
4. An international response to terrorism

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I. Introduction

Terrorism has for a long time plagued countries throughout the world. In Europe, for example, the Euskadi ta Askatasuna (ETA, Basque Fatherland and Liberty) Basque separatists, the Irish Republican Army (IRA) and the Red Army Fraction (RAF) operated and spread fear in the late 20th century. The attacks on the United States on 11 September 2001, however, clearly changed perspectives on terrorism. These events represented a new and important development, not only politically but in a number of other dimensions as well.

The United States' reaction to the attacks was clear and strong. In his address to Congress on 20 September 2001, President George W. Bush declared that 'enemies of freedom committed an act of war against our country'. Outlining his prescription for the US response, the president stated: 'Our war on terror begins with al Qaeda, but it does not end there. . . . Our response involves far more than instant retaliation and isolated strikes. . . . We will starve terrorists of funding, turn them one against another, drive them from place to place, until there is no refuge or no rest'.¹ The international community was also quick to respond to the attacks. The United Nations, the North Atlantic Treaty Organization (NATO) and other international organizations soon engaged themselves in an enhanced effort to combat terrorism.

The threats of terrorism must be seen in a broad context, and it is important to have a multilateral approach to dealing with them. A strategic part of such an effort is the countering of terrorist financing. The Financial Action Task Force on Money Laundering (FATF) has an important role to play in this area.²

¹ See White House, 'Address to a joint session of Congress and the American people', URL <<http://www.whitehouse.gov/news/releases/2001/09/20010920-8.html>>.

² The FATF (see URL <<http://www.fatf-gafi.org/>>) is an ad hoc group comprised of the member states of the Organisation for Economic Co-operation and Development (OECD; see URL <<http://www.oecd.org/>>) and several other major countries. Its secretariat is at the OECD in Paris. The FATF has developed international standards for combating money laundering and terrorist financing. The member countries, territories and organizations of the FATF are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the UK and the USA, as well as the European Commission and the Gulf Co-operation Council. A number of international bodies and organizations have observer status in the FATF. See also chapters 5, 7 and 8 in this volume.

II. Terrorism: a threat to the international community

Terrorism old and new

The September 2001 events have placed the problems of terrorism high on the political agenda. The US declaration of a war against terrorism triggered a wave of national and international reactions. It is clearly wrong to see terrorism, as such, as a new phenomenon. It has, however, become an important problem for the international community because of the way in which modern societies function.

Some would question whether today's terrorist threats constitute a 'new' type of terrorism, pointing to the facts that such conflicts have existed in many regions and that several features of modern terrorism are not different from the historical terrorism motivated by religion and sects.³ Others take the view that the current form of terrorism, typified by al-Qaeda, is new because it does not pursue clearly defined political goals, but rather aims at the destruction of society and the elimination of large segments of the population. Another extreme example is the Aum Shinrikyo (Supreme Truth) cult in Japan.⁴

In any event, terrorism has spread geographically and has entered a period of increased violence and bloodshed. The conflicts in the Middle East have increased in violence at the same time as there have been new types of violence, such as the bombing of the New York World Trade Center in 1993, the gas attack with sarin in the Tokyo underground system and the bombing of the Murrah Federal Building in Oklahoma City in 1995, and, finally, the attacks of 11 September 2001.

Terrorism in a new environment

Today's terrorism poses a significant threat to the open, globalized international community. This threat is different from previous terrorist threats, just as the world itself has changed dramatically.

Technology has enabled new means of communication, transport and interaction, which terrorists can also use and exploit. Globalization has been propelled not only by these developments but also by the opening up of transnational business and the reduction of inhibiting controls. It is in the wake of globalization that terrorism has developed new channels and new means. Even terrorism has become globalized.

Furthermore, the threats are different because the harm that can be caused is more severe. Technology has developed new military capabilities, such as nuclear, biological and chemical (NBC) weapons, which are available not only

³ Norell, M., 'Den "nya" terrorismen', eds M. Norell and K. Ströberg, *Tankar om Terrorism: Två Studier Kring ett Modernt Fenomen* [Thoughts on terrorism: two studies of a modern phenomenon], FOI-R-0494-SE (Totalförsvarets forskningsinstitut (FOI, Swedish Defence Research Agency): Stockholm, 2002), (in Swedish).

⁴ Henderson, H., *Terrorism* (Facts on File: New York, 2001).

to governments but also to terrorists. These new 'mass destruction' capabilities are a growing reality. While there is room for argument over how realistic and serious these threats are, the need to reckon with the possibility that terrorists may inflict major damage has already changed the environment in which they operate. Similarly, the communication networks which modern military technology offers for governments can also be disrupted by terrorist groups. The term 'cyber terrorism' represents a new and growing concern.⁵

The economic and financial environment in which terrorism operates today has also changed. Modern financial markets, with free movement of capital, react swiftly to changed perceptions of risk. Terrorist threats are thus an important new reality with greater potential economic impact than before. The risks of terrorist attacks are now continuously assessed in financial markets, and the perception of a sudden increased threat can make stock prices and exchange rates fall. The implication of this is that the threat today takes on wider dimensions, with correspondingly grave economic consequences.

Globalization thus provides a new environment in which the role of terrorism must be reviewed. It has led to positive effects in many ways but markets are not, on their own, capable of meeting collective needs. In economic terms, the risk or threat of terrorism is such a collective need. If these risks are not dealt with, the economic and financial effects could be serious. Moreover, the costs associated with such risks are not evenly distributed between countries. George Soros has published an interesting analysis:

Contrary to the tenets of market fundamentalism, financial markets do not tend toward equilibrium; they are crisis-prone. Since 1980, there have been a number of devastating financial crises, but whenever the center is threatened, the authorities take decisive action in order to protect the system. As a consequence, the devastation is confined to the periphery. This has made countries at the center not only wealthier but also more stable.⁶

State-sponsored terrorism is another component of the new environment. The end of the cold war led to the emergence of new states and new political realities. Some governments use terrorists as cost-effective instruments. A so-called 'guns for hire terrorism' has raised concern. The US Department of State has listed seven countries as sponsors of terrorism: Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria.⁷

The end of the cold war created new and fragile governments in a number of countries where the relationships between organized crime and organized political groups are among the causes of concern. Some countries rely heavily on the production and sale of drugs at the same time as they need arms to con-

⁵ Alexander, Y. and Swetnam, M. S., *Usama bin Laden's al-Qaida: Profile of a Terrorist Network* (Transnational: Ardsley, N.Y., 2001). See also chapter 16 in this volume.

⁶ Soros, G., *The Bubble of American Supremacy: Correcting the Misuse of American Power* (PublicAffairs: New York, 2003).

⁷ US Department of State, Office of the Coordinator for Counterterrorism, 'Patterns of global terrorism: overview of state-sponsored terrorism', 30 Apr. 2003, URL <<http://www.state.gov/s/ct/rls/pgtrpt/2002/html/19988.htm>>; see also Hoffman, B., *Inside Terrorism* (Gollancz: London, 1998).

trol their territory. This close link creates a dangerous element. Problems related to the illegal trade in weapons and drugs and the use of the financial system for money laundering are another component of this new environment.

These new threats expose societies to what could be called a double asymmetric dilemma. First, societies are exposed to asymmetric warfare because of the threat of massive, high-impact surprise attacks on societies by non-state, transnational groups. Second, terrorists who live in the logic of war confront societies that live in peace and are confined to peacetime instruments. This creates a dilemma, since non-democratic means cannot be used to take action, but this risks making the efforts to counter the threats less efficient.

Today terrorism poses new and more serious threats not only to countries but also to the international community as a whole. At the same time as these new and more dangerous forms of terrorism have emerged, the more local and territorially defined terrorist problems continue to be a threat. Terrorism constitutes a more complex and broad range of threats than ever before. There is thus a clear case for the international community to react to these new conditions. In doing so, it must first examine the new nature of the threat and design adequate measures to counter it. This calls for enhanced international support and cooperation.

The need for a new definition of terrorism

In order to be able to respond to the new challenges, it is important to have a common view on how to define the problem. Since the magnitude of the problem has grown and the threats are more collective in nature, the international community would benefit from a common approach to taking appropriate measures. If there is not a consensus, it will be difficult to mobilize the international community for any serious action.

There are a number of different views on the definition and interpretation of the problems.

The US Central Intelligence Agency adopted a broad definition of terrorism which has been accepted by the US State Department: 'The threat or use of violence for political purposes by individuals or groups, whether acting for or in opposition to establish governmental authority, when such actions are intended to shock, stun, or intimidate a target group wider than the immediate victims'.⁸

Another definition has been offered by James Adams: 'A terrorist is an individual or member of a group that wishes to achieve political ends using violent means, often at the cost of casualties to innocent civilians and with the support of only a minority of the people they claim to represent'.⁹

⁸ For a list of such definitions of international terrorism see ASEAN Mass Communication Studies and Research Center (AMS@R), 'A selection of recent academic and governmental definitions', URL <<http://www.utcc.ac.th/amsar/about/document7.html>>.

⁹ Adams, J., *The Financing of Terror* (New English Library: Sevenoaks, Kent, 1986).

Bruce Hoffman distinguishes terrorists from other criminals by viewing terrorism as political in its aims and motives, violent, designed to have far-reaching psychological repercussions beyond the immediate target, conducted by an organization with an identifiable chain of command or conspiratorial cell structure, and perpetrated by a sub-national group or non-state entity.¹⁰

The UN General Assembly adopted Resolution 54/109 against the financing of terrorism in 1999.¹¹ This resolution used a generic definition of terrorists. The resolution provided that any person commits an offence 'if the person . . . provides or collects funds with the intention that they should be used or in the knowledge that they are to be used . . . in order to carry out . . . an act which constitutes an offence within the scope of and as defined in one of the treaties in the annex of the resolution'.

To some, these different definitions and views on how to define terrorism are a major shortcoming. Clearly, the generic UN definition offers room for different views on its nature, but it can be argued that it is necessary to have such a definition to mobilize significant support. Individual countries might have different views on definitions: India, for example, views the conflicts in Kashmir as manifestations of terrorism, and Russia regards the Chechens as terrorists. Other countries might view certain organizations as terrorists. As long as the common denominator carries a sufficient critical mass of consensus, however, this does not matter.

The UN definition is generic in nature and has the advantage, or drawback, of being dependent on a sufficient level of consensus of what terrorism is. This further increases the importance of a multilateral approach to terrorism. What is needed is perhaps not a new definition but a consensus on the problem.

III. Countering terrorism

There are several, not mutually exclusive, ways in which terrorism can be countered. The first and perhaps the most immediate reaction by governments is to use the agencies of law enforcement and military capabilities. This can be seen as a targeted instrumental and reactive response to the problems, involving measures to eliminate the activities of the people and organizations that carry out terrorism. The detection and prevention of terrorist acts certainly call for this type of enforcement, but it is seldom sufficient.

A second measure is to proactively take political action in order to affect the environment in which terrorists operate. This can involve cooperation with other governments and the international community. It can also involve a long-term effort to proactively eliminate the social problems that can give rise to terrorism.

¹⁰ Hoffman (note 7).

¹¹ UN General Assembly Resolution 54/109, 9 Dec. 1999, available at URL <<http://www.un.org/law/cod/finterr.htm>>; in this resolution the UN adopted the International Convention for the Suppression of the Financing of Terrorism.

A third type of measure is to apply general controls and restrict certain freedoms in order to take action against those who misuse this freedom. The control of borders and air transport has recently increased. Such limitations are, however, clearly problematic in today's globalized world. Reducing the freedom to travel and the integrity and privacy of the individual entails great risks. The political and economic costs associated with such action are clearly high.

A fourth type of measure is to counter terrorists via the funds they need to finance their operations. This type of measure has been successfully used in the campaign against drugs; and after the events of 11 September 2001, it has been an increasingly important part of the effort to combat terrorism.

IV. Measures to counter terrorist financing

The USA acted quickly after the September 2001 attacks. On 24 September President Bush released Executive Order 13224 on Terrorist Financing, in which he declared that the events constituted an unusual and extraordinary threat to the United States' national security, foreign policy and economy.¹² He therefore declared a national emergency. Furthermore, he ordered that all the property of listed suspected terrorists should be blocked in the United States.

It was immediately clear that these events were not only relevant for the USA. They caused severe problems and disruptions in financial markets throughout the world. The international community was alerted to this new and major threat and took action. Countering terrorist financing was declared a priority.

At an extraordinary plenary meeting on 29–30 October 2001, the FATF expanded its mandate beyond anti-money laundering and decided to develop standards for the countering of terrorism financing through the adoption of the Eight Special Recommendations on Terrorist Financing.¹³ This new direction of work for the FATF fell within the logic of the approach it had developed in the area of money laundering. The techniques used to launder money are essentially the same as those used to conceal the sources of, and uses for, terrorist financing. Although funds used to support terrorism may originate from legitimate sources, criminal activities, or both, the problems and the remedies were similar.

The FATF Eight Special Recommendations

As with the 1999 UN General Assembly resolution, the FATF does not define the term 'financing of terrorism' in detail in the Eight Special Recommenda-

¹² White House, Office of the Press Secretary, 'Executive Order on Terrorist Financing: blocking property and prohibiting transactions with persons who commit, threaten to commit, or support terrorism', 24 Sep. 2001, URL <<http://www.whitehouse.gov/news/releases/2001/09/20010924-1.html>>.

¹³ For the Eight Special Recommendations see URL <<http://www.fatf-gafi.org/>>.

tions. Rather, it urges countries to ratify and implement the 1999 International Convention for the Suppression of the Financing of Terrorism.¹⁴

The FATF Special Recommendations include the criminalization of terrorist financing; measures to freeze and seize terrorist assets; international cooperation in criminal investigations, including the sharing of information; increased control of alternative remittance systems; and adequate information on wire transfers. More specifically, the Recommendations stipulate the following.

1. Each country should implement measures to freeze the funds or other assets of terrorists and terrorist organizations in accordance with UN resolutions on the prevention and suppression of the financing of terrorist acts.

2. Each country should take action to ensure that individuals and legal entities that provide for the transmission of value, including transmission through an informal money value transfer system or network, are licensed or registered and subject to the same standards as apply to banks and non-bank financial institutions.

3. Each country should take measures to require financial institutions, including money remitters, to provide accurate and meaningful originator information. The information should remain with the transfer throughout the payment chain in order to assist in investigations. Such financial institutions should conduct enhanced scrutiny and monitoring of suspicious transactions.

4. Each country should review the adequacy of its laws and regulations regarding non-profit organizations in order to determine whether they can be used for terrorist financing purposes. The goal is to avoid the misuse of non-profit organizations by terrorists.

The FATF members have made a clear political commitment to implement the Eight Special Recommendations. Since the Special Recommendations are general in nature, the FATF has issued Interpretative Notes and Best Practice Guidelines. The Eight Special Recommendations, together with the Forty Recommendations on Money Laundering as revised in 2003,¹⁵ now provide a comprehensive and consistent framework for enforcement. On a number of fronts, the international community has responded quickly and taken action: Legislation has been put in place; awareness has been raised; and illegal funds have been detected, frozen and confiscated.

Cooperation between the FATF and international financial institutions

In order to enhance the assessment of countries' compliance with the FATF Recommendations, a programme for cooperation between the FATF and the International Monetary Fund (IMF) and the World Bank was developed in

¹⁴ See note 11.

¹⁵ For the 20 June 2003 Forty Recommendations on Money Laundering and the Interpretative Notes see URL <<http://www.fatf-gafi.org/>>.

2002. The programme included a common assessment methodology and cooperation at the practical level.

In this programme the FATF, with the IMF and the World Bank, managed to broaden their outreach and develop the assessment methodology. Although the programme touched upon sensitivities within the IMF and the World Bank, it proved possible to implement it as intended, and the resulting cooperation—now being evaluated—will most likely be made permanent.

Assessment of technical assistance needs

In order to better direct technical assistance to countries with underdeveloped structures, the FATF has responded to requests from the international donor community under the Counter-Terrorism Action Group (CTAG) of the Group of Eight (G8) industrialized nations.¹⁶ The FATF is carrying out assessments, in the area of terrorist financing and, with certain countries, of their need for technical assistance.

The use of technical assistance is a productive means for reducing collective risks and strengthening the resilience of financial markets and law enforcement. This has been a successful priority for the IMF and the World Bank in their work.¹⁷

V. Success or failure?

More than two years after the September 2001 attacks, it is important to assess the results of the efforts to combat terrorism and terrorist financing. No overall assessment has been carried out yet, but it is interesting to look at the evidence thus far.

The US Federal Bureau of Investigation (FBI) describes the results and the progress that have been achieved in the following way: ‘Since September 11, 2001, more than 3,000 Al-Qa’ida leaders and foot soldiers have been taken into custody around the globe; nearly 200 suspected terrorist associates have been charged with crimes in the U.S.; and as many as a hundred terrorist attacks or plots have been broken up worldwide’.¹⁸

Other observers point to the weaknesses in the implementation of international standards; differences between countries in the attitudes and approaches to terrorism; and the problems associated with chasing small-scale transfers by terrorists, which can be like finding a needle in a haystack.

In accordance with UN Security Council Resolution 1455, the UN Monitoring Group released a report on the implementation of measures in December

¹⁶ On the CTAG see also chapter 5 in this volume.

¹⁷ It was also a feature built into the work of the new UN Counter-Terrorism Committee: see chapter 5 in this volume.

¹⁸ See Federal Bureau of Investigation (FBI), ‘FBI counterterrorism’, URL <<http://www.fbi.gov/terrorism/counterterrorism/waronterrorhome.htm>>.

2003.¹⁹ The focus was on measures related to al-Qaeda, the Taliban, and related individuals and entities. The main conclusions were that progress is being made worldwide, by law enforcement agencies and military and security forces, in dealing with al-Qaeda. Progress has also been made in cutting off al-Qaeda financing: a large part of its funds have been located and frozen, although many sources have not been identified and al-Qaeda continues to receive funding. Extensive use is being made of alternative remittance systems: al-Qaeda has shifted much of its financial activity to areas in Africa, the Middle East and South-East Asia. This report notes that controlling charities so that they cannot be misused by terrorists has proved to be extremely difficult.

The report also notes that 'shell companies' and offshore trusts are being used to conceal the identity of individuals engaged in the financing of terrorism. This is further complicated by a reluctance on the part of states to freeze tangible assets, such as business and property. In general, critical views have been expressed in many countries about the risk that measures will be too intrusive and infringe individual rights.

To make an overall assessment of the effectiveness of policies, it is crucial to define the objectives. Clearly, the overall objective in this case is to minimize the risk of terrorist attacks. As a means to achieve that overall objective, the FATF has established standards, monitors implementation and contributes to technical assistance. Other international organizations and national governments have other means to achieve the overall objective.

When assessing policy impact, a number of further points must be kept in mind. First, international standards need to be promptly implemented. Implementation of core legislation has generally been prompt and swift. However, it is clear that the implementation of more precise and thorough regulations is taking time and that it suffers from important differences in legal approach. Second, the reporting of suspicious transactions related to terrorist financing is an important input for national authorities. This reporting is not currently compiled on a global basis, and the reporting systems function unevenly from one country to another. Some countries have a much lower volume of reporting than could reasonably be expected. Third, the quality and quantity of international cooperation seem to have improved through the efforts of the FATF and other organizations.

In terms of frozen or seized assets, the amounts reported hitherto are not impressive when they are compared with the normal volume of financial business. However, the assets needed to finance terrorism are often rather small. The amounts frozen in the USA are far greater than in the European Union

¹⁹ United Nations, 'Letter from the Chairman of the Security Council Committee established pursuant to Resolution 1267 (1999) concerning Al-Qaida and the Taliban and associated individuals to the President of the Security Council', UN document S/2003/1070, 2 Dec. 2003, available at URL <<http://www.un.org/Docs/sc/committees/1267/1267SelectedEng.htm>>. UN Security Council Resolution 1455, 17 Jan. 2003, is available at URL <<http://www.un.org/documents/scres.htm>>.

(EU), partly because some EU countries lack efficient regimes for freezing assets.

It is too early to judge how cases that have been dealt with or sanctions that have been implemented by national authorities will evolve. It seems clear, however, that terrorists are adjusting their behaviour and have started to diversify the risk of being detected by changing their channels of money transfer. Such behaviour is to be expected and has already been demonstrated in the case of money laundering. Reports also note that al-Qaeda now operates in a more decentralized way and needs less money to operate.

The level of terrorist activity is also difficult to assess. Some argue that al-Qaeda continues to receive ample funding not only to carry out its own activities but also to finance affiliated terrorist groups and to acquire new weapons. In any event, the level of terrorist activity has been deemed sufficiently high to warrant the US authorities' raising of the level of threat in December 2003 from 'code yellow' (elevated risk of terrorist attacks) to 'code orange' (high risk of attack).²⁰

VI. The way forward

Measures have been put in place to counter terrorist financing, but much more remains to be done. A clear indication of a will to do more was expressed by the finance ministers of the Group of Seven (G7) industrialized nations and the heads of central banks at their September 2003 meeting in Dubai.²¹ Together with representatives from the Islamic world, they met to discuss problems related to the use of informal payment systems for the financing of terrorism. The meeting concluded that further work is needed and that the G7 should focus on the problems associated with these new informal channels of money transfer to terrorists.

Another indication of will is presented in a December 2003 UN report which points to the need to strengthen both the measures and their application.²² The suggestion put forward was to draft a tougher and more comprehensive UN resolution.

In addition, the FATF is continuing to assess its policies. In this context, the efforts to improve the efficiency of measures to combat terrorist financing should be guided by the following three principles.

1. The international community should be united in its objectives and understandings in the fight against terrorist financing.

²⁰ See US Department of Homeland Security, 'Threats & protection: Homeland Security Advisory System', URL <<http://www.dhs.gov/dhspublic/display?theme=29>>.

²¹ See 'Statement of G7 finance ministers and central bank governors', Dubai, 20 Sep. 2003, URL <<http://www.g7.utoronto.ca/finance/fm030920.htm>>.

²² See United Nations (note 19), Enclosure, 'Second Report of the Monitoring Group established pursuant to Security Council Resolution 1363 (2001) and extended by resolutions 1390 (2002) and 1455 (2003), on sanctions against Al-Qaida, the Taliban and individuals and entities associated with them'.

2. Terrorist financing should be seen as a central issue in the fight against terrorism.

3. There should be no safe hiding place for terrorist funds.

In order to improve the international system, governments need to improve their own systems. At the international level the FATF needs to continue its efforts in the area of developing standards and assessing implementation. Another important but difficult issue is how to take measures against national systems that do not comply with the standards.

Improved implementation of standards

The current system for sharing information on terrorists via the UN lists has a number of weaknesses.²³ Although these lists are important, those individuals who feature on the lists are not likely to be active terrorists after they have been identified. The most important task is therefore to facilitate smooth cooperation and information exchange between law enforcement authorities.

This raises the question of how to take action when there is a lack of implementation of and compliance with standards. The solution thus far has been peer pressure and technical assistance. More formal measures, such as a 'naming and shaming' exercise, have not been on the international agenda. If the implementation of current measures does not improve further, discussion along those lines might develop in a longer perspective.

Enhanced efforts to address informal transfers of funds

The transfer of funds through informal systems, organizations and by other means continues to pose an obstacle to the efficient countering of terrorist financing. Alternative remittance systems, non-profit organizations and cash couriers are the prime concern.

The FATF has set standards for alternative remittance systems in the Eight Special Recommendations. The objective is to stop the misuse of systems such as hawalas for informal transfer of terrorist funds.²⁴ However, the standards allow for very different applications and the question is whether these standards properly address the current challenges. In many countries the hawala system is important for illiterate workers, and it is a major channel where normal banks do not operate.

Attitudes towards the regulation of these systems differ in many respects. In some countries hawalas are licensed and supervised, while regulation is poor or non-existing in other jurisdictions. For the international community there is a delicate balance to strike in this area. If over-strong measures are imposed

²³ For more on the UN lists of suspected terrorists see chapter 5 in this volume.

²⁴ On the hawala system see also chapter 5 in this volume.

against informal channels, there is a risk that they will go underground. If measures are not strong enough, terrorists will exploit the loopholes.

Non-profit organizations may be misused as a cover for illegal activities, such as terrorist financing. However, in many countries they are an integral part of the social welfare system, providing a safety net for the poor. A number of both social and religious aspects must be taken into account in attempts to stop any illegal activities with which they may be associated. Also in this area, the FATF has set up international standards. While implementation of the standards thus far seems to have been less effective, the 2003 G7 Dubai high-level meeting discussed these problems together with possible remedies. It was argued that there should be strong surveillance of charities on the basis of the requirements for good corporate governance. Applying such measures is important and should be a cooperative effort.

The issue of cash couriers has also been raised as a pressing problem. This is clearly not a new phenomenon but, in the light of the problems that terrorism poses, it needs to be seen from a new perspective. There are reports that some countries in the Arab world, for example, have problems related to the cross-border transfer of cash. It is clear that there is a strong link between terrorism and drugs, in turn linked to smuggling. In considering remedies, it should be noted that several types of government agency might need to be involved. The customs authorities could play a role here in an intensified effort against terrorist financing.

VII. Conclusions

The terrorism of today must be addressed differently from before. Technology and globalization have made the risks and effects not only greater but also more collective in nature. This calls for an international, multilateral response.

Terrorist financing is a strategic area for the international community to address when fighting terrorism. The FATF has taken measures, but more needs to be done.

An important factor in countering the financing of terrorism is the breadth of participation in and commitment to the process. Membership of the FATF is important: from being an ad hoc organization open primarily to member states of the Organisation for Economic Co-operation and Development (OECD), it has embarked on a process of broadening its outreach by including other countries. Russia and South Africa became members in June 2003. India, which has important contributions to make and has been affected by terrorist acts, is the next country to join. There are significant risks associated with addressing the new terrorist threats, but action must be taken to protect both individuals and the interests of the international community.