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An Approach to the Economic and Financial Dimensions of Radicalization and Terrorism

1. Introduction: Doctrinal Approach

An analysis of the capabilities of the European Union and its Member States regarding the fight against the financing of terrorist organizations and radical groups does not belong to the classical theoretical dilemma: European functionalism – European federalism.¹

And nor can it be linked to an axiom opposing the concept of national sovereignty, despite its limitations and inadequacy to the era of globalization and new technologies. These two variables have a positive influence on the diversification and relocation of financial sources, their distribution channels and their final beneficiaries: radical and terrorist organizations who preach and practice the ideologies of hatred.

Empirical evidence suggests that the discourse and practice of national sovereignty, together with an uncompromising zeal of the European governments, create considerable barriers in the design of a comprehensive European policy regarding the eradication of the sources and circuits of funding of radical and terrorist movements.

Our analytical approach relies on verifiable evidence. The weaknesses affecting the capabilities of the European Union in this field also affect many other political scenarios that are closely connected to the internal and external security of the European Union. In this regard, we can argue that more noticeable and important evidence of the weaknesses affecting the intervention capabilities of the European Union are the Syrian refugee crisis and immigration.²

1 F. Aldecoa, *Unión Europea: del funcionalismo al modelo federal en el siglo XXI*, available at <http://www.uimp.es/blogs/la-linea/actividades/cronicas-ue/%E2%80%9CUnion-europea-del-funcionalismo-al-modelo-federal-en-el-siglo-xxi%E2%80%9D/>, accessed 8 January 2016.

2 *Persecution, conflict and poverty have driven a staggering one million people to seek safety in Europe in 2015, according to estimates by the UN Refugee Agency*, UNHCR and the International Organization for Migration, IOM, available at <http://www.unhcr.org/5679451d6.html>, accessed 19 January 2016.

This crisis could be one of the financial sources of the Daesh and other criminal organizations, as well as a strategic and operational resource of military and political nature that could facilitate the undercover infiltration of terrorists, weapons and explosives in the flow of refugees and immigrants heading to Europe.

The axiomatic approach, which we employ in order to analyze the capabilities of the European Union, with a reference to Spain, falls within the vision that Francisco Aldecoa,³ Professor at the Complutense University of Madrid, called *a process of intergovernmental federalism*, which started with the Laeken Declaration of 2001 and is currently supported by the Treaty of Lisbon.

We believe that intergovernmental federalism can be defined as a mechanism of adaptation of the national sovereignty to the demands imposed by globalization and the impact of the new technologies in the strategies and effectiveness of radical and terrorist organizations along with their sources of funding, circuits for the distribution of resources, intermediaries, direct and indirect beneficiaries, and final recipients of the financed resources.

The aforementioned adaptive process recognizes the validity of the State as a leading player in the internal and external security policy, while allowing the European Union to expand and strengthen its capabilities in this field.

In conclusion, the approach of the European Commission aims to overcome the current limitations of the intervention capabilities of the European Union and its Member States. Against this backdrop, it is appropriate to express the following hypothesis, which is, to a considerable degree, a reasonable one: all national policies dissenting from the positions adopted by the European Commission are bound to be ineffective.

2. Axiomatic Premises for the Analysis of the Economic and Financial Connections Between Radical, Terrorist and Criminal Organizations

The economic and financial links between organized crime, radical movements and terrorism are no novelty, nor they are an innovation. These economic, financial, social and political interrelationships are a historical tradition, even within governments. The purpose is to establish, by means of terror, a state of impunity and to prevail over the State and the rule of law. However, radicalism, terrorism and organized crime are not concepts with the same meaning.

3 F. Aldecoa, *Unión europea...*op.cit.

Radical and criminal organizations do not necessarily have to be terrorist organizations. Not all terrorist organizations are engaged in typical activities of the organized crime, and not all radical organizations perform activities typical of the organized crime and terrorism. However, the coincidence or convergence of common interests and purposes determines an organization to widen its range of action so as to perform simultaneous types of activities, of organized crime, radical or terrorist nature. This phenomenon has been addressed by both the Convention of Palermo⁴ and the Convention of Vienna⁵ According to the classification made by the investigator Edgardo Buscaglia,⁶ we can analyze the connections between organized crime and terrorist organizations and proceed to making the following distinctions:⁷

- Organized crime groups unrelated to terrorism.
- Organized crime groups engaged in terrorist activities such as the Medellín cartel or the Italian Mafia, which turned to terrorism in the pursuit of impunity.
- Terrorist groups that engage in criminal activities to finance their deviant political purposes.
- Terrorist groups that exchange goods with the organized crime.
- Terrorist organizations funded by other means than those of crime.

3. Axiomatic Premises for the Analysis of the Political Players

Three roles that represent the positions of the European Union Member States governments can be identified. The bipolarity is represented by Chancellor Angela Merkel, and her proposal of giving a European solution to an international problem is ignored by the members of the European Council. At the other end,

4 United Nations, *Convention Against Transnational Organized Crime and the Protocols Thereto*, 2004, available at https://www.unodc.org/documents/middleeastandnorthafrica/organisedcrime/UNITED_NATIONS_CONVENTION_AGAINST_TRANSNATIONAL_ORGANIZED_CRIME_AND_THE_PROTOCOLS_THERETO.pdf, accessed 9 January 2016.

5 United Nations, *Vienna Convention on the law and treaties*, 1980, available at <https://treaties.un.org/doc/Publication/UNTS/Volume%201155/volume-1155-I-18232-English.pdf>, accessed 9 January 2016.

6 E. Buscaglia, S. González, S. Fumarulo, C. Prieto, *Delincuencia Organizada y corrupción. Delincuencia organizada y terrorismo. Su combate a través de la Convención de Palermo*, 2004, available at https://www.unifr.ch/ddp1/derechopenal/temas/t_20080528_83.pdf, accessed 9 January 2016.

7 Ibid.

the Hungarian President Viktor Orbán is an icon of the new isolationist populism, characterized by applying reductionism and biased measures as long as they contradict neither the original⁸ nor the secondary *acquis communautaire*, nor the International Law subscribed to by Hungary.

Between these two extremes, one can identify a variety of government positions characterized by ambiguity and a political discourse articulated in the rhetoric of correction and lacking a material engagement consistent with the magnitude of the problem.

The result of all these contradictions has been the following: the Schengen area⁹ is considerably affected and this is not unrelated to the anti-terrorism policies, not even in the field of funding of these organized crime groups.

Community politics and state policies dealing with the eradication of the funding of radical movements and organizations are still in time to avoid the damage suffered by Schengen. The risks are important, since the economic structures, sources of funding, money laundering networks and distribution channels of the financial resources are the backbone of criminal organizations, also of those defined as radicals and terrorists.

In fact, the distinction between criminal, terrorist and radical organizations leads to confusing interpretations, since these three signifiers have an unmistakable meaning, which in some cases, such as the Daesh and the groups that fall into its range of influence, is: *organized crime, internationalization and diversification of illicit economic activity and ideology of hatred*.

This is an economy based on a clear expression of the ideology of hatred. The difference between the Daesh and other criminal organizations lies in their disguise as a theocratic State. The resemblance between this terrorist organization and other criminal organizations is the pursuit of profit and financial resources destined to the privileged figures of its oligarchy and to guarantee the loyalty of their followers and the consolidation and expansion of the organization. All this justified in the name of a distorted interpretation of an invented, caricatured Islam. This Islam preached by the Daesh never existed in the historical¹⁰ and

8 *The Orbán Effect: EU Conservatives Have a Hungary Problem*, “Spiegel”, 2013, available at <http://www.spiegel.de/international/europe/hungarian-government-puts-european-conservatives-in-tough-spot-a-902620.html>, accessed 7 January 2016.

9 The Schengen area and cooperation are founded on the Schengen Agreement of 1985. The Schengen area represents a territory where the free movement of persons is guaranteed.

10 G. Kepel, *La yihad: expansión y declive del islamismo*, Peninsula, Barcelona 2001.

social¹¹ reality. The Daesh version is the extreme, and hence deformed, version of the Saudi Wahhabism, an Islamic movement that emerged in the last third of the nineteenth century in the Arabian peninsula.¹²

4. Actions Taken by the European Union and Its Member States

The economic and financial aspects outline a key scenario of the fight against terrorism.¹³ The European Union is supporting new measures for the fight against terrorist organizations.¹⁴

The European Commission developed a package of measures to be analyzed by the Council of Ministers of Economy and Finance of the EU of January 2016. However, the Community decision-making method is slow, even in those sectors which benefit from a reinforced cooperation, and especially in those stages in which the European measures have to be extrapolated to the national laws of its Member States.

Following the attacks that took place in Paris in November 2015, twenty-eight Member States of the EU made substantial progress in areas related to the rate of financial transactions, the Banking Union, tax arrangements and other instruments for combating tax base erosion. Another European priority is to achieve a quick extrapolation of the fourth directive of combat against money laundering¹⁵ and of the regulations regarding the information that should be included in the transfers of funds.

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- 11 R. Torres, L. Ponce de León, *Reislamización digital y yihadismo europeo: claves comprensivas para la intervención social comunitaria*, "Sistema", no. 240, 2015, pp. 101–116.
 - 12 G. Kepel, *Jihad: The Trail of Political Islam*, Harvard University Press, Cambridge 2003.
 - 13 FATF Financial Action Task Force, *Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard*, 2012, available at http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf, accessed 17 January 2016.
 - 14 European Commission, *Commission takes steps to strengthen EU cooperation in the fight against terrorism, organised crime and cybercrime*, available at http://europa.eu/rapid/press-release_IP-15-4865_en.htm, accessed 17 January 2016.
 - 15 Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on Prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2015:141:FULL&from=EN>, accessed 7 December 2015.

However, the meaning of the concept of acceleration in the European decision-making processes depends on the legislative decisions taken by national governments and parliaments, and thus the planned package of measures could be implemented in June 2017. This period of time is too long to deal with a contingency that requires the suppression of the sources of funding of terrorist organizations.

The weaknesses in the European Union's capabilities come from state resistances whose ideological foundation is based on a concept of national sovereignty which is prior to the phenomenon of globalization, and therefore ineffective in taking action in due time at a European and global scale: Here and now.

The alternative monetary circuit through which the electronic money flows, virtual currencies and prepaid cards are evidence showing the European weaknesses. The lack of legal, institutional and administrative European tools is obviously hindering the intervention in a sector which is, in itself, refractory and evasive to all kinds of public intervention, both at the state and global levels.

The problems experienced by the European Union come from state actors, who respond to global issues, especially to those regarding the financial world, under the cloak of an anachronistic ideology of national sovereignty, and who are reluctant to go beyond and overcome the limited coordination mechanisms existing between the states and agencies. The financial sector is ungraspable due to several reasons, including an opacity that helps promoting the financial sources and channels of distribution of radical and terrorist organizations.¹⁶

The Daesh and global jihadism are consequences of a phenomenon that is not new, and that has challenged the internal and external security of the European Union and its Member States. Its origins date back to the attacks of 9/11 and of 1973, when the oil crisis helped multiplying the revenues of Saudi treasuries, and when an unprecedented expansion of the Wahhabism took place. The latter is a hermeneutic movement of the Islam that has no roots in the schools and movements of this religion, and is imprisoned by an out of the context, hermeneutic literality and other demands which are inevitable for the Muslims themselves, such as the role model represented by Muhammad, the first Umma and the Quran. However, the oil revenues helped the worldwide expansion of the Wahhabism.

16 United Nations, *International Convention for the Suppression of the Financing of Terrorism*, 1999, available at <http://www.un.org/law/cod/finterr.htm>, accesses 19 December 2015.

The Treaty of Amsterdam, which came into force on May, 1st 1999, is a major legal instrument of the European Union in the fight against organized crime.¹⁷ The Framework Decision expressed by the Council of the European Union one week after the events of 9/11 and Directive 97 of December 2001 regarding the restriction of the use of the financial system for the purpose of money laundering, were strong milestones in the European anti-terrorism policy.

Other important achievements include rules set by the Council by which customized restrictive measures directed against certain persons and entities have been established, with the aim of fighting against terrorism. The initiatives were completed in December 2001, when the European Commission commenced to publish a list of terrorists and terrorist groups.

By acknowledging this positive development, we must stress that the internal and external security of the European Union¹⁸ represents the security of its Member States and their citizens. This is an urgent matter and we cannot wait until 2017 for the implementation of a European mechanism of freezing of assets, and for the application of other measures regarding the fight against the illegal trade of cultural goods; control of prepaid cards; creation of centralized national registers of bank accounts in each Member State, etc.

The European weaknesses in this area can be observed from a comparative perspective. The United States has the SWIFT system,¹⁹ while in the EU the implementation of a European Monitoring System of the Financing of Terrorism is still a pending issue.

5. France and Spain as References

For the aforementioned reasons, it is necessary to focus our attention on the instruments employed by some of the Member States of the EU, as well as on their current actions regarding the war against terrorism in the financial field.

17 Treaty of Amsterdam, at http://europa.eu.int/eur-lex/es/search/search_treaties.html, accessed 4 December 2015.

18 European Commission, *Proposal Council Regulation on specific restrictive measures directed against certain persons and entities with a view to combating international terrorism*, 2002, available at <http://www.law.kuleuven.be/iir/nl/onderwijs/terrorisme/COM2001e713.pdf>, accessed 3 December 2015.

19 Bank Codes, SWIFT or BIC, *Codes that identifies financial and non-financial institutions and is mainly used for international wire transfers between Banks*, available at <http://www.bank-codes.com/country/united-states-usa#ixzz43NtZ51xS>, accessed 4 January 2016.

The attacks that took place in Paris in November 2015 seem to have revived the French leadership, as suggested by the initiatives regarding the strengthening of the powers of the Financial Intelligence Units²⁰ in order to ease the access to bank details, without the need for a prior report on a potentially suspicious transaction. France also calls for improvement in the mechanisms for the exchange of information.

State legal constraints are not the same in all Member States of the EU. In the case of Spain, the *Sepblac* intelligence service, can undertake operations of greater scope and depth than the corresponding agencies of other Member States of the EU. Therefore, it can be argued that the development and improvements made in the Spanish regulatory framework have reached a satisfactory level in comparison to the limitations experienced by other Member States of the European Union.

The Spanish legislative *acquis* is faithful to the international and European lines of thought,²¹ while also being affected by the weaknesses in the capabilities of the EU in this field.

The positive evolution of the Spanish legislation is confirmed by its current state of development, supported by the validity of the Royal Decree 304/2014 of May 5th, by which the Law 10/2010 of April 28th on the prevention of money laundering and terrorist financing, is approved (BOE 05/05/14). Its legislative starting point is represented by the Law 19/1993 of December 28th, which includes certain measures for the prevention of money laundering (BOE 29/12/93).

The Spanish legislative journey is based on an extrapolation of the Directives 2006/70/EC²² and 2005/60/EC of the European Parliament and the Council of October 26th, 2005,²³ and is consistent with the theoretical provisions of these

20 UK-Parliament, *Money laundering and the financing of terrorism*, 2008, available at <http://www.publications.parliament.uk/pa/ld200809/ldselect/ldcom/132/132ii.pdf>, accessed 9 January 2016.

21 Royal Decree 304/2014 of May 5th, 2014, approving the regulation developing the Law 10/2010 of April 28th, 2010 on the prevention of money laundering and terrorism financing, Official State Bulletin 110, 06.05.2014, pp. 34775.

22 European Commission. *COMMISSION DIRECTIVE 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of ‘politically exposed person and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis*, 2006, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32006L0070&from=ES>, accessed 9 December 2015.

23 Directive 2005/60/EC of the European Parliament and of the Council of October 26th, 2005 on the prevention of the use of the financial system for the purpose of money

European standards and of other similar standards included in the *acquis communautaire*.

The current legislation, under development by the European Union, includes the obligations, actions and procedures necessary to prevent and impede the use of the financial system and other areas of economic activity for the purpose of money laundering and financing of radical and terrorists groups and organizations. However, these capabilities and the available instruments of public intervention have to be adjusted to the real scale of jihadist funding, which is characterized by diversification and effectiveness.

6. The Global Economy of Terror and Its Underlying Causes

Contraband oil; the trafficking in arms, antiques, and human beings; taxes; the forgery of documents; donations; the trade in agricultural products; toll charges; kidnappings and slavery – these form the structure of the global economy of terror. The Daesh aspires to be a State, and acts as a State in Iraq and Syria, where Baghdad and Damascus are unable to impose their authority.²⁴

International actors have contributed irregularly to this unprecedented scenario,²⁵ and thus the hypothesis laid out by researcher Noam Chomsky in his book *9–11: Was There An Alternative?* seems to be confirmed: current empirical evidence suggests a partial but significant revision of the geopolitical strategies of regional and international political actors, mainly because the list of theaters of terror has expanded from the Middle East to the Western European cities, and to other cities all over on the planet.

The current war against terrorism and the public interventions against radicalization are defined by relocation, a feature that can also be observed in the field of funding of these criminal organizations and of other radical organizations operating at the borderline of what is legally and politically acceptable.

laundering and terrorist financing, at <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:l24016a&from=ES>, accessed 12 December 2015.

24 L. Napoleoni, *El fénix islamista. El Estado Islámico y el rediseño de Oriente Próximo*, Editorial Paidós, Barcelona 2011.

25 N. Chomsky, *Once de Septiembre*, RBA, Barcelona 2011.

7. The Financial Flows of Radicalism. Report of the National Intelligence Centre (CNI). Spain

Financial flows also support activities related to radicalism, which is considered to be the precursor of terrorism. The CNI²⁶ warns, according to the *El País* newspaper²⁷ which refers to secret CNI reports, that there are six Muslim countries that support Islam.²⁸ A report of the CNI points out that these donations arrive in the hands of radical organizations. This document of the Spanish CNI,²⁹ declares according to the aforementioned source, that six Arab-Muslim countries are supporting the Islamic communities in Spain. Among the purposes of these donations is the aim to gain control of them, usually with little discernment.

This report of the National Intelligence Centre (CNI) provides an analysis of the funding and support offered by Saudi Arabia, Kuwait, Qatar, United Arab Emirates (EAU), Libya and Morocco to the Muslims in Spain.

The verdict of the CNI identifies a tendency that affects other countries of the European Union as well: there is insufficient control of the financial flows generated by the donations and financial aid that other countries send to the Islamic community in Spain, and a lack of attention to the risks of financing individual needs.

The aim of the Spanish government is to make the oil monarchies support only the projects presented by the Muslim communities to the Islamic Commission of Spain (CIE), the official interlocutor, which is currently undergoing developments in order to be more representative. Only applications approved by the CIE would have the chance to be financed by grantors.

According to the report of the Spanish Intelligence Service, Kuwait is the country that, by means of the Society of the Revival of Islamic Heritage (RIHS), paid for the construction of the Torredembarra and Reus mosques in Catalonia, where a religious interpretation discouraging the integration into Spanish society and supporting the separation and hatred toward non-Muslim groups is preached.

The Kuwaiti RIHS was included in 2008 by the Treasury Department of the USA, and later by the United Nations, in the list of organizations that finance the Al Qaeda-affiliated groups. The main beneficiary of their aid and an administrator

26 I. Cembrero, *El CNI alerta de que seis países musulmanes financian al islamismo*, "El PAÍS" 31.07.2011, available at http://politica.elpais.com/politica/2011/07/31/actualidad/1312140952_655494.html, accessed 19 January 2016.

27 Ibid.

28 Ibid.

29 Ibid.

of Saudi money in Spain could be, according to the Secret Service, the Dutch Salafist of Moroccan origin Abdelhamid el Hyat. On the mid term, the RIHS intends to open a local office in Spain.

Qatar seems to donate preferentially to the Islamic League for Dialogue and Coexistence in Spain, which is linked to the Muslim Brotherhood in Syria, according to the CNI, and which controls, for example, the Catalan Islamic Cultural Centre.

In contrast, Sharjah, one of the United Arab Emirates, has a preference for the Spanish converts gathered in *Al Morabitun*, whom it paid for the construction of the Albaicín mosque of Granada, and is willing to offer support for another mosque in Seville.

The Spanish secret services have reported some isolated financing actions, such as the 300.000 euro paid by Qatar to remodel the Catalan Islamic Cultural Center. However, it is common to use alternative channels in order to deliver such donations that go beyond the control of the authorities of the Spanish financial system.

Saudi Arabia is the most important net contributor. In addition to the direct donations made by the royal family, we can consider those made by its Embassy in Madrid and by a large number of not entirely official charitable associations. However, it is worth mentioning that the mosques and centers that benefit from the Saudi funding are not defined by their high level of radicalism, according to the CNI, despite the fact that they are totally submitted to the Saudi directives.

The CNI report warns that among the recipients of these donations are also individual actors who grant themselves with an improper representation. The Spanish intelligence service notes that some of the trips to the Arabian Peninsula for collecting subsidies are carried out in the utmost secrecy and without the knowledge of the Islamic community in the name of which they are requested. If the financial resources are obtained, they do not always serve the official purpose for which they were requested.³⁰

Donors

Private wealthy donors and Islamic charitable organizations in the Middle East – particularly of Saudi Arabia and Qatar – were the initial source of income. Donors have sought to overthrow Syrian President Bashar al Assad, who belongs to the Islamic Alawite sect. A part of these donations covered the transportation of foreign fighters to Syria and Iraq. Currently, the Daesh has reached significant levels of self-financing.

30 Ibid.

Oil

The Treasury Department of the United States estimates that in 2014 the Daesh could have won up to several million dollars per week, adding up to a USD 100 million in total from the sales of crude oil and refined products. The products were sold to local retailers, who in turn smuggled the goods in Turkey and Iran, or sold them to the Syrian government. The Daesh does not want to destroy the energy sources obtained by military conquest.³¹ Their aim is to use the earnings for the construction of the Islamic State or Caliphate.

Theodore Karasik, of the INEGMA centre (Dubai) and Robin Mills, author of the book *The Myth of the Oil Crisis*, estimate that the Daesh spends USD 1 billion per day on the exploitation of Iraqi oil.

Researchers argue that by adding the benefits in Iraq and Syria they could reach the figure of USD 100 billion per month. Before the falling in the price of oil, the Daesh sold a barrel for USD 30 through the retailers in Turkey and Syria who introduced them on the black market.

In the case of Syria, a study³² carried out at the Analysis Centre of the European Council on Foreign Relations (ECFR) shows that while the military component is unavoidable in the fight against the Daesh, it will not be successful so long as it is not included within a more complex strategy. A late inclusive diplomacy should be the immediate priority of the European governments. An approach that over-emphasizes military action will let a great opportunity pass by and will run the risk of doing more harm than good.

Kidnapping, robbery, looting, extortion

Kidnapping was the source of at least USD 20 billion in ransom payments in 2014. Foreign journalists risk to be kidnapped the moment they set foot in cities close to the border with Syria. Kidnapping is a financial resource and, to a greater extent, a valuable tool of propaganda.

The Daesh wins several million dollars a month from the extortion of those living in the areas found under their total or partial control. These financial resources come from toll payments for using transportation channels; for allowing commercial activity and the belonging to other religions; for offering a protection

31 M. Aguirre, *¿Cómo se financia el Estado Islámico?*, BBC, El Mundo, 14.08.2014, available at http://www.bbc.com/mundo/noticias/2014/08/140825_estado_islamico_como_se_financia_ch, accessed 20 December 2015.

32 J. Barnes, D. Levy, S. Diplomacy, *From Vienna to Raqqa*, ECFR, 27.11.2015, available at http://www.ecfr.eu/madrid/publi/de_viena_a_raqqa_necesidad_de_una_diplomacia_inclusiva_en_siria, accessed 3 December 2015.

service to the residents and neighbors of a town. They also come from bank attacks, looting, trafficking and sale of antiques; from theft; from the control over the sales of livestock and crops; and from slavery.

Taxation on the right to exist of other religions, kidnapping, sexual exploitation, trafficking in human beings and slavery

The Daesh forces religious minorities to pay a special tax, called *jizya*. Last year, a statement was announced in the mosques of the Iraqi city of Mosul, calling on Christians to either convert to Islam, pay the *jizya* or face death unless they left the city. The sale of girls and women kidnapped in order to be turned into sex slaves appears to be a common situation.

In the town of Sinjar of northern Iraq, the *Yazidí* religious minority reported that thousands of their women and little girls were captured and that many were used as sex slaves. Kidnapping is a business that relies on spies, informants, kidnappers, guards and negotiators who reach agreements to free some of the hostages.³³

The investigation suggests that the Daesh and other armed groups are implementing a tax system in the areas they conquer, while promoting illegal activities such as stealing the financial reserves of provincial banks, cars and weapons smuggling, kidnappings and roadside checks.

8. Conclusion

The European Union is a major actor in the global Strategy of the United Nations against terrorism.³⁴ The aforementioned strategy relies on a working Group to examine the various components of the measures taken to prevent the financing of terrorism and submit proposals aimed at increasing the effectiveness of the implementation of international rules, including the special Recommendations on terrorist financing made by the Financial Action Task Force (FATF-GAFI).

In October 2009, the FATF issued a Report that included 35 findings and 45 recommendations aimed to assist Member States of the EU in increasing the effectiveness of their measures of combat against the financing of terrorism.

33 J. Bartlett, *En la millonaria máquina de secuestrar de Estado Islámico*, BBC, El Mundo, 15.09.2015, available at http://www.bbc.com/mundo/noticias/2015/09/150922_testimonio_secuestros_estado_islamico_lav, accessed 25 September 2015.

34 United Nations, *Guía legislativa del régimen jurídico universal contra el terrorismo*, 2008, available at https://www.unodc.org/documents/terrorism/Publications/Legislative_Guide_Universal_Legal_Regime/Spanish.pdf, accessed 18 October 2015.

Five topics were addressed:

- classification as a crime of terrorist financing;
- strengthening national and international cooperation;
- value transfer systems;
- non-profit organizations;
- and freezing of assets.

Based on the findings and recommendations of this Report, the International Monetary Fund (IMF) drafted an Action Plan with proposals for the implementation of these recommendations, to be considered by the members of the Financial Action Task Force. Most of the entities that took part in the Financial Action Task Force have already integrated parts of these recommendations into their own work programs. After an examination of their findings and recommendations carried out by multidisciplinary experts, the FATF completed their Report in October 2009. The Report includes 36 findings and 45 recommendations aimed to assist the Member States of the EU in increasing the effectiveness of their measures of combat against terrorist financing.

The global Strategy of the United Nations against terrorism,³⁵ adopted by the General Assembly on the 8th of September 2006, serves as a common platform, putting together the efforts of the entities of the United Nations that address issues related to the fight against terrorism in a common, coherent and more precise framework. There are different activities that can be categorized as transnational organized crime, such as drug trafficking, smuggling of migrants, trafficking in human beings, money laundering, trafficking in arms, counterfeiting, crimes against the environment, crimes against intellectual property and heritage, and even some aspects of the so-called cybercrime.

Monitoring the flow of money not only helps preventing the attacks but can also provide useful information for further investigations. The Member States of the EU are also members of the United Nations Convention against Transnational Organized Crime.

It is also worth mentioning The International Convention for the Suppression of the Financing of Terrorism – on April 23rd, 2006, the Convention had the support of 153 State Parties. This means an increase of 149 states since the attacks of

35 United Nations, *The Globalization of Crime: A Transnational Organized Crime Threat Assessment*, 2010. available at https://www.unodc.org/documents/data-and-analysis/tocta/TOCTA_Report_2010_low_res.pdf, accessed 19 December 2015.

the 9/11, although 38 Member States of the UN still has not joined the Convention until recently.

The European Union encouraged the financial sanctions regime of the United Nations. This is an important instrument for ensuring the effectiveness of the measures against the financing of terrorism. The Member States of the EU are developing their *acquis* under this international trend, approved by the European legal framework.

In 1998, there were less than 20 terrorist websites. Experts estimate that in 2015 the figure exceeded several thousand. In fact, it seems that some of the major attacks were based on information obtained by means of the Internet.

The EU slowly reinforces its border controls, especially in developing countries. The World Bank supported the reform and modernization of border management systems, facilities and institutions at the national, regional and international levels.

The Member States of the European Union have encouraged the international community to adopt a series of important measures aimed at providing a solid legal basis for common actions of combat against the promotion of terrorism, especially through the ratification of 13 universal instruments related to the prevention and suppression of international terrorism, as well as the Security Council resolutions 1267 (1999), 1373 (2001), 1540 (2004), 1566 (2004) and 1624 (2005).

In order to strengthen the authority of the Security Council and its role in this field, the Council bodies dealing with terrorism will need to develop standards of compliance and accountability and use them to evaluate the work of individual States in order to differentiate between States that are considered able but unwilling to fulfill their obligations and States that lack the capacity to do so.

The internal and external security of the EU seems to develop the required capabilities in all required fields, even though this effort is neither consistent nor synchronic with the scale of the problem of financing the global economy of terrorism, radicalization, and organized crime.

Various organizations of the United Nations and its partners, especially the International Monetary Fund (IMF), the World Bank, the United Nations Office on Drugs and Crime, and the Interpol are working in order ensure the States have the necessary laws and institutions to fully comply with the international standards and obligations regarding the fight against money laundering and financing of terrorism. The European *acquis*, together with its instruments and intervention capabilities, are an essential reference for the international community.

The cost estimate needed to fight threats posed by terrorist organizations like the Daesh is high and difficult to break down. It is estimated that in 2014 the global economic costs of terrorism reached 52.900 billion USD (49.000 billion EUR),

and a total economic impact of 105.800 billion USD. These figures have been calculated using the IEP methodology of the economic cost of violence,³⁶ which measures the direct and indirect costs generated by the loss of life, destruction of property and ransom payments.

The quantification of the total global economic costs of terrorism is complicated. Direct costs include direct loss of life and damage to property caused by a terrorist attack. The estimation of indirect costs is less tangible and precise.

The direct global costs of terrorism added up to a total of 52.900 billion USD in 2014. This means an increase of 61% over the previous year's total, which was of 32.900 billion USD; this figure that has multiplied by more than 10 since 2000. The vast majority of these costs arise from injury and death.

Since 2000, there has been a growing trend toward smaller-scale bombings and explosions, and a decrease in large-scale attacks against property, which cause damage worth more than one billion dollars. Losses caused by terrorism added up to 52.900 billion USD in 2014, as opposed to 1.7 trillion USD lost as a result of violent crimes and homicides.

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