

Introduction

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Financial and material resources are correctly perceived as the lifeblood of terrorist operations, and governments have determined that fighting the financial infrastructure of terrorist organizations is the key to their defeat. Since the attacks of September 11, 2001, a good deal has been learned about sources and mechanisms used to finance the “new terrorism,” which is religiously motivated and exponentially more deadly than previous generations of terrorist organizations. New policies have been devised to combat the threat, and existing policies have been enacted with greater vigor than ever before. Five years into the battle against terrorist financing, it is time to take stock of the emerging literature on terrorist financing, cut through a number of myths that have developed around the issue, and assess the current policy debates.

Through a series of thematic chapters and organizational and regional case studies, this volume provides a comprehensive assessment of the state of our knowledge about the nature of terrorism financing, the evolution of terrorist strategies and government responses, and the effectiveness of both. It develops a political economy framework that sheds new light on the problem, focused

on the preferences of major actors within terrorist networks and government agencies and the domestic and international contexts in which they make decisions and execute their strategies. It argues that both terrorism financing and government responses face problems of coordination, oversight, and information asymmetries that render them vulnerable to disruption.

The first choice we make in this volume is to focus on the interests and preferences of individuals within terrorist groups and how they organize to raise, transfer, and spend their funds. This provides an explanation for some of the inexplicable shortcomings we see in terrorist operations, such as the repeated failure of terrorist plots due to lack of financing. It also leads us to challenge the conventional wisdom that emphasizes the efficiency of network-based terrorist organizations. The theoretically informed approach underpinning this volume is particularly important in studying terrorist financing since even the classified data on the topic is fragmentary, and theory allows us to fill in the frequent gaps in the data with informed analysis.

This approach also provides new insights on the policies states select to combat transnational Islamic terrorism and why the global effort to coordinate counter-terrorism finance policy is meeting resistance despite the frequent reminders of the threat provided by terrorist attacks in Bali in 2003, Madrid in 2004, and London in 2005. A key premise of the volume is that it is difficult to assess the effectiveness of policies without having a clear understanding of how the policies have actually been implemented in practice and the factors that shape this. Although it has become commonplace to assert that many governments lack the resources and “political will” to counter-terrorist financing, the reasons behind this lack of political will have not been clearly articulated—arguably a necessary first step in devising strategies to secure cooperation among U.S. government agencies as well as with their counterparts abroad. Understanding the interests of governments and other affected actors (e.g., the private sector) provides an explanation for policy success and failure that complements the traditional focus on the technical soundness of policies.

The second choice we have made in this volume is to take a comparative approach to terrorism financing. The comparison of different terrorist organizations and different state responses across time allows us to identify the sources of variation in both phenomena. We can disaggregate the nature of the terrorist threat and explain why the emerging global jihadi movement is more deadly than previous generations of terrorists. A comparative

approach also leads us to better understand how structural factors at the international level explain commonalities in government policies on terrorist financing and how domestic factors explain variation in the ability and willingness of states to respond. The successes and failures of counter-terrorism operations, the noisy debates about the appropriate policies to pursue in response to the threat, and the extensive coverage of the issue in academic, journalistic, and policy circles have generated a great deal of new comparative data. There is considerably more open-source material available on a much broader scale than ever before with which to analyze terrorist and counter-terrorist successes and failures.

The book is organized in two sections. The first section provides a thematic and theoretical overview of the nature of the threat, surveying our knowledge of terrorist financing sources and applying political economy and rational choice approaches to understanding the internal dynamic of funding networks within terrorist organizations. It also provides a critical analysis of the fund-raising activities and mechanisms of fund transfer employed by terrorists, and the distinctions and commonalities that exist between terrorist and other illegal financial structures, such as those used by organized crime. Finally, it previews the key debates surrounding existing counter-terrorism policy and recommends greater attention to intelligence-based strategies.

The second section of the book compares three different types of terrorist organizations: insurgent and state-sponsored terrorist movements in Afghanistan, socially and territorially based terrorist organizations in the case of Hezbollah, and the new terrorist movements exemplified by al Qaeda and its associated organizations. It also conducts a comparative survey of terrorist financing and government responses to the problem in the regions most targeted by global jihadi organizations, which include East Africa, Europe, Latin America, the Middle East, and Southeast Asia. Here, we explain the obstacles faced even by highly motivated states in successfully countering terrorist finances, particularly in the form of a lack of consensus over appropriate policy responses, the mismatch between policy and outcomes, and the constraints imposed by the international order and domestic political and social actors. Two chapters focus on the response of U.S. and international actors to terrorism financing, highlighting policy debates and attempting to explain shortcomings in the response. The volume concludes with a comparative chapter that assesses similarities and variations in individual government policies.