

## Interview - Loretta Napoleoni

Written by E-International Relations

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Loretta Napoleoni is an expert on terrorist financing and money laundering. She began her career as an economist and is now a columnist, author and advisor to several governments and international organisations. As Chair of the countering terrorism financing group for the Club de Madrid, Napoleoni brought heads of state from around the world together to create a new strategy for combating the financing of terror networks.

Napoleoni is the author of a number of books, her most recent is *The Islamist Phoenix: The Islamic State and the Redrawing of the Middle East*. Other publications include *Terrorism and the Economy: How the War on Terror is Bankrupting the World*, *Modern Jihad: Tracing the Dollars Behind the Terror Network* and *Maonomics: Why Chinese Communists Make Better Capitalists Than We Do*. She is currently working on a book linking post 9/11 Western foreign policy, kidnapping and the refugee crisis.

### **Where do you see the most exciting research/debates happening in your field?**

The most controversial debate at the moment concerns how we deal with Islamic State (IS). The options are either a military intervention or negotiations. The majority of people are in favour of military intervention because of the nature of the beast. However, if we look at the way we have resolved terrorism in the past, it has always been through negotiations. In this case it is particularly difficult because IS is a terrorist organisation that is also in charge of territory. IS has established itself as a state and it is functioning as one, which puts us in uncharted waters. If you look at classic terrorism, such as nationalist terrorism in 1970s Europe, they also wanted to be seen as a state but in reality they did not control any territory. So we haven't had these types of problems before, even the Taliban did not have financial independence as they were bankrolled by Pakistan. We are facing a new enemy and the question is, do we go about the traditional route of war with a rogue state or do we follow the traditional route for dealing with terrorism?

### **How has the way you understand the world changed over time, and what (or who) prompted the most significant shifts in your thinking?**

My childhood friend was a leader of the The Red Brigades (BR) in Italy, so to a certain extent personal experience led me to the work I do now. I didn't know she was a member until the day she was arrested and that prompted lots and lots of questions about how it was possible that a friend could do such horrible things. Eventually in 1992, after the end of the armed struggle was declared, the BR made a list of people with whom they would talk with. I was one of those people because of my relationship with my friend. I took the decision to change my profession, to go back home and interview them, because I really wanted to understand what makes you a terrorist. It was a personal journey not a professional one, but it became a professional one because of my background as an economist, I was thinking about things in economic terms. When I was talking to those in the BR I discovered that what they were actually doing all the time was not discussing politics but searching for money. That really interested me. That was something new and nobody had thought about it. I found this parallel, illegal and legal economy fascinating. Friends, family, and other sympathisers were helping the BR, showing that there were actually a lot of people who are quite happy to give money to terrorists.

Prior to 9/11 my work was really unknown, I was working alone and funding things myself. There wasn't much

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interest in this subject at all but 9/11 changed all that. All of a sudden I found myself in a profession, as an expert on terrorism that had previously not existed. Having said that, I am independent. I didn't go and work for any think tanks or political or economic organisations. This was intentional due to the special relationship with former members of the BR and other organisations. I thought that if I worked for a think tank then that kind of dialogue would end. I would also be forced to present a certain view – an official view. Think tanks are funded by various organisations and if you don't say what these organisations want then you're not going to get your funds. It was, and is, tough. I do make a comfortable living but I could be making much much more, but then I would not be doing what I'm doing, I would be doing something else.

### **Many have suggested that much of your work presents a counter-narrative to the dominant Western discourse on resistance and radical Islam. What are some of the problems with the dominant discourse?**

I think the dominant discourse consists of the ideas of good and evil, which is not a good way to characterise what is really happening. Firstly, Islam is not necessarily violent, just as Christianity is not necessarily peaceful, there are many shades. Religion in the case of IS is used as an ideology because they don't have anything else. It is a bit like going back to the religious war in Europe. I think accusing Islam of being naturally violent is a very stupid and simplistic generalisation. The real problem is much bigger and it is political. If you look at countries in the Middle East they have been created artificially by European powers. These powers put governments or monarchies in place which have no legitimacy whatsoever. This is one of the many factors which explains why violence is viewed as the only instrument to overthrow existing regimes (that of course doesn't justify the use of violence).

The Arab Spring saw spontaneous democratic movements that wanted to bring about a democratic change but it failed horrendously. So we can't say that peace and democracy are the best instrument for the region going forward. This is why I say we have to look at the counter narrative. This narrative doesn't justify violence, violence is never justified, but it puts the use of violence in a different perspective and shows that the strategy we have been following so far is never going to work. For example, Palmyra in Syria has been reconquered, but who is ruling Palmyra now? Do we have a democratic government in Syria that can rule Palmyra? No, in reality we see that it (what is left) has gone back under the regime of Assad, which is an extremely violent dictatorship. The people who really control that area at the moment are Russian troops. We have not liberated Palmyra as we liberated Rome or Europe from Nazism, we have just had one dictatorship taking over another. This is something you don't read in the newspapers and think tanks don't tell you because it highlights that we are not in control of what is going on either.

At the moment there is no way we can walk away from this mess because we created it. We need to find a solution that is a peaceful one so I would opt for commencing negotiations as soon as possible. The longer this goes on, the more the destabilisation spreads. Any form of military intervention has failed since the beginning of the century so there is no reason that the one in Syria would work.

### **Your book Modern Jihad, written in 2003, traced the finances of terror networks. Have you seen many changes in the financing of terrorism since then or in the nature of terrorism more broadly?**

Huge changes. For a start there is much less sponsorship. If you look at most terrorist organisations they are self-funded. Al-Qaeda was never self-funded – you could say it was self-funded by Osama bin Laden's wealth, but most of it came from elsewhere. Now, IS are actively controlling and using territory to support themselves. It cannot survive on money from sympathisers of the fighters so it needs to exploit local resources. In Modern Jihad I talk about the shell state, which I think has become more prevalent as a model and the most sought way to fund terrorism. You can see many groups using it – Al Shabbab, Al-Qaeda in the Mahgreb, IS in Libya. The evolution in funding has seen groups understand the need to control territory to fund themselves instead of being at the mercy of a sponsor.

Funding sources is one big change. Another is the prominence of Islamic terrorism – 2001 was nothing compared to today as is it spread everywhere. This is the new ideology, while in the 1970s and 1980s we dealt with Marxist or extreme right wing groups, today we are dealing with Islamic terrorists.

### **How does IS differ from earlier Islamic terrorist groups?**

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IS is very different. It has a pragmatic approach that seeks the consensus of the population, something that we have never seen before. This is a huge innovation in comparison to say, the Taliban, the GIA (Armed Islamic Group) in Algeria, or Al-Qaeda. These groups really didn't pay any attention to the local population, it was irrelevant and they just prayed upon the population. This is not what is happening today with IS. You see in the news that they force people to leave and they behead Christians but that is something different. IS is a nationalist state so it wants a very homogenous society, a Sunni society, not a multi-ethnic one. They have no problem expropriating the Shia and even ask for a tax in order for people to leave and then they take everything, expropriating the empty properties. But the population that constitute the core of the state, the Sunni population, is actually looked after by IS – they fix the roads, and have a number of social programmes. This is in jeopardy at the moment because of the bombing campaign but IS have included tribal leaders in the everyday running of the economy which has been fundamental to their financing. This is something that has never happened before so I would say that is very new and very clever.

**In your 2010 book *Terrorism and the Economy: How the War on Terror is Bankrupting the World* you trace the link between the finances of the war on terror and the global economic crisis. Have these link weakened since then?**

I would say that the economic crisis has had an impact on the success of IS. What I said in *Terrorism and the Economy* was that the policy of low interest rates was conducive to funding the war or terror, particularly the war on Iraq. Now we can see that the 2007 crisis has also been conducive to the means with which IS and other organisations have been able to recruit in Europe and the Western world. It is because these kids are unable to find a place within society, unable to find a job. For example, Muslim unemployment is twice as high as non-Muslim unemployment in Europe. The economic crisis is conducive to racism and a lack of integration, and these elements contribute to the popularity of IS.

I would say that from 9/11 till today, we haven't got one single policy right. We do not look at the enemy in the right way and there is constant manipulation of events. George Bush manipulated 9/11, Blair did the same, Cameron and Sarkozy did the same with the intervention in Libya. The war in Syria is not a civil war; it is actually a war by proxy, where everyone who is anyone in the Middle East is involved in order to pursue their own interests. Everybody is using terrorism as an excuse to justify their own political ambitions, so of course we got policy wrong.

IS is projecting an anti-imperialist image, reinforced by the military intervention in Syria, they intentionally lured the US into the bombing campaign. To be honest, I don't think Obama is looking at US foreign policy in the same way Dick Cheney was, but I do not think the narrative is so very different either. Maybe Obama is more realistic but also Obama doesn't have a clue about foreign policy. At least the others had a plan, this administration don't even have that.

**In *Macroeconomics* you suggest others should follow China's economic model. Given the recent bumps in the Chinese economy would you still advocate this?**

Yes, I would say that the bumps in the Chinese economy are not as big as the bumps in Western economies—not so far anyway. I think it is still valid, I don't think China is having a financial crisis like the one we had. If I were running an African country I would probably go for the Chinese economic model over the Western one.

The idea that the market works marvels is not true, even in the West. You only have to look at the intervention of the central bank or the printing of money by the ECB and the Fed. It would be much better to keep a controlled balance of the market and the financial system, then at least government intervention can be more effective than it is in the West. There is limit to the free market and private ownership, which also has to be very well balanced. A country that still maintains some common goods can be more resilient to an economic crisis so I would go for something that is a mixed model, which is more or less what China is trying to do. But let's not forget that China is a developing country.

**What is the most important advice you could give to young scholars of International Politics and Economics?**

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If you really want to do something useful you have to swim against the tide and be controversial. In the old days of academia most people were controversial all the time, there was debate and opposition but today, if you are controversial, you are automatically marginalised. So you have to decide what you want to do – do you want to have a good career and have a boring job, which is basically what the establishment wants you to repeat, or do you want to have an incredibly interesting career? If so, then question everything, go against the establishment and risk being poor.

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*This interview was conducted by Jane Kirkpatrick. Jane is an Associate Features Editor at E-IR.*