

**NATIONAL UNIVERSITY OF PUBLIC SERVICE
Doctoral School of Military Science**

GYÖRGY VASS

**INTERNATIONAL ASPECTS OF COUNTER-TERRORISM
FINANCING**

PhD Thesis Author's Review

Supervisor:

Prof.Dr. József Padányi brigadier general

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DESCRIPTION OF THE SCIENTIFIC PROBLEM

Fighting terrorism is a global challenge of the present. My primary research (during my MA studies) has shown me that in Hungary terrorism has been examined from many aspects – motivation and psychological background, history of the phenomenon, military and law enforcement options of counter actions - at the same time, research of counter-terrorism financing has not been emphasized so significantly.

The lack of this specific literature has given the aim of my research to highlight the economic impact of terrorism and the importance of counter-terrorism financing. By drawing the attention on the possible effects of a terrorist attack on Hungarian economy I would like to underscore how important it would be for Hungarian experts to take active part in counter-terrorism financing.

In my view, Trivulzio's quote *"To carry on war, three things are necessary: money, money, and yet more money"* is true for terrorism as well.

Similarly to other people and organisations money is a means of support to be used in the most flexible, easiest, and efficient way by terrorists. It can be utilised for purchasing weapons, technologies, equipment, for financing covert operations, bribes, network building, etc.

HYPOTHESIS

The basic standpoint of my hypothesis is that counter-terrorism could be more effective by strengthening the financing aspects of counter activities aiming to cut financial resources of terrorists and terrorist groups.

During the research process I have focused on the international aspects of counter-terrorism financing because of the cross-border characteristics of terrorism and terrorism financing.

The thesis aims to extend the knowledge 1) about the reasons behind and methods of terrorism financing by analysing the phenomenon as well as 2) actions, guidelines, definitions of those who take countermeasures against and 3) describing and evaluating new options of counter activities for the purpose of making the fight against terrorism more effective.

OBJECTIVES

While the overall objective is make counter actions more effective by the findings of this thesis I would like to inspire researchers as well to continue the in-depth analyzation of terrorism financing and help counter terrorist experts in compiling strategic documents for make the fight against the phenomenon more effective.

RESEARCH METODOLOGY

As the first phase of my research, I have studied the national and international scientific literature dealing with terrorism, counter-terrorism, terrorism financing and counter-terrorism financing.

As the second part of the research I have interviewed professors of Hungarian National University of Public Service, Hungarian Ministry of Defence as well as colleagues at NATO for gathering qualitative information about the reasons behind terrorism and the budgetary implications of counter terrorism activities.

As the next part of the process I have collected data by library research.

During the way to solve the scientific problem I have used:

- Dialectic method for analysing various definitions of terrorism, and legal backgrounds of counter-terrorism actions.
- Comparative method for the discussion of the American and European reactions to terrorist attacks as well as NATO and EU countermeasures.
- Analysis of records for the description of historical background and operation method of terrorist groups.
- Mathematical modelling for the explanation of financial impacts of terrorist attacks.
- Statistical methods for the description of economic interests of countries in counter-terrorism financing participation.

DESCRIPTION OF THE THESIS SECTIONS

During my scientific work I have approached the problem from two directions:

- Mechanism of counter-terrorism.
- Terrorist groups' rational needs for operation.

In the first section of my thesis, I have given an overview of international and Hungarian scientific literature dealing with terrorism, counter-terrorism, terrorism financing and counter-terrorism financing. I have highlighted on the issue that the topic of terrorism has been researched from various aspects, at the same time counter-terrorism financing has not been examined thoroughly.

In the second section, I have analysed the problem of the lack of common definition for terrorism. During the discussion I have expressed the opinion that harmonization among different terrorism definitions would be beneficial and could raise counter-terrorism actions effectiveness while a common definition would have negative impact on effectiveness.

In the third section, I have given a historical background on terrorism while examined those terrorist groups' aims, command structure and financial background who have threatened Europe. In this part of the thesis I have analysed why it is important for counter-terrorism effectiveness to find the ration behind the working method of terrorist groups.

In the fourth section, I have examined whether terrorism financing could be defined by every actor of counter-terrorism whether these actors could interpret the signals of and take measures against terrorism financing. I have analysed United Nations International Convention for the Suppression of the Financing of Terrorism as well as European Union and Hungarian legislative background for the support of counter-terrorism.

In this section I have described the narrow and the broader approach of terrorism financing as well as the Hawala-type and BitCoin-type systems of money transfer. By the analysis of the costs of terror attacks, I have highlighted the negative impact of underestimation on counter-terrorism effectiveness.

In the fifth section, I have examined the financial impact of terrorist attacks, because attacks can affect not only those states' economies who suffer terrorists' aggression but those

who have strong economic ties with them as well. By using statistics and economic modelling I have discussed the interests of Hungary in taking active part in counter-terrorism.

In the sixth section, I have given an overview of international organizations and programs of counter-terrorism financing for the reason to highlight countries options to broader their participation in counter-terrorism. In this section I have presented that counter-terrorist efforts are made at various levels: military, governmental, and social. The projects can fall into three basic categories: direct security contribution, economic aid, and “knowledge building” coordinated and supported by the USA at international level.

In this part of the thesis I have discussed political, military aspects of counter-terrorism financing and give an overview about the most significant antiterrorist program – the Trans-Sahara Counterterrorism Initiative (TSCI). The significance of the TSCI is twofold. One is that it aims to move the focus of countering terrorism on prevention and the other is that it wishes to reinforce regional relations through the so called ‘local ownership’ principle.

In the seventh section, I have given an overview of financial, juridical and investigative aspects of counter-terrorism financing. I have introduced the international FATF standards that give background for the improvement in countries counter-terrorism financing efforts. The most important key to the efficient international cooperation is good information exchange. This issue is very complex as the information exchange between authorities within national frameworks is as important and should work as well as international exchange. In either cases cooperation or information exchange structures are to be used involving fiscal authorities, financing supervisory agencies, ministries of justice, intelligence and law enforcement agencies, and authorities responsible for freezing assets.

On the efficiency of the practicalities of countering terrorism financing it should be noted that transactions funding terrorist networks usually involve small amounts of money. Thus no suspicion is generated within financial systems making surveillance of financial operations funding terrorism increasingly difficult. In this section I have given an overview about the banknote scanning technology and new developments in fighting against terror financing. After analysing the weak points, I have come to the conclusion that to raise the effectiveness of banknote tracking, the banknote scanning-network with centralized database background both national and international level should be improved, serving as a tool for counter terrorism financing.

In the eighth section, I have summarized conclusions and highlighted new scientific achievements of my research as well as given recommendations and practical applicability of the research results.

SUMMARIZED CONCLUSIONS

Based on the assessment that termination of a terrorist group activity cannot be proven, I have come to the conclusion that the fight against terrorism could be regarded ineffective if the terrorists cannot carry out any aggression.

In my opinion terrorism - the intentional use of, or threat to use, violence against civilians or against civilian targets, in order to attain political aims - is a phenomenon capable of renewal.

There are many kinds of definition of terrorism. In my thesis I discussed how the multiplicity of definitions impacts the fight against terrorism. Although many people believe that a common definition would be needed to ensure the effectiveness of fight against terrorism (because of the various actors currently operate on different definition), in my opinion a single definition might exclude some not directly involved actors (such as banking system components) from the fight against terrorism by narrowing what could be considered as terrorism.

During my research activity I have come to the conclusion that it would have a much positive impact on counter-terrorism effectiveness if different definitions would not be unified but harmonized by using cross-references.

Harmonized definitions would make eligible professional field actors to join the counter-terrorism mechanism started by an actor of other professional field even if the sign of terrorism would be only understandable by the definition of the field where the mechanism has been started.

Conclusions for the resources needed for terrorist organizations' activities:

For evaluating terrorist organizations correctly, it is essential to understand their needs for operations, for their daily life as well as for their expansion.

They have to have adequate resources for everyday necessities, access to food, explosives and documents for preparation of an attack, for escape, etc.

Hence it is clear that targeting their resources and supplying channels effectively serve the struggle against terrorism and reducing the strength of this terrible phenomenon.

The fight against terrorism financing needs improvement. We have to think about options to expand the camp of those who can take counter measurements and we have to review and upgrade existing procedures periodically by lessons learned.

Regarding economic impact of terrorist activities, I have come to the conclusion that these kinds of threats and attacks have detectable economic impact not only on the states where terrorist groups act but on those countries too that are economically linked with previous ones.

By using the model of Adabie and Gardeazabali I have calculated that the 2004 Madrid bombings caused 399 million USD worth economic disadvantage in foreign direct investment for the European Union while the attacks caused a loss of around 3.991 billion HUF in foreign direct investment for Hungary. The London bombings in 2005 caused 1421 million USD worth economic disadvantage in direct foreign investment for the European Union while the attacks caused a loss of around 3.532 billion HUF in foreign direct investment for Hungary.

In my opinion the above mentioned negative economic effects are important because they can directly affect the number of countries who are willing to take active counter-terrorism measurements. The fact of having economic disadvantage caused by terrorist activities can inspire countries to join the fight against terrorism or to increase the level of their participation.

NEW SCIENTIFIC ACHIEVEMENTS

On the basis of my research regarding to the harmonization of counter terrorism activity for effectiveness increasing I have come to the conclusion as a new scientific result that:

1. Maintaining the diversity of terrorism definitions at the same time creating cross-references between them could increase the effectiveness of the fight against terrorism.

On the basis of my research regarding the needs of terrorist organizations for their activities I have come to the conclusion as new scientific results that:

2. The structure and operation of terrorist organizations reveal what kind of needs they have for their activities. The analyses of terrorist groups' activities from the perspective of their necessities have shown that the effectiveness of the fight against terrorism could be increased upon their acceptance as rational institutions. Through the analyses it has been proved that blocking their background business-like operations could be a significant even fatal measure on them.

3. By the involvement of economic studies, it has been found that the terrorist attacks and the functioning of terrorist organizations significantly (around by ten times) more expensive than it have been presented earlier for the public. Based on this result I have proven the harmful effect of the 'underestimation of terrorists' costs' on the fight against terrorism effectiveness.

RECOMMENDATIONS, PRACTICAL APPLICABILITY OF THE RESEARCH RESULTS

I recommend the continuous scientific research of the fight against terrorism financing in order to increase the efficiency of the counter action mechanism.

In my view scientific results of present thesis could be applicable in the creation of a national strategy for combating terrorism financing. As well as in the process of creating cross-references in counter terrorism actors' official documents dealing with terrorism definition.

Strengthening the economic line of the fight against terrorism in documents, communications elements of those who can take counter measurements - as described in the thesis – would be a supplement to justify the need of their activities for the public.

The evaluation summary of the new technological developments of the thesis (such as banknote scanners or banknotes with a radio-frequency tracker) could be considered at investment projects aimed to increase the efficiency of the fight against terrorism.

PUBLICATION NOTES

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CURRICULUM VITAE

First name/Surname:GyörgyVass

Date of birth:21.01.1980.

Place of birth:Nyíregyháza

Work experience

15.09.2014 -

Security policy desk officer

Ministry of Foreign Affairs and Trade, Department for Security Policy and Non-Proliferation

16.06.2014–14.09.2014.

Defence policy desk officer

Ministry of Defence, Defence Policy Department

15.06.2010–15.06.2014.

MoDDefence policy desk officer

Hungarian Representation to NATO

01.08.2008–14.06.2010.

Office of Deputy State Secretary for Defence Policy and Defence Planning

Ministry of Defence

01.11.2006–31.07.2008.

Defence policy desk officer

Ministry of Defence, Defence Policy Department

Education

01.09.2008 – 01.09.2011.

Zrínyi Miklós National Defence University

Doctoral School of Military Science - Absolutorium

01.09.2004–07.07.2006.

Corvinus University of Budapest

International Relations - MA degree

09.09.2000–15.06.2004.

College of Nyíregyháza

International Relations – BA degree

01.10.1999–21.06.2000.

College of Szolnok

Foreign Trade studies

Foreign languages

English C1

French C1