

*“Defending our Nation against its enemies is the first and fundamental commitment of the Federal Government. Today, that task has changed dramatically. Enemies in the past needed great armies and great industrial capabilities to endanger America. Now, shadowy networks of individuals can bring great chaos and suffering to our shores for less than it costs to purchase a single tank. Terrorists are organized to penetrate open societies and to turn the power of modern technologies against us.”*

President George W. Bush, 2002 National Security Strategy

## CONTENTS

Terrorism.....	1
Cyber .....	2
Money Laundering.....	2
Drug Trafficking .....	3
Arms Smuggling.....	3
Interview .....	3

## Terrorism

### Thailand, the United Nations of Criminals?

Thailand is reported to have a few thousand foreign criminals residing within the country, including gangs from China, Hong Kong, India, Pakistan, Russia, Nigeria, South Africa, and Europe. Many of these criminals entered the country using Thailand’s “visa-on-arrival” policy, initially used to attract tourism. Crimes committed by these groups include money laundering, arms trafficking, passport forgery, prostitution, drug trafficking, extortion, human trafficking, and contract killing. According to Thai Interpol, many of these criminals require assistance from Thai citizens, for example foreign drug dealers launder money through local middlemen. Numerous violent crimes have erupted as a result of the rise in the number of foreign criminals residing in the country. In an effort to combat this problem, Thai officials are reported to have started reviewing their visa policy and criminal laws. “We’d better start taking action before we are denounced as a hub for transnational criminals,” explained Interior Minister Purachai Piemsomboon. *Straits Times*

### Terrorist Network “Likely to Link to Organized Crime”

Terrorist groups and organized crime syndicates are increasingly sharing their resources, thereby diminishing the distinction between the two. Terrorist organizations offer criminal groups a surplus of manpower and an extensive

global network. In turn, criminal groups focus on developing their skills in “niche” areas. According to Edward Jurith, the White House general counsel on drug control policy, Al Qaeda should be pursued in the same manner as the mafia: focusing on the leaders and the group’s financial base. U.S. attacks in Afghanistan have disrupted the organization and loosened the ties between Al Qaeda cells and its leaders. As a result, Al Qaeda activists are increasingly forced to turn to criminal activities in order to support themselves. *Financial Times*

### United States Gives Indonesia \$50 Million to Combat Terror Groups

The United States has pledged more than \$50 million over three years to assist Indonesia in its efforts to combat terrorism, of which \$4 million dollars (FY 2002-2003) will go to counterterrorism training for military officials, \$31 million (FY 2001-2004) for training and assistance to the Indonesian National Police, and \$16 million (in FY 2002 from the emergency supplemental FY 2002 budget), intended to enhance Indonesian policing capability and create a police counter-terrorism unit. U.S. military ties with Indonesia broke three years ago as a result of the “army-backed militia violence in East Timor.” Full military ties will depend on improvement of Indonesia’s military human rights record. The U.S. State Department’s annual terrorism report indicated concerns with Islamic militants linked with Al Qaeda residing in Indonesia, however Foreign Minister Hassan Wirayuda implicitly stated to reporters that, “Indonesia is not Afghanistan and we don’t believe that Indonesia will be a future Afghanistan.” *Agence France Presse*

### Panel Says Northern Ireland Paramilitary Crime Rings Raise Millions

The House of Commons Northern Ireland Affairs Committee recently reported that paramilitary groups in Northern Ireland have raised millions of dollars through

organized crime. The Irish Republican Army (IRA) is estimated to have collected \$7.7 million to \$12.2 million dollars annually in activities such as protection rackets, drug trafficking, armed robbery, and smuggling fuel, alcohol, and cigarettes. The splinter group the Real IRA is estimated to have collected \$7.7 million annually from criminal activities, 80 percent of which occurred in mainland Britain. The committee further reported that criminal activities are also committed by Protestant groups. The Loyalist Volunteer Force collected approximately \$3.1 million annually, the Ulster Volunteer Force \$2.3 million, the Ulster Defense Association \$765,000 to \$1.5 million annually. All three groups received these funds through illegal activities. Such crimes have had direct economic impact. In one case, fuel smuggling in Northern Ireland has resulted in some gas stations closing. *AP*

### **ASEAN Cooperation in the War on Terrorism**

Counterterrorism cooperation was the issue of the day during the August visit by Colin Powell to the ASEAN region. Despite major differences between the United States and ASEAN nations on a number of policies (e.g., the Middle East), members of the regional organization have been notably helpful in the war on terrorism. Malaysia has been cited by FBI director Robert Mueller for its exceptional level and quality of intelligence on Al Qaeda. Singapore has also distinguished itself in having foiled a plot to attack U.S., British, and Israeli diplomatic and naval targets in the country when it arrested more than a dozen people. The Singapore terror plots included plans to conduct suicide attacks by members of Indonesian-based Jemaah Islamiyah. Through interrogation, it was discovered that terrorists planned to obtain 17 tons of ammonium nitrate to carry out several bombings with enough force to destroy the embassies and surrounding buildings. *TIR/EW*

### **Does Phone-tap Success Mark a Turning Point?**

The method used to capture the high-ranking Al Qaeda member Ramzi Binalshibh provides insight into the progress and success of the United States' war on terrorism. Binalshibh's satellite phone was traced to a particular district in Karachi, Pakistan, after he made a call to a number in the Middle East tapped by U.S. investigators. This trace triggered Binalshibh's arrest by Pakistani intelligence officers, indicating the dependence on electronic intelligence for capturing Al Qaeda members, and a lack of human intelligence. Although the arrest may not have depended solely on the telephone trace, it is an indication that intelligence officers are failing to penetrate the inner cells of Al Qaeda. Furthermore, despite the penetration of this particular cell, the isolated nature of Al Qaeda cells means this arrest will doubtfully lead to further intelligence on

other cells, which will principally require human intelligence. *Financial Times*

### **Balawaristan: The Heart of Darkness**

Afghanistan-based terrorists are reportedly hiding in Pakistan-held Kashmir and the northern tribal area, known as Balawaristan. Pakistan security agents, under orders from Musharraf, are hunting suspected terrorists in the North West Frontier Province (NWFP), the federally administered tribal areas, Punjab, and Baluchistan. They have failed to pursue these suspects in Pakistan-held Kashmir and Balawaristan (Pakistan Gilgit Balistan). This leads some to suspect that the Pakistan security agencies are protecting terrorist groups, namely Al Qaeda members, hiding in the region. Reports indicate that in the last few months Taliban and Al Qaeda members crossed into Pakistan in the NWFP and traveled, some with the assistance of the Pakistan Inter-Services Intelligence (ISI), into Balawaristan.

Balawaristan is a region comprising five districts—Gilgit, Skardu, Ghezar, Diamar, and Ganchhe—and has been under martial law for almost five years. The area is tightly controlled from Islamabad through the Pakistan army. Movements of individuals within the provinces are regularly reported to intelligence agencies, and foreigners and journalists are forbidden to enter the area except under supervision of the army or security service. This isolated region is home to terrorist training camps located in the hills of Hazara, Darel Yashote, Tangir, Astore, Skardu city, and Gilgit city. Further reports indicate that Taliban, Al Qaeda, and other terrorist groups are also located in a camp near Mansehra in the northwest frontier province where they are dispatched to Balawaristan, Pakistan held Kashmir, Afghanistan, and Indian-held Kashmir. *South Asia Intelligence Review*

## **Cyber**

### **E-Surveillance Expands at the Expense of Privacy**

Numerous Internet surveillance policies have been implemented by governments worldwide including Switzerland, the United Kingdom, Spain, New Zealand, and the United States. This is being described as a "global electronic dragnet," which monitors, records, and stores personal e-mail communications. Some governments have considered targeting Internet service providers (ISP), who are described as serving as a "conduit for criminal planning and plotting." However, online e-mail accounts such as Yahoo and Hotmail provide easier anonymity for criminals who can create bogus e-mail addresses and discard them after one use.

## Money Laundering

In July 2002, the U.S. Treasury and Justice Departments released the *2002 National Money Laundering Strategy*. The report describes a government-wide strategy to combat terrorist financing with a focus on charities and nongovernmental organizations. The report indicated that over the past year law enforcement seized over \$1 billion in criminal assets. In addition, the United States negotiated an international agreement with four countries to combat the black market peso exchange. The report further stated that the government will study the affects of electronic payment systems, such as e-cash, used for laundering funds. In addition, an interagency group will be created to identify money launderers and methods used in financial crimes such as bulk cash smuggling, alternative remittance payments, and informal money networks. The report requests both the Treasury and Justice Departments to produce a report in 2003 exploring the extent of terrorist groups' trade in diamonds, tanzanite, gold, and other precious stones and metals used to launder money and finance terrorist activities.

## Drug Trafficking

### Drug Trade Funding Terror Groups, United States Says

Attorney General John Ashcroft stated at the Conference of the Organized Crime and Drug Enforcement Task Force in July that about one-third of foreign terrorist organizations are trafficking in narcotics in large amounts. "Law enforcement has been aware for some time of significant linkages between terrorism and drug trafficking. But we have not had the tools to quantify the drugs-terrorism nexus until now," said Ashcroft. Based on law enforcement analysis "nearly one third of the organizations on the State Department's list of foreign terrorist organizations appear also on our list of targeted U.S. drug suppliers."

### 4,000 Foreign Drug-Trafficking Rings in Russia

More than 4,000 foreign drug-trafficking rings with approximately 15,000 members are reportedly operating in Russia, primarily in Tajikistan, Azerbaijan, and Ukraine. Russia is a major transit area for drugs from Afghanistan. More than 16 tons of narcotics have been seized in Russia within the first six months of 2002, of which marijuana accounted for more than half of the seizures. *AFP*

### U.S. Drug Ring Tied to Aid for Hizballah

The AP reported on September 3 that federal investigators have connected an illegal drug operation in the Midwest, run by men of Middle Eastern descent, with proceeds sent to

Middle East terrorist groups including Hizballah. The smuggling ring was broken in January and since then investigators note that there has been "increasing intelligence information from the investigation that for the first time, alleged drug sales in the United States are going in part to support terrorist organizations in the Middle East," according to Asa Hutchinson, director of the Drug Enforcement Administration.

Drug ring members smuggled large quantities of the chemical pseudoephedrine from Canada into the Midwest. Pseudoephedrine, found in cold and allergy medications, is an essential ingredient in methamphetamine, a powerful and increasingly popular drug. Officials said that the smuggled pseudoephedrine had been routed through Chicago and Detroit, and that the operation involved several men with ties to Jordan, Yemen, Lebanon, and other Middle East countries.

Some of the proceeds from the drug resale were directed to accounts in Lebanon and Yemen that the authorities have begun to connect to Hizballah. It is unknown how much money was actually sent. Evidence of the terror ties emerged only after the arrests. DEA administrator Hutchinson has warned for months that illegal drug sale proceeds provide a compelling opportunity for terrorist groups to siphon support from the United States, but this investigation has provided the first evidence of a direct flow of money.

"The money mechanisms being used to aid terrorism are limited only by your imagination," one senior law enforcement official said. "There is a significant amount of money moved out of the United States attributed to fraud that goes to terrorism."

The early evidence suggests, the official said, that groups including Hamas and Hizballah benefit far more than does Al Qaeda from money flowing out of the United States. Under a law that prohibits providing "material support and resources" to known terrorist organizations, the Bush administration has been stepping up efforts to stem the movement of money and other assets from sympathizers in the United States to foreign terrorist groups. Federal agents say they have uncovered a broad effort involving legal immigrants or visitors to use credit card thefts, illegal cigarette sales, charitable funds, and cash smuggled in airline luggage to enrich anti-American and anti-Israeli terror groups. *New York Times/AP*

## Arms Smuggling

### Indonesia's Arms Smuggling

Small arms smuggling is fueling the violent conflicts in Indonesia according to its senior State Intelligence Agency (BIN) officials. Smuggled into Indonesia from Thailand, Malaysia, the Philippines, Australia and Singapore, small

arms and light weapons are supplied to separatist movements that have emerged since Suharto's ouster in 1998. Indonesia is unable to control the illicit trade as its porous borders and under-equipped police are no match for high-tech smugglers outfitted with speedboats. The worldwide problem of small arms trafficking—weapons that are very mobile, inexpensive, durable, low maintenance, and therefore high in demand—is intensifying the conflicts in a country dominated by ethnic and religious strife. Blaming the extremists for the violence, the military's open support for radical Islamic groups has not only exacerbated the Christian-Muslim divide but also greatly weakened President Megawati Soekarnoputri's government. Although the Association of Southeast Asian Nations (ASEAN) has signed several agreements on transnational crime as a whole, six members produce small arms, leaving the region in a vicious cycle: by fueling these conflicts, small arms are generating an increase in their very demand. *TIR/EW*

### Golden Triangle Now a Haven for Terror Arms

The Golden Triangle, a region known for opium and heroin trafficking has reportedly become a haven for arms trafficking. Weapons being traded range from AK-47 and M-16 assault rifles, to surface-to-air missiles, and rocket-propelled grenades. According to a draft United Nations report, weapons and ammunition are sold to terrorists groups such as Abu Sayyaf, Moro Islamic Liberation Front, the Liberation Tigers of Tamil Eelam, Lashkar-e-Tayyaba, and other groups that are believed to be linked with Al Qaeda. Arms trafficking in the Golden Triangle is expected to grow with the increase in demand from new groups such as Free Aceh Movement in Indonesia and Jemaah Islamiah located in several Southeast Asian countries. *Straits Times*

## Interview

### Hamid Gul

A recent interview with Hamid Gul, former chief of the Pakistani Inter-Services Intelligence Agency (ISI):

“Government does not have any right to amend the constitution. The U.S. plan is to create serious differences between the armed forces and the masses, but we won't allow any such plans to materialize. This government has no understanding of present day Pakistan and its problems. Our actual problem is not New Delhi, in fact it is Washington. We can take the stand against Washington only when the government and the masses have a common destination. Pervez Musharraf and the government are speaking the American language and now they are using the same language towards Kashmir, which they should stop otherwise we will face consequences. Kashmiris don't trust the present government as they don't have the direct support

as they had before. Government should have the courage to say no to U.S. demands. Pervez Musharraf is too weak to deal with the U.S. Because of their wrong practices government has no support from the masses or from political and religious parties. In the past, armed forces and the religious parties were working hand in hand which they should do once again.” *Published throughout Pakistan*

CSIS/TNT Pakistani sources who relayed this interview also note other interesting facts:

- Pervez Musharraf has survived six assassination attempts since taking office.
- In order to escape Pakistan, Al Qaeda members have been boarding ships in the ports of Qasim and Karachi by bribing ship captains, or have used forged continuous discharge certificates (CDCs), which allow on-duty seamen to travel by air without a visa.
- Internally, the Pakistani regime is set to induct an army-dominated national security council to institutionalize the military's role in national politics.
- Pervez Musharraf wants to change the parliamentary character of the constitution by empowering himself as the new president to dismiss the Prime Minister, cabinet and the national assembly. The government-politician rift continues unabated. The national press is being forced to stay in line through a carrot-stick policy. Recently, the editor of a Karachi daily wrote to the all-Pakistan Newspapers Society complaining that the ISI abducted him and questioned him about his news sources and received threats when he refused to divulge the information.

---

**This update is produced by the Transnational Threats Initiative at the Center for Strategic and International Studies (CSIS) and provides monthly news on terrorism, drug trafficking, organized crime, money laundering, and other transnational threats.**

**CSIS does not take specific public policy positions; accordingly, all views, positions, and conclusions in this publication should be understood to be solely those of the author(s).**

**© 2002 by the Center for Strategic and International Studies.**