



Feeding the Tiger

How Sri Lankan insurgents fund their war

The Liberation Tigers of Tamil Eelam has created one of the most sophisticated insurgencies in the world in its long-running battle for a separate Tamil state in Sri Lanka. John Solomon and B C Tan investigate how the Tamil rebels generate money to support their activities.

KEY POINTS

- The LTTE's innovative sea, land and air tactics are predicated on a robust global financial and procurement structure.
- The LTTE uses myriad licit and illicit funding methods to maintain one of the most formidable non-state support infrastructures worldwide.
- The LTTE's strategic need for anti-aircraft weapons will necessitate its continued international fundraising campaign.

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The ethnic separatist Liberation Tigers of Tamil Eelam (LTTE) is the only known insurgent organisation with its own army, navy and now even a rudimentary air force. With the group having undertaken three air strikes since March this year, the LTTE has shown that it has access to financial resources and weapons that not only prolong its campaign, but also give it the luxury of introducing bold, new dimensions to the conflict.

While the LTTE's force presence – the Sea Tigers, Air Tigers and various land forces – is mainly in the northern and eastern parts of Sri Lanka, the organisation fulfils its financial and procurement needs abroad. Far from the primary theatre of conflict, the LTTE depends on a complex global network of professional managers and outsourced people who acquire money and guns in countries with significant Tamil diaspora communities. Irrespective of the correlation between the LTTE's financial situation and the longevity of a conflict that has cost more than 60,000 lives, the activities of the LTTE abroad – including extortion, narcotics trafficking and credit card fraud – have a negative impact on the countries and societies that host its presence.

Through its licit and illicit businesses and fronts, the Tamil Tigers generate an estimated USD200 to 300 million per year. After accounting for its estimated USD8 million per year of costs

within LTTE-administered Sri Lanka, the profit margin of its operating budget would likely be the envy of any multinational corporation.

Funding and procurement

The Tamil Tigers' financial and procurement structure is well organised and strategically positioned around the globe. Unlike the decentralised jihadist movement, the LTTE is a centralised, hierarchical organisation commanded and controlled by its founding leader, Velupillai Prabhakaran. LTTE loyalists tend to fill the ranks of the two principal directorates that manage the interlocking aims of raising money and buying weapons. However, lower down the chain of command LTTE members tend to act as out-sourced agents driven as much by profit as any ideological commitment to creating a Tamil state in Sri Lanka.

The two overarching financial and procurement bodies are the Aiyanna Group, directed by Pottu Amman, and the Office of Overseas Purchases, directed by Kumaran Pathmanathan, alias KP, and source of the office's nickname, the KP Department. Both men have extant Interpol Red Notices listed against them.

The Aiyanna Group functions as the Tamil Tigers' clandestine intelligence and operations body and is likely to be responsible for monitoring and ensuring the organisation's financial support and revenue streams. The Aiyanna Group's global management allegedly acts as overseer among Tamil communities in Western countries through LTTE front organisations.

The Office of Overseas Purchases or KP Department is most probably the LTTE's procurement arm. Although Vaithilingam Sornalingam, alias Colonel Shankar, created the unit (the now-deceased Canadian Tamil who also founded the LTTE's Air and Sea Tiger wings), KP allegedly directs its activities at present. The second most wanted man in Sri Lanka, Pathmanathan is a highly competent and elusive operative. The KP Department has reportedly sourced arms in various countries and operates a fleet of deep-sea vessels, known as the Sea Pigeons. Normally registered in Panama, Honduras or Liberia, the Sea Pigeons are primarily tasked with the delivery of

procured weapons to LTTE bases in Sri Lanka and may also be in other LTTE enterprises, legal or otherwise.

The Aiyanna Group and KP Department cadres are strategically placed internationally to correspond closely to Sri Lankan Tamil enclaves, which provide the main source of LTTE money, manpower and weapons. The geographical distribution of Tamil communities enables the LTTE to use them as networked operations centres.

International finances

The Tamil Tigers have been a proscribed terrorist organisation in the India, US and the UK since 1992, 1997 and 2001 respectively. In April 2006, Canada also proscribed the group and, in May 2006, the EU banned the group, sending a message that its use of European cities for terrorist financing purposes was no longer tolerated (the ban followed the prohibition of the movement of LTTE representatives in the EU in September 2005). At the beginning of June 2007, the Sri Lankan Ministry of Defence also suggested that Australia was preparing to ban the group.

Perhaps due in part to this bolstered legal regime, an international crackdown by law enforcement agencies in the West has resulted in numerous recent arrests and revelations regarding the LTTE's global financial and procurement structure. Taken in total, the investigations show that the LTTE has a shared methodology that it follows irrespective of location. The pattern is that the LTTE creates, staffs and projects its influence through front organisations and out-sourced Tamil gangs to raise money from Tamil communities and, ultimately, convert the gains into arms.

North America

Perhaps the most important region for LTTE overseas fundraising has been North America. In April, the FBI unsealed a complaint indicating that the LTTE depends on pliant Tamil expatriates in various countries to "raise and launder money; smuggle arms, explosives, equipment, and technology into LTTE-controlled territory; obtain intelligence about the Sri Lankan government; and spread propaganda". Furthermore,



BAN THE
LTTE
NATIONAL MOVEMENT AGAINST TERRORISM
LTTE
AGAINST TERRORISM

just
say
"NO"
to terrorism

Members of the National Movement Against Terrorism urged the EU to impose a comprehensive ban on the LTTE in 2005.



the FBI alleged: "To co-ordinate these activities, the LTTE has established 'branches' in at least 12 countries." The complaint claims that Karunakaran Kandasamy, alias Karuna (not to be confused with faction leader Vinayagamoorthi Muralitharan, alias Colonel Karuna), is the director of the US branch of the LTTE, which the FBI alleges operates out of a Queens, New York-based charity known as the World Tamil Co-ordinating Committee (WTCC). The WTCC has denied providing material and financial support to the LTTE and no legal proceedings have been brought against the organisation. Karuna was indicted in May along with six other individuals on one count of providing material support to a foreign terrorist organisation. Five of the seven individuals, not including Karuna, were also indicted on one count of bribing public officials. According to the complaint unsealed in April, in their alleged conspiracy to bribe US Department of State officials in order to remove its designation as a foreign terrorist organisation, LTTE operatives, who said they represented senior leadership, allegedly discussed a maximum upfront

denied the organisation has supplied money to the LTTE. Sithanparanathan is not subject to any legal proceedings. The hearing concluded with a year's extension to the RCMP's custody of evidence in relation to the investigation (the RCMP is only legally allowed to hold evidence for one year). No legal proceedings have yet been brought against any individual or organisation.

Previous FBI investigations reveal additional information about the LTTE's ability to use its financial resources to procure weapons. The continued unchallenged air dominance of the Sri Lankan Air Force will exacerbate the LTTE's need to obtain anti-aircraft weaponry such as the SA-18 surface-to-air missiles to address the strategic imbalance. Sri Lankan airspace remains a key realm of the conflict where Sri Lankan armed forces continue unmatched since the LTTE's Zlin light aircraft are only able to launch bombing attacks on stationary targets with little capacity to take on the Sri Lankan air force. The procurement of anti-aircraft technology is likely to continue to be the primary driver of LTTE procurement efforts if the two recent major LTTE

incident may highlight the trend of increased use of non-affiliated arms brokers, which provides plausible deniability and greater operational security. Alternatively, it could indicate that the profit motive has gained ground relative to the group's traditional ideological motivations.

An earlier FBI complaint, unsealed in August 2006, provides additional clues into the LTTE's financial and procurement structure and needs. As the result of a joint investigation with the RCMP, the document alleges that two Canadian LTTE operatives, apparently representing senior leadership in Sri Lanka, attempted to procure weapons including surface-to-air systems from the US. The first LTTE agent was tasked with finance whereas the second was particularly interested in the logistics of the arms deal. The discrepancy suggests the LTTE has cadres that specialise in complimentary aspects of finance and procurement.

The document details the LTTE operatives' intention to purchase 50 to 100 Russian-made surface-to-air missiles for use against the Israeli-made Kfir fighter jet the Sri Lankan air force uses. It further makes clear the LTTE wished to obtain military weaponry that would destroy boats. Illustrating the LTTE's decision-making structure and relative wealth, the operatives – allegedly naming and deferring to Pottu Amman as responsible for 'outside purchasing' of arms – discussed a price of USD900,000 to USD937,000 for an initial package of 10 SA-18 surface-to-air missiles, 500 AK-47 assault rifles and the necessary training, which was to take place in Sri Lanka. According to the complaint, the LTTE agents indicated that payment could be made through accounts in the US, Switzerland, St Croix in the US Virgin Islands or other offshore financial jurisdictions. The LTTE agents specified the point of delivery should be a ship-to-ship transfer in the Indian Ocean, suggesting a role for KP's Sea Pigeons. The two people were indicted in September 2006 along with three others on one count of conspiracy to provide material support to a foreign terrorist organisation and one count of attempt to provide material support to a foreign terrorist organisation. All individuals deny the charges against them. A trial date of 10 March 2008 has been set.

Europe

The EU is an additional theatre for the LTTE's financial operations. Following the EU's decision to proscribe the Tigers in May 2006, increased law enforcement activities have taken place, for example in France.

France has a history of being a strategic position in the LTTE international co-ordinating structure and financing network. However, its activities there have been under-reported. Both former heads of the LTTE International Secretariat, Lawrence Thilagar and Velyummylum

'France has a history of being a strategic position in the LTTE international co-ordinating structure and financing network'

payment of USD1 million in cash. However, the deal apparently required the authorisation of LTTE leader Prabhakaran, representing the relative wealth and command-style structure of the LTTE's financial and procurement methods and decision making, and was not finalised. All individuals in the cases deny the charges against them. No trial date has yet been set.

The method of staffing an ethnic Tamil-associated LTTE front with a professional financial and/or procurement cadre is a signature LTTE practice used internationally. For example, an ongoing Royal Canadian Mounted Police (RCMP)/Canadian Security Intelligence Service investigation into the flow of funds from Canada to the LTTE in Sri Lanka (Project Osaluki) led to an April 2006 raid on the Montreal office of the World Tamil Movement (WTM).

The RCMP alleges the movement is a front organisation for the Tamil Tigers and has been deeply involved in the financing of the group. According to the RCMP, the various Canadian World Tamil Movement offices transferred funds to its 'mother' office in Toronto which, in turn, transferred the funds to bank accounts in Sri Lanka. During a Quebec court hearing in May, Kathiravelupillai Sithanparanathan, the 84-year-old president of the WTM's Montreal office,

arms procurement arrests on the island of Guam and New York are any indication. In September 2006, a US-led investigation unearthed a major LTTE arms procurement group operating from Baltimore and Guam. Six people were detained and indicted for attempting to purchase and export USD3 million worth of weapons, including surface-to-air missiles for the LTTE. US officials confiscated USD700,000 and charged the individuals involved with aiding and abetting a terrorist organisation and money laundering.

The people involved were a Sri Lankan citizen of Tamil descent named Thirunavukarasu Varatharasa, Singaporean citizen Haniffa bin Osman, retired Indonesian Marine general Erick Wotulo and Indonesian citizens Helmi Soedirdja, Haji Subandi and Rinehard Rusli. In January, Rusli and Soedirdja pleaded guilty to attempting to illegally export arms and money laundering. Subandi and Wotulo pleaded guilty to conspiracy to provide material support to the LTTE and attempted export of arms and ammunition in March. Haniffa bin Osman pleaded guilty to conspiracy to provide material support to the LTTE in April and Varatharasa pleaded guilty to conspiracy to provide material support to the LTTE and attempted export of arms and ammunition in May. Given the diversity of nationalities, this



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Sri Lankan President Mahinda Rajapakse (centre) inspects a haul of weapons captured by the Sri Lankan army from Tamil Tigers in February 2007.

Manhoaran, have previously been based in Paris, while Manhoaran was granted French citizenship in May.

In early April, French police executed a co-ordinated raid that targeted alleged LTTE-related entities and people in Paris. The raids were timed to coincide with the usual LTTE fundraising activities police believed to start on Friday evenings and end the following Sunday.

According to an Indian news report, the LTTE in France require each Tamil family to pay a minimum of EUR2,000 (USD2,728) per year and businesses EUR6,000 (USD8,185) per year. If Tamil expatriates are not compliant they are

reportedly subject to aggressive psychological and violent treatment. For example, an LTTE associate reportedly owns a farmhouse outside Paris where abducted Tamils are taken, tortured and ransomed until their families agree to pay significant sums of money for their release.

The LTTE in France allegedly outsourced its fundraising tasks to two ethnic Tamil gangs, perhaps as a means for LTTE leadership to achieve some plausible deniability in the event of a law enforcement raid. Two gangs were charged with the task of collection and were given a 20 per cent commission, according to the Indian report. Reports of the use of Tamil gangs for extortion and

Procurement structure

Overseas funds are used to procure arms. Although captured and salvaged weapons from the Sri Lankan armed forces comprise an estimated 60 to 70 per cent of the total arsenal of the LTTE, according to the Small Arms Survey, the remainder are sourced from overseas by the KP Department.

The southern province of Tamil Nadu in India has historically played a pivotal role in LTTE procurement activities and will likely continue to do so even in the long term. Predominately populated by ethnic Tamils, 113 refugee camps house approximately 65,000 Sri Lankan Tamil refugees. Combined with the geographical proximity to Sri Lanka, this has allowed Tamil Nadu to become the essential transit point in LTTE arms, narcotics, contraband and possibly human smuggling. The highly competent Sea Tigers continue to enforce substantial control over the northern waters of Sri Lanka permitting successful smuggling operations from Tamil Nadu. In the first three months of 2007 alone, at least 20 individuals have been arrested in Tamil Nadu for attempting to smuggle weapons to the LTTE. However, it is also important to note that the weapon consignments from Tamil Nadu have been largely limited to items of fairly low technology. For instance, ball bearings used in mines was a recurring item appearing in all the arrests; other items include detonators and explosives.

Beyond Sri Lanka's neighbour, Cambodia is one of the most significant single sources of weapons for the LTTE outside of Sri Lanka, estimated by the Small Arms Survey to contribute between five and 10 per cent of the LTTE stockpile. The remainder of internationally procured weapons are believed to originate from the rest of Southeast Asia, North Korea, Afghanistan, Lebanon, Cyprus, Greece, Turkey and Ukraine.

Thailand is another centre of operations for the LTTE. The 10,000-strong Thai-Tamil community allows LTTE operatives the ability to blend in and a ready source of manpower. Moreover, its strategic location to arms markets in Cambodia and proximity to Sri Lanka make it an ideal base of shipping and procurement operations. In May 2003, three alleged KP operatives were arrested in Ranong province and pleaded guilty to weapons smuggling, being sentenced in November 2003 to five years imprisonment. Thai authorities recovered 10 Glock pistols, 3 HK Mark 23 pistols and 45,000 rounds of assorted ammunition.



other illicit activities have also been prevalent in a number of other countries, including the UK.

In Norway, 16 people were sentenced to prison terms up to five and half years in May 2007 for credit card fraud on behalf of the LTTE. By skimming card data, the men had apparently gathered NOK5.3 million (USD890,000). International credit card fraud schemes are probably not undertaken by LTTE cadres in all cases, but rather outsourced to pliant individuals with a profit motive as a commission would have been likely.

Asia

The use of agents has been confirmed by the detention of distinct groups of operatives in Southeast Asia in addition to other regions. In May 2006, a six-man Tamil team from the UK arrived in Singapore with blank cash machine cards, a cash machine card encoder and a portable computer with cash machine card information of account holders in the UK. The operation failed when one of the six operatives alerted a security guard and was arrested. Shortly after, the other five were found in their hotel room with USD354,070 in cash after three days of activity. All six pleaded guilty to conspiring to steal and access a computer and were convicted to sentences ranging from seven years and six months to 10 years and six months imprisonment.

Arrests have been made in relation to similar schemes in Thailand, Kenya and Sri Lanka. Although credit card fraud has garnered more publicity in recent months, the LTTE's chief trade in Asia is reportedly heroin trafficking, although no verifiable evidence has been produced. According to G H Peiris at the University of Peradeniya, the LTTE secures the Golden Crescent-Europe route and possibly routes out of the Golden Triangle.

The US Library of Congress stated in its October 2003 report, *Nations hospitable to organised crime and terrorism*, that the LTTE then alternate their routes involving transportation back to coastal areas of Sri Lanka or Tamil Nadu, where its naval forces can secure smuggling operations. Global distribution is then achieved through carriers via international airports in Colombo, Mumbai and New Delhi, according to Peiris.

Although the LTTE is unlikely to be involved in street-level distribution of heroin, it is possible that LTTE-affiliated street gangs may be involved in lower-level distribution. The RCMP claims that a portion of the USD1 billion drug market in Montreal is controlled by Sri Lankans connected to the LTTE.

The LTTE also uses legal businesses, often serving as fronts for mobilising money, people and equipment. Much hearsay exists about the

Harvesting 'Little Jaffna'

The Sri Lankan Tamil diaspora numbers approximately 600,000 to 800,000. Violent race riots in the late 1970s and early 1980s and the advent of civil war resulted in significant waves of emigrants to Western states. Sri Lankan Tamils are distributed in enclaves comprising: Canada (200,000-250,000); India (150,000); the UK (110,000); Germany (50,000); and Switzerland, France and Australia (30,000). A lesser but significant number emigrated to Southeast Asia, the Middle East and Africa.

The immigration flows between these host countries and Tamil-administered Sri Lanka have resulted in Tamil enclaves, complete with numerous Tamil media, bilingual business directories, and cinemas, often known colloquially as 'Little Jaffna'. The middle and professional classes tended to migrate to the richer countries in the West, such as Canada and the UK, which were known to have liberal asylum and welfare laws. Poorer parts of the Sri Lankan Tamil population migrated to refugee camps in Tamil Nadu, India, which remains a strategic node for the LTTE's procurement and shipping network. A correlation may exist between this migratory pattern and the tendency for LTTE money to come from developed countries and manpower for smuggling operations to come from less developed countries.

LTTE's telecommunications and shipping ventures in Southeast Asia, but there is no definitive proof.

Remittance channels

While fundraising may be undertaken by LTTE operatives and outsourced agents, the transfer of money uses different methods. Interpol identifies the Sri Lankan Tamil community with the use of hawala, an informal value transfer system that leaves little trace and operates outside the formal banking system. While the use of hawala may be prevalent among Tamils living in Sri Lanka and India, the LTTE and its supporters tend to use a variety of complex financial methods to transfer money where it is needed.

First, its international network of non-gov-

ernmental organisations works as an efficient way for it to move funds wherever investment or procurement opportunities arise. Proving that they can be profitable, these non-profit organisations afford an estimated USD2 million a month to the LTTE war chest, according to Peiris. The charitable fronts also offer tax-free status and legitimacy gained through working with larger, reputable, non-governmental organisations.

According to the Sri Lankan government, the December 2004 Indian Ocean tsunami disaster allowed the LTTE to raise large sums of money and move them to LTTE-administered regions under the pretext of charitable disaster relief. The Sri Lankan government claims much of the money has been untraceable and it has been diverted to the LTTE war machine.

CONCLUSION

The LTTE's strategic aim of defeating the Sri Lankan military and securing a political victory in the form of a separate Tamil state depends on the organisation's capacity to source money and arms abroad. Its strategic need to acquire high-tech weaponry, such as surface-to-air missiles, indicates that its activities will continue.

However, if the Western law enforcement crackdown on LTTE financial and procurement continues, the group's ability to fight may be weakened in the medium term, degrading its ability to withstand the Sri Lankan government's offensives and further undermining its combat capabilities.

Given the losses already incurred by the LTTE since 2006 in the east of the country, this may lead to increased pressure to sue for peace, although given the tenacious

history of the LTTE not even a severe denigration of its arsenal will encourage a political settlement with the current government. ■

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Author

John Solomon is global head of terrorism research for World-Check. B C Tan is an analyst in World-Check's Terrorism and Insurgency Research Unit.

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