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TERRORISM,  
ORGANISED CRIME  
AND CORRUPTION  
NETWORKS AND LINKAGES



EDITED BY  
LESLIE HOLMES

# Terrorism, Organised Crime and Corruption

Networks and Linkages

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*Edited by*

Leslie Holmes

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## Abbreviations and Acronyms

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ACC	Anti-Corruption Commission
AFP	Australian Federal Police
AML	Anti-Money Laundering
ASEM	Asia-Europe Meeting
ASIC	Australian Securities and Investments Commission
ASIO	Australian Security Intelligence Organisation
ATM	Automatic Teller Machine
AWB	Australian Wheat Board
BBC	British Broadcasting Corporation
BCCI	Bank of Credit and Commerce International
B2B	business to business
CCC	Corruption and Crime Commission
CDPC	(Committee on Crime Problems)
CEE	Central and Eastern Europe
CEEC	Central and East European country
CESAA	Contemporary European Studies Association of Australia
CJC	Criminal Justice Commission
CLERP	Corporations Law Economic Reform Program
CMC	Crime and Misconduct Commission
CMEA	Council for Mutual Economic Assistance
CoE	Council of Europe
CPI	Corruption Perceptions Index
CTCU	Counter-Terrorism Coordination Unit
CTED	Counter-Terrorism Executive Directorate
EBBOY	Encyclopaedia Britannica Book of the Year
EBRD	European Bank for Reconstruction and Development
EC	European Community
EEA	European Economic Area
EFTA	European Free Trade Area
ELN	(National Liberation Army)
EMU	Economic and Monetary Union
ESRs	Eight Special Recommendations
ETA	(Basque Fatherland and Liberty)
EU	European Union

FARC	(Revolutionary Armed Forces of Colombia)
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FCPA	Foreign Corrupt Practices Act
FDI	Foreign Direct Investment
FIG	Financial and Industrial Group
FIU	financial intelligence unit
FOZZ	(Foreign Debt Servicing Fund)
FRs	Forty Recommendations
FSA	Financial Services Authority
FSB	(Federal Security Service)
GDP	Gross Domestic Product
GRECO	(Group of States against Corruption)
HREOC	Human Rights and Equal Opportunity Commission
ICAC	Independent Commission Against Corruption
ICV	Islamic Council of Victoria
IFC	International Financial Corporation
IGO	Intergovernmental Organisation
IL	International Law
IMF	International Monetary Fund
IMU	Islamic Movement of Uzbekistan
IOU	I owe you
IRA	Irish Republican Army
ISPAC	International Scientific and Professional Advisory Council
ITU	International Telecommunication Union
JHA	Justice and Home Affairs
JI	Jemaah Islamiyah
KADEK	(Freedom and Democracy Congress of Kurdistan)
KGB	(Committee of State Security)
KOR	(Committee for the Defence of Workers)
KYC	Know Your Customer
MGC	Multidisciplinary Group on Corruption
MLRs	Money Laundering Regulations
MONEYVAL	(Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures)
NATO	North Atlantic Treaty Organisation
NCCT	Non-Cooperative Countries or Territories
NCTC	National Counterterrorism Center
NFL	National Football League
NGO	Non-Governmental Organisation

NSCOC	National Service for Combating Organised Crime
NSW	New South Wales
NT	Northern Territory
OAS	Organization of American States
OCC	Official Corruption Commission
OECD	Organisation for Economic Co-operation and Development
OLAF	(European Anti-Fraud Office)
OMRI	Open Media Research Institute
OPI	Office of Police Integrity
PCAI	Parliamentary Commissioner for Administrative Investigations
PHARE	(originally) Poland and Hungary: Assistance for Restructuring their Economies
PIC	Police Integrity Commission
PKK	(Kurdistan Workers' Party)
PRC	People's Republic of China
PZU	(Polish Office of Insurance)
QLD	Queensland
RFE/RL OCTW	Radio Free Europe/Radio Liberty Organized Crime and Terrorism Watch
RICO	Racketeer Influenced and Corrupt Organizations
ROSC	Report on the Observance of Standards and Codes
SA	South Australia
SLD	(Democratic Left Alliance)
STR	Suspicious Transaction Reporting
SWB/EE	Summary of World Broadcasts/Eastern Europe
TI	Transparency International
TNC	Transnational Corporation
UK	United Kingdom
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
UNSC	United Nations Security Council
USA	United States of America
VAT	Value Added Tax
VCAT	Victorian Civil and Administrative Tribunal
WA	Western Australia
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

## Contributors

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## Preface and Acknowledgements

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Together with the Contemporary European Studies Association of Australia (CESAA), the Contemporary Europe Research Centre (CERC) at the University of Melbourne has been organising an annual international conference for many years. In the early 2000s, we decided to conduct an experiment; rather than focus on a given problem purely in the European context, we would compare the situations in Europe and Australia, with a view to identifying resonances and, in turn, being able to suggest areas in which either side could usefully learn from the other. This comparative approach proved to be a success; attendances at the conferences increased, and we were able to demonstrate to Australianists and Europeanists that they could often learn much of relevance from each other.

The present volume is based on the November 2003 annual CERC conference (though all papers were updated in 2005), at which we again adopted this comparative approach. The first versions of most of the chapters in this book were presented there. However, when we came to consider publishing a book based on the conference, it was soon agreed that there was an obvious hiatus; how could we publish a collection on terrorism, corruption and organised crime that did not include a chapter on US perspectives? At least since 11 September 2001 ('9/11'), terrorism had moved to the top of the international security agenda, and everyone was anxious to have as deep an understanding of it – including of its financing – as possible. I am very grateful to Mark Alleyne (at the time he was approached, of the University of California at Los Angeles, now of Georgia State University) for agreeing to produce a chapter at short notice on an American perspective on terrorism and an aspect of its links to corruption.

This volume considers the three types of crime both individually and in terms of bilateral and trilateral connections. As the editor, I consciously avoided insisting on a standardised format in each chapter, or on standardised definitions; while such homogeneity is sometimes appropriate, particularly in collections intended for use as textbooks, it can also stifle the creative approach. Moreover, diversity – allowing authors to seek their own paths – is often more enlightening than uniformity and tidiness. Given that so many of the terms used in this study remain contested, insistence on agreed definitions

would have been both artificial and misleading, since they could create a false impression of a higher level of consensus among analysts – even among the small number included in this volume – than really exists. While I tend to prefer deliberative to agonistic approaches to democracy, I accept that there are times when compromise – here referring to the use of agreed terms – can result in outcomes that not only suit none of the discursive participants, but also none of the observers.

Another point about terminology is that ‘networks’ is used here in the everyday sense of an interconnected group or system, not in the more technical sense used in network theory (diktyology) or its specifically social version, social network analysis. Unfortunately, many of the methods used by anthropologists, sociologists and other social scientists for analysing networks are not available for research into the types of phenomena studied in this collection, largely because of the secrecy surrounding them and the related difficulties involved in interviewing and observing members of criminal groups.

There are many individuals and organisations to thank for their assistance in bringing about the conference, and hence this book. First, I would like to thank all the contributors, some of whom came literally half way around the world to participate in our conference. Many of them would have been unable to participate had it not been for the generous funding provided by CESAA, the Global Terrorism Research Unit at Monash University, the National Europe Centre (Australian National University, Canberra) and the Royal Netherlands Embassy – to each of which I express my sincere gratitude. For invaluable administrative assistance, I wish to thank Dora Horvath, Zoe Knox, Suzy Mueller, Iva Pauker and Tony Phillips.

Leslie Holmes  
Melbourne

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# 1. Introduction

**Leslie Holmes**

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## GROWING AWARENESS

On 27 July 2003, there was an attempted military coup in the Philippines. It was soon put down. But it is worth noting the principal reason given by the rebels for the uprising: they were protesting against corruption, and the close collaboration between corrupt officials (especially in the military) and terrorists (*Philippine Star* online, 31 July 2003, visited May 2005; *South China Morning Post*, 1 August 2003: 11). This identification of connections between corruption and terrorism in a specific context was relatively new. But even the recognition by governments and official agencies of the full significance – economically, socially, politically and in security terms – of organised crime and corruption, and of the connections between these, is relatively new. A few pieces of evidence will support this contention; the choice here is highly selective, since further examples are provided in subsequent chapters.

In April and May 1996, the then heads of the CIA (John Deutch) and the FBI (Louis Freeh) both warned the US Congress that Russian organised crime and corruption were already undermining the Russian system, and could pose a threat to the USA. Towards the end of that year, former CIA head James Woolsey claimed that officials in the Russian Ministries of Defence and the Interior were, ‘... very much in bed with Russian organized crime groups’ (all from Webster 1997: esp. 3, 51). Shortly after this, in 1997, President Clinton became the first US president to recognise officially, publicly and explicitly the *interconnectedness* of corruption and organised crime. This was followed in May 1998 by the publication of the USA’s first ever ‘International Crime Control Strategy’, which was the principal outcome of President Clinton’s October 1995 Decision Directive 42, calling for a specific program to address the dangers of international crime to the USA. In this, it was argued that organised crime gangs and ‘disreputable business interests sometimes aligned with them’ use ‘corrupt political connections’ to avoid fair economic competition, and that ‘Organized crime now uses bribery as one of its primary

tools to establish front companies aimed at gaining control of legitimate businesses and penetrating the legitimate economy' (*International Crime Control Strategy* 1988: 18, 81). The US government had begun to recognise that official corruption (that is, committed by officers of the state) and organised crime feed off each other, and often work hand in glove.<sup>1</sup> A prime example of this is people smuggling (usually referred to in official US documents as alien smuggling), which, together with its close relative human trafficking, could not occur on the scale it does globally were it not for corrupt officers of the state – particularly in customs, the police, and sometimes the military – colluding with criminal gangs to circumvent various states' and international laws.<sup>2</sup>

But awareness has been developing rapidly in recent years, and an increasing number of cases, and the ramifications of these, are being reported. In February 2005, for example, Australian authorities publicly announced their concern that Chinese crime gangs (misguidedly described in the media as Mafia) had been corrupting senior police officials in Papua New Guinea. Among the many negative implications of this were that this was further delegitimising a regime already suffering from a low level of popular support; this could lead to mass unrest and hence instability, with possibly profound knock-on security effects in the whole region. Another serious aspect of this, which could directly impact upon Australia, was the limited evidence that this collusion was facilitating people-smuggling and drug-trafficking (*The Age* [Melbourne], 19 February 2005: 1–2).

Even more recent than the official awareness of bilateral connections between organised crime and corrupt officials is the acknowledgement of either bilateral links between corrupt officials or organised crime gangs and terrorists, or trilateral ones between these three groups. The *International Crime Control Strategy* (1998: 17) referred to above acknowledged that terrorists sometimes use 'drugs trafficking and other criminal activities to finance their operations', and in this sense implicitly recognised some overlap between organised crime and terrorism. However, the often close and direct ties were yet to be acknowledged. Moreover, the USA's growing awareness of networks was well ahead of that of most other countries and international organisations. The situation changed dramatically following 9/11. A few examples of official recognition since September 2001 will highlight the fact that a rapidly growing number of governments and international organisations now acknowledge that connections can and do exist, and that they pose significant dangers.



Some 330 people, many of them children, were killed as a result of a terrorist hostage-taking exercise in Beslan, Northern Ossetia (Southern Russia) in early September 2004. Shortly after the incident, Russian Prosecutor General Vladimir Ustinov acknowledged that controlling terrorism in the future would be much more difficult than it should be because of so many corrupt Russian officials – particularly in the security forces – colluding with terrorists and/or crime gangs.<sup>3</sup> A survey conducted by the Levada polling organisation in September 2004 revealed that more than 50 per cent of Russians believed that the Beslan incident had been possible largely because of corrupt officials. There were at least three significant ways in which corrupt officials were assisting terrorists.<sup>4</sup> First and perhaps most obviously, they were allowing suspicious people through security checks in return for bribes. Second, they were selling arms on the black market. The final way was more indirect. According to President Putin's advisor on Chechnya, up to 80 per cent of the aid being allocated by the central Russian authorities to southern Russian regions was not reaching its intended destination – the poor of the region – because of corrupt officials. This sense of being forgotten or treated indifferently by Moscow was cited as a reason why more citizens would be attracted to terrorism than would otherwise be the case (*Guardian*, 17 September 2004: 19).<sup>5</sup> Still in Russia, the Federal Security Service (FSB) reported in mid-2002 that the number of attempts by organised crime gangs to sell components for both chemical and nuclear weapons was increasing (cited from a Russian source in Curtis 2003b: 71). Clearly, a prime market for such components would be terrorist groups.

In February 2005, the Irish police announced that a number of arrests had been made in connection with a major bank robbery (£26 million or €38 million – at that time, the largest theft of cash in British history) committed in December 2004.<sup>6</sup> Whilst the direct involvement of the Irish Republican Army (IRA), a terrorist organisation, was still not proven conclusively at the time of writing, a member of Sinn Féin – the political wing of the IRA – was among those arrested. Indeed, the IRA has been described as 'Ireland's most proficient robber of banks' (*Washington Post* online, 18 February 2005, visited February 2005). The Irish police revealed that they considered this robbery to be part of a money-laundering operation. Moreover, a report released by the Independent Monitoring Commission in early February 2005 claimed that Sinn Féin had at least *sanctioned* a series of robberies in Ireland, including the major one in December (*BBC News* online, 10 February 2005, visited February 2005). Sinn Féin had just weeks earlier denied any involvement in the robbery, and had used its indignation as an excuse to withdraw its earlier offer of a