licenses, and other forms of identification; arson; robbery; food coupon fraud; telecommunications fraud; and cloning the identification of cellular phone subscribers.

The magnitude of Hezbollah’s criminal operations serves not only to reap huge profits –estimated at USD 6 billion in 2001, thus enabling it to buy its way into the Lebanese parliament and government- but also facilitates Hezbollah’s infiltration of their targeted countries, wakening these states’ economies while furthering Israeli Army during the July/August 2006 confrontation with Hezbollah showed that the terrorist provided drugs to Israeli criminals to collect intelligence in Israel. Considering Hezbollah’s wide range of criminal activities, it should also be identified and designated as a global criminal organization as well as a terrorist organization.

#### In conclusion

Wherever there is a weak state, the organized crime will see an opportunity to settle its activities. As Walter H. Kansteiner said: where a national state should be and instead of it, there is a space, always the lords of war come to fill it; where it is possible to find a more fertile place to germinate the seeds of international terrorism?