

Countering Terror Financing: Challenges & Impact on India

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Abstract

In October and November 2022, India held three significant international gatherings and conferences on terrorism prevention and financing. Pakistan continues to support terrorism, whether directly through state institutions or through the open and unrestricted gathering of money by terrorist leaders who have been blacklisted by the UN. It remains the most deadly and powerful threat. Terrorists and criminals cooperate on communication and financial matters for the benefit of both groups. Due to regulatory difficulties, the spread of virtual currencies has further degraded the situation. Effectively reducing the threat of terrorist funding requires international cooperation.

Keywords: *Terrorism Financing, Terrorism, Counter-Terrorism*

Background

On November 18–19, 2022, India sponsored the "No Money for Terror" conference in New Delhi. Participants from 78 nations, including 20 ministers, attended the meeting, demonstrating the rising significance of the battle against terrorism financing. The third conference in a series on the subject was held here. The first event took place in Paris in 2018, and the second one in Melbourne in 2019. The earlier activities organised by India served to emphasise the theme's wider applicability.

The United Nations Security Council Terrorism Committee met on October 28 and 29, 2022. The 90th Interpol General Assembly was held in New Delhi from October 18–21, 2022, before that. The fight against terrorist funding, which continues to be a huge problem for the international community despite earnest attempts to stop it, was one of the principal topics of concentration in all of these multilateral engagements.

This succinct review summarises the key points expressed during conferences on terrorist funding, addresses the obstacles that continue to hamper efforts to do so, and briefly describes particular measures that have aided in the fight against this worldwide menace.

Key Areas of Focus During Conference

During his speech at the "No Money for Terror" conference on November 18, 2022, Prime Minister Narendra Modi made several profound insights that highlighted the difficulties connected with financing terrorism. He said, "When dealing with a global danger, there is no space for an unclear approach. It is an assault on civilised living, freedom, and humanity. It is unconstrained. He brought up the dishonest behaviour of nations who "promote terrorism as part of their state policy," pointing to the threat posed by Pakistan, while highlighting the difficulty of state terrorism.

The links between organised crime and the financing of terrorism were discussed by the prime minister. This involves obtaining money via illegal means and its connections to financing terrorism for logistical and communicational facilities. The difficulties brought on by technological development were emphasised, with a focus on the "dark net and private currency."

In addition, the prime minister emphasised the need to "strike at the source of terrorism," which includes its funding. He stressed the need for a "consistent, cohesive, and zero-tolerance strategy" to combat terrorism and the need of going after terrorists, dismantling their support systems, and disrupting their financial operations. The use of technology to "track, trace, and confront terrorists" was another point he emphasised.

The answer, he continued, "is not to demonise technology," since it may be used to disrupt terrorist networks.

The Delhi Declaration was first made during a special meeting of the CTC on October 29, 2022, in New Delhi. In order to address the rising problem, the paper set out to "cover the key issues regarding the misuse of drones, social media platforms, and crowdfunding." At the 90th Interpol General Assembly on October 18, 2022, Prime Minister Modi emphasised the underlying connections between crime, corruption, and terrorism while calling for "let communication, collaboration, and cooperation destroy crime, corruption, and terrorism."

The three international conferences conducted in New Delhi over the course of a month contextualised the difficulties caused by financing terrorism and the choices open to the world community to lessen its negative effects.

Evolution of Terror Funding in Last Decade

As ancient as terrorism itself is the financing of it. Its significance increased as terrorism evolved from being a single act of terrorism to an organised operation. This trait continues to be the fundamental reason why terrorist organisations have been able to sustain their extensive spectrum of operations. An analysis of terrorism reveals that compared to the far greater financial requirements to manage a terrorist organisation, there is a very little financial requirement for individual terrorist attacks.

This suggests that rather than concentrating only on fighting terrorists, governments should continue to target the resources that support these organisations. The inclination to direct resources largely targeting lone terrorists, in contrast to this well-reasoned approach, permits terrorist organisations to continue their operations. This includes the capacity to fill gaps left by the eradication of specific terrorists using persuasive narratives and a consistent flow of funds.

Contrary to popular belief, the majority of monies used to support terrorism originate from legitimate sources, making it difficult for law enforcement and intelligence services to locate, monitor, and seize such cash. The difficulty of terrorists utilising legitimate sources of finance for terrorism is made more difficult by the use of formal routes for moving these cash, which are not always identifiable amid the billions of transactions that occur.

Funding for terrorism can travel in a variety of ways from its origin to its final destination. As has been mentioned, in addition to official routes, hawala, cash, and commerce are other possibilities used by terrorists and those who assist them. The abundance of transit options makes it possible to choose the road less travelled. This is comparable to how water flows, which usually chooses the path with the least amount of resistance.

The terrorist groups seek an alternative when enforcement agents try to concentrate on the most obvious choice since it may not be subject to the same scrutiny. This enables them to maintain control and compel the government and its agencies to adopt a reactive strategy. As a result, resources get dispersed, which opens up holes that terrorists might take advantage of.

Technology has always played a crucial role in the flow of money supporting terrorism. While in the past terrorist organisations have taken use of legitimate routes to transfer funds throughout the globe through a network of interconnected offices, recent years have seen a boom prompted by the influence of technology. Wire transfers, PayPal, and electronic wallets were the beginning of what is today the realm of virtual currencies, more precisely, cryptocurrencies. This has left behind a number of difficulties.

The financial system had centralised control before the advent of virtual money. An application programming interface (API) was used to transport all transaction requests made inside the digital realm to a central governing organisation. It was supported by a nation's legal system and enforced a standard regulatory system. Further, over time, the global financial system developed a uniform framework for the operation of an open financial network.

Virtual currencies, on the other hand, have recently become a problem. On a peer-to-peer network, several virtual currencies may be purchased and exchanged without the involvement of a centralised financial organisation. Wherever cryptographic technology was used to create virtual currencies, their decentralisation and anonymity grew stronger. Its potential for abuse increases in a climate where the majority of nations have neither developed a regulatory structure nor written legislation for integrating it into the financial system. This is one of the main reasons why criminal organisations and terrorist organisations choose to move their funds using virtual currencies in order to do it in a somewhat anonymous manner.

Fundraising campaigns like crowdfunding, a global, electronic replacement for long-established physical collecting methods, have added to the use of virtual currencies. Such initiatives through peer-to-peer communication channels and social media allow for collections that might not always come with proper oversight and monitoring. This may be used to raise money from unwitting contributors as well as from people who may be sympathetic to the causes of people, organisations, or ideologies linked to terrorism.

Technology has also made it possible to create a parallel cyber reality, which has frequently been used for illegal purposes. This cyber domain, often known as the "darknet" or "dark web," may be used by terrorists as well as criminals to access crime and its proceeds. These three technological advancements—virtual currencies, crowdsourcing, and the darknet—have all been abused to distort the effect and scope of technology.

Although much of the money going towards terrorism is lawful, it is also true that criminality contributes to the creation of dirty money. Both should continue to be separate realms logically. However, there is a direct connection between criminality and terrorism financing. Criminal activity can be pursued most easily in an area that is poorly or completely controlled. High levels of corruption in a society create a climate that encourages crime and makes it easier for it to occur.

Criminal cartels and organisations establish and use covert routes for the exchange of products and money. Once again, a deficient and failing system of government makes this simpler. To reach their target, terrorist organisations frequently use the same agents that assist the flow of illicit gains and frequently take use of these channels. While terrorist organisations have political goals and criminal organisations have financial ones, both can benefit from sharing communication links and financial mobility.

Another issue is the persistent effort made by terrorist organisations to use religion as a means of abusing people and raising money under the pretext of contributions. The use of extremist ideas to encourage terrorism is not new in nations like Pakistan. For a long time, organisations like the Lashkar-e-Taiba and Jaish-e-Mohammed have been engaged in similar operations. The prospect that donations meant for the poor and needy in society may instead be used to assist terrorism has also surfaced as a major problem, in addition to such prohibited organisations.

Actions Against Terror Financing

As terrorism finance has become more significant, national governments and international organisations like the United Nations and Financial Action Task Force (FATF) have strengthened their policies, put in place stricter regulations, and closed loopholes that terrorist organisations were using to their advantage. After 9/11, the international community's efforts gained momentum. It was the Parliament assault and 26/11 for India. Several efforts that have enhanced counter-terrorism financial capacity and capabilities were started as a result of these horrifying tragedies. However, given that terrorism continues to occur on a global scale, much more work must be done before terrorist funding can be effectively cut off.

Both state and non-state actors might be the target of efforts to stop terrorism financing. It is crucial to emphasise that the former requires more attention and is harder to stop. Given

Pakistan's prominence as a state that uses terrorism as state policy while also utilising terrorist organisations that are outlawed globally, the emphasis of this brief is on the former.

Despite the efforts of international organisations and individual nations, Pakistan continues to fight a policy of state terrorism not just against India but also against Afghanistan, making it the most deadly and powerful threat. Pakistan has used every available method to finance terrorism, from open and unrestricted money collecting by UN-proscribed terrorist leaders to direct funding by state institutions. They have relied on the drug trade to bring in money. Additionally, Fake Indian Currency Notes (FICN) have been created in Pakistani state institutions for distribution into India via a number of channels. Pakistan has utilised commerce unfairly to generate and move funds to support terrorism. Pakistan's recent removal from the Grey List (Increased Monitoring) by the FATF may be a sign that it is acting more responsibly as a nation.

But this is quite far from the truth. Pakistan has only fulfilled the obligation of responding to the urgent concerns voiced by the Asia-Pacific Group, an organisation akin to the FATF that deals with the area that both Pakistan and India are a part of. This has been accomplished through altering laws and institutions as well as by showing greater efficacy against terrorist organisations and their leaders through targeted terrorism prosecution and sentence.

However, such activities show the state's well-honed capacity to run with the hares and hunt with the hounds in a situation where people have a short shelf life and their goals may be realised via several proxies, including the Pakistani state. Pakistan's withdrawal off the Grey List raises the following questions: Has Pakistan stopped sponsoring terrorism, or have UN-proscribed actors stopped funding operations on Pakistani soil? Both rhetorical questions have a negative response.

In response to Pakistan's continued support of terrorism as a matter of state policy, India has devised a three-pronged strategy. These actions can be categorised as defensive measures, direct action, and diplomacy. India's diplomatic efforts have been most successful in West Asia, where allies have contributed to the effort to combat terrorism and its funding. Saudi Arabia and the United Arab Emirates are two prominent instances of this. Another illustration of a coordinated effort to hold Pakistan accountable for its transgressions is the decision of the United States, United Kingdom, France, and Germany to nominate Pakistan for its shortcomings in the FATF, which resulted in its placement in the Grey List. State terrorism and the spotlight on Pakistan are always brought up in connection with significant international events, whether explicitly or

implicitly. As reiterated by Prime Minister Modi when he said, "There should be a code of conduct to prevent activities like cross-border terrorism and terror financing and also have a system for their prevention," this includes organisations like the Shanghai Cooperation Organization, of which both China and Pakistan are members.

India has started taking active steps to oppose Pakistan's hitherto unopposed use of low intensity warfare as a means of conflict escalation. Contrary to the past, serious terrorist mishaps have resulted in punishment on both sides of the Line of Control (LoC). India's objective and red lines are evident in the actions taken in 2016 following the Uri terror attack and in 2019 at Balakot.

The benefit of Pakistan's prior volatility was successfully replaced by these measures. The attacker was placed on the defensive and had to estimate the magnitude and breadth of upcoming disasters. Therefore, it is not unexpected to see Pakistan refrain from carrying out significant attacks beyond 2019. Alongside these effective actions along the LoC, counterterrorism operations have also been carried out successfully elsewhere in the nation, particularly in Kashmir. The majority of the key terrorist commanders have been effectively taken out by security forces, and the number and severity of terrorist attacks have steadily decreased.

India also implemented a number of preventative steps that have improved the effectiveness of the battle against terrorism and financing, such as bolstering domestic counterterrorism legislation. The Money Laundering Act and the Unlawful Activities Prevention Act have both undergone revisions to increase their stipulations. The National Investigation Agency (NIA), which has effectively led programmes for terrorism-related investigation and punishment, has developed as a highly specialised organisation. It has gained experience in technically difficult investigation procedures, such as the forensic analysis of fake money.

The Enforcement Directorate has had equal success seizing the assets and property of terrorist organisations and people implicated in funding terrorism. Faster justice delivery made possible by the creation of special courts serves as a deterrence for terrorists and those who assist them. The Multi Agency Centre's (MAC) performance has improved at both the Centre and State levels, which has improved intelligence analysis and information exchange.

The FATF's worldwide initiatives are designed to stop terrorists from abusing the global financial system. Numerous attempts have been implemented throughout time, even as terrorist organisations developed to diversify their funding sources and increase the channels for doing so. Periodic assessments and the exchange of best practises have strengthened the procedures and limited wilful departures from them.

FATF recommendations-based efficacy measurements have made it possible to examine nations like Pakistan more closely. It has compelled Pakistan to outlaw organisations, as well as to charge and convict terrorist leaders.

Conclusion

While efforts have been made to stop the financing of terrorism, as has been demonstrated throughout time, these efforts are still insufficient to compel nations like Pakistan to abandon terrorism as a national strategy. The strategy taken by India and its allies has increased the diplomatic and financial pressure on Pakistan. However, the financial restrictions on Islamabad have been loosened as a result of geopolitical interests and conflicting objectives. The battle against terrorism will not be helped by Pakistan's removal from the FATF Grey List, the US's restart of military aid, and China's continuous support on international forums to block action against terrorist organisations operating within the nation.

Terrorism does not respect national identity or physical bounds, according to historical data. The price of ignoring terrorism or, worse still, encouraging it, as Pakistan has decided to do, has always been expensive. India has shown that it is willing and ready to face the threat of terrorism, but sadly, true international collaboration is still a work in progress. Terrorists will continue to take advantage of the gaps in the broken international strategy until the world realises how crucial it is to work together to address this threat.

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Dr Pramjit Singh has completed his Ph.D. from Department of Defence & Strategic Studies M.D.U. Rohtak. During his Ph.D. he has been in different roles like teaching post-graduate students, administrative Works: admissions, paper setting, paper checking, record maintenance etc., research work: Publishing & Reviewing Articles, Books, editorials etc., Organizing Seminars, Extension Lectures, Conferences etc. He has authored 4 books, (i) International Terrorism (ii) South China Sea: Dispute & Settlements (iii) Cyber-Terrorism (iv) Space warfare.

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