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Drugs, Crime and Terrorist Financing
Breaking the Links

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Secretary General Kofi Annan

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Breaking the Links

Thank you for inviting me today. Cooperation with the OSCE is an asset the UNODC treasures, whether we talk about exchanging ideas, proposing new initiatives, or undertaking joint operations.

Combating the financing of terrorism, and assisting countries to enhance their efforts, have been important aspects of the UNODC mandate. Before representing our work, I wish to clarify the terms and concepts we use.

I. Understanding the Issues

Let me start with the definition of terrorism, a matter currently under debate at the United Nations, given the reopening of the negotiations on the Comprehensive Convention. I shall use the definition proposed the UN Secretary General: “*Any action constitutes terrorism if it is intended to cause death or serious bodily injury to civilians or non-combatants with the purpose of intimidating a population or compelling a government or an international organization to do or abstain from doing any act.*” In other words, spilling innocent blood as a form of political blackmail is something the international community cannot accept. We have joined forces here, today, in fact to strengthen our resolve against it.

My next question concerns the vulnerability to terrorism. Let us face it: there are conditions that make the occurrence of terrorism more likely. Among these I include:

- Weak or failed government
- Corrupt law enforcement and inept judiciary
- Unscrupulous handling of money flows
- Hate speech and propaganda
- Cultural alienation in a context of mass unemployment.

I believe you would generally concur that certain conditions enhance vulnerability to terrorism, that each condition fosters a different variety of terrorism, and that we have to take these distinctions into account while implementing counter-measures.

Next, the question of funding. Terrorists turn to different sources of money, depending on their motivations, their mode of operations, and the resistance they face from law enforcement. I would like to mention just a few sources of terror funding:

- Public sponsorship from governments or parts of government

- Private (individual and corporate) contributions
- Diaspora, ethnic and religious financing
- Revenue from drug trafficking
- Laundered organized crime other proceeds

The world has experienced, of late, many tragic terrorist acts, each funded in a particular way. These funding categories, necessarily oversimplified here, allow us to focus on the various manifestations of terrorism that I now wish to examine.

I will list three broad types of terrorist situations, in decreasing order of complexity:

- Large rebel formations, engaged in insurgency,
- Extremist networks, usually with international linkages,
- Isolated operational cells, with external support.

I am sorry for this pedantic introduction. My goal was to assemble several core aspects of terrorism in a logical matrix.

II. The Situation on the Ground

The three manifestations of violence I just mentioned fall under Secretary General Annan's definition of terrorism when indiscriminate attacks target civilians for the purpose of intimidation. Their membership reflects vulnerability and different degrees of disaffection from civil society. Often, and relative to today's debate, these three manifestations of terrorism require different types of funding, a fact that also dictates the use of different counter-measures.

Here are common sense examples.

Large paramilitary groups need millions of dollars in revenue to keep the militias together, provide food and housing to their families, and pay for arms and equipment. Their funding is usually generated by large-scale illicit economic activity (drug cultivation and trafficking, for example), in conjunction with transnational criminal organizations. Funds are laundered through the informal sector, as well as with the help of complacent bankers and economic operators. Foremost in my mind is Colombia's long-lasting insurgency (FARC, ELN, and AUC), Peru's Shining Path of the 90s, Afghanistan's Taliban regime in the same period, Sri Lanka's Tamil Tigers, different militias in South-East Asia and, in recent years, also in Africa.

Terrorist networks with international linkages generally focus on given theatres of operation (sometimes in different countries) where they feel somehow invested. Their operations are driven by a particular cause. Funding is generally specific, derived from sympathetic supporters, and especially from major crime. Also important are diaspora contributions and monies from political and religious sympathizers. I am thinking of Afghanistan's Al Qaeda (which has a global reach),

but also of the IRA of Northern Ireland and the ETA in Spain (both of which have mostly engaged in domestic terror campaigns). Other groups (PKK in Turkey, and the Chechen terrorists in Russia) generally fall into this category as well.

We also see individual attacks carried out by small groups of people, cells that operate with very limited budgets, generally funded by sources difficult to trace. Property crime, usually not of a trans-national type, is often used to generate resources. These low-budget operations involve dedicated people, with few family ties and single-minded, even obsessive dedication, to achieve results. Think, for example, of the attacks in Madrid, London, Istanbul, Nairobi, Bali, and Casablanca, among others. In earlier years, Italy's Red Brigades and Germany's RFA conducted equally bloody (and highly focused) attacks on civilians as well.

This overview is meant to show the extent to which terrorist groups specialize in regard to their goals, their operations, their funding, and their partners. We have to respond in kind, with equal, well-targeted countermeasures.

Put otherwise, we cannot use the same equipment to catch *sharks* and *piranhas*. At UNODC, we aim at the big fish: warlords and militias, insurgents and international traffickers, corrupt officials and organized crime bosses. Still, we cannot forget the piranhas; we need to focus on eliminating these smaller, but still deadly, predators as well.

Having assembled the building blocks of my argument, I am now ready to show how these merchants of death conspire, connive and collude.

III. UNODC Focuses on *the Sharks*

Let me begin with the two main killer-drugs, heroin and cocaine, to show the ways large-scale terrorist and insurgent organizations depend on drug and crime-related revenues to fund their operations.

For many years, UNODC has promoted common efforts to control illicit drug cultivation and trafficking. This year, on the cultivation front, the news is relatively good. Cultivation of coca is about 30 percent lower than it was in 2000. Even more strikingly, the cultivation of opium is today about 30 percent lower than it was in the mid-90s, and it is now mostly concentrated in a single country (Afghanistan). Trends in the cultivation of cannabis (a plant that grows widely across the continents), and the production of synthetic drugs (assembled with commercially available chemical precursors) are more difficult to assess.

Now let me turn to the funding of terror.

In 2005, over 400 tons of heroin came out of Afghanistan, for an estimated export value of about \$2.7 billion. Was any of this money appropriated by terrorists? What we know is that drugs from Afghanistan travel to foreign destinations (mainly Europe and Russia) across regions controlled by scores of warlords with multiple loyalties, insurgents affiliated with the Talebans, al Qaeda, Hiz-e-Islami, and extremists from Central Asian and Pakistan. These groups

impose transit and protection fees on drug cargos. These same shady players also get cuts from the trafficking of drug precursor chemicals (more than 5 thousand tons) into Afghanistan.

The same, of course, happens in other drug theatres, in the Andeans and in Northern Africa, for example. In 2004, Colombia exported some 400 tons of cocaine, with an estimated domestic market value of US\$2 billion. Was any of this money appropriated by insurgents? Most emphatically yes, since these insurgents protect the coca cultivations and run much of the trafficking. Morocco, last year, produced almost 3000 tons of cannabis resin, with an estimated domestic market value again equal to several hundreds of millions of dollars. Again, was any of this money appropriated by terrorist groups? Think of the attack on Madrid on March 11, 2004, when Moroccan drugs bought the explosives.

The order of magnitude that characterizes this sort of terrorist financing can be wide-ranging. Even a modest charge (a revolutionary tax) of a few percentage points on drug cargoes valued in the aggregate at billions of dollars, generates an annual income to terrorists that is much greater than the money frozen worldwide by means of FATF and other money-laundering controls.

Once illicit drugs leave their region of origin (the Golden Triangle, West-Asia, the Andeans or Northern Africa), they transit through terrorist-infested territories where governance has collapsed and organized crime rules. In each of these regions, the same funding dynamic is at work based on drugs-for-arms barter exchanges, on transit charges paid in kind (i.e. drugs), and on support services provided for a cut of the profits.

Indeed, drug trafficking has provided funding for insurgency and terrorist violence in transit regions like the Balkans (especially Kosovo, with the KLA), Myanmar (different armies), the Philippines (Abu Sayyaf), Somalia (Aba warlords), Sri Lanka (LTTE), Turkey (PKK), the Middle East (Hizbollah), Russia (Chechens) and Central Asia (IMU), just to mention a few.

Our Office has also monitored developments over time. In the Andean region, over a period of 15 years, we have noted a direct correlation between trends in drug cultivation and trends in violence (measured in terms of number of terrorist acts and magnitude of insurgent armies). In the recent past, in different provinces of Afghanistan, we have noted a correlation between persistently high opium cultivation and persistent presence of insurgents.

Is causality at work? I will let you judge. It appears to me that, at least for some of the well-known protracted histories of guerrilla insurgency, terrorist activities and revenues from illicit drugs are connected. They tend to increase and decline roughly at the same time.

Before moving on, I would like to make three points. First, this drugs/crime correlation is part of a complex relationship that we do not have time today to examine: the bond between large-scale terrorist financing and criminal activities other than those related to drugs: namely human and arms trafficking, gambling,

prostitution, extortion and other evil forms of violence. Second, these activities generate income for all merchants of death – whether they are politically motivated (like terrorists), or just driven by greed. Third, I do not believe terrorism, even when politically motivated, can be separated from crime. While at the extremes these two activities differ, a grey area connects them. Violence-based intimidation is a traditional *modus operandi* for organized crime. And what is terror without intimidation? Furthermore, criminals sometimes wear the ideological mantle of terrorists, while many terrorists end up motivated more by greed than politics. In real life, fighting one evil is often equivalent to fighting the other.

IV. Time is Short, the Task is Formidable

At UNODC, we assist member states that need help to ratify and implement the 13 counter-terrorism instruments. Much of this capacity building work is inspired by the lessons we have learned over many years UNODC has spent constructing an un-contestable body of evidence on which to base a common counter-narcotic policy. The campaign to counter terror worldwide (and, more generally, to confront organized crime) would benefit from similarly rigorous efforts to systematize all available information, and develop a clear logical framework based on hard evidence.

I recognize that behind our UNODC drug control work there is fifty years of multilateral experience. Namely, there are three strong drug Conventions that, in turn, have provided the foundation for joint government operations. Mutual legal assistance is strong, and so are extradition agreements.

Organized crime has become a matter for multilateral work only in the past 5 years, during which time UNODC has promoted negotiations that eventually led to the entry into force of five crime instruments (2 Conventions and 3 Protocols). Inevitably, in the crime area, mutual legal assistance is still weak, and so are extradition agreements. Anti-crime multilateralism is still in its infancy.

As regards counter-terrorism, multilateral efforts have emerged only recently. As yet, there is still no agreement in regard to the Comprehensive Convention. I am a proud founding father of the Financial Action Task Force's (FATF), which we started at the OECD in 1983, and presented at the G8 Summit in Paris (le Sommet de l'Arche) in July 1989. However, I note that there is still no agreement in regard to the Comprehensive Convention. In general, the global campaign to block terrorist financing has not yet produced all the hoped-for results.

Let me conclude with a final thought.

Drugs, crime and terrorism are threats that trouble us deeply. While we have a reasonably good understanding of the world market for illicit drugs—as evidenced in our annual *World Drug Reports*—our understanding of crime on a global scale is less systematic. The same is true for terrorism, although there the data situation is improving rapidly.

We must understand each of these three phenomena fully if we want to fight them successfully. We will only be able to break the links between drugs, crime, and terrorist financing when we know as much about transnational crime and international terrorism as we now do about the global market in illicit drugs.

That day cannot come too soon. Terrorism has touched all of us. It was only 27 months ago, in fact, that the United Nations lost several colleagues in a terrorist attack in Baghdad, including our very dear friend Sergio Vieira de Mello. The work ahead of us is our tribute to all the innocents who have lost their lives to terrorism.

Thank you for your attention.

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