

CHAPTER 4.

FINANCING

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INTRODUCTION

Nothing can happen in insurgent movements without money. Financing revolutionary movements is a key underground function, and the very methods of obtaining funds have a direct impact on the nature, ideology, and strategy of the movement. It is conceivable that a spontaneous resistance movement might emerge from public dissatisfaction, a protest march, or a riot, but sustaining and growing a movement into something that will effect change requires time, patience, and above all, money.

Depending on their activities, undergrounds may need money to meet the following expenses: the salaries of full-time workers in the organization; advances of money to persons who need money to pay contacts or buy food while traversing an underground escape route; the purchase of materials, such as Internet access, for propaganda publications; the purchase of explosives and other materials for sabotage; and the purchase of communications equipment, etc. An underground may also extend aid to families who shelter refugees to enable them to buy extra food. This happened in Belgium during World War II after the Nazis eliminated many resistance collaborators from the bureaucracy. Previously, these sympathizers supplied fugitives with documents enabling them to switch identities and hold jobs. When this source of papers no longer existed, it was necessary for many evaders to go into hiding. Money to care for them was supplied by the treasury of the *Armee de Belgique*.

Financial aid may be extended to the families of underground workers who have been captured or forced to flee. Typical of this was the support given by the Luxembourg resistance to the dependents of 4,200 persons who were deported and nearly 4,000 who were sent to prisons and concentration camps during the Nazi occupation. *L'Oeuvre Nationale de Secours Grande-Duchesse Charlotte* not only provided immediate care for orphans but also gave each a 30,000-franc trust fund. At the same time in Belgium, *Fonds de Soutien* (Funds for Support) was begun by the *Mouvement National Belge* for the families of workers in hiding. Similarly, *Ḥarakat al-Muqāwamah al-'Islāmiyyah* (Islamic Resistance Movement, or HAMAS) and other Palestinian resistance movements would offer families of suicide bombers or other “martyrs” financial compensation as a means of encouraging other impoverished families to produce fighters for the cause.

Money is also needed for bribery. Insurgencies thrive under corrupt governments, and undergrounds often disperse money to key officials to obtain their protection or silence. Bribery also plays a part in subversion and the gathering of intelligence. In most areas of the world, money equates to power and influence.

An underground may also channel funds to military units to pay salaries and buy supplies. In the Philippines, it was a prime responsibility of the Communist Politburo in Manila to obtain money for the Hukbalahap movement; and in Malaya, the *Min Yuen* was the major supplier of money to the rebels, obtaining many funds by extorting money from large landowners and transportation companies and by appropriating cash from Communist-dominated unions. Hizbollah in Lebanon required money to maintain a sizable guerilla force, along with missiles aimed at Israel. In a similar manner, undergrounds that support a guerilla component require reliable funding sources.

Some insurgencies require funds in order to support their social outreach work and shadow government activities. Just as legitimate state governments struggle with the rising cost of medical care, unemployment insurance, food aid, housing subsidies, and pensions, some insurgent movements also struggle to provide similar services in an attempt to undermine the government, care for their constituents, and provide a cover for illegal and violent activities. These activities are expensive and require sustained and reliable income.

The cost of high-profile individual acts of violence tends to be miniscule compared with the overhead costs of simply sustaining and administering the underground, auxiliary, armed component, and public component. Spectacular acts of terror can inspire increased devotion and donations from supporters for a relatively low cost. But the day-to-day administration required to sustain and grow a movement is considerable.¹ Undergrounds obtain financing through a combination of external and internal sources.

EXTERNAL SOURCES OF MONEY

Foreign Governments

Often an underground is aided by an outside sponsor, usually a government, but more recent examples include non-state actors. Much of the money used by the anti-Nazi Belgian resistance of World War II, for example, came from franc reserves in London released by the British government. At one time, 10 million francs per month were forthcoming. Similarly, many of the funds used by the French resistance were remitted from the Bank of England or sent from the Bank of Algiers

(after the Allied landing in North Africa). The Viet Cong's resistance against the government of South Vietnam and its American allies was funded by both China and the Soviet Union, as well as by the authorities in Hanoi. Some external sponsors, such as Colonel Muammar Gaddafi in Libya, support a number of different insurgencies. Gaddafi provided funding to groups ranging from Charles Taylor and the Revolutionary United Front (RUF) in Liberia and Sierra Leone, respectively, to the Provisional Irish Republican Army (PIRA) in Northern Ireland. Other sponsors, such as Iran, however, tend to focus their sponsorship funding on insurgencies that advance the Shiite cause and those insurgencies that undermine Israeli (and Western) influence, such as the Palestinian cause.

Foreign governments extend support to undergrounds for several reasons. The most important is that the activities of an underground often contribute to the defeat of a common enemy. Such aid also enables the sponsor to demand some reciprocity on the part of the underground. However, an outside government may give financial assistance to an underground even if there is no common enemy. According to one report, such a case occurred in 1940 when the Japanese government—not yet allied formally with Germany and Italy—provided the Polish underground in Rome with financial aid as well as technical equipment and Japanese passports in exchange for intelligence data on the German and Soviet occupying forces.²

Non-State Actors

In addition to governments, friendship societies or quasi-official aid groups may channel funds to an underground. Perhaps the best known of the latter was the Jewish Agency, which, during the Palestine revolution, had offices or representatives in every part of the Western world. In the run-up to the Israeli War for Independence, Palestinian Jews obtained critically needed financing from fellow Jews throughout the world, especially in Europe and the United States. Open appeals for money were made in newspapers and lectures and at charity balls and other social events.³

The vast majority of the Liberation Tigers of Tamil Eelam (LTTE) financing came from the large Tamil expatriate community, especially those contingents in Western countries (Canada, the United Kingdom, Australia, the United States, and Scandinavia) but also those living in the Indian province of Tamil Nadu. Indeed, many analysts identify the overseas Tamil communities as the single most important actor enabling the insurgency. Expatriate support included voluntary contributions from individuals and Tamil-owned businesses, as well as funds

extorted from expatriates. LTTE collection methods evolved over time, from poorly coordinated, often violent acts of coercion to scheduled collections based on computerized databases that allowed overseas collectors to avoid paying visits to individuals who supported rival Tamil groups or who were already regular contributors. Collections were made monthly or annually; additional collections were made according to special dates commemorating specific battles or individual “martyrs.” Information was also collected on extended families residing elsewhere in order to lend credibility to threats in the event that a donation was not forthcoming. A 2009 Canadian intelligence report revealed that the community of expatriates and sympathizers within Canada was one of the top contributors to the LTTE, with donations of approximately \$12 million per year. After the LTTE lost control of the Jaffna Peninsula in the mid-90s, this source of financing became increasingly important, by some accounts providing up to 90 percent of the group’s operating funds. However, the classification of the LTTE as a terrorist group by most Western countries, the result of an intense lobbying effort by anti-LTTE forces, put a serious strain on LTTE’s ability to raise and transfer expatriate funds and was probably a major contributor to the Tigers’ defeat in 2009.⁴

The main source of overseas funding for the New People’s Army (NPA) in the Philippines during the Ferdinand Marcos administration was from humanitarian organizations, including a number of European churches, and radical groups in Europe. The Communists, working through their public face, the National Democratic Front (NDF), touted the NDF as the only viable opposition to the human rights abuses of the Marcos regime. By 1987, the NDF had attracted the support of numerous international human rights organizations and established support networks in more than twenty-five countries. The NPA strategy was to divert resources from the nongovernmental organizations through aboveground institutions that were run by NPA supporters under the auspices of rural aid and development. These organizations remained a major source of support even after the fall of Marcos.⁵

PIRA likewise relied on support from abroad. They turned to the United States for money and weapons as soon as they were organized enough to send agents abroad, and the Irish communities of Boston and New York proved very supportive. In 1969, the United States had five times as many Irish as Ireland. The Irish Northern Aid Committee (NORAI) was set up in New York City in 1970 to provide a steady stream of money to the IRA, mostly for the purchase of weapons.⁶

Charities and nonprofit organizations are attractive sources of funding for insurgent undergrounds because they tend to be less regulated and scrutinized than publicly owned corporations, and some

have a global reach and presence, administering considerable sums of money. Insurgencies can abuse charities through fraud—e.g., appropriating monies from a real charity intended for charitable purposes and using them to fund the movement instead; through a sham organization—i.e., creating an entirely bogus charity that poses as legitimate; or through co-opting a charity's money—i.e., using the money for the purpose intended by the donators but administering and distributing those funds through the insurgency.⁷

Cash in the Local Currency

Aid is often given in the form of cash in the local currency, which has the advantage of being easily exchanged for goods or services. The main problem is the physical transfer of the money. Usually this is handled by a front business organization, through diplomatic channels, through clandestine couriers, or by infiltrated agents. A growing concern and challenge for counterinsurgency organizations, however, is the expanding ability to transfer money internationally using informal funds transfer (IFT) systems, such as the “hawala” system in the Middle East, fei-ch'ien in China, hundi in India, and padala in the Philippines, which can provide cash in the local currency for the recipient. This is discussed in more detail below under *Parallel Financial Systems*.

Substitute Currency

Hard currency, such as U.S. dollars or British pounds, is sometimes given to an underground when the sponsoring government lacks adequate reserves of the local currency. Hard currency makes a good substitute because it is easily exchanged on the black market for local currency or goods. Hard currency is also useful when the local currency is confiscated by the authorities and replaced by scrip, a frequent government countermeasure. This was done by the Castro regime soon after the Cuban revolution.

Dollars were used extensively in financing World War II undergrounds. One British agent in Yugoslavia reported that it was no trouble to use dollars (or gold pieces) because “there was invariably a market for ‘good’ money in the towns.”⁸ More recent developments include the potential use of electronic credits accrued and traded via mobile phones as a means of transferring funding from one location to the next, especially in East Africa where the use of this type of electronic currency is commonplace, and the acquisition of cash value for online video-gaming credits that can be acquired and traded with little visibility.^{9,10}

Counterfeit Money

One other way to finance an underground movement is through the use of counterfeit money. Although production of such money is not exclusively the province of a sponsoring government, undergrounds usually lack the necessary facilities and technical competency to counterfeit money; therefore, the main effort is generally undertaken by friendly governments.

Of course, the use of counterfeit money adds to the dangers already facing underground members. During World War II, this factor reportedly prompted the Polish state underground to reject an offer of counterfeit money from London.

Online Fraud

Insurgencies increasingly use illegal online operations to steal money or goods. Techniques include credit card and online banking fraud. In some cases, insurgents purchase stolen credit card or bank account numbers and passwords from criminal organizations and then use that information to withdraw money from compromised accounts or to buy goods directly. This avenue of obtaining funds illegally features an ongoing conflict between insurgents exploiting vulnerabilities in global computer networks and various government and international organizations attempting to fix those vulnerabilities and shut down online fraud through technical means, legislation, and enforcement.

Parallel Financial Systems

Islamic history and culture gave rise to an innovative and effective approach to financing insurgency as practiced by members of the Muslim Brotherhood and Al Qaeda. Hasan al-Banna, the founder of the Muslim Brotherhood, viewed finance as a critical weapon in undermining the infidels and reestablishing the Islamic caliphate. To do so, he believed Muslims must create an independent Islamic financial system that would parallel and later supersede the Western economy.¹¹ Al-Banna's successors set his theories and practices into motion, developing uniquely Islamic terminology and mechanisms to advance the Brotherhood's system of faith, as well as their unique financial apparatuses.

President Gamal Abdel Nasser negated the Brotherhood's attempt to establish an Islamic banking system during the mass arrests in 1964. But Saudi Arabia welcomed this Egyptian dissident idea, and in 1961, King Saud bin Abdul Aziz funded the Brotherhood's establishment of the Islamic University in Medina to proselytize their fundamentalist

Islamic ideology. In 1962, the Brotherhood convinced the king to launch a global financial joint venture that established numerous charitable foundations across the globe. This joint venture became the cornerstone of the Brotherhood and was used to spread Islam (and later to fund terrorist operations) worldwide. The first of these charitable organizations were the Muslim World League and Rabitta al-Alam al-Islami, which united Islamic radicals from more than twenty nations. In 1978, the kingdom backed another Brotherhood initiative, the International Islamic Relief Organization (IIRO), an entity that has been implicated in funding organizations such as Al Qaeda and HAMAS.

Most Muslim nations collect mandatory Islamic charity (zakat) of approximately 2.5 percent from Muslim institutions and companies.¹² Zakat is intended to go to those who are less fortunate. However, the Brotherhood determined that those engaged in jihad against the enemies of Islam are entitled to benefit from the charitable offering. The interpretation that modern jihad is a serious, purposefully organized work intended to rebuild Islamic society and state and to implement the Islamic way of life in the political, cultural, and economic domains is widely accepted among Muslims, and thus those involved in jihad are viewed as legitimate recipients of zakat.¹³

The rise of global militant Islam, and Al Qaeda in particular, also benefited from the use of parallel financial systems. The roots of Al Qaeda lie in a number of different organizations, including the *Maktab Al Khidamat* (MAK) or Services Office, a clearinghouse established to facilitate the recruitment, transportation, organization, training, and equipping of Arabs to support the Afghan resistance. Established by Abdullah Yusuf Azzam, a Palestinian scholar of Islamic law, and Osama bin Laden in Peshawar, Pakistan, in 1984, the MAK also attracted other militant leaders.^a The MAK consisted of a network of international recruiting offices, bank accounts, and safe houses and was also responsible for the construction of paramilitary camps for the training of militants and the fortifications used by Arab fighters.¹⁴ Between 1982 and 1992, estimates report approximately 35,000 foreign fighters contributed to the Afghan effort, although there were probably never more than 2,000 in Afghanistan at any one time. The MAK was

^a Azzam, who earned a Ph.D. from Cairo's Al-Azhar University, was a very charismatic character and played a central role in crafting the narrative of resistance that drew thousands of Arabs to the Afghan cause. His previous combat experience (he fought the Israelis in 1967), combined with his religious credentials (his education and his connections with the family of Sayyid Qutb, an important ideological leader of the early Muslim Brotherhood), made him a particularly appealing figure to bin Laden. Omar Abd Al-Rahman, an Egyptian militant also educated at Cairo's Al-Azhar University and a key ideological figure for both Al-Jama'at Al-Islamiyya and the Egyptian Islamic Jihad, also utilized MAK's resources to contribute to the Afghan resistance.

responsible for training approximately 12,000–15,000 of those fighters, with approximately 4,000 remaining connected through either chain of command or ideological affinity after the conflict.¹⁵ To complicate the tracking of finances, leaders employed parallel financial systems drawn from historical Islamic roots.

Both the Egyptian Islamic Group (EIG) and the Egyptian Islamic Jihad (EIJ) likely utilized these mechanisms to their advantage. EIG often sought donations during Friday prayers at mosques in order to facilitate their social outreach programs. It is unknown how much of this funding went toward illicit activity; however, it is presumed that the preponderance of the collected funds was reinvested into public and legal organizational activities. The extent of the aid EIJ received from outside of Egypt is not known, although the Egyptian government has claimed that both Iran and Saudi Arabia have provided financial and material support to EIJ.¹⁶

Given the prevalence of obtaining funds through such means, it may be assumed that EIJ obtained some funding through various Islamic nongovernmental organizations, cover businesses, zakat funding operations, and possibly, although not likely, criminal acts.¹⁷ The most evident external support to EIJ was its symbiosis with Al Qaeda and its increasing dependence on that organization. Few exact figures exist; however, from 1996 to 1997, EIJ received more than \$5,000 per month^b from Al Qaeda.

In the hawala system, money is transferred from a worker in one country to another worker in another country through the use of intermediary “hawaladars” in each country. Although a fee (cash, goods, or services) is charged for this transaction, the fee is usually much less than that charged in the formal banking sector, and this system also allows for the transfer of funds to/from countries and regions with limited financial infrastructure.¹⁸

^b In late 1996, Dr. Ayman Al-Zawahiri traveled clandestinely to a number of former Soviet Caucasian republics (including Chechnya) and in December was arrested by a Russian patrol in Dagestan. He was released in May, having stuck to his cover story without being identified by the Russians; however, he was chastised by Al Qaeda members for his carelessness and saw the subsidy (paid to EIJ by Al Qaeda) lowered to \$5,000 during his imprisonment.

INTERNAL SOURCES OF MONEY

Noncoercive Means

Gifts

Voluntary gifts from wealthy individuals and, occasionally, from commercial enterprises have constituted a good source of income for many undergrounds and are easier to hide from security forces. A few wealthy Chinese businessmen in Manila made large gifts to the Huk-balahap; the Malayan *Min Yuen* received substantial aid from several Chinese millionaires in Singapore. Many industrialists and bankers provided funds for the anti-Fascist underground in Italy. However, donor firms in France during the resistance encountered difficulties in hiding their donations from the Germans, and this hampered the exploitation of this potential source of revenue. In addition, financial gifts to the underground can also come from friends and relatives of underground workers and, given the manpower and opportunity, an underground may canvass door to door for contributions. Finally, dues levied on underground members can also provide needed funds.

Loans

The underground may also borrow funds. The Yugoslav Partisans, for example, floated a 20-million-lira loan, which was marketed among the Slovene populace as "Liberty Loans"; and Belgian banker Raymond Scheyven's Service Socrates organization managed to borrow in the name of the government-in-exile more than 200 million francs for the anti-Nazi Belgian underground from the end of 1943 to liberation.

A problem that sometimes confronts an underground worker in soliciting funds from strangers is that of convincing them of the agent's good faith. The underground worker may provide strangers with an official-looking document authorizing him to collect funds and sign notes. The Service Socrates used a more complicated system, however. This organization invited prospective lenders to suggest a phrase to be mentioned on the BBC on a given night. The underground passed the requests on to the London authorities, the phrase was broadcast at the designated time, and the individuals knew that they were dealing with bona fide agents of the underground. To safeguard the Service Socrates and the Belgian government in London against future false claims, lenders were given certificates stating the amount of the loans and bearing a number. Raymond Scheyven, using his pseudonym, "Socrates," signed these certificates, and a copy of this signature was on file in London for comparison at the time of repayment after the war.

If the underground can borrow in the name of some constituted authority such as a government-in-exile, it is more likely to receive a favorable response than if funds are sought in the name of an aspiring underground whose trustworthiness as a debtor organization may be in doubt. As one writer expressed it, governments-in-exile provide necessary “symbols of legalism.”¹⁹

In addition, if an underground has access to some form of collateral, such as oil distribution networks or diamond fields, they may be able to secure funding, weapons, and other needed assets in exchange for granting access to this collateral or resource. The RUF in Sierra Leone obtained funds and weapons from Liberia and Libya in exchange for diamonds and access to mines.²⁰

Embezzled Funds

An underground may obtain funds embezzled from government agencies, trade unions, businesses, and nongovernmental organizations. An example is the secret appropriations that the Danish resistance received from the Royal Treasury to support the publication *Information*. Also, misappropriated grand duchy revenues constituted perhaps half of the money raised for the anti-Nazi resistance in Luxembourg. Trade union funds were embezzled on a fairly large scale by Communist leaders of Malayan trade unions in the years 1945–1947 and provided a major source of income for the Malayan Communist Party (MCP) until the British replaced the Communists with unionists loyal to the government. In Somalia, drought relief funding and supplies were interdicted by Al Shabaab to support their network, and in Rwanda, an estimated \$112 million of foreign aid was used to purchase weapons—mostly machetes—from France, South Africa, and Egypt.²¹

Sales

The sale of various items through door-to-door canvassing or through “front” stores may provide money. Yugoslav Communists once sold fraudulent lottery tickets. The Luxembourg resistance sold lottery tickets as well as photographs of the Grand Duchess. In post-World War II Malaya, the MCP treasury was supplemented by funds obtained from party-owned bookstores, coffee shops, and even small general stores. Similarly, the Yugoslav Communists raised money through sales made by party-owned clothing stores.

Coercive Means

Robberies

To bring in money, undergrounds frequently resort to holdups. The Hukbalahap in the Philippines, for instance, was able to collect funds by staging train robberies. Likewise, the Organisation de l'Armée Secrète (Organization of the Secret Army/Secret Armed Organization, or OAS) in Algeria conducted a series of bank robberies. In Malaya, the Communists formed a "Blood and Steel Corps" to engage in payroll robberies and raids on business establishments. Business firms, rather than individuals, are usually the targets of such robberies. The LTTE had numerous methods by which it mobilized resources to sustain operations. These included various criminal activities, such as bank robberies, extortion, and the smuggling of drugs and other contraband, but they also included more traditional fundraising activities that also incorporated varying levels of coercion.²²

Undergrounds generally avoid outright confiscations from the general populace for several reasons. First, widespread robberies would tend to brand an underground as an outlaw band and destroy its public image as a potential legitimate authority. Second, simple confiscations of money would not make the victims compliant servants of the underground, as other forms of coercion can do. Finally, robberies preclude the possibility of exacting continued support under the threat of exposing the affected persons' assistance to the underground.

Kidnapping and Hijacking

The practice of kidnapping in order to collect a ransom has been conducted by insurgent groups across the globe, ranging from the Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia, or FARC) in Colombia, to the Taliban in Afghanistan, to Al Qaeda in the Islamic Maghreb (AQIM) in Northern Africa, to the Movement for the Emancipation of the Niger Delta (MEND) in Nigeria. These organizations utilize elaborate networks of middlemen and negotiators to exchange their captives for funding. During the period of 2005–2010, AQIM alone raised an estimated \$65 million from kidnappings, which accounted for 90 percent of its revenue and an average rate of \$6.5 million for a Western hostage.²³ The dramatic escalation in hijackings off the Somali coast and into the Red Sea and Indian Ocean has reportedly also lined the pockets of Al Shabaab insurgents who charge pirates and their villages a protection fee or tax after the ransom is paid.

Forced “Contribution”

Although undergrounds usually do not rob the public so as to avoid alienating their constituency, they sometimes coerce individuals into making donations under the tacit threat of reprisals. Aggressive application of this technique is usually reserved for wealthier persons. Typical was the practice of the OAS in Algeria, which fixed the amounts of contributions to be exacted from persons in professional occupations but allowed people of modest means to give what they wanted. A person received a typewritten note in the mail informing him that a “*percepteur*” of the OAS would call in the near future to collect his contribution. The *percepteur* was well dressed and curt but polite. If his credentials were questioned—some crooks tried to extort money in the name of the OAS—he could show a photostat message signed by the commander in chief of the OAS, General Raoul Salan. If the person refused to pay, he would not be threatened, but a week later his car or home would probably be bombed by a charge of plastic explosives. The OAS would then increase its assessment to cover the cost of the reprisal. After a few such object lessons, most of the people approached were willing to make a “contribution,” and many agreed to make regular payments.

From its inception, the FARC in Colombia survived in part by obtaining funds through extortion, kidnapping/hostage-taking, and stealing supplies. At first, the FARC filled its coffers through extortion, employing tactics that were Mafia-like. The FARC would ask businesses whether they needed a “vaccination.” For example, one Colombian Coca-Cola distributor decided that it did not need to be “inoculated.” In response, the FARC burned forty-eight delivery trucks, kidnapped eleven workers, eventually killing seven of them, and robbed the company 400 times.²⁴

The Yugoslav Partisans were able to utilize this coercive technique to their political as well as financial advantage. By exacting large amounts from landowners, the Partisans were able to weaken their political opponents, and going one step further, they eliminated some of these political competitors by denouncing them to the Germans as helpers of the underground. A check of landowners’ financial records sometimes revealed unaccountable deficits, which led to the landowners’ arrest and the confiscation of their properties.

An underground may suffer a setback, however, if a popular person refuses to contribute and the underground does not dare to make the usual reprisal out of fear of public indignation. A case in point was the widely publicized refusal of the French actress, Brigitte Bardot, to aid the OAS. Such a response serves to weaken the image of infallibility and complete control that the underground tries to cultivate.

Taxes

Taxes may be levied against the general public in areas where enemy forays are not frequent or serious enough to prevent underground municipal administrators from collecting taxes with the backing of nearby military units. The tax may be levied on a per capita basis, as was done in Philippine areas under Hukbalahap control, or it may be levied on a more selective basis, affecting only persons with regular incomes above a certain level, as was apparently the practice in the Slovene area of Yugoslav Partisan control.

The Tamil Tigers (LTTE) raised funds domestically by levying taxes on the population, especially in the early stages of the conflict. Those who could not pay were often incarcerated, while those families who had sons or daughters serving in the cadres were exempted. Proof of payment of this tax served as a pass for traveling through LTTE-controlled territory and for serving in administrative positions. Extracting payment was relatively inexpensive; once the Tigers established their reputation for ruthlessness, few families had to be reprimanded.

For the Taliban, the decision to formalize and tax the heroin drug economy led to significant revenues for the insurgency. By 2000, Afghanistan produced three times more opium than the entire rest of the world, with 96 percent of this Afghan production taking place in Taliban-controlled territory. The Taliban collected a 20 percent tax from opium dealers as well as the drug transporters, leading to an annual tax revenue base of approximately \$20 million for the Taliban by 2000.²⁵

Narcotics and Black Market Trade

Modern insurgencies have increasing connections to illegal drug trade throughout the world. The burgeoning industry of supplying marijuana, cocaine, methamphetamine, heroin, and other drugs offers opportunities for financing that most underground leaders find too lucrative to ignore.

Although extortion and kidnapping sustained the FARC for many years, growing the “little guerrilla army” required a corresponding growth in funding. To do this, during the 7th Guerilla Conference, the FARC developed a plan to leverage four commodities on the black market: livestock, commercial agriculture, oil, and gold. This would not prove to be enough, however. Eventually, without departing from the extortion and kidnapping, FARC reluctantly became involved in the narcotics trade. Initially, both Manuel Marulanda and Jacobo Arenas were opposed to *las drogas* for ideological reasons. In the long run, however, pragmatism won the day. The flow of illicit money and goods through areas that the FARC controlled was just too rich a source to

allow it to pass by. In 1998 alone, for example, armed groups involved in the marketing of illegal narcotics in Colombia had proceeds in excess of \$550 million. Still, the FARC became involved piecemeal. Their first step was to tax narco-traffickers while protecting the peasant farmers who grew the coca, a practice that was not unlike their “inoculations.”²⁶

The estimates of FARC financing obtained through narcotics run from at least \$30 million annually to as high as \$1.5 billion. In fact, the FARC became so sophisticated that they developed standard costs for the drug trade that in October 1999 equated to \$15.70/kilo for cocaine paste, \$5,263 to protect a laboratory, and \$52.60 to protect a hectare of coca, etc. At one point, the FARC was responsible for exporting 50 percent of the cocaine consumed worldwide. Whatever the figure, the revenues from the narcotic trade still represented only half of FARC funding. The Colombian government suggests that the rest came from the FARC’s classic funding lines of kidnapping, robbery, and extortion.²⁷

When undergrounds become involved in the drug trade or other black market activities, it tends to impact the organization’s core ideology and strategy. The FARC experience, again, is illustrative. With the new drug trade came money and corruption. Some of the FARC in coca-rich areas began to live as drug lords, replete with gold jewelry, fancy cars, and other luxuries. This created dissent in the ranks as FARC members who stayed true to the guerrilla life realized others were living as gangsters. To solve this problem, the FARC leadership created the National Financial Commission. Responsible for allocation of all FARC funds, including major purchases, the commission reported directly to the central leadership. A system was developed wherein all FARC units were given a funding line and direction in how to employ it. When these measures did not completely solve the corruption issue, the senior leaders assigned *ayudantías* or “advisors” to monitor what was happening at every level and provide advice to local leaders from time to time. If they suspected any foul play, the *ayudantías* would call for an investigation. Theft or even misappropriation of FARC funding was punishable by death.²⁸

The Maoist insurgency in Peru, Sendero Luminoso, likewise became involved in the illegal drug trade. By the mid-1980s, having expanded in the primary coca-producing region of Peru, the Upper Huallaga Valley, the Shining Path was able to tap the profits of the drug traffickers. In order to exploit the ever-burgeoning cocaine trade, Sendero sent units into the Upper Huallaga Valley to identify and kill government enforcement agents and their supporters. Once they had taken effective control of the region, Sendero served as middlemen between the coca growers and the drug traffickers, reportedly receiving 10 percent

of the sale of every kilo of coca and earning between \$20 and \$50 million annually, which was used to purchase weapons and pay militants. Although Abimael Guzman originally disavowed any connection between Sendero Luminoso and the ongoing drug trafficking along the Andean ridge, pragmatic considerations appear to have triumphed. The perceived disconnect between Sendero's purported ideological purity and its involvement in the black market drug trade did impact its legitimacy, however.

CONCLUSION

Finances are the lifeblood of an insurgent or revolutionary movement. Normally such organizations obtain financing through a combination of internal and external sources. The nature of the movement's collections tends to color the organization, in some cases despite its founding ideology. When an insurgency dips into the lucrative illegal drug trade, they attract attention as part of the drug trafficking problem. When they rob or extort citizens within a country, they gain a reputation as a criminal organization. When they subsist off of substantial funding from a foreign power, they tend to be viewed as a puppet organization taking its cues from that distant power.

Likewise, how the movement handles acquired funds tends to characterize the organization in the eyes of the indigenous population. Insurgencies that distribute funds to impoverished citizens gain favor as the champions of the underprivileged. Conversely, leaders who succumb to the temptation of corruption tend to bring discredit on their organizations.

Thus, the function of financing remains a key and defining activity for undergrounds. Wise insurgent leaders think of financial matters as part and parcel of the overall strategy and ideology of the movement, rather than as a peripheral matter. Likewise, government forces conducting counterinsurgency must examine sources and management of insurgent finances as part of their overall strategy to defeat the movement.

ENDNOTES

¹ Financial Action Task Force/Groupe d'action financiere, "Terrorist Financing" (Paris: OECD, 2008), 7–10, <http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf>.

² Andrew R. Molnar, *Undergrounds in Insurgent, Revolutionary, and Resistance Warfare* (Washington, DC: Special Operations Research Office, The American University, 1963), 62.

³ Ibid.

- 4 Michael J. Deane and Maegen Nix, "Liberation Tigers of Tamil Eelam (LTTE)," in *Assessing Revolutionary and Insurgent Strategies*, ed. Chuck Crossett (Laurel, MD: The Johns Hopkins University Applied Physics Laboratory, 2009), 52–53.
- 5 Ron Buikema and Matt Burger, "New People's Army (NPA)," in *Casebook on Insurgency and Revolutionary Warfare, Volume II: 1962–2009*, ed. Chuck Crossett (Laurel, MD: The Johns Hopkins University Applied Physics Laboratory, 2010), 104.
- 6 Summer Newton, "The Provisional Irish Republican Army: 1969–1998," in *Assessing Revolutionary and Insurgent Strategies*, ed. Chuck Crossett (Laurel, MD: The Johns Hopkins University Applied Physics Laboratory, 2009), 64–66.
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