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# Analysis of Terrorism Financing

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## ABSTRACT

*Terrorism is the unlawful or violence or criminal act in order to intimidate fear in the government or in the minds of its citizens for some political objective. Sec 83.01 of criminal code defines terrorism as “an act committed in whole or in part intimidating the public for some public objective”. Any funds invested or financial support raised for individual terrorist or a group of terrorists is called terrorism financing. Terrorism financing can be done through Money laundering, illicit drug trafficking, Human trafficking, kidnaping for ransom, arms trafficking and many other transnational crimes. Organised criminal groups raise funds through illicit drug trafficking and invest the money raised so in terrorist activities. Sometimes the drug itself acts as currency as in the case of Madrid bombing. There international conventions where the conventions enhance the cooperation of the member states to combat Terrorism financing. **UN Convention against transnational Organised crimes, 2000** was signed to prevent money laundering. **International Convention for suppression of Financing of terrorism** helped in suppressing Terrorism Financing. The **UNODC** also plays a vital role in preventing Money laundering and Illicit drug trafficking which in turn prevents Financing of Terrorism. Finally, the article (**Analysis of Terrorism Financing**) focuses on the relationship between Terrorist Financing, Money laundering and Illicit Drug Trafficking. It also provides the dangers of Illicit Drug Trafficking and Terrorism Financing and how does it pose a threat to National Security.*

**Keywords:** *Terrorism Financing, Money Laundering, Illicit Drug Trafficking, National Security and Organised Criminal Groups.*

## I. INTRODUCTION

Most of the offenses are interconnected to each other. Organised crimes are associated with the criminal organisations such as terrorism, human trafficking, mafia, etc. This article focus on Terrorism Financing. The concept of terrorism financing is a old concept which took dangerous effect from British period. Initially during the struggle for the independence, drug trafficking were the main source of income for East india company.

The essential element the terrorist organisations need is arms and weapons. In order to achieve

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this they rely on other transnational crimes such as illicit drug trafficking, Money laundering, human trafficking, kidnapping for ransom, etc. Sometimes the terrorist groups impose high tax on the illicit drug farmers and fund themselves for the military purposes. For example, it said that Taliban in Afghanistan imposed 10% tax on the poppy farmers<sup>2</sup>.

**Dr. justice A.S Anand**, chairman of **NHRC**, in a conference said that terrorism is a threat to human right and is a threat to national security.

Transnational crimes are those crimes, the commission of which affects the national security of a country. These crimes are committed with a series of linkages across the world. These crimes affects directly and indirectly the economy of a Nation. These crimes weaken the border security through various attacks.

On one side transnational crimes themselves are dangers for the world and on the other side Terrorism financing through its violent activities affects the peace, security, political and economic stability of the world. When these transnational crimes and terrorism financing work together, it causes disasters.

In modern times, terrorism financing is associated with the transnational crimes. This article focuses on the association of terrorism financing with Money laundering and Illicit drug trafficking. These crimes are so interconnected that it is hard to separate each other. Illicit drug trafficking and money laundering is the main source of income for terrorism financing.

## **II. TERRORISM FINANCING AND MONEY LAUNDERING**

Money laundering is the process of acquired the assets or money through illegal and criminal activities in order to cut the link between the actual funds and its illegal Origin<sup>3</sup>. Terrorism financing means the funds raised or invested exclusively for the purpose of terrorist activities<sup>4</sup>. The terms Money laundering and terrorist financing often confuse. But Money laundering can be related to terrorism financing as the money acquired through money laundering are utilised or funded on terrorist activities called financing terrorism.

According to FATF, the criminal use the advanced technology such as commercial websites to proceed with terrorism financing. The criminals created their own commercial websites to sell illegal products (weapons, drugs, etc.) or to perform illegal activities and raise the funds for

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<sup>2</sup> UNODC – World Drug Report, 2007 pg. no. 223.

<sup>3</sup> FATF-Terrorist financing through money laundering - a threat to National security – Vijay kumar singh, Sept.2021.

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terrorism financing<sup>5</sup>.

During covid – 19 situation there has been increase in online funding through commercial websites which resulted in increase in terrorism financing<sup>6</sup>.

### **III. TERRORISM FINANCING AND ILLICIT DRUG TRAFFICKING**

According to the UN Secretariate the dangers of illicit drug trafficking has been increasing from 2004. Groups which may be presumed to have involved in drug trafficking include FARC in Colombia, Shining Path in Peru, rebel armies in Shan State of Myanmar, the PKK in Turkey, the Taliban in Afghanistan and Pakistan, Al Qaeda in the Islamic Maghreb, the LTTE in Sri Lanka, the IRA in Northern Ireland, insurgents in Chechnya and Uzbekistan, and Hezbollah in Lebanon.

According to a survey conducted by the UNODC, in its world drug report, 2007 provides a statistical proof that in Afghanistan, the cultivation of Global opium poppy has increased from 65% in 2005 to 82% in 2006. It also stated that only 4 provinces of Afghanistan became free from opium poppy in the year 2006.

Drug trafficking helps in financing terrorism in two ways :

1. Terrorists impose levy high taxes on illicit drug cultivation farmers and
2. Terrorists use drugs in the form of currency which is used in terrorist attacks.

The combination of drug trafficking and terrorism is commonly known as Norco – terrorism which means the funding of illicit drug trafficking is utilised for financing terrorism and sometimes the drug itself is used as currency.

### **IV. INTERNATIONAL CONVENTION**

#### **(A) UN Convention against transnational organised crime, 2000**

UN Convention against transnational organised crime provides for the criminalisation of money laundering (Article 6) and also provided certain measures in combating the money laundering (Article 6(2))<sup>7</sup>. This convention was opened for the signature in December,2000. According to this convention the the definition of money laundering involves all types of illegal transaction for one's own profit<sup>8</sup>.

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<sup>5</sup> FATF – Money laundering and terrorist financing vulnerabilities of commercial websites and Internet payment Systems – 18<sup>th</sup> June 2008 pg. No. 10-11.

<sup>6</sup> FATF – covid 19 related money laundering and terrorist financing risks and policy responses – 4<sup>th</sup> may 2020. Pg. no. 11.

<sup>7</sup> United nations convention against transnational organized crime and the protocols thoreto (New York 2004).

<sup>8</sup> UNODC.

The main objective of the UN convention against transnational organised crime, 2000 is to cooperation from the member state in detecting, investigating and prosecuting the crimes against Money laundering<sup>9</sup>.

### **(B) Political Declaration and action plan against Money laundering**

This declaration was adopted at the twentieth special session of the United Nations General Assembly at New York in 10<sup>th</sup> June 1998. The General Assembly identified that Money laundering derived from illicit drug trafficking and other related crimes becomes a threat to Nations Security, stability, financial and trade systems<sup>10</sup>.

In Recalling other UN Conventions against Narcotic Drugs and Psychotropic substances, the general assembly urged for the establishment of Legislations in every member states to protect states against illicit drug trafficking and money laundering<sup>11</sup>.

### **(C) International Convention for the suppression of Financing of Terrorism**

The main objective of International Convention for the suppression of financing of Terrorism was to strengthen the coordination of the member states for the purpose of devising and adopting the effective measures in order to prevent the Terrorist Financing<sup>12</sup>. This convention also had the aim to suppress its perpetrators through prosecution and punishment.

## **V. IMPACT OF TERRORIST FINANCING, MONEY LAUNDERING AND ILLICIT DRUG TRAFFICKING**

The world through number of conventions and protocols is combating against the narco – terrorism and related transnational crimes. The motto of terrorism is money to support their military purposes like arms, weapons, etc., which helps the terrorist groups or terrorist organizations to get political stability. The live example of terrorist financing is Taliban which recently occupied Afghanistan which did not had strong central Government.

The terrorist groups or organizations receives funding through various sources/means both legally and illegally. They sell drugs and arms illicitly for this purpose<sup>13</sup>. In this way terrorism financing can be directly connected with both money laundering and illicit drug trafficking.

Usually the illicit drug trafficking takes place in golden crescent region i.e., Afghanistan, Iran

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<sup>9</sup> UNODC – World Drug Report, 2007 pg. no. 223.

<sup>10</sup> High level segment commission on narcotic drugs (Vienna 11-12 mar 2009).

<sup>11</sup> Sudhir Sawant, 'The Growing Menace of Narco-Terrorism in Asia', Aakrosh, New Delhi, January 1999, Volume 1, Number 2. [www.stratmag.com/Aakrosh/ac10202.htm](http://www.stratmag.com/Aakrosh/ac10202.htm).

<sup>12</sup> International Convention for the Suppression of the Financing of Terrorism (New York, 9 December 1999).

<sup>13</sup> Dhruvajyoti Bhattacharjee, narco terrorism and south asia, the journal of political studies, vol.2, 2008 pg no 2-3.

and Pakistan because these areas are struggling from political turmoil, economic instability, war and terrorism. These are the regions where large number of heroines and opiates are produced and trafficked throughout the world.

There are mainly three ways through which trafficking of heroine and opiated carried on Viz., (1) **Balkan route** through which heroine is supplied from Afghanistan to European countries, (2) **Northern routes** through which heroine is supplied to Russian Federation and Central Asia and (3) **Southern routes** that supplies heroine to Iran Pakistan and through sea routes to other parts of the world. Since the Balkan Route and the Northern routes are completely protected by Strict law enforcement, the only available route to carry on illicit heroine trafficking is Southern route<sup>14</sup>.

When there is a large scope for illegal trade of goods, then the scope for legal trade decreases with time resulting in large number of vacancies in employment affecting the economy of the country. Likewise, terrorism attracts the youth of the country.

## **VI. THREAT TO NATIONAL SECURITY**

Narcotics in India has a long history. During Mughal period opium was the main source of revenue. The Dutch East India company and British Company also raised their revenue through opium. After India got Independence, realising the dangers of opium, opium cultivation was governed by several acts such as Liberal opium acts 1858 and 1878, Dangerous drugs act 1930. Finally Narcotic Drugs and Psychotropic Substances Act, 1985 was introduced.

There is a threat to national security both internally and externally<sup>15</sup>. The International terrorists and organised criminal groups work hand – in – hand. The terrorists supply drugs and related goods for money and also the weapons required for the Organised criminal groups.

In an interview, Pushpika das says in India is situated between the region of Golden Crescent (Afghanistan, Iran and Pakistan) and the region of Golden Triangle (Thailand, Laos and Myanmar). Being trapped by the Golden Crescent and the golden Triangle, India is easily prone to Illegal drug trafficking and Money laundering crimes.

There is a series of connections between the Drug trafficking, Money Laundering and terrorists. The terrorists uses the international borders for both illicit drug trafficking and smuggling weapons. The fund raised by the sale of illegal narcotics and drugs are used for financing the

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<sup>14</sup> Syeda Ayesha Farooq, Mohammad Hafiz Rasooly, Syed Hani Abidi, Kayvon Modjarrad & Syed Ali, opium trade and spread of hiv in the golden crescent, harm reduction journal, jul 2017, pg. no. 2-3.

<sup>15</sup> Saroj kumar rath, why narcotics in India should be treated as a threat to national security, Global Asia, mar 2013, vol.8, No.1.

terrorist activities.

India has adopted the International conventions and enacted certain regulations in order to curb the terrorist activities and to control and prevent the illicit drug trade, Money laundering and related crimes.

## VII. CASES

Narcotic Drugs and psychotropic substances act, 1985 was enacted for the purpose of preventing drug trafficking and terrorist activities. The illegal money raised from the drug trafficking is utilised for the illegal activities to stimulate terrorism. Hence the act is enacted from the central government in order to curb these activities<sup>16</sup>.

Manufacturing, producing, selling, purchasing, possessing, transporting, warehousing, importing, exporting, transshipping, etc., of narcotic drugs and psychotropic substances exceeding the legal quantity prescribed under the narcotic drugs and psychotropic substances act, 1988 is known to be illicit drug trafficking. Any direct or indirect funding on these activities is not permitted by the act<sup>17</sup>.

It was found by the Central Board of Reserve bank of India that when the denomination of currency notes of rupees 500/- and 1000/- made, the large amount of fake currency were circulated which was hard to differentiate from the original currency. It was also found that these fake currencies were used for financing crimes such as drug trafficking and terrorism which caused damage to the security and the economy of the country<sup>18</sup>.

FATF in 2015 recommended that whichever country is prohibiting the virtual currency should be aware that the prohibition may lead to Money laundering or the terrorism<sup>19</sup>.

According to Justice Krishna Iyer, Illicit drug trafficking is an organised crime, highly sophisticated and complex. This illicit traffic, cleverly carried out by hardened criminals with dexterity and skill, not only violates national drug laws and international conventions, but also involves many other criminal activities, including racketeering, conspiracy, bribery and corruption of public officials, tax evasion, banking law violations, illegal money transfers, import/export violations, crimes of violence and terrorism. Narcotics are often supplied for money and also in exchange for weapons.

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<sup>16</sup> *Dadu @ tulasidas vs. state of Maharashtra* AIR 1999 SCC 169.

<sup>17</sup> *Reserved on 05.10.202 vs. union territory of jammu and Kashmir and others.*, 27<sup>th</sup> Oct, 2020 ( Jammu and Kashmir).

<sup>18</sup> *Mohd. Seeni ahmed vs UOI*, 10<sup>th</sup> Nov, 2016.

<sup>19</sup> FATF – Guidance for a risk based approach to virtual currencies –June 2015.

There are numerous drug trafficking mafia yielding, immense power in various regions of the world, including India. The far-reaching consequences of illicit drug trade, even threatens the integrity and stability of governments and renders law enforcement action vulnerable<sup>20</sup>.

## VIII. CONCLUSION

Prevention of Terrorism Financing is a difficult task. The only way to prevent Terrorism Financing is to control and prevent the other related crimes such as Money Laundering and Illicit drug trafficking.

UNODC, through its global programmes helps the states to create awareness about money laundering and terrorist financing. UNODC plays as a coordinator along with United Nations and other organisations in this regard.

The Terrorism Prevention Branch (TPB) of UNODC introduced “Mock Criminal Investigation” and “Mock Trial” as a tool for training against Terrorism, Terrorism Financing and other related crimes in 2012. In 2014, the Terrorism Prevention Branch launched “Case Management Tool” for proceeding with the Criminal investigation of Terrorism Financing.

Anti-Money laundering programme is created in order to check on the person involved in Money Laundering or Terrorism Financing. AML apps are created to check the Money laundering.

Narcotic drugs and Psychotropic substances Act(NDPS), 1985 is enacted by the Indian parliament to prevent Illicit drug trafficking. According to NDPS act, any person who is Manufacturing, possessing, producing, cultivating, selling, transporting, storing and consuming the narcotic drugs and psychotropic substnaces are punishable in accordance with the law.

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<sup>20</sup> Manoj kumar bhyan vs. state of Orissa, 15<sup>th</sup> July, 2021.



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