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**Research Report**

## The failed state-organized crime-terrorism nexus

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# The Failed State–Organized Crime– Terrorism Nexus

*Wibke Hansen*

Over the past 10 years, the failed state has had a rising career. According to one of the paradigms that emerged post-9/11, the threat posed by strong, aggressive states has been replaced by weak, failing – or failed – states, which, unable to control their territory or borders, are host to a whole range of transnational threats, not least so as “breeding grounds” or “incubators” of terrorism and organized crime. Erstwhile seen as mainly a humanitarian problem, failed states have subsequently moved to the top of Western security policy agendas. Policy documents such as the 2002 US National Security Strategy, the 2003 European Security Strategy, or the UN’s 2004 report of the High-level Panel on Threats, Challenges, and Change reflect this shift of focus, and ensuing policy recommendations have included a strong emphasis on externally driven state-building. But how much do we actually know about the failed state–organized crime–terrorism nexus, and is this paradigm robust enough to serve as a basis for policy decisions?

## **A foggy nexus**

The post-9/11 paradigm is built on a number of assumptions: Threats to the national security of Western nations largely emerge from countries elsewhere, primarily in the developing world; state failure correlates with the presence of terrorists and organized crime groups; strengthening state structures deprives these groups of their safe havens and is thus suited to combat these threats; internationally driven state-building exercises can assist in strengthening or (re)-building failed states. Some of these assumptions have since been challenged and critics have noted the need for,

first, corresponding empirical evidence and, second, a much clearer understanding of the precise linkages between state failure, transnational organized crime, and international terrorism.

There are some obvious problems with the attempt to establish a causal relationship between “state failure” and phenomena such as “terrorism” and “organized crime” – due to the clandestine nature of the activities, a reliable empirical basis is lacking. Nevertheless, it is clear that the “nexus” is more complex than what the post-9/11 paradigm might suggest.

### **Organized crime and terrorism**

The intersection of organized crime and terrorism can take different forms: alliances between criminal and terrorist groups or direct engagement by criminals in terrorist activities and by terrorists in crime. Crime as a funding source for terrorist activities is arguably one of the stronger links in the organized crime-terrorism nexus. Decline in state sponsorship for terrorist organizations following the end of the Cold War and measures to curb terrorist financing through the “War on Terror” after 9/11 have pressured terrorist groups to seek new funding sources. At the same time, the globalization of world markets, ever increasing mobility, and rapid innovations in communication have created new opportunities for immense profits through illicit activities. Current estimates place the total volume of illicit trade at 7–10 percent of the global economy, with production and trafficking of narcotics remaining the clear market leader.

Crime-for-cash by terrorist groups is nothing new: One may recall, for example, various bank robberies by the Red Army Faction in Germany in the 1970s. However, the primary concern of Western nations is not sporadic crime by domestic terrorist groups but the potential for highly effective alliances between international terrorists and transnational organized crime groups, which could increase the threat to Western and other nations.

However, experts question whether long-term strategic alliances are in fact likely, given fundamental differences in aims and motives: Terrorists pursue a political goal, whereas criminals do not seek to change the political status quo (unless it is critical to maintaining their working environment) but to maximize profits. Arguably, the decentralization of terrorist organizations and emergence of more autonomous cells could facilitate cooperation where so far reasons of ideology and legitimacy have led terrorist leaders to avoid association with criminal groups. Nevertheless, experts

believe that terrorist and criminal groups are more likely to create in-house capacities for crime/terror than to opt for strategic alliances with organizations already operating in that realm. Where cooperation exists, it is more likely to be short-term and focused on specific operational requirements (e.g., service-provider arrangements). The emergence of organizations able to operate at both ends of the spectrum is thus the larger concern.

### **Failed states and terrorism**

A range of phenomena is generally subsumed under the label “failed state.” Critics have stressed that indexes or rankings based on aggregated scores for different areas of state performance (e.g., security, governance, economics, and service delivery) tend to pool states with quite disparate features. Among other things, experts have noted the need to differentiate between a government’s willingness and ability to deliver. Somalia, Zimbabwe, Afghanistan, Sudan, and Cote d’Ivoire – all among the top 10 failed states in the Fund for Peace’s 2011 Failed States Index – face substantially different challenges, ranging from total lack of state authority to illegitimate governments, or from post-conflict recovery to ongoing civil strife.

Research by Aidan Hehir based on data from 2005/2006 and 2010/2011 reveals that the states that ranked in the top 20 of the Failed States Index do not exhibit unusually high numbers of “foreign terrorist organizations” (as designated by the US Department of State). Only Iraq, Afghanistan, and Pakistan exhibit a marked presence of such terrorist groups, while more than half of the 20 states do not contain any FTOs. Furthermore, out of the total of 35 states ranked as being in “alert status” by the 2011 Failed States Index, only six are considered “safe havens” in the 2010 Country Report on Terrorism (U.S. Department of State). Weak state structures alone are clearly an insufficient explanation for the

presence of terrorist groups. A RAND Corporation study from 2007 identifies four other factors that influence a territory's conduciveness to terrorist presence: adequacy of infrastructure and operational access; availability of sources of income; favorable demographic and social characteristics; and invisibility (e.g., ability to blend into the population).

### **Organized crime and failed states**

Some of these factors, such as adequacy of infrastructure, are also relevant for organized crime groups, although "business" opportunities (which necessarily include access to global markets) are their overriding consideration. Pinning organized crime down to a particular location can be somewhat misleading, as illicit streams flow through a range of countries (usually ending in rich nations, whose consumers are the main providers of profits). However, geographies of these illicit flows indicate that failed states can provide conducive environments for certain types of organized crime but not others. Weak state structures and porous borders are relevant for trafficking of drugs and human beings or the smuggling of minerals. Cyber-crime, on the other hand, needs more reliable infrastructure.

While the correlation between organized crime and failed states seems clearer, the direction of causality is questionable. Fragile states are extremely vulnerable to the impacts of organized crime. The share of illicit streams in the total economy is proportionally larger than in rich states; profits from illicit activities are immense in relation to salaries or government budgets; shattered economies provide limited options for licit incomes; and officials might be more susceptible to corruption. The infiltration of state structures by organized crime groups and the corruption of political elites, the judiciary, and law enforcement agencies is what protects organized crime from persecution and secures future influence – ultimately to preserve condu-

cive working conditions. Such intrusion reduces the chances of weak or post-conflict states to establish stable governance structures. It also undermines international stabilization and state-building efforts by peace- and crisis-response operations while propping up those actors these interventions seek to neutralize.

### **Implications for multilateral responses**

Action against organized crime and terrorism can principally target actors, operations, or the environments of these groups. The latter clearly requires more attention. However, the post-9/11 paradigm has provided too narrow a lens to fully grasp the problem: While criminal and terrorist groups benefit from certain characteristics of failed states, their presence is a result of a complex set of factors, some of which extend well beyond the failed state. This diversity of factors will need to be taken into consideration when responding – with state-building being just one of many options.

At the same time, the particular vulnerabilities of failed states have to be recognized. Programs frequently focus on making borders tighter and security forces more efficient. However, terror might in fact be on the rise in certain states not only because of gaps in law enforcement and border control, but also because deprivation has led the disillusioned population to tolerate political violence and seek public goods from non-state actors. In that sense, a "service gap" in state capacity might be just as critical as a "control gap." Combating organized crime is futile if income opportunities in the licit economy do not exist and critical "enabler" elements such as corruption are not addressed – organized criminals probably have more ties to high-ranking politicians or state officials than to terrorists. Finally, vulnerability might be highest where shared interests of terrorists and organized criminals in state weakness generate a cumulative impact.

Addressing the nexus will require new thinking and strategies as well as a shift from national to transnational approaches. Multilateral organizations can play a critical role in advancing both. Peace- and crisis-response operations over the past decade have provided practical experience and lessons in confronting the dynamics and impacts of the nexus – whether in supporting the extension of state authority in Afghanistan, assisting security forces in Kosovo, or fighting piracy off the Horn of Africa. These experiences could provide greater clarity on the nature and diversity of the nexus, ways to reduce the vulnerability of failed states, and required adjustments in the international communities' peace-building and state-building priorities.

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