

Article

Terror Financing in Kashmir

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Abstract

This paper is an analysis of terror financing in Jammu and Kashmir based on the author's research and fieldwork in the past five years in this sensitive border State. To sustain and fund its proxy war in Kashmir valley, over the last three decades, Pakistan has created a complex, multi-layered and networked terror financing system with distinct characteristics not obtained in the other conflict theatres. The novel features of raising money include illegal funds raised from allocating medical, engineering, and other higher education seats in Pakistan and other countries, Haj tours and travels, LoC cross-border trade, and Jamaat-i-Islami funding networks. Separatist and extremist entities, including the officers and politicians with dubious loyalties and the separatist media, also raise money through local State government sources. Terror funding is utilized for various ends like running terrorist organizations, extremist religious entities, separatist media, stone-pelting, funding Hurriyat and mainstream political parties, and funding social media and intellectual narratives. India's counter-terror financing efforts received a fillip with the formation of National Investigation Agency (NIA) in 2009. Over the last five years, NIA has launched a massive crackdown on terror funding which has given a significant blow to Pakistan's three-decade-old investment.

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Kashmir's terror-funding ecosystem is rooted in the complex, layered and interconnected web of Islamism, separatism, radicalization, and terrorism.¹

Islamist terrorism continues to be one of the most critical security challenges faced by humanity. It has survived the tectonic shifts in global geopolitics, such as the end of the Cold War, followed by the US' moment of a unipolar world, the Arab Spring, and, most recently, China's challenge to the US-led world order. In the MiddleEast, terrorism and proxy non-state actors have emerged as a default baseline situation in which all larger geopolitical changes occur.

The phenomenon of Islamist terrorism has survived and gained its vitality because of its complex internal dynamics that have evolved over time and adapted to the changing trends in technology, intelligence, law enforcement, geopolitics, and socio-cultural trends. Hence, it becomes imperative to study terrorism as a complex phenomenon with its sub-parts and not merely through the security-centric approach. The traditional International Relations theory has focused chiefly on state actors as the primary stakeholders on the chessboard of global security order. However, after September 11, terrorism as a security challenge began to receive the much-needed attention of scholars of security studies and the intelligence community in the western world. Moving beyond the strictly security-centric approach, it was realised that understanding and cutting the supply lines of terror finance is crucial to deal with the threat.

India has been a victim of Pak-sponsored Islamist terrorism in Kashmir for the last three decades; however, it was only after September 11, once the western world had its major brush with Jihadism, India's concerns about cross-border terrorism received attention in global multilateral platforms. In India's case too, the approach to deal with terrorism was security-centric for decades. There was hardly any systematic intellectual and intelligence-based effort to deal with the complex underbelly of terrorism constituted by radicalisation and terror finance. It was only after the establishment of the National Investigation Agency(NIA)--India's premier counter-terrorism agency, formed after the carnage of 26/11--that the subject of terror financing came into focus. This essay explores Kashmir's terror financing scenario.

The Rationale

From 2014 onwards, the NIA began focussing on unraveling the nuts and bolts of Kashmir's terror finance as a critical instrument of India's counter-terrorism strategy. The NIA's actions made a severe dent in the core of the terror infrastructure in Kashmir, which was seen in the successful implementation of the amendment of article 370 in 2019, resulting in the termination of Kashmir's special, though temporary, status in the Constitution and its complete integration with India. However, Kashmir continues to be a centre of Pakistan-sponsored jihadi radicalisation and terrorism. Following the NIA crackdown, ISI-masterminds will most likely devise new ways of terror funding. Hence, it is essential to investigate and understand Kashmir's terror funding from both scholarly and intelligence points of view.

A scholarly investigation of NIA's investigations, its outcomes, charge-sheets, and the prosecution proceedings bring forth a remarkably complex, elusive, widespread, and layered system of terror financing in Kashmir, which essentially constitutes the engine of terrorism in Kashmir. Further, the Author's last three years of field research in Kashmir, for his previous book, *Radicalisation in India: An Exploration* and his upcoming book, *Terror Financing in Kashmir*, provided him in-depth exposure to the most complex and elusive nuances of Kashmir's terror funding juggernaut. Hence, a comprehensive and nuanced understanding of Kashmir's terror scenario is incomplete without understanding the dynamics of its terror-financing ecosystem. It would be remiss not to mention that had it been studied in depth earlier, India's success in its war against Pakistan's proxy war would have come much earlier, and Kashmir would have been spared the murders of thousands of innocents and the extreme Jihadi radicalisation.

Historical Background

Pakistan's sabotage and subversion in Kashmir began with the invasion of Pak-supported Pashtun raiders on October 22, 1947. Violating the Stand-Still Agreement² signed with the Hari Singh, the monarch of Kashmir, Muhammad Ali Jinnah, decided to invade Kashmir as he had realised that both the ruler Maharaja Hari Singh and Sheikh Abdullah, Kashmir's most popular leader, were not interested in joining Islamic Pakistan. Soon after the invasion, on October 26, in order to save the capital Srinagar from falling to the invaders, Hari Singh signed the Instrument of Accession to India, opening the way for Indian forces to be rushed to the capital and beat back the invading raiders.

After the ceasefire agreement on August 13, 1948 --consequent to a Resolution adopted by the United Nations Commission for India and Pakistan, the LoC became a defacto border between the two countries. However, Pakistan's sabotage and subversion continued. In 1949, there were credible inputs of arms being smuggled into Kashmir from Pakistan.³ Pakistan was reaching out to Peer Maqbool Gilani and Mohiuddin Karra, members of Sheikh Abdullah's National Conference.⁴ Karra formed the pro-Pakistan Political Conference.⁵ National Liberation Front (NLF), Kashmir's earliest terrorist organisation, was formed by a Karachi University graduate lawyer Amanullah Khan, in 1965. The NLF was active in Pak-occupied Kashmir, with the tacit support of Pakistan's security establishment, where they recruited hundreds of activists. In the late 1960s, '70s, and '80s, NLF carried out bomb blasts and other terrorist sabotage activities in the Indian part of Kashmir.

After the shattering defeat in the 1971 war, Pakistan had realised that it was no match for India in a conventional war. Having realised that, General Zia ul Haq, Pakistan's new dictator, started devising a new strategy of bleeding India 'through a thousand cuts' by using proxy Jihadi terrorists to stage terror attacks and insurgent movements in Kashmir. Though the strategy was in the making since the early 1980s, formally, the proxy war started in 1990. Parallel to this, in the 1980s, Kashmir's society, politics, religious discourse, and cultural trends were drifting towards Islamism. After the demise of Sheikh Muhammad Abdullah on September 8, 1982, his ruling National Conference party faced a leadership crisis. On the other hand, Sheikh's relatively secular political legacy was being hijacked by Jamaat-i-Islami, a group of radical Islamists subscribing to its founder Maulana

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Maududi's ideology of Political Islam. Jamaat-i-Islami found political patronage with anti-Sheikh political groups. Leveraging that, they condemned the Sufi traditions of Kashmir as heresy and aggressively worked on religious radicalisation through the mosques and expanding their presence in social, academic, administrative, and political spaces. In 1986, there were incidents of communal violence against the minority community of Kashmiri Pandits in Anantnag.⁶ In 1987, Jamaat backed political party Muslim United front with separatist overtones, with the aim to Islamize Kashmir on Sharia lines, contested elections. Hence, the stage was set by the late 1980s for unleashing the violent Jihadist insurgency in Kashmir.

Placed below is the trend line of casualties as a result of continuing Pakistan-backed terror attacks, jihadist insurgency and counter-terror operations by the security forces in the past decade.

Militancy Statistics in Jammu and Kashmir

Year	Incidents of killing	Civilians	Security Forces	Terrorists/Extremists	Total
2010	189	34	69	258	361
2011	119	33	31	117	181
2012	70	19	18	84	121
2013	84	19	53	100	172
2014	91	28	47	114	189
2015	86	19	41	115	175
2016	112	14	88	165	267
2017	163	54	83	220	357
2018	206	86	95	271	452
2019	135	82	78	163	283
2020	140	83	56	232	321
2021	80	17	23	116	156

Data till August 23, 2021

Source: *South Asia Terrorism Portal*

It is imperative to mention here that Kashmir's terror funding constitutes an interesting and important case study. In the following part of this paper, the evolution of Kashmir's terror financing ecosystem will be discussed, followed by a brief description of the unique features of Kashmir's terror financing ecosystem and NIA's counter terror financing strategy.

Terror Financing in Kashmir

The different methods employed for raising finances for terrorism in J&K include⁷: -

- Fake Currency printed in Pakistan;

- Collection of donations in some Middle Eastern and European countries, and the US under the name of 'Jihad Fund';
- Smuggling drugs;
- Extortion from traders, contractors, and affluent people in J&K;
- Money sent from Pakistan to militant and secessionist groups operating in J&K mainly through Hawala (an informal remittance system) and drug dealers;
- Funds sent by some Kashmiri businessmen dealing in carpets and handicrafts in Dubai;
- Hawala dealers in Mumbai and Delhi;
- Zakat (an Islamic tax) and donations;
- Haj tours;
- MBBS seat racket;
- Trans-LoC Trade; and
- Legitimate businesses.

How are the Terror Funds Spent?

- 1) Organisational/operational expenses- It includes a monthly stipend to terrorists, money paid at the time of recruitment, pension paid to the families of deceased terrorists, remuneration paid to those house owners sheltering terrorists, whose houses are damaged by security forces during encounters with terrorists. Generally, foreign militants are paid higher remuneration than the local militants. For example, monthly remuneration of foreign terrorists (FTs) is Rs. 10,000-15,000 and for local terrorists (LTs) is Rs. 3000-10,000. Recruits for special operations, such as Fidayeen missions, are paid much higher remuneration. Ajmal Kasab's interrogation revealed that he was paid Rs. 1,50,000 and a special holiday package after training;
- 2) Training of terrorists;
- 3) Organising violent civil protests, including stone-pelting at the encounter sites and during burials. The stone-pelters are paid within the range of Rs. 300 to 500

per incident, and their coordinators Rs. 10,000-12,000;

- 4) Payment to Maulvis and clerics;
- 5) Payment to separatist leaders of All Party Hurriyat Conference (APHC);
- 6) Funding Islamist religious groups like Jamaat-i-Islami and Ahl-i-Hadith;
- 7) Funeral procession of dead militants;
- 8) The legal cell of Hurriyat, which fights cases for terrorists free of charge. Hence, it is remunerated by terror financiers;
- 9) Funding civil society-- intellectuals, advocacy groups, think-tanks, and human rights groups in Kashmir and abroad;
- 10) Funding media outlets;
- 11) Investment in real estate;
- 12) Funding Information/Cyberwar;
- 13) State-sponsored demographic change in Jammu and Doda-Kishtwar region to drive non-Muslims out;
- 14) Funding special research projects on exploring innovative ways of sabotaging India, for example, economic;
- 15) Funding mainstream political parties of Kashmir;
- 16) Funding assets in the government system.

Annual Outlay on Terror in Kashmir

The task of making a reasonably accurate estimation of the annual terrorism budget in Kashmir is fraught with many challenges such as paucity of data, its authenticity, the sensitive and risky nature of field research, and multiple claims by different intelligence agencies. Further, Pakistan's Inter-Services Intelligence (ISI's) dealings with different entities and stakeholders in Kashmir are compartmentalised. They are not done in a coordinated manner. One entity does not know about the other's dealings with the terror fund suppliers and planners. Hence, a rough estimate given below is based on

field investigations and the analysis of claims made by different agencies.

The patterns observed over the last decade show that Pakistan aims to sustain 250-300 militants in Kashmir, on average. In the 1990s, the number of militants ranged from 2,000 to 5,000. However, after India erected the concertina wire fencing and an array of advanced sensors on the LoC (2001 onwards), the infiltration has become highly challenging. Hence, Pakistan focuses on local recruitment and keeping 250-300 active militants to keep Kashmir on the boil.

According to the South Asian Terrorism Portal (SAPT), every year, USD 250 to 300 million⁸ are pumped into the Kashmir Valley for sustaining militancy/terrorism. It may seem to be more than enough for sustaining 250-300 militants in the Valley, as in simple arithmetic this would work out to USD 1 million per militant per year. That would sound like a more than decent amount but what needs to be clarified is that while estimating the total amount of terror funds reaching Kashmir, the definition of terror funds needs to be holistic and all-inclusive. Field research connected with this study has confirmed the use of terror funds under all the detailed heads listed above. Having said that, the annual outlay on terrorism may be much higher than the estimates of SAPT. According to credible intelligence-based interlocutors, the overall annual outlay should be in the range of INR 1.5-2 billion⁹ (at current rate USD=INR 74). Out of this amount, outfits like JeM, HM, and LeT receive funding of INR 500 million to arrange for the smuggling of weapons from Pakistan and the infiltration of militants¹⁰. The rest, i.e., INR 1 to 1.5 billion, are utilised to provide for logistics and other organizational and operational expenses. In a sting operation carried out by *India Today* in 2017, veteran separatist leader Nayeem Khan admitted that the ISI funded the 2016 agitation in Kashmir, post-the death of Burhan Wani in an encounter. According to Nayeem, hundreds of millions were spent in funding the 2016 agitation.

Evolution of Kashmir's Terror Financing over Three Decades

Over the last three decades, Pakistan's proxy war in Kashmir has led to thousands of civilian killings, the death of security personnel, and assassinations. What began as an ad-hoc experiment in 1990 evolved and became an extremely complex phenomenon. With the increasing complexities of Kashmir's separatism, Jihadism, and terrorism, Kashmir's terror financing also became highly complex and institutionalised over time, with a multitude of sources and methods of moving money being employed.

In the early phase, terror funding was unorganised and scattered. Initially, Pakistan's deep state was also not confident of receiving such massive support from the locals in Kashmir. Previously, in the wars of 1947, 1965, and 1971, the locals did not support the invading Pak armies. Contrary to their expectation of a few hundred falling preys to the narrative of violent separatism, thousands of young boys crossed into Pak-occupied Kashmir to get arms and physical training. Once they witnessed enthusiastic support for the terrorist movement, Pakistan-based masterminds realised the feasibility and utility of proxy war as a long-term strategy to keep Kashmir on the boil.

In the wars of 1947, 1965, and 1971, the locals did not support the invading Pak armies.

Initially, Pakistan equipped the terrorist cadres with arms, who, after receiving training, crossed into the Indian side of Kashmir and perpetrated terrorist acts. The cadres were equipped with AK47, China-made pistols with silencers, and hand grenades. It had become a fashion among the youth to cross over and get a Tanzeem (terrorist organisation) registered in his name in those days. As a result, many terror outfits came up, most of which became defunct over time.

In the early days of militancy, during 1990-93, the youth joined terror groups in large numbers and dominated the social and psychological space. It was a common sight to find militants roaming around in Srinagar. Militants generally conveyed it to the local shopkeepers that they would blow up a bomb when the military convoy passed.¹¹ With the prior warning, the shopkeepers shut their shops before the terrorist incident, and generally, terrorists would pay young boys in the range of 20-25 rupees to lob a grenade on police vehicles, military convoys, and public places like bus stands. Mostly, the finance was raised from local sources. Jamaat-i-Islami cadres collected money from the households which donated as per their capacity. Generally, they were asked to send either their son as Mujahid or donate money. Most of them preferred the latter. Donations ranged from INR 1000 to INR 50,000, depending upon the economic status of the household. However, over time, this process became extortive in nature, and the local population developed resentment against this.

In the early phase, Pakistan also sent money through cash couriers. The LoC was a porous border with no fencing; hence, it was easy to smuggle cash into Indian Kashmir. Narcotics smuggling was also one of the easy and preferred channels to raise money.

While discussing Pakistan's terror infrastructure in Kashmir, it merits a mention that Pakistan's experiencing in training Mujahidin's of Afghanistan in a proxy war, with Saudi and American money, provided it with a robust foundation for the future proxy war with India. Pakistan gained experience in organising and sustaining a proxy terrorist movement, and created a firm and solid Islamist radicalisation setup and assets that would ensure a continuous supply of Jihadi terrorist cadres in all its future operations. Islamabad collected massive amounts of money in the name of Jihad funds.

Having realised the long-term utility of proxy war as a strategy against India, Pakistan began efforts to institutionalise the terror funding in Kashmir. It began with the establishment of the Hurriyat Conference in 1993, a group of all separatist parties. Now money had to be provided for its office expenses, remuneration of Hurriyat leaders, salaries of workers, media, activists, writers, and protest organisers. With the formation of Hurriyat, 2nd phase of Kashmir's militancy started, and it was marked by institutionalisation. From 1996 onwards, Afghan mujahidin started crossing into Kashmir. By then, Pakistan had decimated local and relatively secular terror groups like Jammu-Kashmir Liberation Front and replaced them with groups like Hizbul Mujahidin, Harkat-ul-Ansar, Harkat-ul-Mujahidin, and Al Badr, which adhered to religious injunctions rigidly and identified their struggle as Islamic jihad. Pakistan had realised that to sustain the proxy war, in the long run, required an aggressive push towards religious radicalisation of the society and cultivating Jihadi terrorist groups.

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From 1996, Afghan cadres started joining Kashmir-centric terrorist groups. Their numbers ranged around 20 of the 150 terrorists infiltrating into Kashmir, and they mainly served as commanders. Further, from 1996 onwards, one comes across early attempts to use Hawala channels to transfer money to Kashmir. By the early 2000s, Hawala channels had become a robust method to move money into Kashmir. These attempts were co-terminus with the emergence of Lashkar-i-Taiba and Jaish-i-Muhammad, as the main proxy terrorist groups of Pakistan. Since, these were Pakistani terror groups with their cadres and leadership mostly coming from Pakistan, they enjoyed higher levels of trust with the ISI. Also, these groups were specialized, better

trained, and linked with global terrorist outfits like the Taliban and Al Qaeda. They received a large part of their funding from hawala channels (money routed from Gulf countries).

After India started fencing the LoC, the dependence on Hawala channels increased multifold. Most of the Hawala payments were routed from the Middle Eastern countries. Further, from 2000 onwards, Pakistan started investing heavily in Kashmir's mainstream political parties to create a congenial socio-political milieu for religious radicalisation and violent separatism.

In 2006, Hurriyat offices in Delhi were closed, and many of their operatives were arrested on the charges of hawala dealing for terror financing. The official crackdown on hawala networks led to the simultaneous exploration of other methods and routes of terror funding. From 2006 onwards, Pakistan began using the LoC trade for smuggling cash, drugs, weapons, and explosives. Besides direct smuggling, money was also generated through over and under-invoicing. Allegedly, the LoC trade was majorly used to fund the Kashmir unrests of 2008, 2010, 2013, and 2016 (post- Burhan Wani's encounter death). LoC trade continued to be one of the most effective ways of generating and moving terror funds until it was banned in 2019.¹²

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Other innovative measures to raise terror funds include raising money by selling medical, engineering, and higher education seats and using Haj tours and travel agencies. Initially, Pakistan started allocating medical and engineering seats for the children of dead militants in Pakistan's colleges. In Kashmir, the students got admission on the recommendation of Hurriyat leaders. All of them are allocated a fixed number of seats depending on their political stature. For example, top-level leaders like Geelani, Yasin Malik, and Mirwaiz Umar Farooq had more seats with them as compared to the second and third rung leaders. In Pakistan, ISI takes care of the educational expenditures, and the money paid by students to Hurriyat leaders is funneled to terrorist groups. Fees per student can be any figure between two-three lakhs to 18 lakhs, depending upon the status of the candidate. Hurriyat leaders also keep a percentage for themselves. Then,

there are professional career counseling agencies that are in the business of getting the candidates. Hence, it can be seen that this is a highly organised and professional network to generate money. Initially, the students were sent only to Pakistan. Over time, they have started going to Bangladesh, China, Turkey, Saudi Arabia, and the Central Asian countries. In all these countries, Pakistan has a strong network. The students are also used to sending critical messages to separatists and terrorists when they go back. Further, the students who enroll in these courses were born during the militancy phase, and hence, they already nurtured deep-seated anger against India. Pakistan is investing in this generation, indoctrinating their impressionable minds with hatred towards India and religious extremism, making sure that the engine of proxy war and terrorism runs smoothly in the future, without making much investment.

Terror-funding system also generates much money by using Haj tours and travel agencies. Every year several hundred locals visit Saudi Arabia for Haj. In every small town of Kashmir, there are numerous tours and travel agencies. The pilgrims' payment to locals agencies gets diverted to terrorist and separatist groups after the travel agencies keep a small share for themselves. In Saudi Arabia, pilgrims are taken care of by ISI's assets in the hotel industry. On their way back home, the pilgrims carry cash and gold, sold in India to generate funds for the terror ecosystem. In addition to the above-mentioned ways, the other means of raising money include selling animal hides, under and over-invoicing in the legitimate business of handicrafts and carpet export-import, and the handicraft showrooms across the world.

Kashmiri diaspora settled in Western Europe, the US, and Canada also donate money for Kashmiri militant and separatist groups. The Islamist charities like the Islamic Circle of North America, Muslim American Society, Kashmir American Council, Kashmir Canadian Council, and Al-Khidmat Foundation have also contributed large sums to Kashmir cause under the garb of relief work. These charities work in western countries and enjoy much influence over western politicians. Middle East Forum, Washington DC-based think-tank, has done impressive work in documenting the links of such Islamist charities with terrorist groups.

After 2000, Kashmir's terror funding became a multi-dimensional project. Pakistan had already realised that despite its strenuous efforts to internationalise the Kashmir issue and link it with the global Islamist movements and terror outfits of West Asia, the locals did not respond much to global Islamist trends. The local factors significantly

impacted the conflict dynamics. Kashmiris did not show much enthusiasm for fundamentalist terror movements like the Taliban and Al Qaeda. Perhaps, Kashmir's Sufi traditions, cultural factors, and functional democracy nourished by the Indian state prevented them from joining the bandwagon of global Islamism. Hence, to offset that disadvantage, Pakistan majorly invested in building and sustaining the local conflict narrative and victimhood. Such a strategy involved financing media houses to peddle fabricated separatist narrative blaming Delhi for all the ills of Kashmir and subtly injecting the collective psyche of people with separatist and Islamist tendencies. Also, this strategy found its implementation in funding civil society organisations, activists, human rights groups, and academicians to generate an anti-India narrative.

As a part of this strategy, Pakistan invested in religious radicalisation. Jamaat-i-Islami (JI)¹³ has played an instrumental role in radicalisation. JI is also known as an intellectual arm of the terrorist group Hizbul Mujahiddin. Over the last four decades, JI has made an intense penetration in Kashmir's social, cultural, administrative, political, academic, judicial, and economic setup. JI holds *ijtemas* (religious discussions) in rural areas and lure ordinary followers towards Maududi's vision. Those who refused to follow their dictates have to face social pressure, boycott, and sometimes assassinations. Besides its charity activities and religious appeal, people also gravitate towards JI because of its political and administrative influence. JI, through its recommendations, can get recruitments for its followers in administration, police, academia, and the financial sector. The local political parties are heavily dependent on the votes of JI followers. JI also manages to get loans from banks and financial institutions for its supporters, mostly separatists, terrorist-sympathizers, and Islamists. JI also runs a vast network of schools that indoctrinate young minds with religious extremism. In all these activities, JI makes a lot of money, a part of which, reportedly, goes into terror funding. JI's radicalisation activities have done irreversible damage to Kashmir's multicultural Sufi traditions, convincing the local Muslims with a fundamentalist interpretation of Islam that it's sinful to coexist with non-Muslims.

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Another religious group that has transformed Kashmir's Islam is Ahl-i-Hadith¹⁴, also known as Wahabis and Salafis in Kashmir. Once reviled in Kashmir as a cult insulting towards Sufis, it has made tremendous progress over the last two decades. Ahl-i-Hadith,

believes in a literal interpretation of Islam, which is fundamentalist in nature. In 2011, there were about 700 Ahl-i-Hadith mosques, which according to intelligence sources, has risen to 2000 mosques.¹⁵ Reportedly, many Wahhabis clerics have ties with Lashkar-i-Taiba, which also believes in the Wahhabi school of thought. Wahabis are heavily funded with petro-dollars, and they make massive investments in building highly ornamental mosques, hospitals, and educational institutions. Wahabis were planning to build Trans-Islamic University in Anantnag (Kashmir); however, the then governor, Mr. NN Vohra, got the project stalled. Wahabis doctrines are nurturing a generation abhorrent towards Kashmir's Sufi traditions and believing in West Asian-styled extremist and literal versions of Islam. They are intolerant towards Shias and Ahmadiyas. After the Arab Spring, Kashmir was majorly impacted by West Asian Islamist trends, and it also coincided with the expansion of Wahabism in Kashmir. As a result of the influence of Wahabism, one can witness the rise of Pan-Islamism in Kashmir. Ansar Ghazwat-ul-Hind, an outfit started by Zakir Musa, branded itself as a local affiliate of Al Qaeda. Zakir Musa categorically declared that Kashmir's movement is to make it a part of the global Islamic caliphate. Even the celebrity militant Burhan Wani, before his encounter in 2016, expressed his support for the caliphate. Though the number of people joining ISIS from Kashmir is negligible, the rise of ISIS has inspired the new generation in Kashmir, reflected in the formation of the local unit of ISIS known as ISJK (Islamic State of Jammu and Kashmir).

Unique Features of Kashmir's Terror Financing

- 1) Besides some of the time-tested terror-financing mechanisms such as narcotics smuggling, hawala channels, over and under-invoicing in the international trade, some highly innovative methods have been witnessed in Kashmir such as the use of Haj tours and travels and MBBS/engineering seats scam.
- 2) In Kashmir, the degree to which the mainstream institutions such as politics, academia, media, administration, financial, businesses, and civil society are part of the terror financing ecosystem, makes it a unique case study. Generally, terror-funding

In Kashmir, the degree to which the mainstream institutions such as politics, academia, media, administration, financial, businesses, and civil society are part of the terror financing ecosystem, makes it a unique case study.

is a clandestine area believed to be involving outlaws; however, in Kashmir, mainstream institutions working as purely legal entities also became a part of this nexus.

- 3) Kashmir's terror-funding scenario is also differentiated from the West Asian and North African conflict theatres by the broader socio-political and cultural conditions. Unlike in West Asia and North Africa, Kashmir has had functional administration, democratically elected governments, and moderately functioning development administration. Further, Kashmir's default socio-religious milieu is at odds with extremist and fundamentalist versions of Islam. Hence, it was always an essential component of terror funding for Pakistan to invest heavily in religious radicalisation and sustain the conflict narrative through media, academic and civil society.

NIA's Strategy in Countering Terror Finance

Post-September 11, the global AML/CTF regime mostly relied on asset-freezing and the movement of terror funds. The CTF regime's current focus is on the financial services industry, including the formal banking sector and The Money Service Business (MSB) community. The formal financial sector is subjected to harsh regulatory measures and monitoring, consisting of various practices like customer due diligence and Know Your Customer (KYC). With such a narrow focus, the AML/CTF regime could rein in terror financing through formal channels and Islamist charities like Al Haramain Foundation and Revival of Islamic Heritage Society (RIHS). However, overall, the performance cannot be called a success.

The 2011 IMF report found the global AML/CTF programmes disappointing on compliance and implementation. Despite whatever claims are made about the success of the CTF regime, its correct assessment must be assessed from Osama bin Laden's (OBL) October 2001 interview with a Pakistani newspaper in which he opined that the AQ's financiers were as "aware of the cracks inside the Western financial system as they are aware of the lines on their hands".¹⁷ Peter R. Neumann has suggested¹⁸ that the last 15 years of the CTF regime have failed, as today, there are more terror organizations with much better financial resources. It happened because of the narrow focus of the CTF regime on the formal financial world. On the contrary, the terrorist organizations have drifted towards informal, off-the-radar, simple, and primitive modes of raising

and moving terror funds. Hence, the global CTF regime under FATF's auspices needs to be linked with the broader diplomatic, military, and security measures to counter-terrorism.

However, in Kashmir's case, India's approach towards terror funding can be called a significant success. The NIA did not confine itself to asset-freezing and the hawala channels. After 2016, India's broader approach against terrorism has been tough. Delhi followed the policy of large-scale neutralization of terrorist cadres. Apart from this, NIA arrested key hawala masterminds like Zahoor Watali, top-notch separatist leaders including big names like Yaseen Malik, Asia Andrabi, and many mainstream leaders involved in terrorfunding.

Further, the government of India has banned Jamaat-i-Islami and LoC trade. All the actions mentioned above have dealt a massive blow to the terror funding ecosystem in Kashmir. For now, it seems that the terror-funding channels have dried to a great extent.

However, India has not been as successful against Islamist charities as the Western countries have been. The US government could force Saudi Arabia, Kuwait, Qatar, and other Middle Eastern countries to initiate firm action against the charities. Moreover, the Islamist groups and charities working in the US and other western countries have substantially funded the Kashmir terror groups lately. Indian agencies need to investigate this phenomenon as it is complex and circuitous and a new source of funding.

Conclusion

In the future, Kashmir's terror funding is likely to be more aligned with the global Islamist movement. Over the last decade and after the abrogation of Kashmir's special status, the Kashmir separatist-cum-terror machinery has found itself in a position where its linkages and outreach with global Islamist groups have become inevitable. Hence, they are going to leverage it. Besides, new and innovative methods involving the use of crypto-currencies and cyber fraud will also be used. Narcotics smuggling will continue to remain one of the robust methods of terror funding, and cash-couriers will be continued; and drones are likely to be used to drop cash and weapons. Lastly, it can be observed that Turkish president Erdogan has emerged as a major sympathizer of Kashmir cause to fulfill his caliphate dreams. Erdogan's regime

has proven links to terrorist groups like Boko Haram, Al Qaeda, ISIS, and Hamas.¹⁹ Hence, Turkey may come up as a significant player in Kashmir's terror financing scenario. Likewise, Kashmir's enhanced value in the global Islamist identity calculus may motivate Iran to enhance its involvement in the Kashmir issue, given its history of supporting the Muslim causes to claim the global Islamic leadership.

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