Beyond Necessity: State-Sponsored Terrorism and Organized Crime.

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Abstract

The world is experiencing a resurgence of state-sponsored terrorism, as exemplified by the conflict in Syria. Meanwhile, the crime-terror nexus is seen as a continued threat to global security and stability. However, there has been little academic attention paid to the use of organized crime by state-sponsored terror groups. This is largely because the current literature views the use of criminal fundraising as an alternative to state-sponsorship. Despite this, there are numerous examples of state-sponsored organizations which nevertheless engage in organized crime, representing a significant theoretical puzzle. This thesis addresses the question of why state-sponsored terror groups engage in organized crime by comparing the cases of Hezbollah and Mujahedin-e Khalq in light of the wider theoretical literature. Current literature on terrorism and crime tends to either focus on responses to economic necessity at the group level, or on the broader structure of opportunities and constraints. This thesis uses Theory-Guided Process-Tracing to incorporate these theories into the inductive case studies, finding that a theoretical synthesis is required to address this question. While responses to economic necessity occur, they are heavily mediated through the opportunity structures in which a group operates. This thesis also finds that the role of state-sponsors is more varied than previously acknowledged, with some states actively enabling crime. This shows the need for a theoretical approach which understands terror groups within their socio-economic and geopolitical context, while recognizing their complicated relationship with state actors. This thesis sketches out the beginnings of such a theory, suggesting several testable hypotheses.

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Table of Contents

List of Figures

List of Tables

Chapter 1: Introduction

1.1 Background

The connection between terrorism and organized crime is viewed by scholars, governments (US Government 2011) and international organizations (Ki-Moon 2015) as one of the most significant contemporary security threats. The so-called terrorist-criminal nexus (Hesterman 2013) allows groups to fund their operations while building complex and resilient networks, creating significant challenges for law enforcement and counter-terrorism bodies. In addition to the importance of criminal funding in sustaining terror groups, there is also cross-fertilization in terms of membership and tactics. Jihadi groups in Europe recruit members from criminal backgrounds, with such individuals adapting their criminal skills in service of political goals (Basra, Neumann and Brunner 2016). Meanwhile, criminal groups have used the terrorist tactics to exert pressure on governments. Furthermore, these operational and financial links between terrorism and organized crime are seen as having an important role in prolonging conflict and insecurity (Roth and Sever 2007; Von Einsiedel et al. 2014; Karlén 2017).

Although the intersection of terrorism and crime is not a new phenomenon, it is an issue which has grown in importance since the end of the Cold War. This is due to the decline in state-sponsorship, which led terrorist organizations to utilize criminal alliances and methods of fundraising (Berry et al. 2002; Shelley 2016, 84; FATF 2008). This perhaps accounts for the lack of literature on how criminal fundraising tactics interact with state-sponsorship in groups which utilize both sources of support. However, the implication that state-sponsorship is diametrically opposed to involvement in organized crime understates the complexity and variety in group

behavior. Terrorist organizations seek to diversify their income and tactics (Shelley 2016), meaning that state and criminal funding are not mutually exclusive. This is borne out by the behavior of groups such as Hezbollah, which draw on state support while developing their own criminal networks (Levitt 2005a). There is also reason to be wary of assuming a permanent end to state funding of terror, with recent developments suggesting a continuation or even return of significant state-sponsorship.

Despite the overall reduction in state-sponsorship since the Cold War it remains a common feature of the international system (Berkowitz 2017), with the response to the September 11th attacks focusing on the elimination of state-support for Al-Qaeda (Hoye 2002). Pakistan (Wolf 2017) and Iran (Berkowitz 2017; Wilner 2017) remain large-scale exporters of terrorism, while a recent scandal in Colombia has shed light on the alliance between government, right-wing terrorists and drug traffickers (Villar 2012). Russia's hybrid warfare tactics have involved sponsoring terrorism in Ukraine (Motyl 2014) while Iran and Russia have been accused of cooperating to support pro-Assad groups in Syria (Bodetti 2017). Turkey has also been accused of supporting terrorism inside Syria (Kroet 2016), providing at least passive support for *Daesh* (Speckhard et al. 2017). This can be seen as part of a "resurgence" (Raine 2018) in state-sponsored terrorism, with the mixture of state support and criminality showing the enduring importance of understanding the funding strategies of terrorist organizations.

1.2 Scope

The primary goal of this thesis is to contribute to the development of theory on state-sponsored terror groups, particularly around their involvement in organized crime. There is a lack

of theoretical literature on this issue, with no work specifically addressing the relationship between state-sponsored terrorism and crime. Much of the wider work on terrorism and crime suggests that state-sponsorship should decrease the likelihood of a group engaging in crime, as it decreases the incentives to do so. This represents an important puzzle as there are groups, such as Hezbollah, which engage in criminal fundraising despite receiving substantial state support. Furthermore, groups such as Mujahedin e-Khalq (MEK) have avoided engagement in crime despite losing their state sponsor. This suggests that factors beyond economic necessity play an important role in defining a group's relationship to crime. The key research question of this thesis is understanding what drives these groups' relationship towards organized crime. This thesis will therefore build on existing theoretical work on terrorism and crime in order to address this theoretical gap, with the goal of improving these theories while addressing this specific puzzle.

Current theory on the terror-crime nexus has universally portrayed the development of this phenomenon as being connected to the decline in state-sponsorship (Dishman 2001; Makarenko 2004; Shelley 2014; Hutchinson and O'Malley 2007), with state involvement understood in terms of corruption or passive complicity rather than active sponsorship (Shelley 2005; Makarenko 2004). This means that current theory is insufficient to address the question of why state-sponsored groups engage in crime, particularly if we are seeing a return of state-sponsorship as a feature of international conflict. The theoretical literature on terrorism and crime more tends to focus either on economic necessity as a motivating factor or more broadly on the opportunity structures which allow terrorism and crime to interact. For the purpose of the thesis, these will be described as *necessity-based theories* and *opportunity-based theories*, although there is often significant overlap. Necessity-based theories are more actor focused, drawing on behavioral approaches to understand how the motivations, incentives and disincentives affect the tactics of the groups in

question. Opportunity-based theories also seek to examine the broader structural factors at play, such as the regional economic and political factors which define group behavior. Case studies, covering Hezbollah and Mujahedin-e Khalq, will be utilized to compare and synthesize these theories, producing a number of hypotheses for future testing.

Drawing on Falleti (2006; 2016), this thesis will utilize Theory-Guided Process-Tracing (TGPT) to modify and develop the insights from both of these theoretical approaches for application to state-sponsored terror groups. As Falleti (2006, 4) states, "Issues of timing, sequencing, complex interaction effects, and multiple causalities are rendering traditional methods in comparative politics inadequate and wanting." These issues apply to the topic of terrorism and group behavior, given that we are observing the transformation and adaptation of groups over time in relation to a wide variety of both agent- and structure-driven factors. Process-tracing allows for the temporal focus and in-depth examination required to analyze such a phenomenon.

This thesis will focus on the factors influencing organization or group behavior. While individual motivations are important to the extent that group decisions may be an aggregation of individual interests (Hausken and Gupta 2015a), individual psychology is not within the scope of this project. Given that this is an examination of the interaction between the meso- and macro-level factors, organizational activity is of more interest than individual pathology. Although organizations are not always unified, they will be treated as the primary actors here as it is on the organizational level that strategic adaptation and learning occurs (Jackson et al. 2005). For the most part it is groups which form alliances, change goals and develop tactics (Crenshaw 2010, 1). The case studies in question will therefore focus on how groups have responded over time to changes in funding and opportunity structures.

Given that the purpose of this thesis is to examine the effect of state-sponsorship on the behavior and strategies of groups, it is essential to differentiate state-sponsored terrorism from concepts such as state terror. While there is often an overlap, state terror and state-sponsored terrorism are distinct phenomena. State terror refers to the active use of violence by the state or by bodies closely associated with the state (Byman 2005, 8). State-sponsorship refers to the provision of funding and support to at least partially independent groups (Collins 2014, 134-135). An example of state-sponsorship would be Iran's support for Hezbollah and Hamas, while an example of state terror would be the use of pro-government paramilitaries against civilians in Syria.

It is also important to briefly discuss the definitions of terrorism and crime, particularly as the two have often been treated as being synonymous (Byman 2005, 7). The definition of terrorism is notoriously contested (Schmid 2011; Zeidan 2003), carrying with it significant political baggage (Richards 2014, 124). However, for the purposes of this thesis it is sufficient to distinguish it from organized crime on the basis of motivation. While terrorism is politically motivated, organized crime is financially motivated (Gupta 2008, 147-148). It should be noted that this definition is far easier to apply to actors than acts, as it is often difficult to determine the exact motivation for any particular act of violence. It is therefore important to attempt to identify the ultimate goals of the group. For example, if a group engages in crime to fund a political struggle then it is still essentially a political group, while a criminal organization which uses terrorist tactics to protect its financial interests is still a criminal group. However, while the two motivations are distinct in practice they frequently overlap, with groups moving between the political and the criminal.

1.3 Roadmap

This thesis will proceed as follows. Firstly, it will examine existing theory on the terror-crime nexus. Specifically, it will examine necessity-based and opportunity-based theories of terror

group involvement in organized crime. This section will draw on both of these theoretical approaches to identify important causal mechanisms and critical junctures, which will inform the inductive case studies. This will allow the process-tracing to be informed by existing theories, while attempting to address the specifics of state-sponsored terrorism. Two deviant cases will be comparatively analyzed, with a focus on the theoretically relevant aspects. Finally, the results of the case studies will be discussed in relation to the theoretical material. Hypotheses will be produced, with suggestions for further research.

Chapter 2: Theory and Methodology

This chapter will seek to identify the relevant structural factors and causal mechanisms which define a group approaches to terrorism and crime. The first section of this chapter will be a general examination how the connection between terrorism and criminality has been conceptualized, and the role of states in these accounts. This will be followed by a comparison of necessity- and opportunity-based explanations of group behavior towards criminality, with a final section on case selection. While these are broad approaches with significant overlap, it is useful to categorize the various theories in order to more easily identify areas of agreement and contention. Given that these theories rarely address state-sponsorship directly, a particular focus will be put on the aspects which can best illuminate the issues explored in this thesis. This follows Bennett and Checkel's (2014, 18) observation that theories rarely fit specific cases, requiring the researcher to draw out and specify the relevant implications. The objective is to derive guidance from these theories which can inform the inductive process-tracing conducted through the case studies.

2.1 Conceptualizing the Terror-Crime Nexus

There is widespread agreement within the literature on terrorism and crime that the terror-crime nexus has solidified in response to the decline in state sponsorship following the end of the Cold War (Dishman 2001; Makarenko 2004; Shelley 2014; Hutchinson and O'Malley 2007). While several authors (Kaldor 1999; Shelley 2014;) have also identified the globalized economy as a major factor in the growing interrelation between conflict and organized crime, the reduction in state-support is seen as the primary historical cause of this phenomenon. The state, as far as it appears in the analysis, is a passive actor in the sense that weak states allow the terror-crime nexus to evolve and strengthen (Shelley 2005; Makarenko 2004; Hutchinson and O'Malley 2007). These

attitudes towards the role of the state likely explains the paucity of attention paid to state-sponsorship. Beyond this point of agreement however, there are a number of differing conceptualizations of the terror-crime nexus.

One area of dispute arises from competing views concerning the nature of the relationship between terrorism and crime. Some sources focus on the idea of alliances and cooperation between terrorist and criminal organizations, while others argue that terror groups are more likely to transform into criminalized groups as their motivations change. Hesterman (2013) and Mincheva and Gurr (2013) both use the word "alliance" in the title of their books on the subject, while many have warned of the possibility of alliances between Transnational Criminal Organizations (TCOs) and terrorists leading to the proliferation of Weapons of Mass Destruction (US Government 2011, 3; Shelley 2014, 289-319). However, others have described these worries as overblown, emphasizing that significant cooperation between criminal organizations and terror groups is unlikely due to their fundamentally differing goals (Dishman 2001; De la Corte Ibáñez 2013). Cooperation is likely to be temporary and limited, as both groups are wary of the risks of associating with the other. Terrorist groups are unwilling to tarnish their ideological reputation through involvement with criminal gangs, while criminals do not want to invite extra attention from law enforcement and security services. This explains the view that terror-crime interactions are driven by necessity rather than choice. Much more common is the appropriation of criminal methods by terrorists or the transformation of the organization from political to criminal. Similarly, Shelley and Picarelli (2002) describe the connection between terrorism and crime as being focused on "methods not motives". Despite the strength of this logic it is worth noting that Dishman (2005; 2016) later softened his position, noting that decentralized cells are more likely to form terrorist-criminal alliances.

The most prevalent view is that terrorism and crime can interact in the form of both alliances and transformation, with the potential for terrorist involvement in crime to lead to both strategic and motivational adaptations. Makarenko (2004), who has provided perhaps the most enduring conceptualization of the terror-crime nexus (Leopold-Cohen 2017), takes this position. Makarenko and Mesquita (2014) sketch out a "crime-terror continuum" (see Figure 1), emphasizing the potential for groups to move along the continuum as they transform from a terror to organized crime group or vice versa. Groups may form alliances or appropriate the tactics of their counterparts, with the potential for convergence as hybrid organizations form. This convergence goes beyond simply utilizing diverse tactics for operational reasons, entailing a transformation of the organizations goals and motivation.

Figure 1: The Refined Terror-Crime Continuum (Makarenko and Mesquita 2014)

Shelley (2005; 2014) views the convergence between crime and terrorism as stemming from a desire to undermine state control. Globalization has spawned new criminal groups, that profit from conflict and thrive in ungoverned spaces. The lack of an effective state and the presence of shadow economies in weak states facilitate terror-crime alliances and hybrid organizations. These differ from older organized crime groups, such as the Sicilian Mafia, which often developed symbiotic relationships with state institutions. This fits with Kaldor's (1999) New Wars thesis,

which points to the role of globalization in creating and prolonging violent conflicts through transnational criminal networks. This focus on weak, failing or corrupt states as passive enablers of the terror-crime nexus is common in the literature. Makarenko (2004, 138) identifies this as the "black hole" syndrome, noting that in regions characterized by strong states the level of interaction between terrorism and crime is more limited (Makarenko and Mesquita 2014). These black holes often see the strongest convergence between organized crime and terrorism, as terror groups seek to draw support from the criminal economy while criminal groups have a stake in maintaining political instability. Picarelli (2006) also focuses on ungoverned spaces while Bobic (2014) argues that globalization has allowed criminal and terrorist organizations to escape the suffocating attention of strong states by operating at the transnational level or fleeing to weak states. The intersection of crime and terrorism is therefore driven by the absence of effective state structures.

Several relevant commonalities can be identified from these attempts to theorize the terror-crime nexus. Firstly, interactions between terrorism and crime can occur at several levels. Alliances may form, operational methods may be adopted or transformation in the nature of the group may occur. The structure of the group is widely seen as important, with networked groups being freer to adopt diverse tactics and form alliances than hierarchical groups. This could be important when studying state-sponsored groups, as the existence of state-sponsorship suggests a certain amount of inherent hierarchy. State weakness is considered an important facilitator of both alliances and convergence, with the ungoverned space at the international level also allowing for such linkages. This lack of effective government action is seen as a passive factor, meaning that it remains to be seen how active state support might affect the tactics of a terror group.

2.2 Necessity-based theories

There is a general assumption that the differing motivations of terrorist and criminal organizations mean that both alliances and convergence will occur only when there is sufficient balance of benefit to cost (Hausken and Gupta 2015a; 2015b; Dishman 2001; De la Corte Ibáñez 2013). While this may eventually lead to the complete transformation of a group's motivation, the starting point is one of economic necessity. As we have seen, the decline in state-sponsorship is viewed as the major driving force behind such interaction. Terrorist organizations need money to function, and if they lack alternative funding they will be required to engage in crime. Following this logic, involvement in crime should be a last resort of terrorist groups. Criminal fundraising activities bring both reputational and operational costs (Dishman 2001; De la Corte Ibáñez 2013, Gupta 2008), meaning that politically motivated groups should prefer non-criminal sources of money. Likewise, criminal groups will generally seek to avoid the extra attention which terrorist activities would bring (Dishman 2001). This is a parsimonious account with firm grounding in behavioral theory. However, the continuing use of criminal tactics by state-sponsored groups suggests that an account which focuses purely in necessity leaves significant gaps in our understanding.

The clearest and most focused account of this logic is developed in the work of Gupta and his collaborators (Gupta, Horgan and Schmid 2009, 123-126; Gupta 2008, 146-148; Hausken and Gupta 2015a; 2015b.), who have developed a behavioral account of terrorism and organized crime relations drawing on rational choice and game theory. The fundamental assumption of Gupta's work on terrorism is that individual terrorists and terrorist groups are both rational and altruistic, in the sense that they seek to provide some benefit to the entire community. In effect, terrorists seek to provide public goods. In contrast, criminals seek to provide club or quasi-public goods

which benefit only the members of the group and not the wider community. This fits with the accepted differentiation between terrorism and crime, with the emphasis on differing motivations. In practice however, terrorist groups often need to engage in crime in order to fund their activities. Some of Gupta's work (Hausken and Gupta 2015a; Hausken et al. 2015) therefore attempts to model the optimal mixture of terrorist and criminal activities that a group might engage in, while other papers explore how the mixing of methods may cause a group to transform over time (Hausken and Gupta 2015b; Hausken and Gupta 2016). What these studies share is the view that group behavior can be explained by the different cost-benefit analyses which stem from the fundamentally divergent motivations of criminals and terrorists.

Gupta's conceptualization of terror-crime interactions is based on a single continuum between ideology and crime. Groups can be purely criminal, hybrid or purely ideological, with movement from ideology to crime being more common than the opposite direction. For the purposes of formal modeling ideology is operationalized through attack types and targets, with high-risk and sacrificial attacks indicating a greater level of ideological commitment (Hausken and Gupta 2015a). The altruistic motives of ideological terrorists may inspire them towards actions such as suicide bombings, while the selfish motivations of criminals make such attacks highly unlikely. There is a correlation between ideological purity and funding type, as only those groups which can avoid involvement in crime can maintain their ideological focus (Gupta 2008, 80-81). Those groups with wealthy benefactors, such as states, can avoid involvement in criminal activities. This is the ideal situation for terror groups as it allows them to maintain their public image and avoid the risks of criminal activity. Groups which use mixed fundraising methods will show a lesser degree of ideological fervor, while groups which rely purely on criminal fundraising will transform into criminalized organizations. For example, Hamas rely primarily on the support

of wealthy state donors and charities, showing a high degree of ideological commitment in its attack targets. The IRA was a highly professionalized organization which utilized a mixture of criminal and non-criminal fundraising (Gupta 2008, p78-79). Rather than engaging in suicide attacks, the IRA used relatively conservative terror tactics such as remote bombings. Finally, there are near criminal organizations such as the Shining Path who rely exclusively on narcotics smuggling and engage only in low-risk attacks (Gupta 2008, Table 7.1). This distinction is perhaps a little overdrawn, given that there are alternative explanations for attack types. Nevertheless, there seems to be a connection between the use of criminal fundraising methods and the wider tactics and outlook of the group.

The most fundamental driver of a group's orientation towards either ideology or criminality derives from the composition of its members, who can be either ideologues or mercenaries (Hausken and Gupta 2015a; 2015b). Terror groups start off with ideologically driven members and leaders. Mercenaries will only be recruited in order to enable criminal fundraising if the organization is unable to gain support from purer benefactors. This again draws an overly sharp line between mercenaries and ideologues, as well as between pure sources of money and criminal sources of money. For example, an organization might perceive of smuggling as an ideologically pure type of fundraising as it deprives enemy governments of taxation, while being overly dependent on a foreign state may bring its own reputational costs. Despite these limitations, this model is able to explain how and why a terrorist group may become criminal. As more mercenaries are recruited to raise funds, the orientation of the group's membership will change from being focused on political issues to being focused on crime. While this change in the attitude of the membership, driven by financial necessity, is the underlying driver of Gupta's theory there are several other contextual and dynamic factors which affect a group's outlook and behavior.

There are, according to Gupta (2008, 156-160), two broad changes which can alter a terror group's level of involvement in crime. The first change involves a shift in ideology, while the second stems from changes in the relative costs of engaging in either criminal or political action. As mentioned above, such ideological shifts can occur due to a change in the composition of the membership. Likewise, a change in leadership, such as following the imprisonment of PKK leader Abdullah Öcalan, can cause ideological commitment to waver (Hausken and Gupta 2015a, 73). At other times the political situation may change the goals of a movement, such as when the Good Friday agreement changed the nature of the conflict in Northern Ireland (Gupta 2008, 157). Changes in the relative costs of different actions can change depending on a state's ability to impose sanctions a group's activities (Hausken and Gupta 2015b). For example, weak states will struggle to prevent terrorist groups from engaging in criminal fundraising due to poor law enforcement. The ability to engage in profit-making activities from within a terrorist organization will also further encourage mercenary behavior. Decentralized group structures may also encourage criminality, as it prevents ideologically inclined leaders from constraining the criminal activities of subordinate members (Dishman 2005; Gupta 2008, 159). Groups can also try to actively reduce the costs of engaging in criminal behavior by producing ideologically grounded justifications for criminality. Despite the various circumstances which might make criminality more attractive to terrorist groups, the overall picture from these theories and models is one in which ideologically committed leaders attempt to prevent an underlying drift towards crime. Given the absolute necessity of financial resources, the only effective way to avoid involvement in organized crime is to gain and maintain the support of benefactors such as states. This is an elegant argument which Gupta has contributed to through both empirical research and formal modelling. However, what it has in parsimony it lacks in depth, with the wider factors which define the

microeconomic logic of this approach being skimmed over in his account. This necessitates a broader approach which not only connects funding to behavior, but which also addresses the structural context in which both criminal and terrorist groups develop. Furthermore, it denies the possibility that state sponsorship could ever coexist with or effectively support criminality by simplifying the dichotomy between ideology and crime.

2.3 Opportunity-based theories

Much of the literature has hinted at the importance of certain structural factors to the interaction of terrorism and crime. For example, it is widely recognized that state weakness in some way fosters the convergence of crime and terrorism (Makarenko and Mesquita 2014; Shelley 2005; Hutchinson and O'Malley 2007). However, the mechanisms by which these factors influence the strategy of terror groups remains underdeveloped, such as in Gupta's micro-level analysis. A focus on such factors does not neglect the importance of economic necessity and motivation, but can complement existing theoretical approaches by fleshing out the overarching environment in which the kind of cost-benefit analysis examined by others occurs. Furthermore, it can advance our understanding of cases which deviate from the expectation of the necessity-based assumptions, such as that of state-sponsored groups which continue to use crime. This thesis will refer to such approaches as being opportunity-based, in the sense that they center on an understanding of how the opportunities available to groups affect their behavior and strategies. This is not opposed to approaches which stress the importance of economic necessity, but simply takes a different aspect and level of the analysis as a starting point.

The most systematic piece of work reflecting such an approach can be found in Mincheva and Gurr's (2013) book, which focuses on crime-terror alliances in relation to ethno-nationalist and Islamist movements. The relatively narrow focus in terms of ideology and geography, with

most of the conflicts occurring across weak and peripheral states, suggests the need for care when applying their findings more broadly. However, this book does provide a theoretical framework for understanding terrorism and crime, with a broader approach to the state and geopolitics than that provided by Gupta. For these authors the interconnection of terrorism and crime has to be understood in terms of both domestic and regional politics, situating their analysis at both the sub-state and international levels. This differs from the state-centric approach of traditional security studies, as well as Gupta's actor-focused account.

Five main factors are sketched out to explain the emergence of terrorist criminal alliances in this account, with alliances here referring to either intergroup relationships or operational convergence of tactics (Mincheva and Gurr 2013, 1-23). The first enabling factor is the existence of trans-border identity movements, such as Kurdish nationalists. In areas where these networks span contiguous borders, this enables cross-border crime in a way which is less true of internationally dispersed diasporas. The second important factor is armed conflict, particularly when linked to trans-border identity struggles, which provides incentives and opportunities for the formation of alliances. Conflict creates high-profit industries such as arms-dealing, while the lack of effective law enforcement lowers the associated risks. The third factor is the emergence of criminal markets, which can grow from diaspora links which allow for the connection of supply and demand countries. For example, criminal markets have formed, often along ethnic lines, which connect drug producing regions in Asia to high value consumption markets in Europe via the Balkans. However, the opportunity for profit alone cannot explain alliances. As previous authors have pointed out (Dishman 2001), there are significant risks to criminal networks from associating with militant groups. This leads us to the next factor, which is the role of states. Mincheva and Gurr (2013) identify a typology of vulnerable states, which range from weak, failed and corrupted

to criminalized. State weakness lowers the costs of terror-crime interaction, while heavy corruption and criminalization can actively empower such alliances. The final major factor which they identify is the policies enacted by supra-national institutions. This refers to the law enforcement and conflict management strategies of bodies such as the EU, which struggle to reduce conflict and restrain criminal behavior. The relative success of such policies can be a powerful constraining factor on the formation of alliances between terrorists and criminal organizations.

These structural issues can inform our analysis of how terror-crime alliances emerge at the regional level. A particularly interesting insight is the role of different types of state weakness, which moves beyond the axiomatic observation that state weakness is bad and strength is good. While Mincheva and Gurr's framework (2013) ignores state-sponsorship as a substantive issue, it does address the fact that as parts of the state become criminalized and corrupt they can enable crime-terror networks as profit seeking triangles form between officials, militants and criminals. Examples of this phenomenon can be seen among corrupt elites in the former Yugoslavia and in the formation of narco-states (Mincheva and Gurr 2013, 20-21). Neumann (2013, 253-254) has also looked beyond the weak/strong distinction, pointing out that strong but corrupt states such as North Korea can be highly effective partners to friendly terrorists and criminals. While this is distinct from the great power state-sponsorship prevalent during the Cold War, it hints at the important idea that state-support can in some cases encourage terror-crime alliances rather than impede them by increasing opportunities and lower costs.

A final issue to consider is the variation in the opportunities for criminality which emerge due to differing organizational structures. Dishman (2016) argues that while hierarchical terrorist organizations may turn to crime to finance their activities, with transformation occasionally occurring due to ideological dilution by mercenary members as spelled out by Gupta, they have a

better chance of controlling and constraining such activity than decentralized groups. Decentralized networks, which are an increasingly common form of covert organizational structure (Dishman 2005; Hamilton and Gray 2012), feature isolated cells which have more freedom in their money raising tactics than hierarchically organized groups. This potentially frees such cells from constraints imposed by central leadership, while the greater opportunities for profit may lead to a focus on greed rather than grievance.

2.4 Critical Events and Structural Factors

Taken together, the theories presented above can provide guidance on how to approach the analysis of the cases presented in this thesis. However, no single theory captures the multi-level nature of the interaction between groups, states and regional factors. Furthermore, none of these theories address state-sponsored groups in any depth. It is therefore necessary to identify the key causal factors which can be gleaned from the current literature and applied in this analysis.

Following Falleti's (2016) advice for conducting TGPT, researchers should make explicit the relevant events and factors which constitute the causal chains making up the process of interest. Given that this method is inductive rather than deductive, it is sufficient to identify the theoretically grounded elements of importance. The precise effects and interactions will be identified through the case studies and presented in the form of hypotheses in the results section. The process of interest in this case is the development (or not) of the use of criminal tactics by a terrorist organization. The most important theoretical insights may be either critical events which trigger a change in the tactics of a group, or structural factors which passively encourage or constrain the use of crime by terror groups. These two factors, both specific events and longer run structural factors, are clearly connected in the sense that an event may precipitate a long-term structural change. For example, an armed conflict might trigger a wave of refugees which eventually creates

trans-national identity groups. Nevertheless, it is worth attempting to separate and specify these factors.

The critical events which can change a group's approach towards organized crime can be observed from the necessity-based theories identified in this thesis and, despite some similarities, they should not be seen as analogous to the concept of "critical junctures" in the study of path-dependent institutions (Capoccia 2016). There is widespread agreement, as set out above, that the *loss or acquisition of funding* can force an organization to shift its approach. The clearest example here is a loss of state-sponsorship causing a move towards crime. A *change in leadership* is another potentially critical event, as it could change the group's overall ideological outlook. This could occur through either the arrest or death of important leaders. Another key event could be a change in *socio-political condition***,** which could cause the goals and motivations of a group to change. An example of this would be a ceasefire or negotiated settlement. Taken together, these critical events account for much of the necessity-based factors taken from the theoretical literature, although these theories do recognize the role of structural factors.

There are also the aforementioned structural factors which, although more passive, can also develop and change over time. These are the existence of *trans-border identity networks***,** which enable smuggling and similar criminal activities. *Armed conflict,* beyond that already implied by the existence of terror groups, should also encourage the intersection of crime and terrorism. *Criminal markets,* or the existence of favorable conditions for engaging in crime, will also be important. *State weakness* is also likely to ferment terror-crime connections, while state capture or active collaboration could further encourage criminality. Strong *counter-vailing policies* from either national or supra-national groups can discourage such connections. Certain *organizational*

structures can also be predicted to encourage criminality. Taken together, these can be thought of as representing the *opportunity and constraint structures* which shape social behavior.

A crucial issue which remains to be resolved is whether state-support will inhibit or encourage criminality. While state support should decrease the need to engage in crime, it could be argued that state support or criminalized states could enable further criminality among armed groups. States are able to provide benefits, such as access to countries and political cover, which go beyond direct funding. This issue, which is not considered in the current literature, will be explored through the following case studies.

2.5 Case Selection and Approach

This thesis will examine the two selected cases by reconstructing their historical development with a focus on the group's involvement in organized crime. These cases will be Hezbollah and Mujahedin-e Khalq. The theoretical insights described in this chapter will form the basis for this analysis (see Appendix A for summary), following the principles of Theory-Guided Process-Tracing (Falletti 2006; 2016). Critical events, such as the loss of funding, change of leadership or change in political environment, will be examined in connection with broader causal factors. These structural factors represent the opportunity and constraint structures affecting strategic behavior. Due to the temporal disconnect between sudden critical events and slowly evolving opportunity structures, the cases will not be presented as a single historical narrative. Instead, each relevant structural factor will be described and analyzed in turn. For the benefit of providing background and context, structural factors will be examined first. Critical events, as drawn from the necessity-based theories, will then be analyzed in connection with these

opportunity and constraint structures. Following Bennett and Checkel's (2014, 18) advice, explanations and causes which differ from those set out in the theory will be explored rather than ignored, as this provides an opportunity to iteratively modify existing assumptions. Considering alternative explanations which develop from the cases also helps to address the issue of equifinality, as various causal mechanisms could account for the same outcome (Bennett and Checkel 2014, 21). The goal will be to suggest testable hypotheses, adapted from the existing literature and developed through the cases, which can explain the use of crime by state-sponsored terror groups.

While this thesis has a broad theoretical scope, it is focused on the issue of state-sponsorship and crime. Cases will therefore be purposefully selected to provide variation on the apparent relationship between state-sponsorship and involvement in crime. Perhaps the most common observation within the literature on terrorism and crime is that the rise in criminal behavior is linked to the decline in state-sponsorship. This is a particularly important assumption of the necessity-based theories described in this thesis (Gupta 2008, Hausken and Gupta 2015a; 2015b), but is also accepted within the wider literature (Makarenko 2004; Shelley 2014; Hutchinson and O'Malley 2007). Although this means that case selection somewhat favors necessity-based theories, the use of two cases with significant variation also allows the role of opportunity-based factors to be fruitfully compared. Following this, we would expect a typical relationship to be one in which a loss of state-support caused a group to turn to crime. It is also possible to identify cases which deviate from this expected relationship in opposing ways, with some engaging in crime despite having state sponsorship and some not engaging in crime despite losing state sponsorship. By focusing on deviant cases, it is possible to capture whether variation in the factors other than state-sponsorship contributed to the outcome. Average or typical cases

have been covered extensively elsewhere, for example in work on the PKK's move towards organized crime (Roth and Sever 2007; Eccarius-Kelly 2012). Therefore, this thesis will instead focus on two cases that deviate from theoretical expectations. This fits with the observation that deviant cases are particularly suitable for modifying theory and sharpening hypotheses (Vennesson 2008, 227-228; Gerring and Cojocaru 2016, 399). While deviant cases alone cannot confirm or disconfirm hypotheses, they can show the weakness in existing theory while developing stronger alternatives (Lijphart 1971, 692). The inclusion of two cases will naturally reduce the thickness of the description provided, necessitating a focus only on the key aspects of the process. This trade-off is acceptable, given the added value in terms of information richness from studying multiple cases with significant variation (Eisenhardt and Graebner 2007, 27).

The two cases selected are Lebanon's Hezbollah and the Iranian expatriate group Mujahedin-e Khalq. Hezbollah deviates from existing theory in the sense that it is a well-funded group which controls taxable territory and has received consistent state support yet continues to engage in organized crime. While there are numerous other groups which have received state-support while engaging in crime, including various groups involved in the Syrian Civil War (Dettmer 2013), Hezbollah represents an important case due to its longevity, success and international significance, making it an example of what Flyvbjerg (2006) refers to as a "paradigmatic case". Mujahedin-e Khalq (MEK) deviates in a different way, as it lost its state support but has not yet moved into organized crime. This selection captures the variation in how these cases relate to current theory, which will provide the maximum material for the development of potential hypotheses. This also fits with Gerring and Cojocaru's (2016, 296-397) logic of descriptive diverse case selection, as presenting cases which differ significantly can provide a more compelling display of the phenomena involved.

Chapter 3: Hezbollah

Hezbollah is a multi-faceted organization, having led terrorist campaigns and military operations as well as providing social services and engaging in party politics. The Shi'a group emerged from the Lebanese civil war as part of an Iranian backed movement against the Israeli occupation of South Lebanon. While it is still defined primarily by its opposition to Israel, it has evolved to take on a variety of roles in Lebanon and the region (Azani 2013). Hezbollah's strong position in Lebanon, secured with generous Iranian backing, has allowed it to build hospitals and schools (Norton 2007, 107-112). In 1992 it entered the Lebanese Parliament, where it has represented the disadvantaged Shi'a community within the confessional party system (Norton 2007, 12-14). However, it has also been implicated in acts of international terrorism, including bombings of Jewish targets in Bulgaria and Argentina. It has been listed as a Foreign Terrorist Organization by the US since 1997, with the EU listing the military wing of Hezbollah as a terror group in 2013 (Azani 2009, 201). The Global Terrorism Database (START 2017) attributes 403 separate incidents to Hezbollah directly, while the large number of Hezbollah fighters currently in Syria shows their continued commitment to violence.

Hezbollah have relied on state funding since its inception, with the Minorities at Risk Organizational Behavior (Asal, Pate and Wilkenfield, 2008) database coding them as receiving foreign state support since 1982, the first year of their existence. Their primary backer is Iran, which provides significant financial and practical assistance while exerting significant pressure on Hezbollah's decision-making (Lucic 2009; DeVore 2012). Indeed, the relationship between Iran and Hezbollah is so deep that Iran is considered the largest state sponsor of terrorism by the US largely on these grounds (Stuster 2016), with Byman (2005, 80) describing it as "perhaps the

strongest and most effective" such relationship in history. However, Syria has also historically been a major backer while Somalia has provided safe haven to Hezbollah operatives (Fanusie and Entz 2017, 9-10). Qatar were recently reported to have provided $300 million to support Hezbollah's political operations due to a shortfall in Iranian funding, while Russia have provided weaponry to aid their operations in support of the Syrian regime (Fanusie and Entz 2017, 9-10). Finally, the deep corruption of countries in the Tri-Border area (Argentina, Brazil and Paraguay), where Hezbollah operates, amounts to what has been described as a "permissive environment" (Ottolenghi 2017) for criminal fundraising.

This Latin American connection exemplifies the overlap between Hezbollah's network of state sponsors and its criminal activities. Despite having substantial state backing Hezbollah has been implicated in criminal activities ranging from diamond smuggling (Levitt 2005a; Novello 2017), cigarette smuggling and cocaine trafficking (Fanusie and Entz 2017, 11-13) to credit card fraud (Levitt 2005a; Levitt 2011) and counterfeiting pharmaceuticals (Ganor and Wernli 2013). It is unclear what proportion of funding comes from which source, with one report suggesting that around 70-80% of Hezbollah's funding comes from Iran while Hezbollah leader Nasrallah has claimed that 100% of their funding is Iranian (Fanusie and Entz 2017, 8). One study has suggested that Iranian funding is closer to 20% of Hezbollah's total budget, with the rest coming from other sponsors, donations and crime (Rudner 2010, 702). Another study suggests that Hezbollah operations in Paraguay alone amounted to $10 million a year at their height, with one criminal network alone sending $50 million to Lebanon over a number of years (Cirino, Elizondo and Wawro 2004, 24). A recent journalistic report into US law enforcement operation against Hezbollah described criminal activities such as money laundering and smuggling amounting to

around a billion dollars (Meyer 2017). Despite the lack of clarity over the precise amounts involved, there is clearly a significant involvement in organized, transnational criminal activities.

3.1 Structural Factors

These structural factors are primarily taken from Mincheva and Gurr's (2013) work on terror-crime alliances, as well as some of the more general literature described in Chapter 2. They have been identified as enabling or constraining factors, individually representing neither necessary or sufficient conditions.

3.1.1 Trans-border Identity Networks

The legacy of civil war, occupation and extreme poverty has dispersed the Lebanese diaspora throughout the world (Norton 2007, 13-14). This is particularly true of South Lebanon's Shi'a population, who have historically been economically and politically disadvantaged. The size of the Lebanese diaspora is controversial due to the country's sect-based political system, but has been estimated to be between four and fourteen million from a country of about five million. (Bel-Air 2017, 1-2). However, given that Hezbollah functions as an emblem of Shi'a and Arab resistance, these networks arguably transcend only national identity. Hezbollah's reputation as an effective resistance force against the US and Israel, as well as their charitable activities (Norton 2007, 107-112), puts them in a strong position to benefit from a wide international network. This diaspora not only allows Lebanese migrants to send home billions in remittances (Norton 2007, 3-4), it also provides opportunities for transnational crime. Indeed, one estimate suggested that 50% of these foreign remittances were related to the drug trade (Arbid 2017, 5-6).

Mincheva and Gurr (2013) emphasize the importance of cross-border identity movements, which facilitate regional insecurity and smuggling across contiguous land borders. While this is

certainly a factor in the Middle East, Hezbollah are particularly noteworthy for drawing on an internationally dispersed diaspora. This dispersion allows them to profit from drug smuggling, extortion and stolen cars in Latin America (Karmon 2009; Shelley 2014, 153), conflict diamonds in West Africa (Levitt 2005a; Novello 2017), cigarette smuggling in North America (Perri and Brody 2011) and financial crime in Europe (Levitt 2013, 28), with all of these activities potentially involving international supply chains. Furthermore, having highly dispersed networks may help to reduce the reputational costs of involvement in criminality. Hezbollah profiting from crime in America or Europe is unlikely to bother their base of support in South Lebanon, particularly if the profits from such activities are serving the development and defense of local communities.

3.1.2 Armed Conflict

Hezbollah was born during the long Lebanese civil war, and its behavior is inseparable from the persistent conflict in the region. This links to criminality, with all the active militias during the civil war drawing significant funding from the narcotics trade (Arbid 2017, 3-5). Much of the drug cultivation in Lebanon occurs in Hezbollah's southern stronghold, with the Shi'a dominated Beqaa Valley having a long history of cannabis and opioid cultivation (Arbid 2017, 1; Norton 2007, 105). Conflict in the region lowered the ability of Lebanese government to crack down on drugs, with spikes in production occurring during periods of war (Arbid 2017, 5; Mucci 2014). Drug cultivation was not limited to Hezbollah, while the group's leadership has stated its opposition to drugs (Hernández 2013, 48). However, smuggling does occur from Hezbollah controlled territory and ports, while in more recent years the group has been implicated in the production of the drug Captagon (Kravitz and Nichols 2016).

Armed conflict and the attendant insecurity also enable organized crime activities. Firstly, the trans-border identity networks discussed above stem in large part from the insecurity in the

Middle East. Beyond this, insecurity allows criminality to flourish by reducing the ability of states to engage in effective policing. The ability of Hezbollah to form profitable connections in countries such as Colombia (Bargent 2016) is inseparable from the permissive environment created by the endemic conflict in these regions.

3.1.3 Criminal Markets

Armed conflict produces and maintains criminal markets (Kaldor 1999; Shelley 2014). For example, the market for the amphetamine Captagon is expanded by its utility in combat situations (Kravitz and Nichols 2016). Being able to draw on networks in producing, transit and consumption countries is undoubtedly of benefit to any organization profiting from narcotics, a beneficial market position which Hezbollah have thanks to their trans-border identity network. The US Drug Enforcement Agency (DEA) found evidence of such an internationalized supply chain, with the Lebanese diaspora enabling cocaine smuggling rings connecting Latin American producing countries to the US and Europe to the benefit of Hezbollah (Meyer 2017; Realuyo 2014, 121-124). Hezbollah's position as a group with global reach allows them access to varied criminal markets, providing ample opportunities for profit.

3.1.4 State Weakness

Since its civil war Lebanon has teetered on the edge of state failure, with the very existence of non-state armed group groups like Hezbollah being a testament to this weakness. Atzili (2010) describes this as a "vacuum of power" into which groups like Hezbollah can step. Although there have been peaks and troughs in the level of state weakness, Hezbollah has been able to operate as a "state within a state" (Kindt 2009) since the 1980s, positioning itself as a provider of security and services where the government could not. This level of state weakness clearly facilitates organized crime through a lack of effective law enforcement, with drug producing regions

effectively under militia control (Mucci 2014). The weakness of the Lebanese state also arguably lowers the reputational costs of engaging in crime for Hezbollah, as they offset illegal activities by providing public services in weakly governed areas.

Money from the drug industry has historically corrupted the state and security services, creating an environment in which crime can flourish (Arbid 2017, 4-5). This corruption was entrenched by the power-sharing agreement which ended the civil war by bringing former militia leaders into government (Arbid 2017, 5-6). This also applies to Hezbollah, who have held cabinet positions since 2005. This institutionalization of Hezbollah goes beyond mere corruption or collaboration, and instead represents a level of state capture. Even if the Lebanese state had the strength to counter Hezbollah's criminal activities, it would be hamstrung by the fact that Hezbollah is a legitimate part of the government.

State weakness plays a similar role in Hezbollah's international operations, with the Tri-Border Area in which Hezbollah are active being described as "terrorist black hole" (Korteweg and Ehrhardt 2006) alongside Southern Lebanon. This area became a central part of Hezbollah's international financial network in the 1990s, with the large Lebanese diaspora enabling them to carry out financial transactions, smuggling activities and terror attacks from this lawless region (Kortewg 2008, 68). Corruption plays a role here too, with Iran rumored to have bribed the Argentinian president to cover up their role in a bombing (Shelley 2014, 151) while corrupt Venezuelan officials have been accused of providing passports to Hezbollah operatives (Zamost et al. 2017). State weakness and corruption clearly play an important role in Hezbollah's operations, although it is worth noting that they have also engaged in criminal fundraising in stronger and more developed states.

3.1.5 Counter-vailing Policies

There have been recent attempts, most notably by the US government, to address the international flow of money to Hezbollah (Levitt 2016). Since this could have the effect of reducing both Iranian funding and financing from crime, it is not clear whether this would dissuade or encourage Hezbollah to engage in criminal funding. Recent law enforcement operations against Hezbollah are a more direct way of reducing their involvement in crime, with numerous recent arrests (Meyer 2017). However, Hezbollah's position as an Iranian proxy and as an institutionalized political party have often discouraged international policies aimed at their organized crime activities. For example, the Obama administration has been accused of deliberately blocking attempts by the DEA to arrest and extradite people Hezbollah associates involved in drug trafficking, as such efforts were seen as potentially undermining the negotiations over Iran's nuclear deal (Meyer 2017). While it remains to be seen whether international law enforcement can constrain Hezbollah's criminal activities, it is important to recognize that Iran's sponsorship and their own relationship with the Lebanese state has arguably insulated Hezbollah from the full force of international sanction.

3.1.6 Organizational Structure

Hezbollah's organizational structure is highly differentiated, with a collective political leadership in the form of the Shura Council in Lebanon but with decentralized operational cells abroad (Levitt 2005b). This mixture of network and hierarchy was purposefully designed by the group's leadership in order to prevent infiltration while minimizing bureaucracy (Dishman 2005, 239). That said, Levitt (2005b) claims that the central leadership is aware of and approves the covert aspects of Hezbollah's activities abroad, meaning that the decision to engage in criminal fundraising would have come from the top of the organization. However, elsewhere he is clear that

"Hezbollah purposefully structures the command and control of its covert operations and illicit criminal activities to be as opaque as possible" (Levitt 2016, 156). Much of the criminal fundraising might occur through people who are only tangentially connected to Hezbollah, reducing the group's liability if such activities are discovered.

Hezbollah's foreign networks consist of several distinctive departments, such as recruitment, acquisitions, liaison and operations (Azani 2009, 204). The operations team would be responsible for organized crime activities, while the liaison would provide oversight and communicate with Iran of the central leadership. This provides a mixture of flexibility and structure, with an efficient division of labor. A hybrid structure of local networks with hierarchical political oversight suits to Hezbollah, as it allows operatives to independently tap into local criminal markets while the leadership focuses on political activities and their relationship with Iran.

3.1.7 Opportunity and Constraint Structures - Tareck El Aissami

The factors outlined above create an extremely favorable opportunity structure for Hezbollah's involvement in crime. These factors frequently overlap and reinforce each other, with armed conflict creating a diaspora which enables access to criminal markets in weak states. While this overlapping relationship applies to opportunity structures in general, Hezbollah's case is unusual as the confluence can be exemplified by one man, Venezuela's Vice President Tareck El Aissami. The son of Lebanese and Syrian parents, El Aissami has been sanctioned by the US for involvement in money laundering and drug trafficking, and has been accused of providing passports to Hezbollah and Hamas members (Lopez 2017; Ottolenghi and Hannah 2017). He has also been a firm promotor of Iranian interests, reflecting Venezuela's important alliance with Iran. The connection between El Aissami, Venezuela's corrupt and failing narco-state, Hezbollah and

Iran succinctly shows the combination of factors which foster the connection between crime and terrorism.

3.2 Critical Events

These critical events are seen as potential triggers for a change in behavior and strategy by terror groups, particularly in relation to organized crime. These are drawn from a range of literature, but feature particularly strongly in Gupta's (2008) behavioral account of terror-crime interaction.

3.2.1 Loss or Acquisition of Funding

Iran's largesse, going back to the group's origins, has ensured that Hezbollah has had a near constant stream of funding and has rarely been under financial pressure. Indeed, in 2005 Levitt claimed that "By all accounts, Hezbollah operates under no revenue constraints" (2005b), and that they had no need for independent fundraising. However, a decade later he acknowledged that

> . . . over the years, due to the impact of sanctions, a drop in the price of oil, and other considerations, Iran has cut back its direct support in favor of proxy support—sometimes very suddenly. As a result, Hezbollah has, in recent years, significantly expanded both its formal and informal criminal enterprises, as a means of diversifying its financial portfolio and insulating its budget from the impact of Iranian belt-tightening.' (2016, 155-156)

While Iran has provided a consistent base of funding for Hezbollah, there have been enough peaks and troughs (Figure 2) in their support to make Hezbollah wary of relying too heavily on their sponsor.

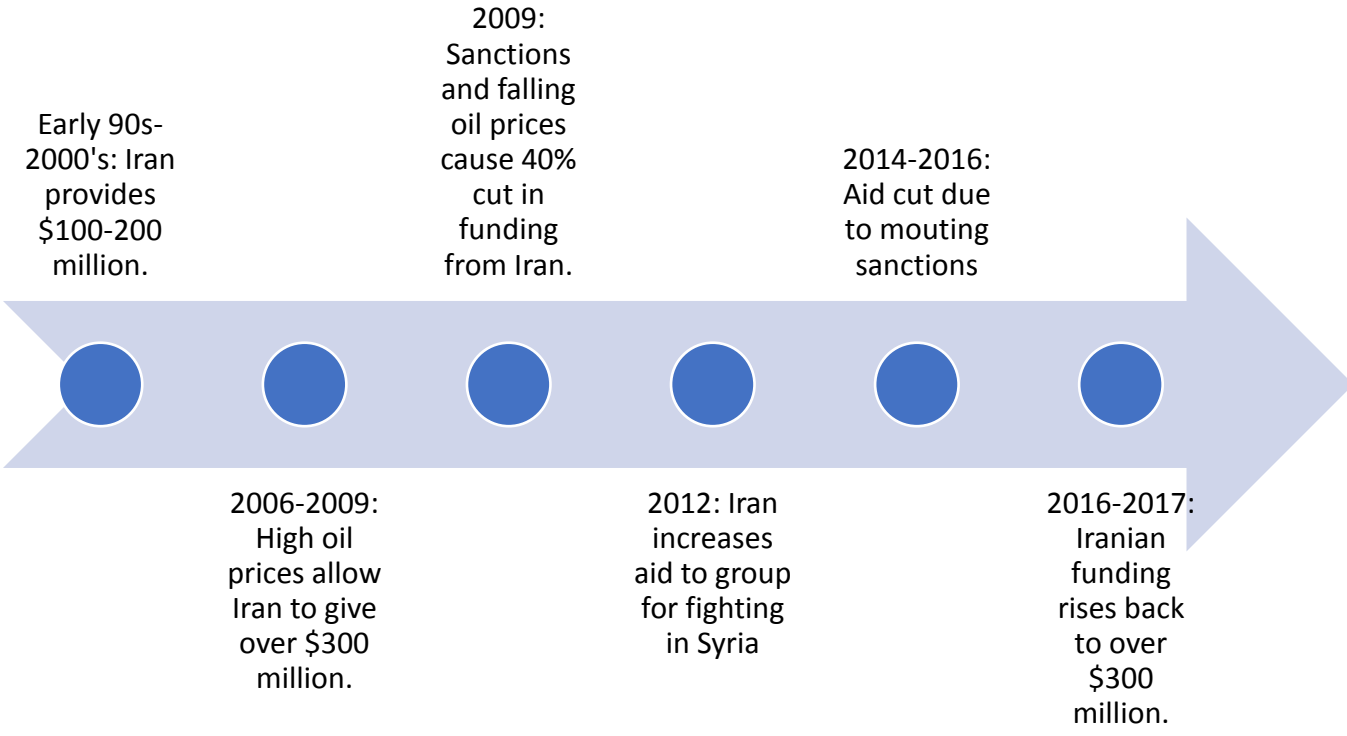

Figure 2: Timeline of Iranian support for Hezbollah. (adapted from Fanusie and Entz 2017)

While there were some reports of Hezbollah's involvement in crime going back to the 1980s (Micallef 2017; Hernández 2013, 48), the extent of their criminal fundraising appears to have intensified in recent years (Levitt 2016, 155-156). This potentially reflects the tendency of criminal networks to deepen and expand over time (Duijn, Kashirin and Sloot 2014, 13) and the desire to develop their financial independence (Levitt 2005b) as much a simple response to shortfalls in funding. Furthermore, there is no evidence to suggest that increases in Iran's funding are met with an attendant reduction in criminal activities, indicating a more complex relationship between state funding and crime than one based on simple necessity. Hezbollah's independent criminal fundraising is therefore better understood as a hedge against potential future losses, rather than a response to the current funding environment. Hezbollah likely realize that Iran's support is

conditional, and that the current regime might not be in power indefinitely. Their other traditional sponsor, Syria, also had a tendency to play various sides off against each other in Lebanon by funding rival groups to maintain a favorable balance of power (Norton 2007, 35). This would make any group wary of relying exclusively on state support. Within this context, the development of independent fundraising capabilities is a prudent strategic decision which diversifies against future risk.

3.2.2 Change in Leadership

Hassan Nasrallah has been the leader of Hezbollah since his predecessor's assassination in 1992. Despite making a public pronouncement against the drug trade Nasrallah has presided over Hezbollah's criminal activities throughout his tenure (Hernández 2013, 48). There is no reason to believe that has his processor would have prevented Hezbollah's involvement in crime, although this is a counter-factual claim. Indeed, there have been rumors of an Iranian fatwa to allow drug trafficking in the service of the armed struggle going back to the mid 1980's (Hernández 2013, 48), showing that an interest in criminal fundraising predates the current leadership and is sanctioned by Iran. Given that strategic decisions are taken by a leadership council (Levitt 2005b), rather than a single person, it is reasonable to assume that similar decisions on funding streams would have been taken, although without intimate knowledge of the decision-making process this is impossible to confirm.

3.2.3 Change in Socio-Political Situation

There are several major political events which could potentially have defined the nature of Hezbollah's relationship with crime, for example by encouraging a move from grievance to greed. However, significant socio-political changes such as the end of the civil war or Hezbollah's entry into parliament are perhaps less significant drivers of the group's strategy than they initially seem.

This is because Hezbollah's central goals, opposition to Israel and support for the Iranian revolution (Norton 2007, 35-40), were not fundamentally altered by political events within Lebanon. This means that they have not transitioned away from politics and towards crime, as Gupta's (2008) model would suggest, because their political goals remain intact.

This is not to say that political events within Lebanon were not significant. The institutionalization of Hezbollah, first as a political party and then as it entered government, could potentially have triggered a move away from crime as they sought greater legitimacy. However, this does not appear to have happened. This may be because as Hezbollah grew from being primarily a terrorist organization towards being a welfare provider, its budgetary needs would also have expanded. Hezbollah's role as a socio-political organization based in an impoverished region incentivizes them to continuously develop their funding streams, independently of Iran's aid. It is also likely that the reputational costs of being associated with crime are lower for Hezbollah than they would be for groups elsewhere in the world, due to Lebanon's historic dependence on the black-market economy (Arbid 2017, 5) and the fact that their criminal operations are internationally dispersed. Despite a number of socio-economic changes, Hezbollah's goals have not altered and their involvement in crime has not been significantly dis-incentivized.

3.3 Conclusion

There are several preliminary conclusions which we can draw about Hezbollah's involvement in organized crime. Firstly, it appears that their use of criminal fundraising is an attempt to diversify against potential future loss of state funding, as Hezbollah are wary of being over-reliant on one benefactor. This independent source of funding is also useful because of Hezbollah's wider political and social goals, as extra money can be used for social development

in Lebanon. The situation is therefore much more complex than a group simply responding to fixed budgetary needs.

Another interesting element of this case is the work of Iran and other allied states as facilitators of crime, as seen in Venezuela's involvement. This shows that not only will state-sponsored groups engage in crime, but they may also be enabled to do so more effectively with the help of their sponsors. A final observation is that Hezbollah have not fallen into Gupta's (2008, 155-157) "easy money" trap, whereby the group's members become distracted by profit potential at the expense of their ideological commitment. This is likely because Hezbollah's original goals remain intact, and may also be due to their effective internal structure. Hezbollah's ability to function simultaneously as a religious and criminal group also deviates from Gupta's (2008, 151) findings, which view highly ideological religious groups to be less likely to engage in crime. Hezbollah have thus far been able to effectively utilize both state and criminal fundraising, while maintaining their political and social functions.

Chapter 4: Mujahedin-e Khalq

Mujahedin-e Khalq (MEK), also known as the People's Mujahidin of Iran, is an exile group opposed to the current regime of Iran. Its ideology has evolved over time, from a blend of Marxism and Islamism towards a general pro-Western and anti-clerical position. The group's organization and strategy has also adapted multiple times, developing from a guerilla to a terrorist organization, to something more like a "destructive cult" with geopolitical ambitions (Banisadr 2016, 171-172). Originally part of the movement which removed the Shah from power, they also grew to oppose the new Iranian government, leading to a bombing campaign and a government crackdown. The leadership initially moved to Paris, before being expelled in 1986 (Masters 2014). This led to them moving to Iraq during the height of the Iran-Iraq war, where they operated as a proxy of Saddam Hussein's regime. They were designated a Foreign Terrorist Organization (FTO) by the US in 1997 and the EU in 2002. Following the 2003 invasion of Iraq, MEK were held under American control and protection, eventually being demobilized and dispersed for their own protection (Benjamin 2016). However, the group has remained politically active, successfully lobbying for its delisting as an FTO and presenting itself as a potential alternative Iranian government. MEK is the driving force behind The National Council of Resistance of Iran (NCRI), which presents itself as a parliament-in-exile, making MEK a potentially useful proxy of anti-Iran hawks in Israel and the US (Tovrov 2012). Rather than working directly against Iran, it now focuses on pushing for foreign powers to institute regime change (Banisadr, 2016, p171-172).

MEK's most significant state relationship was with Iraq, with the group even being referred to as "Saddam's Praetorian Guard" (Takeyh 2011, 3). Using weapons and equipment provided by the Iraqi army, they launched a major incursion into Iran and later participated in the suppression

of Kurdish and Shi'a communities inside Iraq (Benjamin 2016). This closeness to Saddam gravely damaged MEK's credibility within Iran, but provided them with a solid funding base (Tovrov 2012). This funding stream was cut off with the fall of Saddam's regime, although the group has continued to display a significant amount of financial resources. One such use of these resources has been to lobby the US for support, with high profile figures such as John Bolton and Rudy Giuliani being paid large fees to speak in support of MEK (Benjamin 2016). Given Bolton's appointment as National Security advisor in 2018 this tactic may lead to a closer relationship between MEK and the American government, particularly in the event of renewed conflict with Iran.

MEK is an opaque organization with a distinct lack of clarity over where they gain the funds to hire lobbying firms and pay speaker fees. While they were paid large amounts of money directly by the Iraqi regime (Tovrov 2012), that funding stream ended with in 2003. MEK claims to receive its funding from likeminded Iranian exiles and charities, while the organization is said to have requisitioned the property of its members (Tovrov 2012). It also engages in fraudulent fundraising practices, such as the use of front charities or falsely soliciting donations for earthquake victims or refugees (Goulka et al. 2009, 20). However, this seems unlikely to account for the wealth their political efforts have displayed (Tovrov 2012). There are accounts of MEK operating as a front for the Israeli secret service, carrying out attacks and assassinations of nuclear scientists (Hersh 2012). This is borne out by MEK's release of information regarding Iran's nuclear program in 2003, an act also believed to be in service of Mossad (Axworthy 2014, 383). The extent of the relationship between MEK and Israel is difficult to confirm, but fits the geopolitical aspirations of each group. What is stranger, particularly given their abrupt loss of Iraqi support, is that MEK do not appear to have turned to organized crime as an alternative funding stream. While

there is some evidence of money laundering (Tovrov 2012; US Attorney's Office, Central District of California, 2009), due to the illegality of donating to FTOs, there is no evidence of widespread criminality. While their approach to financial transactions can accurately be described as "shady" (Tovrov 2012), there is no evidence of involvement in smuggling, drug production or extortion.

4.1 Structural Factors

4.1.1 Trans-border Identity Networks

The Iranian diaspora is estimated to be around four to five million from a country of around 81 million, with many of these people "exiled" by the Islamic Revolution (Mohabbat-Kar 2016, 7-10). While this diaspora is small, particularly compared to the Lebanese diaspora discussed in the previous chapter, there are certainly wealthy benefactors sympathetic to MEK's goal of regime change. Indeed, this is where MEK claim to gain much of their financing (Masters 2014). However, this does not represent the kind of grassroots transnational network which could provide access to criminal means of fundraising. More significantly, MEK are not necessarily in a position to tap into the support of the wider Iranian diaspora, due to their actions in the Iran-Iraq war. By siding with the Iraqi regime and committing violence against Iranians, MEK lost credibility and support within Iran (Axworthy 2014, 290; Byman 2005, 76; Masters 2014). This also hurt their standing with Iranians outside the country (Pedde 2005, 120-121) and therefore prevents them from creating profitable networks between Iran and other countries. While MEK may have wealthy supporters within the Iranian expatriate community, they lack a wide base of support networks.

4.1.2 Armed Conflict

The primary effect of armed conflict on MEK's behavior was that the Iran-Iraq war facilitated their relationship with Iraq. The 2nd Gulf War ended this relationship by bringing down Saddam Hussein. While this created a long period of instability and conflict within Iraq, MEK

failed to capitalize on this to create criminal funding streams. This is largely because the US occupation meant that MEK were closely constrained by the American military. Due to MEK's enemies and Iran's alliances within the new Iraqi system, they were largely confined to one base for their own protection with the American military having firm oversight (Goulka et al. 2009). The particularities of this armed conflict therefore constrained rather than enabled the development of MEK's criminal capabilities, as it created an environment in which they were both vulnerable to attack and closely supervised by an occupying force.

4.1.3 Criminal Markets

MEK have extremely limited access to criminal markets, as they do not control any productive regions such as areas of drug cultivation. As noted above, their supporters are also not distributed widely enough to facilitate smuggling markets or similar criminal enterprises. However, following a 2016 agreement many of MEK's members have relocated to Albania (Spahiu 2017). Albania is a weak state, with a significant level of organized crime and political violence, and is an important hub for drug trafficking (Korteweg and Ehrhardt 2006, 83; Zhilla and Lamallari 2015). This could provide more fertile opportunities for criminal fundraising, although any attempt by MEK to do so would face competition from existing organizations, which engage in their own criminal and political activities (Makarenko 2004, 132-137). While having members in Albania rather than a guarded military complex in Iraq provides better access to criminal markets, it is unclear whether MEK have either the will or capacity to take advantage of this.

4.1.4 State Weakness

The effect of state weakness on MEK is broadly similar to the effect of armed conflict, with the group unable to capitalize on Iraq's fragility due to their lack of support within the country

and American oversight. Furthermore, the relative stability of the Iranian regime means that MEK has been too weak and unpopular to seriously threaten the government there (Dubin and De Luce 2018; Rezaian 2018). This weakness compared to its government opponents means that MEK seeks to align itself with powerful foreign allies (Banisadr 2016, Dubin and De Luce 2018). With limited opportunities to exploit state weakness in Iran and an inability to directly challenge their opponents, MEK likely put a premium on gathering state support rather than developing independent funding streams. Profiting from organized crime is therefore neither strategically helpful nor easily achievable in this case.

4.1.5 Counter-vailing policies

The US policy towards MEK following the occupation of Iraq has undoubtedly constrained its ability to conduct criminal fundraising, not least because many of the members were held within specific military camps. French authorities also cracked down on MEK's activities in Europe in 2003, rounding up around 160 activists and seizing millions in cash and assets (Tovrov 2012). This prevented MEK from setting up an alternative base in France, thereby ensuring complete American control of the group. With MEK's membership in Iraq being given the status of "protected persons" under the Geneva Convention (Goulka et al. 2009), they went from being a state-sponsored group to one under something more akin to state guardianship. While the group still engaged in operations against Iran, with alleged American support (Hersh 2012), they had lost the level of independence which might make criminal fundraising either attractive or possible.

On the other hand, there have been some policy changes which have allowed MEK to engage in non-criminal fundraising more openly. Chief among these are the delisting of MEK as a terrorist organization by the EU in 2009 and the US in 2012. This delisting by the EU allowed MEK to move money between front charities more easily, which in turn facilitated the lobbying

efforts in the US (Tovrov 2012). MEK have therefore been able to influence policy in their favor by presenting a more legitimate face to the West, which has reduced the need for criminal fundraising.

4.1.6 Organizational Structure

MEK's structure is incredibly hierarchical, with many scholars describing it as a cult (Khodabandeh 2015, 175-176; Goulka et al. 2009, 38; Masters 2014). It is currently focused around the personalistic leadership of Maryam Rajavi, the wife of group founder Massoud Rajavi. Members were forced to cut ties with their families, divorce their spouses and give up their property for the cause, showing the control that the leadership maintains over the group's members (Masters 2014; Tovrov 2012). The leadership also refused American efforts to relocate the group to other countries despite the dangers of remaining in Iraq, using the membership as a "bargaining chip" to prevent them from losing control (Benjamin 2016). This prevented the group from dispersing in a way which might have facilitated the development of criminal networks. This level of control also ensures that the membership was fully committed to the leader's strategy, which focused on high-profile media campaigns which often put Maryam Rajavi front and center (Khodabandeh 2015, 175-176). This personalistic and hierarchical structure has therefore made the development of criminal revenue streams unlikely.

4.2 Critical Events

4.2.1 Loss or Acquisition of Funding

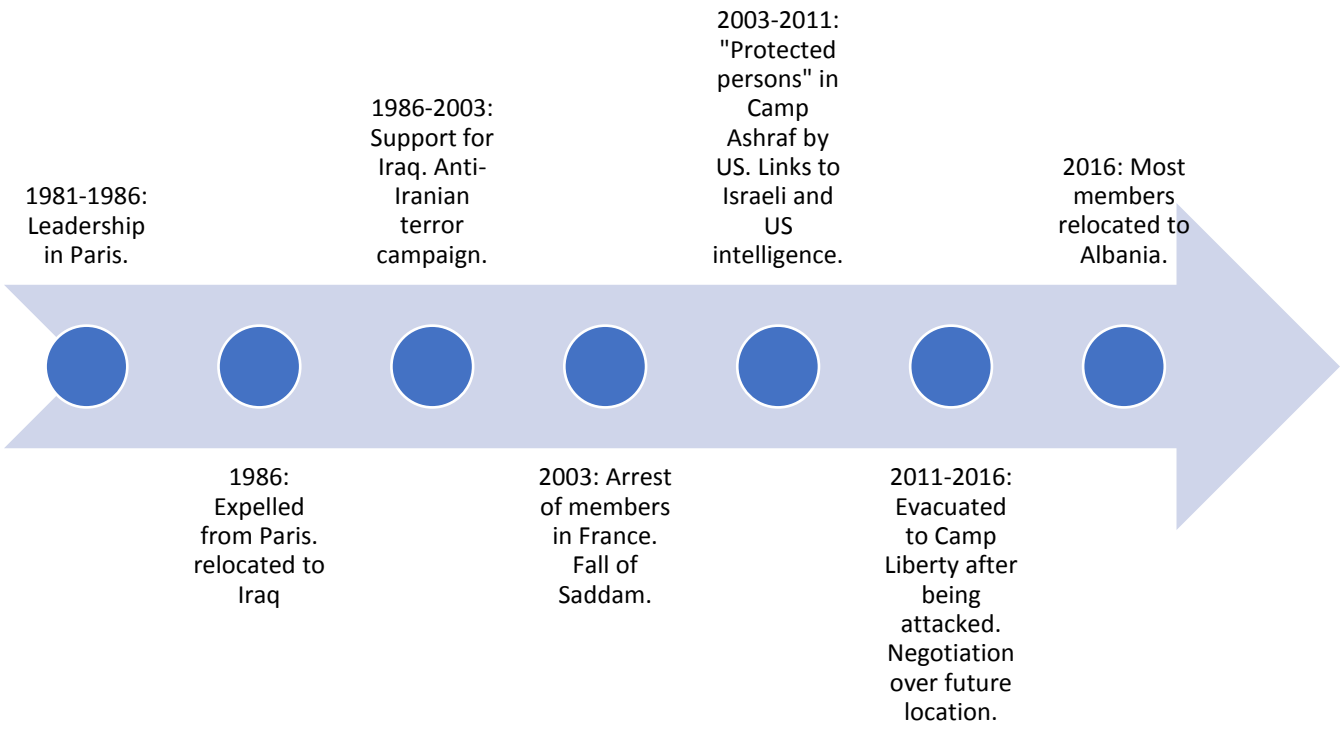

Figure 3: MEK Timeline

MEK's sharp loss of support following the American occupation did trigger a strategic adaptation, but not one which appears to involve organized crime. Firstly, as mentioned above, the delisting of MEK has allowed them to expand their political fundraising. More importantly, they appear to have successfully cultivated links with the intelligence services of Israel and the US (Hersh 2012; Tovrov 2012). Receiving training and funding from these governments in return for conducting anti-Iranian operations likely helped to cover some of their financial losses (Hersh 2012). However, at a deeper level it shows a geopolitical adaptation in which MEK cultivate state

support rather than engage in independent campaigns. Upon losing their Iraqi sponsor, MEK turned to new potential benefactors rather than attempting to maintain itself through crime. This likely reflects their weakness compared to other groups in Iraq and the Iranian regime.

4.2.2 Change in Leadership

It is unknown when the leadership of MEK passed from Massoud to Maryam Rajavi, although Massoud has been presumed dead since 2003 (Masters 2014). The leadership style has remained personalistic and autocratic, with a large propaganda effort spearheaded by Maryam becoming MEK's primary tool (Khodabandeh 2015; Goulka et al. 2009, 39). Maryam Rajavi has made efforts to present herself as a human rights campaigner, a strategy in line with their reorientation towards Western powers (Khodabandeh 2015, 175-176). While Maryam Rajavi's exact attitudes towards crime are unknown, it is clear that this carefully curated image would be incompatible with being the head of a criminal organization.

4.2.3 Change in Socio-Political Situation

The fundamental goal of MEK, the removal of Iran's clerical regime, remains intact. Indeed, the political accession of MEK's advocates like John Bolton to the Trump administration (Torbati 2017; Dubin and De Luce 2018), the American violation of the Iranian nuclear deal (Tabrizy 2018) and skirmishes between Iran and Israel (Chan 2018), all make the possibility of military regime change significantly more realistic. This shows the success of MEK's response to their loss of support from Iraq, as their strategic reorientation towards the West and their self-image as a democratic opposition to Iran makes them well-placed to benefit from foreign intervention in Iran. MEK appear to have fully committed to the strategy of relying on anti-Iran hawks in the West to advance their agenda. Geopolitical changes since the fall of Saddam Hussein reinforce this, as foreign intervention seems the most likely route to regime change while MEK's

political rehabilitation mean they are viewed by a small but significant group as a viable alternative despite their unpopularity within Iran (Clifton 2016; Torbati 2017).

4.3 Conclusion

The critical events in MEK's recent history did cause strategic adaptation, but not in the way predicted by necessity-based theories of crime and terror (Gupta 2008). Instead, MEK chose to focus exclusively on developing new state relationships while attempting to influence regional geopolitics. There are several reasons for this. Firstly, there were limited opportunities for criminal expansion by MEK. Secondly, the American occupation and MEK's lack of connection to Iraqi society constrained their ability to act. Thirdly, their comparative weakness as a terrorist organization means that their strategic interests would have to be enacted through a more powerful state actor, making criminal fundraising an unattractive and possibly counterproductive approach. This shows the importance of viewing a group's response to critical events within the wider context of opportunity and constraint structures, as the two cannot be separated.

Chapter 5: Analysis

The cases analyzed in this thesis provide us with a number of empirical and theoretical insights regarding state-sponsored terrorism and crime. Firstly, we can better understand the effect of the various factors and events discussed on the funding strategies and behavior of terrorist groups. Secondly, they can provide insights into the connection between the two broad causal mechanisms discussed. These are the structural factors, representing both opportunities and constraints, and critical events identified as potential triggers of a move towards crime. These two causal mechanisms are connected to the opportunity- and necessity- based theories respectively, although there are areas of theoretical overlap. Finally, it is possible to derive several hypotheses regarding the use of organized crime by state-sponsored terror group from these two cases, which can be tested in future studies. It is important to note that while these two deviant cases provide a rich source of information from which to build and modify a theoretical approach, they do not provide a representative sample. The hypotheses provided within these results are therefore probabilistic rather than absolute, and would benefit from rigorous confirmatory testing in the future.

5.1 Evaluation of Important Factors and Events

By comparing the two cases above it is possible to evaluate the relative significance of the various structural factors and critical events identified in the existing theoretical literature. The importance of trans-border identity networks is strongly reinforced by these two cases, and this factor appears closely connected to each group's funding strategy. Hezbollah draws on significant support among a large and highly dispersed diaspora, many of whom are based in areas with a high potential for criminal profiteering. MEK on the other hand, is able to draw on donations from

wealthy opponents of the Iranian regime. However, it lacks access to a large or well-placed identity network, reducing the opportunity for crime. Access to criminal markets is equally central to the outcome of these cases, and is closely connected to trans-border identity networks. These networks can facilitate access to criminal markets, particularly those related to smuggling. In the case of Hezbollah, this allows them to develop trans-continental supply chains which link the production of goods such as drugs and diamonds to eventual markets. This strong market position is reinforced by Hezbollah's dominance in the drug producing regions of Lebanon. In comparison, MEK lacks this level of market access.

Armed conflict and state weakness largely go hand in hand in this analysis, with both factors impeding the ability of law enforcement to address organized crime. This permissive environment allowed Hezbollah to successfully develop their criminal enterprises in places such as Lebanon and the Tri-Border area. In Lebanon, the relative weakness of the state means that Hezbollah has managed to gain a significant level of legitimacy, further insulating them from the potential costs of engaging in criminal activity. MEK, on the other hand, have had to contend with a strong Iranian state and an American occupation which prevented them from operating freely. MEK responded to this weakness by aligning itself with states where possible, rather than engaging in crime.

Counter-vailing policies have some constraining effect. MEK was particularly weakened and isolated by law enforcement and military containment measures. However, it is also worth noting that state-sponsored groups may have more success in counter-acting these policies than non-state supported groups. For example, Hezbollah's connections with Iran and Venezuela have allowed them to operate more effectively abroad. Being plugged into Iran's diplomatic network offers a distinct advantage which is not available to independent groups. This diplomatic advantage

was brought to bear during the negotiations over Iran's nuclear deal, with American law enforcement operations being constrained. State sponsorship is therefore not only about money and weaponry, but also about the non-material advantages of being connected to a state.

Organizational structure also plays a role in these two cases, with Hezbollah's combination of hierarchy and network allowing local cells to develop criminal networks while the central leadership maintains an ideological focus. This has helped to prevent a full-scale transformation into a profit-orientated criminal group. MEK's group structure, which is not only hierarchical but also highly personalistic, has ensured that the membership was physically concentrated in one place. This means that not only did it lack the flexibility of Hezbollah, but the members were unable to engage in activities away from the occupying American forces. However, MEK's lack of focus on organized crime also reflects the leadership's preference for geopolitical agitation over criminality. It is perfectly possible that a hierarchical structure would be compatible with crime, if the leadership had committed to a different strategy. However, these cases seem to fit with Dishman's (2005) analysis of decentralized structures as a facilitator of crime.

Both MEK and Hezbollah experienced critical events which, in line with the necessity-based approaches to terrorism and crime, have the potential to change the group's funding strategies. Chief among these events is the loss or acquisition of state funding. In Hezbollah's case they have never lost state funding, making their choice to engage in crime somewhat problematic for Gupta's (2008; Hausken and Gupta 2015a, Hausken and Gupta 2015b) necessity-based model. However, there has been enough variance in the level of funding to make Hezbollah wary of relying exclusively on their state benefactors. This suggests that terror groups look ahead strategically, diversifying their funding against future risks where possible. MEK responded to its loss of state funding not by turning to crime, but by aligning itself to other states. This is a long

and potentially risky process, as it relies on them continuing to be useful to other states. However, it shows that there are a range of responses to losing state funding, which do not necessarily have to involve organized crime.

Hezbollah have had a remarkably stable leadership, which appears to have been somewhat open to the use of crime since the group's inception. It is therefore difficult to assess the potential importance of a change in leadership. However, the mechanisms by which leadership is said to influence criminality is that it leads to a weakening of ideological commitment, which in turn leads to criminal activities (2008, 156-158; Hausken and Gupta 2015a, 73; Hausken and Gupta 2015b, 160). Hezbollah has managed to remain ideologically committed, even while some of the membership engages in crime. This suggests that crime and extreme ideological commitment might not be opposed, as Gupta has suggested (2008, 81-82, 156-158). On the other side of this, MEK have shown a large degree of ideological flexibility, having at times been Marxist, pro-capitalist, Shi'a, pro-Saddam and pro-Israel. They have also had a change of leadership, admittedly from husband to wife. Despite this, there has been limited involvement in organized crime. These cases therefore suggest that the leadership acts strategically when defining the group's behavior around crime, rather than in relation to ideology.

There have been significant social and (geo)political changes affecting both Hezbollah and MEK, but these have not necessarily defined their relationship to crime. This is because while these changes have been significant in influencing the overall structural environment in which the groups operate, their core goals have not been altered. MEK remains opposed to the clerical regime of the Islamic Republic, while Hezbollah supports Iran and oppose Israel. The continued relevance of their political goals means that neither group has made a transition from political to criminal, with Hezbollah's criminal activities remaining subservient to their political ones. For MEK, the

geopolitical tension between the US-Israeli-Saudi alliance and Iran means that aligning itself with Iran's state opponents is a viable strategy, making the use of crime less attractive than focusing on gaining state support.

A more general insight from these cases is that the use of organized crime by terror groups is part of a long-term strategy based on opportunities and constraints as well as being driven by immediate events and needs. Groups appear to be forward thinking, developing criminal networks and state relationships based on their long-term goals and diversifying their funding strategies to avoid risk. Contrary to much of the existing literature, organized crime is not always an unwelcome last resort for ensuring a group's continued existence (Dishman 2001; Hutchinson and O'Malley 2007, and neither should it be considered a mechanical response to a loss in funding (Hausken and Gupta 2015a). Likewise, the use of organized crime should not be understood as antithetical to the pursuit of ideological goals (Gupta 2008; Hausken and Gupta 2016). Rather, it is part of a range of strategic choices which are open to groups no matter their level of existing funding or ideology. This suggests that models which are based around an axiomatic understanding of funding needs or a diametrical relationship between ideology and crime are overly simplistic.

5.2 Relationship between Structure and Events

From these two cases alone, it appears that structural factors play stronger explanatory role than critical events. Following this, opportunity-based theories such as that developed by Mincheva and Gurr (2013) explain these cases better than necessity-based theories (Gupta 2008). However, this is likely a result of the case selection, which favored the selection of deviant cases. It is therefore better to look at what these cases can tell us about the relationship between structural factors and critical events, rather than using them to make generalizations about the relative weighting of each factor.

Critical events do have the potential to cause adaptation by state-sponsored terror groups. For example, even partial shortfalls in funding appear to have caused Hezbollah to develop their criminal enterprises. However, it is clear that this adaptation does not have to involve organized crime. MEK chose to gamble on a long-term strategy based around the development of political connections in various regional states. In these cases, the different responses seem to be the result of the different opportunity structures as well as the relative strength of each group. Hezbollah had much more favorable conditions, allowing them to develop highly effective criminal networks. MEK lacked these conditions. Equally importantly, Hezbollah's desire for a level of funding independence reflects their strength, in the sense that they can image surviving without a state benefactor. Their well-developed international network and strong position in Lebanon means that if Iranian support was to cease they could continue to pursue their goals independently. MEK's relative weakness, on the other hand, means that their strategic interests are best served by state intervention. Independent criminal fundraising is less important to their long-term strategy, because they lack the ability to effectively act independently towards their goals. Taken together, these two cases suggest that while critical events will cause some form of strategic adaptation, the nature of this adaptation depends on the structural environment in which the group operates.

5.3 Hypotheses

It is possible to derive from these results several hypotheses regarding the use of organized crime by state-sponsored terror groups.

H1: A favorable structure of opportunities and constraints increases the likelihood of criminality, regardless of state support.

H2: A change in funding will cause a group to adapt its strategy.

- The nature of this adaptation is defined by the opportunity structures and the strategic interests of the group.

H3: A state-sponsored terror group will not become fully criminalized as long as its well-defined political goals remain in place.

Taken together, these hypotheses sketch out the beginning of a theory which can address the relationship between state-sponsored terror groups and organized crime by examining how strategic responses to critical events are mediated through the geopolitical structure of opportunities and constraints. These hypotheses require further testing, but suggest a possible route forward within this research agenda.

Chapter 6: Conclusion

This thesis has examined the intersection of terrorism and organized crime, with a specific focus on the use of criminal fundraising by state-sponsored terror groups. The effects of state sponsorship remain understudied in the literature on terrorism and crime, reflecting the general assumption that state sponsorship has been in steady decline since the end of the Cold War. However, recent developments indicate that perhaps this decline has halted, with damaging proxy wars involving non-state groups occurring in Ukraine and the Middle East. The cases analyzed in this thesis exemplify the continuing relevance of state-sponsored terrorism, with Hezbollah remaining active throughout Lebanon and Syria while MEK is regaining prominence in light of renewed tensions between Iran and the US. The potential use of organized crime by these groups is important to policymakers, as it represents both a source of funding and a cause of further instability.

Existing attempts to theorize the relationship between terrorism and crime are insufficient for addressing state-sponsored terrorism. However, it has been possible to draw insights from existing theories by using them to structure these case studies. Both the necessity-based theories, exemplified by Gupta's (2008) work, and the opportunity-based approach of Mincheva and Gurr (2013) provide potentially useful lenses for understanding the behavior of state-sponsored terror groups. However, the results of the case studies within this thesis suggest that the broader structural factors emphasized by opportunity-based theories better explain the use of organized crime by state-sponsored terror groups. Specifically, the answer to the puzzle of why well-funded state-sponsored terror groups would engage in organized crime lies in the structure of opportunities and constraints facing the group. Hezbollah were not forced into using organized crime by economic

necessity, nor did a series of events cause it to lose ideological fervor. Rather, the group was well-placed to exploit the diverse funding streams available through international crime. Likewise, MEK was constrained by its geopolitical position in such a way as to prevent them from replacing lost state funding with criminal profits. The failure of the necessity-based theories to account for these cases, particularly a case as paradigmatic as Hezbollah, strongly suggests the need for significant further development.

However, this does not suggest that necessity-based theories are entirely without merit. The results of this study do not show that the critical events and behavioral factors emphasized by necessity-based theories are unimportant. Rather, they show that they are mediated through the structure of opportunity and constraints. For example, a loss of funding will indeed cause an adaptation, but the nature of this adaptation will depend on the structural environment. The main shortcoming of the necessity-based theories is that they fail to situate the group-level causal mechanisms within the wider context. This primary contribution of this thesis is in showing the need for a theoretical synthesis, which accounts for the interaction between group dynamics and geopolitical factors.

Another major contribution of this thesis is highlighting the complicated role of states, which do not simply provide funding to groups. State-sponsorship can either enable or discourage the use of organized crime, depending on the goals of the state and its place within the international system. Despite the wide range of academic literature on Hezbollah, this thesis is the first to explicitly highlight Iran's role in enabling Hezbollah's criminal activities. The idea of a state-sponsor as an alternative to organized crime is therefore both over simplistic and unhelpful. Any theory which hopes to address state-sponsored terrorism must acknowledge that there is a myriad of possible principal-agent relationships, with both states and groups acting dynamically within

regional and international systems. By providing a number of testable hypotheses, this thesis has sketched out the beginning of a theoretical approach which adapts existing theories while recognizing the complex interaction between states and terror groups. However, this leaves significant room for future adaptation and testing.

In addition to highlighting the importance of the subject and contributing to theoretical development, this thesis suggests several policy implications. Firstly, policymakers should be wary of states using their legal and diplomatic powers to enable criminality, as in the case of Hezbollah. In order to constrain organized crime, governments should exert pressure on potentially enabling states. Secondly, the key role of diaspora networks in providing access to lucrative criminal markets suggests that countering the support for terrorism within these groups should be of utmost priority. MEK is hamstrung by its lack of legitimacy amongst the Iranian diaspora, while Hezbollah has been able to leverage its international support effectively. Counterpropaganda and other ways of reducing the legitimacy of armed groups should form an important part of law enforcement and antiterror operations. Crucially, policymaking must be informed by a firm and holistic understanding of the political environment in which terror groups operate. This is particularly true of state-sponsored groups, as geopolitical factors complicate our understanding of their behavior and strategies.

Appendix A: Summary of Theory and Results

Table 1: Critical Events and Structural Factors

Critical Events	**Structural Factors**
Loss or Acquisition of Funding	Trans-border Identity Networks
Change in Leadership	Armed Conflict
Change in Sociopolitical Conditions	Criminal Markets
Collapse of State →	State Weakness
Introduction of Effective Policies →	Counter-vailing Policies
Change in Structure →	Organizational Structure

Table 2: Summary of Results

Structural Factor	**Hezbollah**	**MEK**
Trans-Border Identity Network	Highly enabling, gives access to wide criminal opportunities.	Not enabling, very limited access to criminal markets or grassroots networks.
Armed Conflict	Highly enabling, creates permissive environment and maintains markets.	Not enabling/constraining due to US military presence.
Criminal Markets	Highly enabling, reinforced by diverse identity networks, global supply chains and conflict. Includes drugs, diamonds, white-collar crime.	Not enabling, lack of access to either production or markets.
State Weakness	Highly enabling, creates permissive environment(s), weakens enforcement, allows state capture.	Not enabling, due to US military presence, weakness within Iraq and strength of Iranian regime.
Counter-vailing policies	Mildly constraining, but countered by Iranian support and legitimacy inside Lebanon.	Constraining, due to US military presence. Growing political links to the West enabled non-criminal activities.

Organizational Structure	Highly Enabling- Allows mixture of oversight and flexibility. Criminal fundraising but not transformation	Constraining- rigid hierarchy and focus on leadership legitimacy.
Critical Events	**Hezbollah**	**MEK**
Loss or Acquisition of Support	Seek to diversify funding due to inherent uncertainty regarding future state support, given dips in Iran's capacity to provide support.	Attempted to replace Iraqi support by moving closer to the US and Israel.
Change in Leadership	No wholesale change thus far, relatively consistent policy towards crime.	Within family change. Hard to tell effect as this handover occurred simultaneously to a number of other changes.
Change in Socio-Political Situation	While certain political changes, particularly within Lebanon, have shaped Hezbollah's behavior, there has been to change in their fundamental goals. They have not fully embraced organized crime, but maintain it as a funding stream.	Core goals remain the same, with geopolitical tensions between Iran and Western countries making renewed state sponsorship a realistic alternative to crime.

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