

**Hawala: The Main Facilitator for Middle Eastern Organized
Crime Groups**

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Introduction

Douglas Farah, a Washington Post reporter, has opened the eyes of many policy makers and even more intelligence officers after the 9/11 attacks. Connecting al Qaeda to the West Africa blood diamond trade was a story only good for entertainment until the evidence began to unfold. This was possible due to the negligence in understanding other cultures and how they mutated along time to correspond with the hectic activity of our world today. Vital aspects of our integrating cultures have not been put into perspective, when studying criminal activity. Systems of value transfer between individuals that are culturally accepted throughout different regions of the world offer numerous gateways for trade, both legal and illegal.

That being said, the hawala is an efficient value transfer system that has endured many civilizations. It operates mostly within countries that hold Middle Eastern and South Asian Diasporas such as Bahrain the United Arab Emirates, and other countries within the region. More importantly, the hawala has served as a sole method to transfer funds in conflict regions such as Iraq, Afghanistan, and Somalia. The structure of hawala and its operational features has drawn criminal groups in need of clearing their illicit earnings and transferring them globally. Due to the simplicity and volume of hawala as a system of remittance, it has created a vacuum for intelligence and law enforcement in any hopes of tracking illicit operations. Pakistan alone estimates \$5 billion worth of hard currency enters each year through the hawala network.¹ It is also estimated by Interpol

¹ Craig O'Brien, "*Hawala and Western Business Principles*," (Masters thesis, National Defence Intelligence College, 2007), 16.

that 40 percent of India's GDP is comprised of hawala transfers.² Clearly, a vast amount of transactions are carried through the hawala networks unregulated and without a trace.

The Middle East is known to be the birthplace of civilization; it lies strategically at the juncture of Europe, Asia, and Africa and ties the Mediterranean Sea to the Indian Ocean. Its rich history holds the origins of Judaism, Christianity, and Islam; it is designated as the spiritual center of the world. Throughout history, the region has been a major center of world affairs and it remains to be a politically, culturally, economically, and religiously sensitive area. Mirjam E. Sørli et al. have gone further describing the origins of this sensitivity to the Sykes-Picot agreement of 1916, dividing the regions to the main powers at the time; Russia, Britain, and France.³ It has not been a hundred years since the agreement and many of the countries whose borders and fates have been decided as a result of the agreement are still in constant turmoil. From that we wonder, are these countries operating in a sovereign nature or are they still connected to their old cultural and religious ties and systems of operation?

Even more, in regard to the monotheistic faiths, the aspect usually shunned away by international policy makers today is the history behind the regions diverse sects and how this diversity molds the institutions and thereby the identities behind them. The Middle East is mostly Moslem, and Sunnism is the most prominent sect of Islam. Shi'aism is the second largest group of Islam, and Iran alone is the the only Shiite Islamic Republic.⁴ Governments such as Iran are able to support guerilla

² Ibid.

³ Mirjam E. Sørli, Nils Petter Gleditsch and Håvard Strand, "Why Is There so Much Conflict in the Middle East?," *The Journal of Conflict Resolution* 49, no. 1 (2005): 146, <http://www.jstor.org>

⁴ Ibid, 147.

warfare with the help of the unregulated financial markets. Hezbollah who are funded immensely by Iran have been dispersing and supporting many cells of which many created their own terrorist groups. Al Qaeda is only one of the many offshoots that have emerged from Hezbollah's circle.⁵ Is the Khomeini structured government trying to pass its regime to its neighbors? How far will it go supporting the Hezbollah related groups?

Furthermore, states in democratic transition are far more vulnerable to opportunistic acts, both licit and illicit economies collectively. Many scholars such as Mark Duffield⁶ and Paul Collier⁷ have put forward the dangers that states undergoing government transition may face. Currently, many Middle Eastern states are taking steps to achieve democratic reform. The rapid effects of globalization in the last few decades has drawn new and challenging obstacles to security in this transition, Many opportunists take advantage of this transition. . The little regulations imposed on the international financial markets with even less oversight create this gateway for opportunists thereby benefiting and thriving in these environments.

In this paper, we aim to shed some light on the region and what difficulties it faces in the areas mentioned earlier. We hope to formulate that by giving a better understanding of what hawala exactly is and how it works within the different borders. We shall make clear the link between the gold trade and the hawala,

⁵ Douglas Farrah, *Blood From Stones* (New York: Broadway Books, 2004), 129.

⁶ Mark Duffield, *Globalization, Transborder Trade, and War Economies*, ed. Mats Berdal and David M. Malone (Colorado: International Peace Academy Inc., 2000), 69.

⁷ Paul Collier, *Doing Well out of War: An Economic perspective*, ed. Mats Berdal and David M. Malone (Colorado: International Peace Academy Inc., 2000), 92.

showing how they both contribute to the money laundering operations. We shall also demonstrate the link between the theocracy of Iran and demonstrate its ties to organized crime groups in search of fortune through the grievances of its citizens. In the end we will realize the weaknesses that make countries in transition weak and vulnerable to exploitation by opportunists. The underground economy in the Middle East is creating and taking part in a transnational threat for both the region and the world through the different fields and branches of the hawala network.

Hawala, the Other System of Remittance

In this section, we define the hawala in the course of tracing its origins. We also intend to shed some light on how the system and its operational features function in both licit and illicit economies.

What is hawala? And where does it come from?

Hawala is Arabic for transfer; it originated from the word *ha-wil* or the root letters of the word *h-w-l* meaning to transform or to change.⁸ Research has proved that the word has developed an extended meaning rather than just to transfer, but to include the network of bankers in the system forging it to be an alternative value transfer system.⁹ The hawaladar, the hawala broker, or even the hawala operator, all describe the bankers behind the liveliness of the system; these men are the

⁸ Patrick Jost and Harjit Singh Sandhu, "The Hawala Alternative Remittance System and Its Role in Money Laundering," *INTERPOL*, (2006): 15, <http://www.interpol.int/Public/FinancialCrime/MoneyLaundering/hawala/default.asp>

⁹ O'Brien, "Hawala and Western Business Principles," 14.

pumping heart of hawala.¹⁰ Usually, the hawaladar network runs within families or a close-knit network of friends.¹¹ Trust between them is the key to their vast financial empires.

The origins of these empires have all begun through the vast routes of trade, known to be the routes along the Silk Road.¹² Saeed Al-Hamiz explains that the hawala has served as the formal system of money exchange during trade in order to safeguard merchants' bullion from thieves and looters who infested these main trade routes. Hence, the money stayed at the place of origin and redistributed to the different beneficiaries, and so trust played a big role in keeping the numbers straight in order not to lose clients.

The system has manifested its ability in surviving for thousands of years through its robustness, competitive price and strong efficiency. Many of the region's civilizations have adopted the system with various names, but mostly the same qualities. Craig O'Brien lists them "as the *Fei-Ch'ien* in China, The *Padala* in the Philippines, the *Hui Kuan* in Hong Kong, the *Phei Kwan* in Thailand, the *hundi* in India, and the *hawala* in the Middle East, Afghanistan, and Pakistan".¹³ All these names refer to the same system, but hawala and hundi are the most frequently used names among different literature when referring to the system.

Today, the hawala could be found in a various range of businesses that include but are not limited to: both import and export businesses, travel and related

¹⁰ Patrick Jost, Hearing for the US Senate Committee of Banking, Housing, and Urban Affairs, http://banking.senate.gov/01_11hr/111401/jost.htm

¹¹ O'Brien, "Hawala and Western Business Principles," 15.

¹² Saeed Al-Hamiz, "Hawala: A U.A.E. Perspective," *Regulatory Frameworks For Hawala and Other Remittance Systems*, no. 1 (2005): 30-31.

¹³ O'Brien, "Hawala and Western Business Principles," 15.

services, jewelry from bullion holders to precious stones, foreign exchange dealers, rug and carpet dealers, used cars dealers, individual car rental offices, the sales of telephones and pagers.¹⁴ Apparently, all these business have one thing in common; they all deal with cash transactions.

The Legality and Formality of the Hawala System

Niko Passas, among others, has described the system to be an informal banking system.¹⁵ This has given the system an implication of illegality, thereby unqualified to compete in the financial structures of the world today. “However,” O’Brien justifies, “the *hawala* is anything but informal. It is an extremely effective and efficient method to move value around the globe and has historical roots that predate formal Western banking systems.”¹⁶ The system has been handled throughout different levels of regulation, all depending on the host country and its tolerance of the system.

In May 2002, the U.A.E. government worked in tandem with the IMF in organizing The First International Conference on Hawala. The outcomes of the conference have significantly addressed many aspects of the informal practice of hawala as a remittance system. One of which explains that the ambiguity and lack of oversight doom hawala as a potential tool of money laundering.¹⁷ Throughout the conference, different approaches of legislation were discussed, seeking to confine the hawala’s reach from organized crime groups.

¹⁴ Jost, “The Hawala Alternative Remittance System,” 14

¹⁵ Nikos Passas, “Formalizing the Informal? Problems in the National and International Regulation of Hawala,” *Regulatory Frameworks For Hawala and Other Remittance Systems*, no.1 (2005): 7.

¹⁶ O’Brien, “Hawala and Western Business Principles,” 6.

¹⁷ R. Barry Johnston, “Work of the IMF in Informal Funds Transfer Systems,” World Bank Working Paper, no. 13 (2003): 1.

The U.K has taken a reasonable yet robust approach in legalizing the hawala. They have established a simple list of requirements needed in order to run a hawala business. CATCH; the five requirements by the U.K. customs comprise of: “Confirming the identity of their customers, Appointing a money laundering reporting officer, Training their staff, Control business by having anti-money laundering systems in place, and Hold all records for at least five years.”¹⁸

Moving on to Bahrain, article no. 60 of the Bahrain Monetary Agency Law no. 23 of 1973 stipulates that: “No person is permitted, without a license issued in accordance with this law, to undertake money changing business or act as an agent for any foreign unlicensed financial or investment interest to conduct money changing business in Bahrain.” Bahrain has been the first to draw any legislation in terms of dealing with financial crime in the Arabian Gulf. The former law, along with others has been governing hawala dealers for the last few decades.¹⁹

On the other hand, the U.A.E. has chosen a more flexible approach in licensing hawaladars. A report prepared by an IMF staff team using the assessment methodology adopted by the Financial Action Task Force pointed out a lack in regulation in many aspects of the financial law.²⁰ First, the Central Bank of the U.A.E. has only put forth a voluntary system of registration for hawala dealers, where no

¹⁸ David Faulkner, “U.K. Regulation of Money Service Businesses,” World Bank Working Paper, no. 13 (2003): 45.

¹⁹International Monetary Fund, *Kingdom of Bahrain: Detailed Assessment of Anti-Money Laundering And Combating the Financing of Terrorism*, (Washington, DC: 2005), 6. <http://www.imf.org/external/pubs/ft/scr/2007/cr07134.pdf>

²⁰ International Monetary Fund, *United Arab Emirates: Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism*, (Washington, DC: 2008), 117-119. <http://www.imf.org/external/pubs/ft/scr/2008/cr08305.pdf>

formal or legally enforceable obligations can be imposed on hawaladars.²¹

Furthermore, no laws were found in regard to the oversight of the hawaladars procedural operations in efforts to comply with Customer Due Diligence, record keeping, and other oversight tools that were discussed and recognized in the Abu Dhabi Declaration on Hawala in 2002.²²

Overall, the system appears to be legal where it is tolerated and wanted as a legitimate financial tool. Otherwise, the hawala remains to operate informally as a remittance system due to its huge demand and acceptance among the many expatriates.

So how do hawala transactions work? And how do hawaladars settle their debts?

First of all, differentiation between both regulated and unregulated hawala systems is of dire importance, as they both generally have the same theme in operation. By and large, we describe regulated hawala systems to be comprised of registered hawaladars, who are obligated by the law to report suspicious transactions, who hold documented records of both clients and associates; not just the latter, and present anti-money laundering controls within their businesses. That being said, we hold it as a minimum in considering the system to be regulated. Inversely, it is safe to say that any less than that is considered to be the informal hawala.

²¹ Ibid.

²² Ibid.

Hawaladars keep contacts across different regions in which they operate, each cataloged with a different ledger or book account.²³ Their operations take shape within a network of associates rather than a traditional corporate structure, making it much more efficient in its operations.²⁴ For instance, if Ali in Dubai wanted to send DHS 3000 Emirate Dirhams to his family in Afghanistan, he would approach a hawaladar who operates in that region and give him the money. The hawaladar would then ask him where it would be sent, and in what currency or value should it be redeemed at the destination. Most of the time, customers sending their money do not discuss the rates; it is usually set to a minimal rate far better than any market competitors.²⁵ From there, the hawaladar looks through his list of contacts in Afghanistan to find the best corresponding hawaladar with enough liquidity to finance the transaction, as the money never actually travels anywhere (instead it is just redistributed). Then, the second hawaladar simply goes ahead and either delivers the money to the family or the beneficiary picks it up.²⁶

In this past example, Ali could be an honest taxi driver in Dubai who is supporting his wife and children through hawala as a remittance system. The problem arises when Hassan is clearing his illicit proceeds through the hawaladar in Afghanistan where they are redistributed back to the innocent beneficiaries of Ali's transaction. Here, Hassan could be sending his money back to Dubai or to any international hawaladar who is a contact or an associate of the Afghan hawaladar. At

²³ Passas, "Formalizing the Informal?," 8.

²⁴ Jost, Hearing for the US Senate Committee.

²⁵ Passas, "Formalizing the Informal?," 8.

²⁶ Passas, "Formalizing the Informal?," 8-9.

this point the money has moved back to the licit economy, and where there is no oversight on the hawaladar receiving the transaction, it blends smoothly in.

As for how the debts between hawaladars are settled; both regulated and unregulated hawala systems share a single variation of Patrick Jost's testimony. Jost is a former employee of FinCEN, which is the Department of the Treasury's Financial Crimes Enforcement Network, he has given a more colorful explanation of debt redemption in a hearing for the US Senate Committee on Banking, Housing, and Urban Affairs post the 9/11 attacks on "Hawala and Underground Terrorist Financing Mechanisms." Jost explained that debt settlement between hawaladars can take different forms, and it is helpful to think of it as a theme with many variations.²⁷

The first variation is a simple and common method of settlement between hawaladars on long-term business relationships, the debt balances out with time and volume of transactions. This variation illustrates the shared method of debt settlement between both regulated and unregulated hawala systems.

Another variation could be exemplified where a country restricts the inflow of its currency through its borders, as a reason to acquire hard currency and stabilize its exchange rate. A hawaladar bypasses these measures using hawala, that is demonstrated when he accepts "money in his... country of residence, and has an associate [drain] the supply of money in the other country until it is gone."²⁸

Invoice manipulation is also used to settle debts; it could be performed by either under or over invoicing.²⁹ The process of under invoicing could be exemplified in a

²⁷ Jost, "Hawala and Underground Terrorist Financing"

²⁸ Ibid.

²⁹ Ibid.

scenario where a hawaladar operating in Bahrain needs to send a value of BHD 20,000 Bahraini Dinars to his corresponding hawala operator in Mumbai. The hawaladar in Bahrain would buy merchandise that the Mumbai hawaladar wants at a high value such as BHD 35,000 Bahraini Dinars (covering the amount that is intended to be sent), and then sends an invoice of only BHD 15,000 to the Mumbai hawaladar. In this process, the latter only paid a fraction of the amount of goods he has received; the rest of the amount is the settlement for the debt between them.

Conversely, over invoicing is performed by the same method of buying merchandise that is wanted except that it moves the money back to the sender. For instance, if the hawaladar stationed in Mumbai owed the Bahraini based hawaladar a value of BHD 30,000 Bahraini Dinars, the Bahraini hawaladar would buy merchandise worth BHD 10,000 and send the invoice showing a BHD 40,000 dinar receipt. In this case, the Bahraini hawaladar would receive 4 times the amount he paid for the merchandise he sent, three fourths of is the redemption of his money. This procedure is performed in order not to alarm anti-money laundering systems and hover below radar.

Jost had also made clear that a form of debt assignment might exist when settling debts between hawaladars.³⁰ This could be demonstrated in a network of hawaladars where Ali owes John, and John owes both Dana and Kumar. For John to settle his debts, he would ask Ali to reconcile his debts with both Dana and Kumar. In this process John settles his debts through Ali, assuming that Ali's debt is greater than John's to both Dana and Kumar.

³⁰ Ibid

The last few examples express the different variations, which Jost explicated in his testimony to the Senate. Still, the different variations include these last examples but are not limited to them. Crime and informal patterns of operations have managed to circumvent authorities numerous times; hence, we are duty-bound into expanding our horizons in an attempt to encompass the wider scope of the illicit operations.

International Money Laundering; Hawala Links to Organized Crime Groups

In 1998, a speech delivered by Dr. Javier Solana, the Secretary General of NATO at that time, explains “Westphalian Peace, ... was the first all-European peace after the first all-European war. It has shaped our thinking about the structure of the international system, and thus about war and peace, perhaps more than any other single event in the last 350 years.” He goes on to realize that “[still] the Westphalian system [has] its limits. For one, the principle of sovereignty it relied on also produced the basis for rivalry, not community of states; exclusion, not integration.”³¹

Unfortunately, not many policy makers share the realities realized by Solana. In this second section of the paper, we expand into the different implications deemed possible by exploiting international borders to the hawala system, thereby reshaping the system into a critical financial tool, funding the illicit enterprises within the region.

³¹ Javier Solana, “Securing Peace in Europe,” *Speech: At the Symposium on the Political Relevance of the 1648 Peace of Westphalia*, (1998): par. 4, <http://www.nato.int/docu/speech/1998/s981112a.htm>

The Gold trade and Hawala

The Bretton Woods Conference was the closest we ever got to completely stabilizing currencies and ensuring their interchangeability. In contrast, gold has a standard value that is recognized internationally. As governments hold gold reserves in their central banks to secure a store of value, Douglas Farrah made clear that hawala accounts were kept in gold to avoid the “volatile currency exchanges.”³² Farrah went further, displaying the strong correlation between the two in a study performed in 1998 that encompasses a decrease in hawala transactions by 80 to 90 percent, if gold and silver smuggling was stopped.³³ This manifests that both the hawala and the gold trade have been intertwined for centuries; and ironically, both rely on each other for safety.

The IMF report published in 2008, pointed out the fact that “[dealers] in precious metals and stones cover a large range and number of entities in the U.A.E. including bullion dealers, ... All of them engage in cash transactions with their customers and, therefore, fall within the scope of the FATF Recommendations.”³⁴ That being said, we realize that the U.A.E. appears to be the perfect hub for both the operation of informal hawala networks and the abundant numbers of bullion, especially when authorities in the U.A.E “were not able to provide statistics on the total number of DNFBPs (Designated Non-Financial Businesses and Professions) operating in the [country].”³⁵

³² Farrah, *Blood From Stones*, 116.

³³ *Ibid.*

³⁴ IMF Report, *United Arab Emirates*, 120.

³⁵ *Ibid.*

The “Gold imports into Pakistan and India have traditionally been restricted and subject to high tariffs, gold smuggling from Dubai, where the gold trade is unregulated, has been enormously profitable for decades.” Farrah has even went further in saying that “Dubai’s location is ideal, making it a nexus of myriad smuggling networks that flow through Iran, India, Pakistan, and the Arab world to Afghanistan and Central Asia.”³⁶

Christopher Ledger, a former Royal Marine officer of the British Navy and currently the director of a maritime protection firm, is attempting to establish safety measures for shippers in the current events of pirate-infested seas.³⁷ Ledger explained that he has found evidence in the Arabian Gulf, unfolding the existence of “syndicates,” especially in Dubai. These syndicates have been engaged in money laundering operations consisting of the large sums of money collected from the ransom of the ship abduction cases off the coast of Somalia.³⁸ This formulates a great threat concerning the international shipping community, and provides a link showing the connection of the illicit and licit funds being intertwined in Dubai’s economy. The ransom money of the Somali pirates is being laundered through hawala channels of transfer as they reappear in Dubai and then the rest of the world as licit funds.

Another note worth mentioning, the strong gold market boom in Dubai did not just develop randomly. For hundreds of years, the countries of the Arabian Gulf

³⁶ Farrah, *Blood From Stones*, 111.

³⁷ Kim Sengupta and Daniel Howden, “Pirates: the \$80m Gulf connection,” *The Independent*, April 21, 2009, <http://www.independent.co.uk/news/world/africa/pirates-the-80m-gulf-connection-1671657.html>

³⁸ Ibid

have been trading gold along with other goods in the South Asian regions. India is one country that has been hugely targeted by gold traders especially due to the large demand for cultural needs. The high Indian tariff on gold has brought down the numbers of gold traders in the past century. Still, a few committed transporters have become the smugglers ignoring the laws put forth by the country.

Many of the current and successful businessmen in Dubai today have been part of the gold trade before the rise of the tariffs as it was one of the most lucrative businesses. Some were engaged legally, and some were not. Even more, Dubai's refusal to boycott Iran during the Iraq-Iran war in the 1980s in submission to the GCC agreement in supporting Iraq has resulted in a tolerance of illegal trade within its borders by looking the other way. The Iraq-Iran war broke out late in September 1980 and lasted up to August of 1988.³⁹ This vast time period has allowed strong ties to develop between the Iranian merchants and seamen with the Dubai local merchants, especially merchants doing business from the Port of Bushehr in Iran which is located approximately 120km away from Dubai's ports.

Gold and Hawala are undeniably intertwined. The existence of one draws the other, especially in the existence of lax laws. The U.A.E. and Dubai in particular, appears to be the perfect hub for illicit and informal hawala operations. The U.A.E being the first to host an international conference in order to further analyze the hawala, as an alternative remittance system should be a model for others. The

³⁹ "Chronology of the Persian Gulf War," *Facts on File* (1998), <http://www.2facts.com.mutex.gmu.edu/stories/index/1988024850.asp?DBType=WND>

implementation of some of the policy recommendations would have been positively recognized.

The Khomeini Regime and the Greater Syria

Amir Taheri, a reporter for the Wall Street Journal recently wrote an article raising the flags on Iran. Taheri goes on accusing the Khomeini regime of furthering its plans into its ultimate goal of “regional domination,” and targeting the closest U.S. allies in the region.⁴⁰ More interestingly he states that “Tehran hopes to see its allies sweep to power [in Bahrain] through mass demonstrations and terrorist operations.”⁴¹ As for mass demonstrations that are legally licensed, they remain a right to citizens of a country that is transitioning into a democratic state. But terrorist operations? Should we be surprised? The answer is, no.

To understand the problem at hand, we explore the origins of the nation we are currently dealing with. Jack Goldstone has enlightened our vision saying, “in Persia... the Shiite variety of Islam prevailed, the religious specialists constituted themselves as an integrated hierarchy and adopted a more active role in politics” than other varieties of Islam.⁴² The country has been led for decades under the political rule of the Shiite clergy, and it seldom stands today as the only “republic” led by a religious elite. Goldstone also clarifies, that since the line of the Prophet Mohammed has been broken, the right to rule goes to the closest of the Shiite clergy. The old mix of religion and politics seems to have the same effect on Iran, but how

⁴⁰ Amir Taheri, “As the U.S. Retreats, Iran Fills the Void,” *The Wall Street Journal*, May 5, 2009, <http://online.wsj.com/article/SB124139838660282045.html>

⁴¹ Ibid.

⁴² Jack Goldstone, *Why Europe?: The Rise of the West in World History, 1500-1850* (New York: McGraw Hill, 2009), 39.

far are they willing to go as an elite political clergy, especially when they are pursuing their religious aspirations? More dangerously, the lives of many citizens are under complete surrender to their country's clerics as political leaders rather than spiritual guides.

But that model of government in Iran has only been adopted recently. After returning from his exile in the Iraqi town of Najaf in the late 1970s, the late supreme leader Khomeini had formulated a model of a republic to claim the leadership of a divided Iranian state.⁴³ The Khomeini republic started with the leadership of Khomeini and his model of Shiite government, which gives all ulamas the right to political and religious leadership by divine appointment as they profess being the descendents of the Prophet Mohammed.⁴⁴ That is based on the term *Welayat al Faqeeh*, which means the guardianship of the ulama. *Welayat al Faqeeh* is a system of power transfer with deep controversy in the lines of Shiite Muslims. It transfers political and spiritual power together to the next most knowledgeable member of the Shiite clergy.⁴⁵ With such authority, and a self-declared position as supreme leader of Iran and the Shiite faith to one man, it left no space for any system of checks and balances giving full control that is seen as god's will to the supreme leader. So far, this system has transitioned the power of the supreme leader of Iran once. This transition was to Ali Khamenei, a member of the elite clergy who is a close friend and student of Khomeini. Khamenei is Iran's supreme leader today as a result of the welia transfer of power.

⁴³ Vali Nasr, *The Shia Revival* (New York: Norton, 2006), 124-126.

⁴⁴ Ibid.

⁴⁵ Ibid.

“Where the rationale at the top of the organization is essentially greed, the actual discourse may be entirely dominated by grievance.”⁴⁶ Paul Collier studied the numbers behind civil wars since 1965, expecting to find correlations between the wars and the grievances that they stood for; instead, he found it being mainly economic.⁴⁷ Collier explained that leaders often look away from criminal operations in their states when their benefits are intertwined. Sustaining conflict has benefited both leaders and criminal groups as their illicit earnings in the underground markets rise. That happens when leaders appear to be fighting for injustices that their people are suffering from and at the same time have the criminal cells in between the masses of citizens persuading them to “defend” their grievances. Those criminal cells push the people into terrorist acts resulting in the extension of the conflicts giving more time for the illicit economy to operate freely and establish its roots deep into the host country. In such a scenario, Collier’s study has proven that the elites of both the country and the criminal groups benefit greatly. The movement of the Iranian revolution in the late 1970s backed Khomeini’s republic.⁴⁸ Needing to sustain a conflict as Collier explained, the Iran Iraq war of almost 9 years broke out in September of 1980.⁴⁹ A few years into the war, Beirut on the other side of the Middle East saw the terrorist attacks planned by Hezbollah’s leader Imad Fayezi Mugniyeh in 1983, causing more conflict and sustaining the anarchy where Shiite Muslims could be used. Even though it seemed that Khomeini was the traditional Shiite leader, he and his elite clerics like Mugniyeh had a bigger agenda to pursue

⁴⁶ Collier, *Doing Well out of War*, 92.

⁴⁷ Collier, *Doing Well out of War*, 91.

⁴⁸ Nasr, *The Shia Revival*, 124-126.

⁴⁹ “Chronology of the Persian Gulf War,”.

than those before them. Globalization and the lack of regulation in the region especially has helped spread Khomeini's reign to close by nations.

Syria has also been influenced by the new Shiite ideology set by the Khomeini government seeking a bigger Syria and not just a bigger Iran. Christopher Hitchens explains his short but critical encounter in Beirut. He got a bloody mouth along with a bruised body when he faced a national socialist party member in the middle of Beirut. Why? He tried to mark one of their Swastikas decorating the streets.⁵⁰ Ever since Al Hariri's assassination, the tension between Syria and Lebanon has been growing into wider stretches of relentlessness. Young members of the National Socialist party are being pushed as fronts to the grievances that infest the region, just like Hezbollah's martyrdom works.⁵¹ They both receive their strategies of operations from the "economists" of the Khomeini regime. Consequently, funding of these operations travels through the same mediums of transfer used by conflict regions in the Middle East. The hawala ties these operations at banking centers in the world like Dubai, which accept the informal hawalas of the illicit economy. The vast Khomeini regime remains operating and funding its militias under the fronts of freedom groups fighting for their grievances. The lax international laws in regulating the financial markets have helped opportunistic groups with criminal intent to extend and broaden their gains.

Nations in Democratic Transition

When social systems and political projects encounter the forces of globalization, they produce an unexpected and often unwanted set of outcomes as

⁵⁰ Christopher Hitchens, "The Swastika and the Cedar," *Vanity Fair*, May 2009, 78.

⁵¹ Ibid.

Mark Duffield explained.⁵² Numerous challenges face authorities trying to ensure and develop security in the world and the Middle East in particular.

Nations with power vacuums or who are going through power transition are the most vulnerable to opportunistic greed. Hence, organized crime is always looking for the proper atmosphere to grow out and blossom from and nothing is better than a war torn country, or even one that is on the verge of that. Picturing this as a plant with vines, it grows and fills in the empty gaps on the walls. When governments go weak, opportunistic crime groups take over the governance of the shady areas. When the plant has grown, you cannot pull it out because now it is part of the structure's foundation. Failed and weak states have to build governments from zero, and governments undergoing transition of power have to ensure the security of that transition and not falling victims to the opportunistic criminal networks operating within the region. Ensuring the security of this process would be through solidifying and imposing strict regulations on all aspects of criminal operations such as developing fronts for their operations like charitable non-profit organizations and the transfer of “donations” to unknown beneficiaries.

The IMF Anti-Money Laundering Report on Bahrain disclosed an important aspect in the Ministry of Social Affairs’ ability in maintaining oversight in regard to Non-Profit Organizations funding and financial operations both nationally and internationally.⁵³ Four employees are responsible for the oversight of 386 registered societies including 80 charities. Inefficiencies like these create a screaming danger ready to be exploited by opportunists. On many occasions, the funding of terrorism and

⁵² Duffield, *Globalization, Transborder Trade*,70

⁵³ International Monetary Fund, *Kingdom of Bahrain*,

organized crime would go by unnoticed until it is too late. The Kingdom of Bahrain was a day away from being a victim of terrorist acts on its national day last December 2008. Officials are currently investigating the attempted terrorist attack under the name of "Tantheem Al-Hujira". The attacks were targeting the main roads where festivities were to take place as Akhbar-Alkhaleej, a national newspaper in Bahrain explained. The apprehended suspects have given statements admitting to their guilt in attempting the acts. They went further in explaining that they have been trained in Syria under Hezbollah's guidance as Akhbar-Alkhaleej asserted. This, once more, pushes for the pursuit of truth behind the illicit funding and framework of transnational organized crime in the region. Authorities should place more assessment when assigning responsibilities and duties to employees.

The Tantheem Al-Hujira planning is only one of many that have been planned by Khomeini's cells in attempts to overthrow the Bahraini government in order to achieve regional domination as Taheri came to discover. Groups like Bahrain Freedom Movement and Al-Sarh al Watani have been receiving support and funding from national and international sources. Many of this funding and network of operations is facilitated by the informal hawala system and the lack of significant regulation. Non-profit organizations are possibly receiving funds intended for charity then diverted to the pockets of terrorists and criminal groups through corrupt individuals who have been planted as cells of the Khomeini republic. Nepotism is common among non-profit organizations, and with a mix of a criminal intent, it gives birth to a criminal organization.

Here, we have used Bahrain as an example of a state undergoing political reform. Many states in the region are experiencing similar obstacles to reform as result of actions by the government of Khomeini. Taking Bahrain into focus, we realize that even the smallest mistakes could develop into an unexpected rain of disasters. Globalization has introduced a new set of underground culture; where benefits are shared, the grievances are forgotten.

The Way Forward

The Hawala system has exhibited its ability in taking both formal and informal roles in our economies. It is up to the legislator to formulate the best laws and regulations depending on their social need for the alternative system of remittance. Indeed, many different approaches were exhibited in the Abu Dhabi Conference on Hawala. Adopting the regulations put forward would be a giant step for the countries who remain tagging along not realizing the harm inflicted to other nations due to their negligence in operating and making the right choices.

Certainly, the gold market and operating informal hawalas lie hand in hand. Bullion merchants are among the most of all the businesses that handle cash when operating and interacting in business transactions. Dubai has appeared to be the perfect location for holding criminal safe havens when operating as transnational organized crime groups. The lax laws put forth by the Central Bank of the U.A.E. and the absence of enforcement has attracted many smugglers, traffickers, and terrorists in dubbing Dubai as their washing machine.

With heads turned away from the Middle East, many terrorist operations

sponsored by the followers of the Khomeini regime or Welayat al Faqeeh have been taking place discreetly. The hawala remains to be a major tool for the transfer of value in the region and especially areas of conflict. It offers a channel for criminal operations to remain completely functional and undisturbed, as result, the criminal organizations as well. These criminal organizations ultimately include charities and other forms of non-profit organizations that are used as fronts and channels to move illicit funds. Will another revolution soon throw the region off balance, more than it is now? This will remain to be answered by the escalating events ahead.

Checklists are definitely not the way to go when investigating a crime scene. Instead, we have to rule out different leads and assumptions in order to reach the accurate answer. That works the same when tackling transnational crime organizations, thus, we have to invest in proper research when investigating the different connections and how they are intertwined. Criminal organizations and crime groups have been operating in many different regions; terrorists and criminals have set their grievances aside in the name of their illicit financial enterprises as many have unveiled. Today many officials around the world, from presidents to kings, have promised to pursue the threats endangering global security. They aim to offset the intelligence gaps of the past and refine the conduct of performance, investing mentally, materially, and especially time. This reminds me of what Warren Buffett once called the four most dangerous words in investing: "This time its different;" I guess we'll have to wait and see.

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