How is Terrorism Funded in the South-East Asian Countries?

There are many facts that prove that the countries of South-East Asia are now facing the threat of the spread of radical Islamism and increased violence as a result. Over the last year, explosions occurred in Indonesia and Thailand, and terrorist attacks were planned in Malaysia and in Singapore. These acts of terrorism are performed by the followers of ISIS ideology (the terrorist organization prohibited in Russia), which is persistently spreading its influence in the region by recruiting followers that are ready to take up arms, lead a war in the Middle East conflict zone and join ISIS in its fight against its enemies in the region. As the Prime Minister of Singapore Lee Hsien Loong announced in 2015, "South-East Asia has become the centre of terrorist recruitment for ISIS. The threat of terrorism in the region is not a problem of the future, it exists in the here and now. Terrorist groups are taking advantage of every opportunity to obtain, transfer and make use of funds."

Identifying sources of terrorism financing in South-East Asian countries (Indonesia, Malaysia, Singapore, Thailand and the Philippines) has become the subject of analysis conducted with the support of Australia. It has resulted in a report presented for consideration at the international conference on combating terrorism that took place in Bali in late August 2016.

The most important and most dangerous source of terrorism financing in the region is "self-financing". This channel of support for terrorists is expected to be key over the next five years. It is especially of particular significance in cases of financing "lone wolves" inspired by ISIS ideology. They may include both militants who returned from the combat zones in the Middle East, and radical Muslims who carry out acts of terrorism alone without affiliation to a particular terrorist organization. According to the Prime Minister of Singapore, "these lone wolves (individual terrorists) may attack at any moment using any available means."

Carrying out a terrorist attack is not expensive, thus, the risk is growing that these individuals would use their own funds without being detected. As the Justice Minister of Australia Michael Keenan noted, "Their financial activity may resemble 'legitimate' financial transactions or worse, remain virtually indistinct when self-funded." The act of terrorism in Nice is a clear example.

Self-financing has sustained the activity of the largest terrorist organization in Indonesia Jemaah Islamiyah and its subdivisions in Singapore. Members of the organization donated 5% of their income every month.

Taking into consideration all the difficulties of carrying out preventive measures in order to disclose this source of terrorism financing, the financial intelligence of the region is monitoring any financial operations that arouse suspicion.

Non-profit organizations are an equally important channel of financing for terrorists. Though the analysis of the sources of terrorism financing conducted by ASEAN has only identified individual cases of non-profit organizations participating in the support of terrorist groups, nonetheless the risk of their interaction is rather high (with the exception of Singapore) as NPOs are able to allocate great sums of uncontrolled funds. Some NPOs in Thailand are financing propaganda campaigns to support extremists acting in the Muslim south of the country. In the Philippines, NPOs are redirecting unused funds donated for the construction of public housing to terrorists.

Taking into account these facts, ASEAN countries face the task of unmasking potentially dangerous NPOs owing to
their interaction with terrorists in order to close this channel of financing. Malaysia has conducted a similar risk assessment of NPOs activities. It carries out a tough anti-terrorism policy, which includes monitoring the behaviour of all persons suspected of links with terrorists.

In recent years, terrorists in the region started to use finance channels such as fund raising via social networks and attracting funds from individuals in on-line communities. Shortly before the attack in Jakarta in January 2016, an Australia citizen sympathetic to jihadists sent 500 thousand dollars to Islamist groups in Indonesia. According to the finance intelligence service of Indonesia PPATK, foreign sources were the origin of the 763 thousand dollars allocated to support terrorists in 2014-2015.

Responding to calls from the jihadists, people sympathetic to them transfer funds to their accounts on-line, which then are collected and forwarded to terrorists via official channels or bank or wire transfers. Indonesia and Malaysia assign these risks of terrorism financing the highest category. Monitoring these financial transactions and the identification of both the sources and recipients of the funds require the exchange of data between the states in the region and their close interaction with private entities. According to experts, this system of terrorism financing in the region has the potential to expand.

Experts also consider donations from individuals in the Middle East countries to charity, for the development of religious education and implementation of the infrastructure projects as potential sources of financing. Part of these legally allocated funds may be re-oriented towards propaganda for a jihad and the support of terrorist organizations.

Terrorists often use legal channels such as banks and money transfers to carry out transactions as in the case of the funds transfer from the Malaysian extremist group to their counterparts in the Philippines. In the Philippines, the ransom payments to terrorists for hostages is often carried out through banking systems. To conceal the true recipient of funds, terrorists use the services of third parties.

Militants from South-East Asia heading to the Middle East or returning to their motherland use the "automatic teller" system to withdraw cash with the help of a smart-card (a.k.a. electronic purse), which can be remotely topped up by a third party, and the funds can be withdrawn from any place where the corresponding terminal is available. As a rule, terrorists use legal financial channels to carry out small sum transactions.

The Hawala system, which is found widely throughout the world, serves as an alternative. It allows terrorists to transfer funds between countries without using a bank and the risk of being detected. The security bodies of South-East Asian countries do not know the exact sum of funds transferred by extremists using this method as the system is not transparent. There are instances that confirm the use of this system by terrorists to transfer funds to Indonesian students who study in the Middle East. It is reasonable to believe that a ransom for hostages held by radical Islamists in the Philippines would be paid in the same way.

Express delivery service is another popular way to deliver funds and valuables (gold, precious jewels) from one terrorist organization to another. The efficiency of this terrorism financing system is secured by the low level of risk of the funds allocation channel being detected. A courier who delivers a small sum of money is not obliged to declare it while crossing the border if this sum does not exceed 8-20 thousand dollars.

The free cross-border movement of funds between the countries in the region is facilitated by their territorial proximity, transparent borders, and the existence of a network of smugglers that smoothly operates. According to the authors of the report "Regional risk assessment of the financing of South-East Asia and Australia region. 2016.", "terrorist groups in the region use verified networks of financial smugglers and, apparently, this channel of terrorism financing in the region will only continue to expand."

**Criminal activity** generates the highest income for terrorists in the countries of South-East Asia today. In Indonesia, this primarily means bank robbery, cyber and hacking attacks, in the Philippines - illegal arms and drugs trafficking, human trafficking. But most funds are obtained by terrorists in the form of ransoms for hostages. Islamists acting in the south of Thailand sell stolen cars and oil, but they often restock their finances by extorting money from other criminal groups.

As for the direct financial support of terrorists in South-East Asia by ISIS, there is no data that confirm the financial interaction between them. Nonetheless, we may suppose that the act of terrorism in Jakarta in January 2016 was carried out under the financial support of this international terrorist organization. The probability that it will invest more and more funds in the creation of its terrorist base in the region remains rather high.

As history of its development demonstrates, the peculiarity of the modern terrorism in South-East Asia is the use of
various channels of financing, which complicates the fight against it. It requires the strengthening of collaboration between the countries and the establishment of close cooperation with private entities.

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