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**CUTTING IT OFF AT THE SOURCE: AN ANALYSIS OF
STATE COOPERATION AGAINST TERRORIST FINANCING
IN THE UNITED KINGDOM, IRAN AND INDONESIA.**



**Presented in partial fulfilment of the requirements for the degree
MRes in HUMAN RIGHTS AND INTERNATIONAL POLITICS**

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ABSTRACT.

With four months left to the end of 2017, 891 terrorist attacks have already taken place worldwide, a phenomenon that requires money. Thus, there is a clear international need to cut off terrorist funds at source in order to decrease terrorists' ability to perpetrate further attacks. Because the negative externalities derived from transnational terrorism cross borders, multilateral cooperation seems the best chance of countering them; however, not all states have been equally enthusiastic about joining international efforts. This paper aims to answer why states' levels of commitment to multilateral efforts to counter terrorism and terrorist financing vary among countries by analysing the cases of the United Kingdom, the Islamic Republic of Iran, and Indonesia. It also aims to contribute to the literature by arguing that more than one theoretical framework may sometimes be needed when analysing terrorism and mechanisms countering it. Hence, the realist, neoliberal institutionalists and constructivist lenses will be deployed to reveal how national interests, multilateral institutions such as the EU, the UN and ASEAN, and the role of identity and norms in shaping states' behaviour, boosting or constraining cooperation, all matter in building understanding of states' commitment to multilateral efforts in the fight against terrorism and terrorist financing.

1. Introduction

In the first six months of 2017, 891 terrorist attacks have been recorded worldwide, with a total of 5,294 fatalities (Esri-Storymap, 2017). Although some areas have been more targeted than others, transnational terrorism - like other current global crises such as climate change - is no longer a national problem that can be addressed solely via domestic policies. In order to perpetrate such attacks, terrorists need to have sources of money; therefore, tracking their funding movements and cutting off their resources at source would help reduce the capabilities of terrorists to perpetrate attacks, and even to prevent attacks. There is a growing body of literature highlighting the importance of multilateral cooperation to countering terrorism and terrorist financing, due to the negative transnational externalities associated with it (Sandler, 2003; FitzGerald, 2004; Bensahel, 2006; Findley et al., 2012). These scholars reiterate that, when speaking about cooperation in counterterrorism, states have to join forces multilaterally, “otherwise terrorists will look for the weakest links in the system and continue their harmful activities” (Bensahel, 2006: 42).

Although it seems clear that multilateral cooperation is needed to end transnational terrorism, not all states have approached the problem equally. Since 9/11, some states have been highly committed to the global counterterrorism regime, while others have done so less enthusiastically, or not at all. One of the most vital branches of the global counterterrorism regime is the fight against terrorist financing (Clunan, 2006), because while there are countries that do not collaborate with terrorism, these can be used as “havens” by terrorists to gather and move resources, and consequently, terrorists are able to continue funding their attacks around the world. In this sense, to end terrorism, it is crucial to cut off the capacity of terrorists to fund themselves. Once the importance of multilateral cooperation and the fight against terrorism financing have been established, the main goal of this paper is to address the following question:

Why have states varied in their degree of commitment to multilateral efforts to counter terrorism and terrorist financing?

Understanding what drives some states to engage with these multilateral efforts, what factors are still constraining others from doing so, and why some states have changed their approach over the years, will be extremely useful in building understanding of why now, 16 years after the 9/11 attacks and so many terrorists attacks later, there are still some countries that do not align themselves with a multilateral approach to counterterrorism and terrorism financing, thus leaving space for terrorists to continue perpetrating their attacks. At the same time, this research is interesting in a “real world sense”, because it will show why countries such as the United Kingdom (UK), (which, in the middle of Brexit negotiations to leave the European Union (EU), seems to want to recover competencies), are highly engaged and promoting a multilateral regime for security (an area in which it has been historically difficult to reach agreements), as well as, leaving some open questions as to what will happen in the following years with the UK’s behaviour, and if Brexit will have repercussions for global security. This paper also brings implications for policymakers because it will signal some of the factors they may be missing when establishing a global policy against terrorism or terrorist financing which they wish to be accepted by all countries, and it will help to understand what incentives are needed/can be created to get more countries on board. In doing so, this paper will apply a series of assumptions made by theorists within the realist, neoliberal institutionalist and constructivist schools in comparing three different state cases: The UK, which has been highly engaged in multilateral efforts since 9/11 both in counter terrorism and to fight terrorist financing; Iran, a state that has always been reluctant to join multilateral efforts in counterterrorism issues, and Indonesia, which has shown changed behaviour since the beginning of the global counterterrorism regime, from an individual perspective to a fairly collaborative one at present.

While the UK has ratified all the conventions within the international legal framework deployed by the United Nations (UN), Indonesia has not, although it has increased the number of conventions ratified in the last years, including the UN Convention for the Suppression of Terrorism Financing in 2006, something that Iran, which is not a member of most international Conventions, has not done as yet. Moreover, Indonesia and Iran have been accused of shortcomings in their strategies to counter terrorism financing by the Financial Action Task Force (FATF), the inter-governmental body in charge of the establishment of international standards and the monitoring of states’ strategies to counter terrorism financing and money laundering.

While Indonesia has been successful in improving its legislation, Iran has not (FATF, 2017). Thus, these three cases have been chosen to look into their commitment to the international legal framework to counter terrorism as defined by the UN, and FATF reports. Further, they were chosen due to their different levels of engagement, to allow a comparison of the factors influencing their behaviour, also taking into account that they are different in terms of power situations and geographic zones.

Terrorism studies since 9/11 have been numerous, and probably the most explored areas have been the interactions between states and terrorists, and the choice of policies among targeted countries (Sandler, 2003; Blomberg et al., 2004; Sandler and Arce, 2005; Jacob, 2007; Tambe and Jain, 2011; Kattelman, 2016). Regarding the fight against terrorism financing, most research in the field of terrorism funding has focused on how terrorists obtain their resources (Raphaeli, 2003; Jacob, 2007; Freeman, 2011; Abeyratne, 2011; Passas, 2012), or on the relationship between the public and private sectors in specific countries (Bures, 2013, CTED, 217). However, a gap still exists in the literature regarding how involved states really are in the fight against terrorism and terrorist financing, and most importantly, why they vary in their degrees of commitment. Thus, the factors influencing multilateral cooperation in the fight against terrorist financing represent a field that has not yet been deeply explored, and which is also especially interesting nowadays in an interdisciplinary sense. Whether it is possible to achieve multilateral cooperation is the subject of huge debate within international relations. Hence, this paper supports other scholars' claims that multilateral cooperation is not an easy task, but it can be achieved under certain conditions, such as the presence of a common threat (Fearon, 1998). Factors found to influence international cooperation have been explored in several studies previously (e.g. Bossong, 2013; Croissant and Barlow, 2007; Byman, 2007; Urpelainen, 2012). The present paper aims to contribute to this scholarship by studying the factors in the fight against counterterrorism, and specifically in the fight against terrorist financing, a complex issue almost unexplored previously, where much more literature is needed. Furthermore, this paper aims to contribute to the authors that argue that a synthesis between rationalist theories, such as realism and neoliberal institutionalism, and those which take into account the particularities of each actor such as constructivism, are needed to fully understand some international relations' phenomena such as counterterrorism (Anderson, 2014; Bobulescu, 2011; Cordesman 2006; Hamati-Ataya, 2010). Additionally, the assumptions used in this paper can be further applied

to the analysis of other cases within the same topic, or in other studies that focus on other branches of counterterrorism, such as the exchange of information.

Along these lines, this paper will be divided in three chapters, one focusing on each case study: the UK, Iran, and Indonesia, in which the factors influencing their respective degrees of commitment to multilateral cooperation will be explained. Each chapter will first describe the counterterrorism regime which is embedded each country, because the fight against terrorist financing cannot be understood without looking at the broad picture, placing special emphasis on the measures which each country has taken to halt terrorists' funds. This framework will be divided into unilateral, bilateral and multilateral measures in order to offer the reader a clear image of the level of engagement that each country has with the global regime to counter terrorism and terrorism financing. After that, the reasons which explain each degree of commitment will be analysed through the lenses of realism, neoliberal institutionalism and constructivism, to explaining how states' behaviour has been shaped. While realists' claims are still needed to explain state actions in some cases, especially those of the Great Power states, and they will help us to understand part of the picture for the UK and Iran, they are not sufficient to explain why states have engaged with multilateral efforts to counter terrorism to different degrees. Therefore, the neoliberal institutionalism perspective is used to explain the importance of collective interests to reaching multilateral cooperation, and the importance of the role played by international institutions such as the EU, the UN, or ASEAN in the bargaining leading to such joint measures, as they exemplify the British and Indonesian cases. Finally, in order to complete the explanation of the three cases, the importance of identity and norms as assumed by constructivists, as well as the relevance of context shaping behaviours, will be justified.

2. The United Kingdom case: National interests, the European Union umbrella, hegemonic identity and a common threat

Terrorism is not a new phenomenon for the UK, as it has experienced terrorist attacks over the decades in its national territory driven by the Irish Republican Army (IRA), and the mechanisms deployed in its colonies to counter insurgencies, as well as laws at the domestic level, such as the Terrorism Act (2000), have widely influenced other countries' counterterrorist legislation (Roach, 2011). Nonetheless, since the shock of the attacks in New York and Washington on September 11th, 2001 (9/11), a new era of transnational terrorism challenges, and a global war against terrorism, began (Monar, 2007). The UK has acknowledged and quickly adapted to this new "genuinely international threat" (HM Government, 2006:1), joining and promoting this multilateral counterterrorism effort since the beginning.

The change in the UK's behaviour in facing terrorism is especially interesting taking into account that multilateral initiatives require the most cooperation and we are speaking about security issues. Understanding what incentives or situations drives a state such as the UK, which is a global financial centre, to lose sovereignty in domestic matters in favour of international organisations like the United Nations (UN) or the European Union (EU), can shed some light onto debates of what makes a counterterrorism strategy engaging at international level. Considering the current situation, in which the UK is already preparing its exit from the EU, the identification of what makes this country so highly involved in multilateral structures and willing to spend national resources on a global problem instead of thinking individually may help to support later papers researching the impact of Brexit in the global counterterrorism regime. The facts that the UK is normally considered the principal ally in Europe of the US in its counterterrorism regime (Whitaker, 2010, Howorth, 2003), and that it began its involvement in multilateral cooperation against terrorism and terrorist financing before being attacked on its own soil, something that had not yet happened to other major European countries such as France or Germany (Howorth, 2003), also makes the UK an appealing case for analysis.

Hence, we must ask why the UK has become so highly involved in multilateral cooperation and structures to address the problem of terrorism and terrorist financing, displaying new legislation and mechanisms to adapt its domestic rules to international

standards and common goals during the past sixteen years (Cortright and Lopez, 2007). This chapter will first discuss the main initiatives to counter terrorism, with a special emphasis on the fight against terrorism financing, to show that the UK has been highly committed to multilateral efforts to counter terrorism since 9/11. The explanation for this behaviour lies in several areas: its realist foreign policy, based on the preservation of national interest and the expansion of UK's power; the presence of the EU as a common secure ground that has controlled the payoffs normally associated with multilateral cooperation and boosted cooperation; and both its individual identity as a hegemonic and leading power by which the UK defines itself, but also the collective security identity shared with other countries targeted by terrorism.

2.1 The British apparatus to counter terrorism and terrorist financing

Thus, although terrorism is not new in the UK, after 9/11 the strategy to counter it has seen increased collaborative behaviour, as the UK has promoted and joined several multilateral initiatives. The UK has engaged and supported the global counterterrorism regime principally through multilateral intergovernmental institutions, mainly the EU and the UN. In doing so, the UK has played a crucial role in developing legislation with its European partners to face the threats presented by transnational terrorism (Monar, 2007), one of the most important which has resulted being the creation of the European Counter-Terrorism Strategy, developed in 2005 during the British presidency (European Council, 2017). Furthermore, the UK Government has committed to the Four Anti-Money Laundering Directives that the EU designed to combat terrorist financing, a core component of the EU's strategy in the fight against terrorism (European Council, 2017).

The UK is also an active member within the UN, and has ratified all the international conventions dealing with terrorism that have entered into force to date (OSCE, 2017). Along these lines, the UK has played an active role in the UN framework to counter terrorism, working closely with the UN Counter-Terrorism Committee (CTC) to push states to ratify and comply with the UN counter terrorism legal apparatus, created in 2001 to monitor the Implementation of Security Council Resolution 1373. It has also participated in the design of the UN Global Counter Terrorism Strategy (2006), revised every two years, which can be considered the heart of the new global counterterrorism regime (Whitaker, 2010: HM Government, 2009).

In the fight against terrorism financing, the UK has not just ratified the Convention for the Suppression of the Financing of Terrorism (1999), but is also one of the founders of the FATF established by the G7 Summit held in Paris in 1989, an inter-governmental organization that has established international standards to fight against terrorism financing (Clunan, 2006; FATF, 2017b). It currently has 40+9 Recommendations which are used worldwide to measure the effectiveness of anti-money laundering and terrorist financing measures (National Crime Agency, 2017). Moreover, the UK is a member of The Egmont Group, an international forum for Financial Intelligence Units (FIUs) which aim to promote cooperation against terrorism financing (National Crime Agency, 2017). Nowadays, the threat arising from Daesh confirms the adherence of the UK to a multilateral approach to counterterrorism; it is fully involved in the Global Coalition Against Daesh (Global Coalition, 2017). In fact, the UK government has claimed that multilateral cooperation through international organisations such as the EU and the UN is “essential for a successful international action against terrorism” (HM Government, 2006:29).

The UK has also developed a series of individual mechanisms and measures, which are intended to increase its security, preserve its interests when needed, and to comply with the international standards listed above to which it has committed (GOV.UK, 2017; HM Treasury, 2016). An example of these is the continuous upgrading of its national counter-terrorism strategy (CONTEST). Some examples of these mechanisms and measures which focus on the fight against terrorism financing are the establishment of the National Risk Assessment for Money Laundering and Terrorist Financing (NRA) released on 2015, the 4th Anti-Money Laundering Directive, which came into force in June 2017 (Home Office and HM Treasury, 2016), and the improvements to the UK Financial Intelligence Unit (UKFIU) on the 18th July 2016 (National Crime Agency, 2017). Moreover, further guidelines for Suspicious Activity Reports (SAR) have been implemented, and currently the UKFIU is receiving more than 380.000 SARs a year (National Crime Agency, 2017). The UK has also developed mechanisms to comply with the EU money freezing regulation by which it is also bound (IMF, 2011).

Within its national strategy to counter terrorism, the UK has also developed bilateral agreements to counter terrorism with European partners such as France (GOV.UK, 2012), world powers such as the US (Mix, 2015), and developing countries such as Afghanistan (CONTEST, 2012). However, the UK Government has stated that

in order to achieve a successful counterterrorism strategy that allows it to preserve British interests, the main goal of the government are not individual or bilateral agreements, but to be able to agree multilateral cooperation not just with its European partners but also with countries such as Pakistan, Malaysia, and North African states (HM Government, 2006).

2.2 Why has the UK got involved in multilateral efforts to counter terrorism and terrorism financing?

In the current context in which the UK has recently voted to end its relationship with the European Union, something that will unavoidably result in changes to its foreign policy, it seems natural to ask why over the years this country has been promoting and engaging in multilateral efforts to counter terrorism, an area especially sensitive to the achievement of cooperation because it involves security issues. In other words, why would the UK get involved in multilateral organisations and activities that might undermine its sovereignty and use up national resources, to face a global problem in which success and collaborations with other states are not guaranteed?

Realism gives some good insights into why the UK has been so deeply involved in the creation and promotion of the new and multilateral counter terrorism regime after 9/11. This theory regards the achievement of multilateral cooperation as extremely complex, although its adherents recognise that there may be situations in which it can be pursued (Grieco, 1988); for instance, when states share a common threat, alliances may appear (Fearon, 1998). However, this willingness to cooperate tends to hide self-interest and states' desire to situate themselves in better positions of power than their allies (Mearsheimer, 2016). This is because states, when studied from a realist perspective, tend to measure their success on "relative gains"; that is to say, in comparison to each other (Grieco, 1998b). Neorealism, a realist branch of theory that focuses on the international system structure (Waltz, 1979), argues that the best strategy to survive in a self-help world is to be extremely powerful (Mearsheimer, 2016). Moreover, in order to understand the UK case, it is also important to focus, from among the several explanations in the literature to explain the formation of regimes (Haggard and Simmons, 1987; Krasner, 1983), on the realist claim that regimes mirror the establishment of state power and change when Great Power interests change or are at stake (Whitaker, 2010). Thus, realists claim that: (1) A new

international regime would reflect the power relationship ruling world politics at a given moment, and would be provided or modified by Great Powers, such as the UK; and (2) states are concerned with its relative power and with the preservation and increase of their own interests.

The UK case meets these assumptions. The new global counterterrorism regime (Monar, 2007), based on multilateral efforts, is actually a reflection of the strategy established by the Great Powers (the US and its allies, among which the UK has been seen as the most important) ruling world politics at that moment. The UK promoted and joined this multilateral regime because it appeared the best strategy by which to expand its power and preserve its interests in the Middle East. Proof of that are the declarations given by the British Prime Minister at the time, Tony Blair, to the *Financial Times* (27/04/03) in which he stated that he had the obligation to “re-order” the world, and that the best strategy for doing so was through a multilateral strategy (Howorth, 2003:173; Posen, 2006). In fact, he argued that the UK should seek a “strategic partnership between Europe and America” with the involvement of other countries such as Russia and China (Howorth, 2003:173). The UK’s participation in the Iraq war is also an indicator of the predisposition of Great Powers to expand power beyond their national borders; this behaviour is what neorealist scholars call an “offensive strategy”, which consists in expand power whenever it is possible (Lebow, 2016). The relevance given to national interests is also evident in the domestic measures taken unilaterally by the UK Government (2011) such as CONTEST, in which they claimed that the main aim of their strategy was “to reduce the risk to the UK and its interests overseas from terrorism” (GOV.UK, 2011:1). Far from disappearing, this perspective is still to be found within the UK government; in the last report on counterterrorism issued by the UK Government (2016), it is explained that UK’s interests are still at stake with regard to the situations in Syria and Iraq, and it is also reiterated that terrorism is changing and thus, although the UK approach is a “world leading” one, it is “vital” that the counter-terrorism efforts in the UK’s continue with its “international partners” (HM Government 2016:5). The explanation above can be extended to the branch developed to counter terrorist financing, concerning which it is worth remembering that the UK was also involved in the creation of the FATF, along with its powerful partners from the G7, producing a list of recommendations that mainly represent western rules imposed worldwide on less powerful states without taking into account the weakest powers’ perspectives (Whitaker, 2010; Crimm, 2008).

Thus, the new counterterrorism regime reflects the power relationship created between countries at the moment when their interests both at home and in the Middle East were at stake, and the UK did not hesitate to join it, because it saw the opportunity to expand its power.

Although the realism lens offers some insights by which to understand the involvement in, and promotion of, this new global regime by the UK government it does not explain why the UK developed a counterterrorism regime through institutions such as the UN and the EU instead of promoting it outside these structures.

This approach to multilateral cooperation using institutions is best explained by liberal institutionalist theorists who, using microeconomic theory and game theory, claim that institutions are the best option to foster, deepen and maintain multilateral cooperation between nations (Keohane and Nye, 2000; Lipson, 1984; Sterling-Folker, 2016). The neoconservative role played by the US immediately after 9/11 and its aggressive foreign policy is sometimes said to have undermined the validity of institutionalist scholars' claims (Nuruzzaman, 2008). However, it has also been shown that these structures, especially the EU, have passed the first serious test as a security actor (Den Boer and Monar, 2002), by developing a comprehensive set of rules and mechanisms to counter terrorism and thus terrorist financing (Monar, 2007). Hence, the EU and the UN have played a crucial role in the evolution and maintenance of the global counterterrorism regime in which the UK is fully engaged.

Institutionalism argues that international institutions, which constrain states' selfishness and shape their expectations, boost multilateral cooperation by providing a "common ground" for interaction, minimizing costs, and allowing states to share preferences (Navari, 2012; Sterling-Folker, 2016). Although this theory shares with structural realism a state-centric vision in which countries interact in anarchy rationally, basing their actions on a set of self-interest preferences established by a cost-benefit analysis (Sterling-Folker, 2016), they claim that, instead of caring about relative gains, states pursue absolute gains that can be maximized through cooperation. This is to say, institutionalists are more positive than realists and claim that multilateral cooperation can be achieved if a particular collective goal exists (Sterling-Folker, 2016). Moreover, the mechanisms of institutions to exchange information, monitor states' behaviour and punish those not complying can reduce uncertainty and the fear of being cheated, which have been historical barriers to multilateral cooperation (Mearsheimer, 2016). Along these lines, neoliberal institutionalists would claim that:

(1) Multilateral cooperation can be reached when states define a particular collective interest; and (2) states would be more willing to join such multilateral efforts within an institution which regulates negotiations, monitors behaviour, and thus controls the costs associated with international cooperation.

These assumptions help us to understand why Great Powers involved in the new global counterterrorism regime, such as the UK, have developed it through intergovernmental institutions. At the beginning of the 2000s, states still addressed the problem of transnational terrorism mostly via national policies and different perspectives of the same problem; the UK's alliance with the US was discussed and confronted by countries such as Germany (Den Boer and Monar, 2002) or France that showed solidarity with the US, but refused to "issue a blank check for future US actions" (Howorth, 2003:177). However, after the attacks in Madrid (2004) and London (2005), defeating terrorism started to be seen as a collective goal among Europeans. This led to the drafting of a "Counter-Terrorism Strategy" and an "Action Plan", based on joint action among countries, which was reached in 2005 (Monar, 2007). Since then, the EU has played a crucial role in coordinating multilateral efforts among state members, creating ad hoc intergovernmental groups and departments, monitoring its members' behaviour and actions, and upgrading measures when required by the context (Gueydan, 2002).

Thus, although it was not an easy task to use multilateral cooperation to address a collective interest (combatting terrorism), was achieved, as neoliberal institutionalist assume. Moreover, it makes sense that the UK chose the EU as the main channel to boost multilateral cooperation, because this institution has been able to offer common ground to negotiate, stimulating cooperation through regular meetings in which information, constraints and preferences/interests are exchanged, and controlling the payoffs resulting from cooperation in a different way than how it normally occurs under anarchy, establishing monitoring behaviours and sanctions for those who do not comply (Bossong, 2013; Drezner, 2000). The UK's Government (National Crime Agency, 2017) recognises on its website that some of the measures taken at the domestic level are taken to comply with EU standards, and the importance of such standards are highlighted (HM Government, 2006). For instance, national banks were sanctioned for not complying with European anti-money laundering standards: the Bank of Scotland was fined £1,250,000 for failing in customer identification, and the Abbey National Bank £2,320,000 (Bures, 2013). For the reasons explained above, the

UK has also been willing to join multilateral efforts within the UN, allowing states to attend regular meetings, share interests, and have access to monitoring and sanctions mechanisms. Moreover, it is worth mentioning that the regulations established by the EU are in line with the UN's decisions. For instance, in the fight against terrorism financing, the European Union has developed counter-terrorist financing frameworks, designed in line with international FATF recommendations and the Security Council decisions, to ensure that EU states comply with international standards (European Commission, 2017).

Consequently, the institutionalist theory provides a comprehensive framework by which to understand why international institutions are the main channel used by states to pursue international cooperation. It shows that the EU has been able to make other states comfortable and provide common ground to discuss counterterrorism issues, culminating in a multilateral counterterrorism regime. However, it remains unclear why other states apart from the UK were reluctant at the beginning (such as France and Germany) but finally came together to the EU to negotiate. At the same time, it has been established that the promotion and involvement of the UK in this regime was done to preserve its interests – but, how does the UK define such interests? In the following paragraphs, the roles played by the identity, context and norms ingrained in British culture are discussed in relation to facilitating the adoption of these multilateral efforts to counter terrorism and terrorist financing.

So far, this study has discussed that the UK became involved in a new regime, involving multilateral actions to preserve its interests, and that it did so through institutions because this is the more secure and less costly way, but we have yet to explore how the UK has defined such interests, or how it has been possible to bring together states such as France or Germany, who were reluctant to join the global war on terror at the beginning. These details are better understood by bringing into the account the constructivists' claims about the role played by identity, which Wendt (1992) defined as the set of ideas that actors have about who they are and who others are (Wendt, 1992: 39). These identities define what interests each state has in a given context, and they are based on norms that serve as guides to establish proper behaviour for a given identity (Jepperson et al., 1996: 54), sovereignty being one of the most important norms in which contemporary political identities are based. These identities are not static identical units, and they depend on, and are shaped by, social, cultural and political contexts (Wendt, 1999). Moreover, there are not just individual identities;

constructivist scholars argue that states that interact during a certain period of time can also create collective identities. This means that countries which may not have cooperated before can learn to do so in a specific environment, as has recently happened with some countries which were historical enemies within the EU (Fierke, 2016). In this manner, constructivists claim that, among other factors, multilateral cooperation depends on: (1) how states define themselves and their interests in a given context, and their ability to create a collective identity, and (2) that states will not perceive that those measures might threaten their sovereignty and values.

These assumptions are met in the UK's case. First, because the involvement of the UK in global counterterrorism as a leading actor is related with the hegemonic identity and Great Power perspective that has defined its position in world politics for a long time. Moreover, the context of the moment and how states define their identities in that given environment is also relevant. The UK defines itself in relation to the other actors in the international arena, and has also defined an "evil" that should be defeated – terrorism – so the UK's friends are those states which also want to fight against it, and its enemies are those who refuse to join forces to do so.

When Al Qaeda attacked the EU on its own soil, first in Madrid (2004) and then in London (2005), not just the UK, but most EU members became increasingly concerned with the threat of transnational terrorism, redefining their identity and expectations of each other and reconsidering the fight against terrorism as also in their interests. This led them to interact within the EU structures and to create a collective security identity against those who were threatening Europe, not just physically causing fatalities, but also perceived as threatening European culture, values and lifestyles (De Lucas, 2016).

In the wake of 9/11, the European Union had the need and the opportunity to design a common response to counter terrorism and consolidate itself as a global security actor (Den Boer and Monar, 2002). In fact, the EU is considered as the group of countries that have best managed to establish a definition of "common threat" that justifies a multidimensional and multilateral response (inside and outside its borders) to the challenges that transnational terrorism presents (Monar, 2007). The European Council of the European Security Strategy (2003) was the first attempt by member states to adopt a common definition of terrorism as a common security threat (Monar, 2007). The perception and definition of this "common threat" has since been developed and adapted to circumstances, and is still currently used when speaking

about policies against Daesh and the need for mechanisms to stop its financial resources, giving a comprehensive framework for extensive common action (Monar, 2007). Hence, institutions do not just constrain selfishness, as has been claimed by institutionalists; they also boost the creation of collective identities (Wendt, 1992). The relevance given to sovereignty is also important, because the UK has had no problem in adopting measures, considering it was leading most of the drafting and none of the measures were a huge threat to its sovereignty and values. For instance, the implementation of financial measures to control money laundering and terrorism financing supposed no problem to the UK because the FATF recommendations and the European legal framework in this matter has mostly been designed by western countries, which agree on how the international markets and financial system should work. Consequently, fitting the UK's understanding of reality better than it may suit other countries' identities, as the next chapter further explores (Whitaker, 2010; Crimm, 2008). Moreover, the UK is a permanent member of the Security Council so it can veto any resolution directly injuring its sovereignty.

Conclusion

Thus, although terrorism was not a new phenomenon in the UK when the 9/11 attacks occurred, the approach the UK government has taken since that moment to counter it, was a fresh one. Since day one, the UK walked together with the US and promoted a new counterterrorism regime based on multilateral efforts. Considering that the UK is already preparing to leave the EU to claim its sovereignty, it is interesting to analyze why it was involved so deeply and quickly in the creation of a new counterterrorism regime in which multilateral actions are key, requiring significant cooperation and involving security issues. This chapter has identified that three main factors which allowed the UK to reach multilateral cooperation, first, realist theory indicates that this was because it was involved in the creation of the new regime, and developing the measures, which would bring higher levels of power and enhance the UK's interests. Secondly, thanks to the role played by institutions such as the EU and the UN in maintaining and developing the global counterterrorism regime, the UK could reduce uncertainty and control the cost of such interactions in the international system. Thirdly, due to the importance of both individual and collective identity, and the fact

that the new regime has not interfered with UK's sovereignty because it was partly its creation, it was possible to avoid domestic pressures pushing for its adoption.

Hence, the explanation given by realism to define the formation and modification of international regimes evidently fits the UK. Analysing it carefully, it can be seen that the new global counterterrorism regime is a clear image of the political relationship at that moment, in which the US, the superpower ruling world politics, created a regime to which the UK adhered quickly and contributed as another hegemonic great power alongside its ally. As part of their realist foreign policy, both countries saw an opportunity not just to preserve their interests but also to expand their power in the Middle East, as was shown, apart from other factors, by their invasions of Afghanistan and Iraq. This explains why the UK became involved in the formation and establishment of a new counterterrorism regime. On the other hand, neoliberal institutionalists take a different approach to clarifying how this regime has been maintained and developed. The fact that most of the legal framework and measures adopted multilaterally by the UK are within international institutions' structures instead of outside them is because of the capacity that institutions have to offer a common and secure ground in which to interact. The EU and the UN have been able to control the payoffs normally associated with multilateral cooperation and thus boosted cooperation, reducing uncertainty and the probability of being cheated, and allowing states to cooperate to achieve a common security goal: to end terrorism and cut off terrorism financing. The picture is completed by bringing attention to the role played by identity; both the UK's individual identity as a hegemonic and leading power, and the collective security identity that has arisen among European members and countries targeted within the UN against a "common threat", and a "common evil". Moreover, the UK has not faced opposition at home that would constrain its capacity to cooperate multilaterally, because the measures taken have always respected its sovereignty, in part due to the fact that the measures were established with UK supervision, and with a leadership role in the drafting of the European strategy. The UK is a permanent member of the UN Security Council and in terms of fighting against terrorist financing, it is also one of the founders of the FATF, created along with its powerful partners.

3. The Iran case: confronting interests, lack of participation in international institutions and anti-hegemonic identity

Despite the efforts made to develop an effective counterterrorism regime at the international level able to face the brutal casualties of transnational terrorism, which has become a global problem because of its negative externalities cross borders (Sandler, 2003), some countries still prefer to approach the problem as a domestic matter, thus hindering the effectiveness of the global fight against terrorism. Studying those countries that have been unwilling to join the global counterterrorism regime and which have continued to act individually can aid understanding of what the international community is missing in designing a counterterrorism strategy able to bring to the table countries that have previously been antagonists.

This chapter will focus on one such country, the Islamic Republic of Iran. The analysis of this country is an interesting case because of its refusal to join multilateral actions since the beginning of the counterterrorism regime established globally after 9/11. In fact, this country was not shocked by the terrorist attacks on American soil and its counterterrorism policies, already designed before 9/11 to address domestic terrorism, were not modified after this event (Esfandiary and Tabatabai, 2015). Moreover, it is interesting that while the international community was facing the threat from groups such as Al Qaeda and designing and implementing measures to end its activity, Iran was perceived as helping them in order to preserve its national interests, by letting the terrorists use its territory to live and move resources (Philp, 2012; Byman, 2012).

In terms of the fight against terrorism financing, Iran is also an important case study. The FATF (2017) has classified Iran as a “High-Risk and non-cooperative jurisdiction” over recent years. Although its governments offer the defence that they are taking steps to improve controls in its financial system, severe anti-money laundering and terrorist financing deficiencies are still present in this country (FATF, 2017). In fact, Iran is still not a member of the International Convention for the Suppression of the Financing of Terrorism, and can be regarded as an example of countries that are still using Hawala, an opaque system to transfer money easily, used mainly in Islamic countries but not just in them, which allows terrorists to move money without leaving a trace of their actions (Razavy, 2005). Lastly, Iran is currently being

threatened by the same enemy as its own western enemies (Esfandiary and Tabatabai, 2015), so alliances such as the ones that it previously had with Al Qaeda seem impossible, and the country has already suffered a terrorist attack claimed by Daesh (McKernan, 2017), yet Iran continues to act alone. If this attitude changes, an analysis of Iranian behaviour before the emergence of Daesh will be of help to future researchers. Hence, this dissertation explores why Iran has been reluctant to join multilateral efforts at the international level to counter terrorism and eradicate terrorist sources of financing. This chapter aims to explain how the prioritization of its survival and interests, and the importance of its “anti-hegemonic” identity and cultural particularities have resulted in an individual behaviour in Iranian foreign policy, and thus, in its fight against terrorism and terrorist financing.

3.1 The Iranian apparatus to counter terrorism and terrorist financing

Iran has been dealing with terrorist attacks for several years. According to the Iranian Centre for Research (2016) on terrorism, 17,000 people have been killed by terrorists in the last three decades (Hoh, 2016); however, it is important to bear in mind that terrorism is a highly politicized topic in Iran, the measures taken to counter it are opaque, and the data published on terrorist activities tends to be selected *a priori* by the authorities (Tabatabai, 2017).

Mujahideen-e Khalq (MeK), created in 1965, is probably the group that has been responsible for the most Iranian casualties, and Iran has also been attacked by irredentist groups such as Kurdish or Baluch, in acts that the republic considers as terrorist (Tabatabai, 2017). However, Al Qaeda, the most well-known terrorist group behind transnational terrorism before Daesh, targeting countries around the world, is not regarded as a threat to national security and interests. Along these lines, Iran has been able to develop an elaborate domestic counterterrorism apparatus.

Almost all of Iran’s policies and measures to track terrorism are taken unilaterally, and they vary depending on the nature of the terrorist group; more specifically, while domestic terrorism is persecuted and there is a framework to counter such activities, actions against foreign threats are much laxer (Tabatabai, 2017). This permissive behaviour with foreign terrorist networks, such as Al Qaeda, has permitted Iran to defend itself and its interests (Byman, 2013). For instance, Al Qaeda has been able to move money and operate on Iranian soil, where its leaders and

operatives were also allowed to reside freely, without any degree of opposition by the authorities (Byman, 2012). Thus, paradoxically, while the government and its sub-organisations are countering a specific non-state actor, they may simultaneously be empowering another.

Iran has recently claimed that terrorism is a security priority on its political agenda; last year, the government increased the budget in this area (Agency Tasnim News, 2016). The machinery developed by Iran to counter terrorism is divided, as are most of its defence strategies, in different key organisations such as the “Law Enforcement Force of the Islamic Republic of Iran”, best known as NAJA, The Ministry of Intelligence and Security, the military division known as Artesh, and The Islamic Revolutionary Guard Corps (Tabatabai, 2017). Hence, Iran’s perception of, and action against, transnational terrorism has not been developed in parallel to those of international community, nor to the counter terrorism regime established after 9/11. In fact, Iran has not yet ratified crucial international documents to fight terrorism such as the 1991 International Convention for the Suppression for the Terrorist Bombing, the 1999 International Convention for the Suppression of the Financing Terrorism, or the 2005 International Convention for the Suppression of Acts of Nuclear Terrorism (UNTC, 2017). The rise of Daesh, currently considered the most dangerous terrorist threat to national security, is challenging Iran’s interests and power, as it has already included the Republic on its target list, as it showed with the terrorist attack on Iran’s parliament last June, claimed by Daesh (Erdbrink and Mashal, 2017; McKernan, 2017). Even in this new situation, it seems that the Iranian government will not join multilateral efforts at the international level, as the Republic has already developed a different strategy to face Daesh in contrast to the Global Coalition (Global Coalition, 2017).

Moreover, unilateral Iranian behaviour regarding terrorist financing has been a problem for the international community, not just because efficiency is decreased when countries act individually in this matter, but also because the Iranian government has been actively feeding transnational terrorist networks in recent years (Byman, 2007; Winer and Roule, 2002; Levitt, 2002). In fact, Osama Bin Laden recognized that Tehran was a source of funding in 2007 (Philp, 2017). The FATF (2017), of which the Iranian Republic is not a member, classifies Iran as a “High-risk and non-cooperative jurisdiction”, and has urged the country to address its severe anti-money laundering and terrorist financing deficiencies (FATF, 2017). In fact, the international

community, considering Iran a “state sponsor” for terrorists, has tried for years to reduce Iranian banks’ integration in the international market (Crimm, 2008). Although the country has been called into action, and Iran agreed in 2016 to improve its mechanisms against terrorism financing, the FATF still closely monitors Iran’s Action Plan and will do so until it displays an effective jurisdiction “to stop being a risk for the international financial system and to the international community” (FATF 2017:1).

However, the slight changes that Iran is displaying in recent years in this matter are remarkable. The Iranian government passed a bill to the parliament in 2011 addressing anti-money laundering problems and the financing of terrorism according to international standards (Affianian, 2016). Iran experienced difficulties in getting the bill approved, as it was first drafted by the government in 2010 and rejected by the Guardians Council, but after years of redrafting and editing, the bill finally entered into force on March 3rd, 2016. Although the Iranian Minister of Economic and Affairs, Ali Tayebnia, claimed that Iran has made progress in countering terrorist financing (Slavin, 2016), in the last report released by the FATF (2017) on the 23 June 2017, the Republic is still considered as a country with serious problems regarding stopping terrorist funding.

Although it is true that the Islamic Republic of Iran has concluded bilateral agreements with countries such as India for the extradition of terrorists (UNODC, 2015), and has also maintained conversations with other countries such as Russia to achieve agreements to fight terrorist acts (Franz-Stefan, 2015), none of these has yielded significant results in countering terrorism or terrorist financing. Consequently, as this brief discussion has shown, Iran faces the threat posed by terrorism alone. Even though this country has a considerable and complex counterterrorism apparatus, its efficiency is limited due to its internal and individual scope. The design strategy to counter Daesh is parallel to that of the international community, showing that Iran has no intention of changing its behaviour in the short-term.

3.2 Why is Iran reluctant to join multilateral efforts to counter terrorism and terrorist financing?

Since it has become clear that terrorism is no longer a domestic issue because it crosses borders in its activities and consequences, it is important to understand why Iran has been, and remains, reluctant to join the multilateral regime against terrorism and

terrorist financing. As explained in the last chapter, realists and neorealists argue that multilateral cooperation is a demanding task that tends not to be reached in the anarchic and uncertain system in which states interact (Mearsheimer, 2016). This theory argues that states are concerned with relative gains (Grieco, 1998b), and thus, competing interests are reasons enough not to achieve multilateral cooperation, even when a common enemy is threatening a group of nations (Snyder, 2009). Moreover, realism proposes that in a scenario driven by human selfishness (Gilpin, 1984), states have to attempt to be more powerful than others in order to ensure survival, that is with its relative power (Mearsheimer, 2016; Slaughter, 2011). Hence, multilateral agreements are sometimes seen as a Trojan horse that may expose countries to future changes in their relative position of power. Following this lines, realists argue that: (1) Cooperation in anarchy will not be reached if a state feels its survival to be threatened, and (2) States are first concerned about their national interests and relative power in world politics.

Both assumptions are reflected in the Iranian case. The first can be seen in the close relationship that this government has had with terrorist groups such as Al Qaeda. While the members of the international community promoting multilateral efforts to counter terrorism were targets of this terrorist group, Iran did not have the same incentive to join forces with those efforts. This was, firstly, because Iran does not trust the states involved in the US's "War on Terror", and apart from being historical enemies, after the invasion of its neighbours it was even more clear that the US and its allies ready to attack or intervene in other countries sovereignty, thus they were seen as a threat to its survival. The Independent (June 2017) cited statements by the Iranian government that exemplify this:

"You [the United States] and your agents are the source of instability in the Middle East... who created Islamic State? America... America's claim of fighting against Islamic State is a lie" (Osborne, 2017:1)

On the other hand, because the US invasion of Afghanistan and Iraq resulted in a change in the regional balance of power in the Middle East, Iran had to establish its position in the new context and show to the world that its own interests came first (Firat, 2014). Hence, Iran designed a counterterrorism strategy intended to allowed it to increase its relative power (Barry, 2006). By helping transnational terrorist groups

such as Al Qaeda, Iran secured its survival and interests, and avoided being included on the target list (Byman, 2012). A proof of this close relationship with the terrorist group that was threatening countries such as the UK could be found in the words written by Osama bin Laden in a recovered letter:

“There is no need to fight with Iran,” he wrote in 2007, *“Iran is our main artery for funds, personnel and communication, as well as hostages”* (Philp, 2017:1).

This carefully calculated relationship with terrorists was the reason why Iran has been repeatedly accused of supporting terrorists, and was also one of the main reasons impeding its involvement in multilateral activities. The concern of Iran solely with its own interests has also been demonstrated by its behaviour regarding Daesh. The Iranian government only expressed concerns when it realized that the non-state actor was gaining ground in Iraq and moving closer to the Iranian border (Esfandiary, and M. Tabatabai, 2017); that is to say, when they started to pose a threat to Iranian survival and interests. The position regarding Syria and the attacks in Iran claimed by Daesh show that this kind of alliance is no longer possible.

Thus, it can be said that the approach adopted by the Iranian government in its foreign policy and in the fight against terrorism has been marked by a realist foreign policy. Moreover, after the Iraq war started by the U.S and followed by the UK and its western allies, Iran saw the new international regime countering terror as a threat to its security and power. Along these lines, Iran has calculated its alliances to try to maximize its relative power and interests, which is why the Republic has rarely joined international efforts. Its alliances with terrorist groups, calculated to maintain its national interests, also help us to understand why the fight against terrorist financing is one of the weakest parts of its counterterrorism apparatus. Strengthening measures to control terrorists funding would not report any relative to Iran, in fact it would put its interests at stake because it would become a new target for the terrorists.

Once it is established that Iran is first and foremost concerned with its survival and its own interests, it is necessary to look into how these interests are created in order to understand why Iranian goals differ from those which other countries have. As was explained before, such interests heavily depend on how states define themselves and others, in terms of what constructivists call identity (Wendt, 1992). Such identities are highly influenced by historical, cultural and social contexts (Wendt,

1999); thus, states are not uniform units, but instead they differ one from others and vary in their nature over the years (Fierke, 2016). In this case, the norm in which these identities are based, and the role played by sovereignty are also relevant to understanding the Iranian case. Along these lines, constructivists claim that multilateral cooperation may be undermined if: (1) states perceive each other as antagonists, and are thus unable to create collective identities; and (2) states will not take part in joint efforts or accept measures that they perceive may possibly threaten their sovereignty and values.

The first assumption is clearly met in the Iranian case, when considering how Iran has defined itself within world politics. There are several examples of this; the first is that it is widely believed among those at the centre of power in Iran that opening the country up economically or politically would result in terrible consequences for the country, and that its survival would be threatened (Juneau, 2009). Moreover, since the Islamic Revolution of 1979, Iran has posited itself as a “counter-hegemonic” state which displays “anti-imperialist behaviour” (Mohammad, 2011:283), so entering conversations with the US and its western allies has been unlikely. This is in part related with the second hypothesis, and the belief that the hegemonic powers are against the independence and sovereignty of Iran, as the following declarations, done by Iran's Supreme Leader, Ayatollah Ali Khamenei, illustrate:

“The American government is against an independent Iran... They have problems with the existence of the Islamic Republic of Iran... Most of our problems with them cannot be resolved” (Osborne, 2017).

Thus, when Iran faces a foreign policy issue such as the entrance of transnational terrorism into the international conversation, it reverts to a pre-decided, socially-constructed distinction of which states are its friends and which one are enemies. Because most counterterrorism measures and organizations are led by the US or its western allies, Iran is reluctant to reach multilateral agreements with them because it regards them as its enemies and thus as a threat. Even in conflicts such as the current one with Daesh, in which Iran is being threatened by the same enemy as its historical enemies, Iran’s identity, which has been built over decades, as independent and antagonistic to hegemonic powers, makes it extremely difficult for it to be seen to join forces. Moreover, identity particularities that are shaped in part by

cultural traditions can also explain why a country refuses to accept some international measures. This is relevant in the Iranian case, because the international regime has implemented several mechanisms to regulate and change Hawalas, that as explained before, is an opaque system to transfer money easily without leaving a trace of their actions, and thus highly used by terrorists (Razavy, 2005). Concerns about this bank system increased in the wake of 9/11 (IMF, 2005). However, measures taken towards the elimination or regulation of Hawalas have since proved unsuccessful, in part because they have been attempted by the leaders of countries which do not appreciate its cultural particularities, and have been seen as a direct threat to Iranian identity and values (Crimm, 2008). In fact, some scholars claim that anti-terrorism financing laws should take into account cultural and religious particularities because if they fail to do so, negative consequences can result for civil-society actors (Crimm, 2008). Thus, constructivism also helps us to understand why some measures and multilateral actions are difficult for Iran to accept, and why some western countries feel threatened their cultural values.

Conclusion

Despite the efforts made by some countries such as the US and the UK to develop an effective regime at the international level to counter terrorism, there remain some states that are unwilling to join the new global counterterrorism regime and which instead continue to act individually, such as the Islamic Republic of Iran. This analysis is interesting because it can shed some light onto the factors or variables that the international community is missing to design a counterterrorism strategy acceptable to countries that have so far been reluctant to join. This chapter has shown that the main reasons for Iran's behaviour is its realist foreign policy, and thus the structure of its counterterrorism apparatus, based on securing its survival and the preservation of its national interests has been a barrier to joining forces with the international community. Moreover, the "anti-hegemonic" identity with which Iran has defined itself over the years, and the view that global counterterrorism measures are an intrusion into its sovereignty, have also made its participation in the global counterterrorism regime difficult.

The individualistic behaviour adopted by the Iranian government has been highly influenced by its realistic perspectives in foreign policy, and thus, its fight

against terrorism and terrorism financing has been based on securing its survival and preserving its interests, allowing it to maintain its relative power in the Middle East. In pursuing this approach, Iran's leaders have not perceived any incentives to join the global counterterrorism regime created by their western counterparts. The fear and distrust among the members of the multilateral regime has also decreased the opportunity to cooperate. Moreover, until the moment at which Daesh also threatened Iran, they had not shared common goals nor interests, which is why they have not joined international institutions to counter terrorism; in this case, therefore, the institutionalists' argument would not have helped to understand Iran's decisions. Moreover, after the US-coalition Iraq war, Iran saw the new international regime countering terror as a threat to its own security and power. Along these lines, Iran calculated its alliances to try to maximize its relative power and interests, leading it to join efforts with non-state actors instead of with other states.

Any picture of the Iranian case would be incomplete without bringing into the account the role played by identity and how Iran has pre-defined itself and its interests. Its attitude to international relations more generally has conditioned and constrained Iranian involvement in multilateral efforts to counter terrorism, as its cultural particularities and its vision of anti-hegemonic sovereignty has hindered such collaboration. Moreover, constructivism also helps us to understand why Iran see international measures, such as regulating the Hawala system, as contrary to its identity and values. Along these lines, Iran has been able to develop an elaborate domestic counterterrorism apparatus without feeling the necessity to join the international regime. Daesh seem to be changing the rules of the game, including Iran on its list of countries that can be subject to attack, and its activity in Iraq and Iran has raised severe concerns in the country; so although the Iranian strategy to counter terrorism is still individual, it remains to be seen what will happen if Daesh continues to launch attacks on Iranian soil (Esfandiary and Tabatabai, 2015).

4. The Indonesia case: creating collective identity under the ASEAN and the UN umbrella

The bombing attack in Bali (The Guardian, 2002), the car bombings of the Marriot Hotel in Jakarta in 2003 and 2009 (Bradsher, 2003; BBC News 2009), the bombing of the Australian Embassy in Jakarta in 2004 (Jeffery and Oliver 2004) and the recent attacks in January and May 2017 (Reuters, 2017) are just some of the terrorist attacks suffered in Indonesia since 9/11. Now, Indonesia is fairly engaged with the global counterterrorism regime and has joined up to efforts to defeat terrorism; however, Indonesian behaviour has not been uniform. While during the two first years of this new counterterrorism regime it was reluctant to join and commit seriously to multilateral efforts after the Bali Bombing (2002), Indonesia has since gradually increased its degree of involvement in multilateral institutions. Thus, we must ask why Indonesia has changed its behaviour with regard to counter-terrorism and halting terrorist financing from a non-cooperative one to one quite committed to multilateral efforts.

The case of Indonesia is an interesting one to study because of the change in its behaviour over the years. Understanding what factors have driven Indonesia to leave behind a situation in which terrorism was not even labelled as such - instead these kinds of offences were classified as transnational crimes (Chow, 2005) - to a fair degree of engagement, means we must examine what incentives or variables are present to have encouraged it to take part in multilateral cooperation and thus create more effective policies. This is also a matter of interest because Indonesia is not a western country, but has joined multilateral efforts anyway. Indonesia was accused in 2010 by the FATF (2010) of not having a good strategy to counter terrorism financing, but contrary to Iran's individual approach, Indonesia reacted positively and designed measures which satisfied the FATF (2015) to the point that it stopped considering Indonesia a threat. The case of Indonesia confirms that international institutions offer common ground that can facilitate and boost cooperation, and that represents the preferred channel to join efforts with other countries while reflecting the importance of identity in international politics.

Along this lines, this chapter will first examine the different mechanisms displayed by Indonesia unilaterally, bilaterally and multilaterally. After showing that the involvement of Indonesia in the fight against terrorism has been a process and not

as direct an approach as the UK, the impact of the context shaping Indonesian identity and interests as well as the role played by multilateral institutions such as the UN and the Association of Southeast Asian Nations (ASEAN) will be explained, as these have offered common ground for Indonesia to take part and to maximize efforts to counter terrorism financing.

4.1. The Indonesian apparatus to counter terrorism and terrorist financing

At the beginning of the US-led “War on Terror”, Indonesia was reluctant to adopt the international rules put in place to counter terrorism globally (Chow, 2005; Tan and Nasu, 2016). Thus, the first legislation instigated by the Indonesian Government was adopted unilaterally. The Anti-Terrorism Law No. 15/2003, which is one of its main norms ruling the country’s counterterrorism efforts, was created with the aim of improving the Indonesian capability to prevent and face terrorism (UNODC, 2017). Indonesia continued establishing unilateral measures (although not the majority) by updating its national strategy against terrorism with further domestic regulations, one of the most important of which was the presidential regulation 46/2010, made under Law No. 15/2003, that established the National Counterterrorism Agency (BNPT) and its Task Force, with the task of coordinating and designing the policies of their national governmental agencies (Library of Congress, 2010).

Concerning measures established to counter terrorism financing, Indonesia has also improved its situation and engaged in more multilateral efforts, committing itself to the FATF standards. An FATF Public Statement (2010) considered that Indonesia had several shortcomings in its counter financing strategy, and urged its government to improve it. In order to reach acceptable standards, the Indonesian government issued Law 8/2010 Countermeasure and Eradication of Money Laundering (The President of the Republic of Indonesia, 2010) and after appearing again on the FATF black list three years later, the Prevention and Suppression of Terrorist Financing Law No. 9/2013 (UNODC, 2017) followed, along with establishing Financial Transactions Reports and Analysis Centre (PPATK). The FATF (2015) considered that the measures taken by Indonesia had improved its strategy and that it no longer posed a risk to the international community. The most recent unilateral move from the Indonesian government is the proposal to reform the Law 15/2003 announced by its government at the end of 2015, which focussed in different matters such as the role of

military in the fight against terrorism, and that became a priority after the recent attacks in May 2017 and the stabbing of a police officer on June 25 in Medan, claimed by ISIS (Library of Congress, 2017).

Indonesia has also reached bilateral agreements with its neighbours to face the threat posed by terrorism, including the Philippines (ASEAN, 2003), Malaysia (Parameswaran, 2015), and partners outside Asia. Outside ASEAN, one of its most active partners is Australia (Anderson, 2015), with which it has participated in activities such as the GCTF Working Group on the Detention and Reintegration of Terrorists or the Counter Terrorism Financing Summit in Sydney (Australian Government, 2017; Carroll, 2016). Moreover, the two countries routinely share counter terrorism-related intelligence information. The Financial Transactions Analysis and Reporting Center (PPATK) also works closely with the Australian Transactions Report and Analysis Center (FATF, 2016). Indonesia has also entered bilateral agreements with the EU within the Partnership and Cooperation Agreement (PCA), and although it was reluctant back at the beginning of the 2000s to receive help from the US, it later accepted assistance and the countries have reached informal agreements (UNODC, 2017).

However, although Indonesia has implemented mechanisms individually, and made bilateral agreements, most of its counterterrorism legislation lies in multilateral efforts made jointly through intergovernmental institutions, mainly ASEAN and the UN. ASEAN took initial steps to counter terrorism together in 2001 when its member states signed the ASEAN Declaration on Joint Action to Counter Terrorism. However, the major part of the counter terrorist strategy was designed after the Bali bombing in 2002. In 2003, terrorism had already become a priority on the ASEAN agenda, and the cornerstone achievement by this group of countries was the ASEAN Convention on Counter Terrorism (2007), which established the obligation to cooperate on terrorism prevention, law enforcement, and the exchange of information (Ahmad, 2013). It came into force in 2011, Indonesia ratified it in 2012, and by the end of 2013 all ASEAN members had also ratified it (ASEAN, 2013). Moreover, Indonesia's police force, as a member of the ASEAN Association of Heads of Police, contributes to a regional criminal database connected with INTERPOL (Interpol, 2017). ASEAN also has a mechanism to counter terrorism financing in which Indonesia is also involved, for instance by participating in the Asia Pacific Group on Money Laundering (FATF, 2017).

The Indonesian Government also claims that it has made “robust efforts to contribute in countering terrorism and strong support for the measures to counter terrorism under the United Nations Framework” (Indonesian Ministry of Foreign Affairs, 2016:1). This should be considered carefully, because although it is true that Indonesia has closely cooperated in recent years with bodies that boost multilateral efforts such as the Terrorism Prevention Branch-United Nations Office for Drugs and Crime (TPB-UNODC), the United Nations Counter Terrorism Implementation Task Force (CTITF) and the United Nations Counter-Terrorism Executive Directorate (UNCTED), (Indonesian Ministry of Foreign Affairs, 2016), at the moment it has not ratified all the international conventions within the UN framework of counterterrorism. For instance, it is still not a member of the International Convention Against the Taking of Hostages (1979) or the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents (1973). Nevertheless, it is true that the country has notably increased its commitment to multilateral efforts over the years; for example, it ratified the Convention for the Suppression of Terrorism Financing (1999) in 2006 when most countries had ratified following 9/11, and it is also now a member of international groups such as the Egmont Group (Egmont Group, 2017).

Thus, it can be concluded that although at the beginning of the global counterterrorism regime launched by the US and its western allies after 9/11, Indonesia was reluctant to join multilateral efforts to combat terrorism, the Indonesian government has since gradually increased its commitment to multilateral institutions such as ASEAN and the UN, and its global counter terrorism regime has improved to the point that it has lately become a co-sponsor of the UN Security Council Resolution (UNSCR) 2178, and it has made efforts to improve its counterterrorism abilities from 2010 onwards (UNODC, 2017)

4.2 Why has Indonesia gradually adhere to multilateral efforts to counter terrorism and terrorist financing?

As has been shown in the preceding discussion, Indonesia is currently fairly committed to multilateral actions to counter terrorism and terrorism financing. Similar to the UK, it has agreed to joint efforts mainly through two intergovernmental institutions, ASEAN and the UN, which makes the institutionalist lens necessary to understand Indonesian behaviour. Neoliberal institutionalism acknowledges that

cooperation in the international system is complicated because of its anarchic nature, but neoliberalism, as explained in the UK chapter, also argues that multilateral cooperation can be reached under certain circumstances, such as a common threat or a collective goal (Keohane and Nye, 2000; Lipson, 1984; Sterling-Folker, 2016). Also, as was explained in the UK chapter, this theory takes the view that international institutions are the best providers of common ground and mechanisms to control payoffs to achieve multilateral cooperation because they allow states with a common goal to maximize absolute gains (Lipson, 1984; Sterling-Folker, 2016). Thus the main assumptions made by institutionalists about multilateral cooperation, as highlighted in the British case, seem also to have been met in the Indonesian case: (1) Multilateral cooperation can be reached when states define a particular collective interest; and (2) states will be more willing to join such multilateral efforts within an institution which regulates negotiations, monitors behaviour and, thus, controls the payoffs that would require this kind of cooperation in other situations.

The first claim has clearly happened, as ASEAN has been able to bring to the table countries that did not even consider terrorism as an international problem before or during the immediate aftermath of 9/11. In fact, although a Declaration on Joint Action to Counter Terrorism was adopted in 2001, it was not until 2003 that terrorism was an important part of the ASEAN agenda (Chow, 2005), its profile raised in part by the Bali attacks investigation which proved that terrorism was crossing borders (Heiduk, 2016). Thus, ASEAN states, moved by a particular collective security interest to defeat terrorism, engaged in multilateral cooperation, which has taken time to be achieved. The proof of that is the ASEAN Convention on Counter-Terrorism (ACCT) which, as mentioned above, was designed in 2007, came into force in 2011, and was fully ratified by all members in 2013. The second assumption helps us to understand why Indonesia and other ASEAN states have chosen international institutions to agree on counterterrorism measures instead of cooperating among neighbouring countries in pure anarchy. Once Indonesia had determined that terrorism was a global problem, the ASEAN offered to those states a collective goal, common ground to negotiate, exchange information, and discuss constraints and expectations, as well as monitoring of member states' behaviour, thus reducing the cost of interacting with other countries in the international system. This meant that ASEAN was able to create a secure environment in which Indonesia saw that the level of uncertainty and the likelihood of being cheated were both lower than in pure anarchy,

and thus it was a secure choice to join institutions which constrain states' selfishness. These assumptions can also help in building understanding of the increased interest and involvement of Indonesia with the UN. In addition to all the benefits mentioned above, the UN offered long term benefits such as funding that Indonesia is currently receiving from other partners to improve its counterterrorism regime (UNDCO, 2017). If Indonesia had not committed to the International Conventions, or had not changed its legislative framework to comply with the FATF international standards, it would have lost access to the help that it is now receiving to improve its counterterrorism mechanisms, something that would have gone against its own interests because in 2015, Indonesian authorities expressed concerns that they are not prepared to face Daesh (Tan and Nasu, 2016).

Thus, the institutionalist perspective helps us to understand why Indonesia has chosen to join multilateral actions via ASEAN and the UN. First, because it saw that it would be able to maximize results by working together with its neighbours and other targeted countries with the same goal, to end terrorism. Secondly, because interacting within institutions is less costly and because being committed to this multilateral effort brings Indonesia benefits: apart from weakening the threat internationally, it receives funds to improve its national counterterrorism apparatus (UNDCO, 2017). A proof of this is that although it was obviously concerned by the attack claimed by Daesh, Indonesia has not yet joined the Global Coalition against Daesh, which exists outside international institutions.

Although these explanations indicate why Indonesia has chosen multilateral institutions to make joint efforts with other countries to counter terrorism and terrorist financing, the question of why it has turned from individual behaviour to collective, again, remains unexplained without taking into account the role played by identities and norms. As was explained in the previous chapters, states are not passive actors, and they join the international conversation with a self-perception, an identity, which can change through the decades because the world is full of meaning and influences, and thus identities are shaped by changing contexts (Wendt, 1992). Such identities allow us to understand why a state has a certain interest in a given context, but also why such interests change due to certain events, such as terrorist attacks in this case. Moreover, the capacity that states can develop to empathize with others through collective identities created through repeated interactions are also important (Wendt, 1999). In the case of Indonesia, its ASEAN membership and participation is relevant

as an example of the role given by constructivists to norms, and especially to sovereignty. Indonesia meets the constructivist claim about multilateral cooperation highlighted in the previous chapters: (1) states define themselves and their interests in a given context, and according to their ability to create collective identity and, (2) states will not accept measures which may threaten their sovereignty and values.

Indonesia has adapted and redefined its identity over the years, influenced by the contexts it has faced and resulting in a change in its approach to counterterrorism. Through systematic cooperation it has created a collective security identity with its ASEAN partners and UN members also targeted by international terrorism, thus it has met the first assumption. At the beginning of 2000, Indonesia did not see transnational terrorism as a problem (Chow, 2005), nor did it share a collective identity with those countries involved in the US-led “War on Terror” developed in the aftermath of 9/11. In fact, at that moment, the Indonesian population could be said to have generally seen the US and its western allies as enemies that were fighting against its own religion and culture (Tan and Nasu, 2016). However, the context changed after the bombings in Bali (2002), the investigation of which revealed that terrorism was not something embedded within a specific border anymore (Heiduk, 2016). Terrorist attacks on Indonesian soil have not ceased since then, so its identity has started to become shaped by what has happened, and its interests have been redefined accordingly.

The perception of transnational terrorism has not only altered Indonesian identity, but also those of its neighbours (Chow, 2005). Hence, as the terrorist attacks and the threat of further terrorist activity continued in Indonesia, its government began interactions with other UN members also targeted by transnational terrorism, becoming part of a broader collective identity to counter terrorism multilaterally. This allows us to understand why when the FATF (2010) evaluated Indonesia, it did so positively, and acknowledged that Indonesia had done the best it could to be removed from the list, something that other countries, such as Iran, did not. Apart from the material benefits which come with cooperating, which were outlined above, the shift is also related to changing identity, as if a state has certain shared interests with other countries and presumes that it will still have them in the future then it will want partners to trust it and maintain a good reputation, and to avoid being seen as a non-complying or unreliable country. The second assumption is also met in the Indonesian case, where the sense of sovereignty has been embedded in the ASEAN values since its foundation. At the core of the ASEAN philosophy are the concepts of *musjawarah*

(consultation) and *mufakat* (consensus), codified in the key 1976 Declaration of the ASEAN Concord and Treaty of Amity and Cooperation in Southeast Asia (Busse, 1999 and Chow, 2005) so all ASEAN legislation, including items related to counterterrorism, are based on these two main values, and have allowed Indonesia to join multilateral efforts without feeling threatened or facing huge opposition at home, such as that suffered when the global counterterrorism started and the measures taken, lead by the US and its allies, were seen as intrusive (Tan and Nasu, 2016). This is also the case with regard to the adherence of Indonesia to UN convention and rules, in relation to which it is worthwhile mentioning that countries are only bound to international conventions when they accept it, so Indonesia has only joined the UN legal documents it is interested in, and has established reservations to preserve its sovereignty, one example of which is the reservation in relation to the Convention for the Suppression of the Financing of Terrorism (1999), towards in which the Indonesian government clarified that although it has ratified the treaty it does not consider itself bound to the Provision of Article 24 which deals with the interpretation and application of such a convention (UNTC, 2017). Thus, Indonesia does not regard itself as bound to a provision that could undermine its sovereignty.

Conclusion

Along these lines, the Indonesian case illustrates that multilateral cooperation is possible when certain countries agree that they have common interests, defined by their national identities, and that the preferred channel by which to reach such agreements is through intergovernmental institutions that overcome traditional barriers to international cooperation, such as uncertainty and a fear of being cheated. Institutionalists offer, thus, a good explanation by which to understand why states, once they decide that they have a collective goal, prefer to use institutions to control uncertainty and costs. A proof of that is the increased Indonesian commitment to the international measures set out by the UN and ASEAN, while it has not joined the Global Coalition Against Daesh that exists outside institutions. The repeated interactions within these structures, as advanced by constructivists, have resulted in the creation of collective security identities that are important in the counterterrorism fight, which has alienated some targeted countries.

The analysis of Indonesia also emphasises that international measures should try not to be intrusive with regard to national sovereignty, because if this is the case, they can generate pressures and constraints at the domestic level that may undermine cooperation. In the Indonesian case, the population was against the global counter terrorism effort at the beginning because it saw it as a war against Islam, its religion, and then an attack on its values, identity and sovereignty, a view that has changed over the years, allowing the government to join multilateral agreements without facing huge opposition at home. The change in Indonesian behaviour also highlights the impact that context has in shaping identity and interests, and thus proves the constructivist assumption that the actors interacting in the international system are neither uniform nor static units. The attacks in Bali (2002) and subsequent terrorist atrocities possibly influenced a change in Indonesian identity and a redefinition of the state's interests, making counterterrorism a priority for national security. Consequently, the impact of the context shaping identity and interests has been highlighted, allowing us to understand why the Indonesian government changed from not even labelling terrorist attacks as such, to being co-sponsors of UN resolutions against terrorism. These new interests led the country to design a counter terrorism strategy of its own, and its leaders realized that due to the weakness of its counterterrorism apparatus, multilateral institutions were a solution to maximizing their efforts.

The importance of identity and membership of international institutions is also revealed in the Indonesian case in the fight against terrorism financing, as the country was also identified by the FATF (2010) as having deficiencies in its financing system. Unlike Iran, however, Indonesia soon implemented new legislation so that it would be removed from that list, because it neither wanted to be sanctioned within the institutions in which it is member, nor to allow terrorism to flourish, so it aimed to form legislation to properly counter terrorism and terrorist financing based in the FATF standards. Presumably it also did so because it cares about how others define it in the international system; in other words, Indonesia cares about its reputation. Although it is true that Indonesia's gradual involvement with the global counterterrorism regime was motivated by the redefinition of its interests, such interests are influenced by contextual factors, and it had not had a leading position in the fight against terrorism within the ASEAN, as, for instance, the UK had in the EU, and most of its individual legislation and measures were taken in order to commit to the multilateral efforts it had joined. So, although Indonesia is concerned with its

national interests, realist assumptions were not applied to this case because the change in its behaviour was not marked by relative gains or power, but instead by the maximization of efforts against a problem that is hitting its country.

5. Conclusion

The main goal of the current study was to determine the reasons why states have shown different degrees of commitment to the multilateral efforts deployed internationally to counter terrorism and terrorist financing. In doing so, this research has approached the problem from the perspectives of realism, neoliberal institutionalism and constructivism to explain the factors influencing the behaviour of three different case study states: (1) the UK, a country that has been highly committed to the global counterterrorism regime since its beginnings after 9/11; (2) Indonesia, a state that has gradually increased its engagement with multilateral efforts to the point that it is currently fairly committed to the global counterterrorism regime, although not as much as the UK; and (3) Iran, which is still reluctant to join forces with other countries to counter terrorism. Regarding the global attempts to cut off terrorist financing at its sources to end terror attacks around the world, the UK has been an active member and has engaged and promoted the international framework as well as designing a strategy that has never been accused of shortcomings by the international community. Indonesia, however, was asked to produce new legislation in 2010 when the FATF considered the country a risk to the financing system and a problem in the fight against terrorism financing because its infrastructure was not good enough. The FATF (2015) later stated that Indonesia had been successful in this task. However, The Islamic Republic of Iran, also included on this list several times, is still considered a “High Risk and non-cooperative jurisdiction” by the FATF (2017), and the fight against terrorism financing is the weakest part of its counterterrorism apparatus, primarily because of its negotiations with terrorist groups, and also because the use of traditional and opaque banking methods such as Hawala that ease terrorist groups’ financing because they do not need to identify themselves.

The UK’s involvement in, and promotion of, the global counterterrorism regime is explained by realists as due to the concern of a great power with its interests and relative position in world politics. The UK’s intervention by going to war in Iraq is a proof of its aim to expand its power, and the national counterterrorism strategy (CONTEST) confirms that the UK’s interests are deemed the most important. Thus, the new counterterrorism regime was designed multilaterally because this was seen as the best strategy due to the trans-national characteristics of the threat. These realist

claims about self-interest and the importance of power also partly explain the Iranian case, which met the realist assumption that different interests are reason enough to not seek or accept cooperation, and also that uncertainty and the fear of being cheated or considering other countries a threat are important barriers to achieving cooperation. The Indonesian case, however, shows that developing countries or states not considered great powers might not always be driven by the desire to expand power, as they may have the simpler goal of securing survival and maximizing their efforts to resolve a problem. Thus, while realist claims are still needed to explain some state actions, especially in the case of more powerful states, they are not able to explain why states engage with multilateral efforts to counter terrorism to different degrees.

The institutionalist assumption that multilateral cooperation can be reached when a particular collective interest is defined is evident both in the UK case and the Indonesian case. It has also indirectly been proved in the Iranian case, where the lack of a common goal and a lack of involvement in international organisations has been a barrier to cooperate with other states. Moreover, this paper has shown that the neoliberal institutionalist perspective of the ability to boost and maintain cooperation by multilateral institutions is present in the fight against terrorism and terrorist financing. The EU, ASEAN and the UN are examples of how ad hoc institutions and organizations offer states a safe common ground to interact so that they have been able to reach consensus. However, one of the most important findings that this research has reached is that an explanation of all the cases would remain incomplete without taking into account the constructivist assumption that actors playing in the international system are not uniform but instead, depend on history, cultural particularities, and socio-political context. Identity, that is to say, how states define themselves and their friends/enemies, appears to have been crucial in defining whether cooperation was finally achieved or not in the three cases. For instance, the anti-hegemonic position of Iran is still a barrier to cooperation in counter terrorism, even now that Daesh has emerged as a common threat. It is also important to observe how great powers redefined their interests because of the developing global context and decided to establish a new counterterrorism regime after 9/11, in an environment in which the US and the UK clearly defined a common evil, being friends with all countries who were willing to help, and seeing those not taking part as their enemies. The Indonesian case confirms the importance of identity and context with the change of behaviour seen in that state's government in recent years. While at the beginning of this era, it was firmly

opposed to the War on Terror, the context, in this case the repetition of attacks on its own soil, was crucial to redefine its interests and alienate it with other countries also targeted. This is what constructivists call collective identity, showing that institutions do not just constrain selfish behaviour, but also help countries within organizations such as the EU and ASEAN to find common ground upon which to interact, and thus develop collective identities and increase engagement in multilateral actions. Moreover, the role played by norms and especially the importance that sovereignty still has are also important variables. The Indonesian case shows that when measures were conceived as having been established by the US, they were rejected at the domestic level; however, when negotiations started in the ASEAN, where the main core value is respect for member states' sovereignty, this framework began to be seen as collaborative. Participation in the UN legal framework also highlights the relevance given to sovereignty, with the possibility to ratify Conventions with reservations.

Hence, this paper has important implications for the study of multilateral cooperation in the fight against terrorism and terrorist financing. First, the findings of this investigation show that in order to understand the level of commitment to multilateral action, a synthesis of theory and assumptions drawn from more than one school of thought is required. This paper also establishes the base for two lines of research in the future. Firstly, the impact of Brexit to the UK's individual and collective identity and how costs may increase with leaving the EU needs to be explored. Secondly, it would be worthwhile to study if Daesh is having any impact on individual and collective identities. It would be also interesting to study the compliance with, and effectiveness of, the measures being taken, once it has been established that countries show a willingness towards multilateral cooperation. Furthermore, this paper presents a clear conclusion for policymakers: when drafting measures to counter terrorism, such mechanisms and efforts should not be seen as an attack on certain cultures and values; this is to say, it is important to find a balance between what is needed to stop terrorism, and respect for sovereignty and all cultures in order to bring more countries into the table. Moreover, to achieve multilateral cooperation it is crucial that states finally redefine transnational terrorism as a global collective problem, as if they do not do so, there will always be countries such as Iran with competing interest, serving as havens for terrorists.

Thus, this work has not aimed to be a complete study of how international relations theory works or to explain how terrorists fund themselves, neither has it

sought to establish a categorical claim of the superiority of one approach to multilateral cooperation over another, but to help to establish new way of understanding the different factors influencing the degree of engagement that states have with multilateral actions to counter terrorism and terrorism financing. It concludes with the argument that multilateral cooperation is possible if states identify a common collective interest, but that while such interests continue to be defined in opposite ways, the problem of terrorist financing and thus of cutting off their funds at source, will continue, because cooperation can be withdrawn at any moment, thus reducing the effectiveness of the global counterterrorism regime, as terrorists will use countries outside the system to continue planning their attacks and moving their funds. To achieve the required solidarity, therefore, the functions of multilateral organisations should not be undermined, and political changes such Brexit may be dangerous. A consistent acceptance of measures, identities and norms are required to cut off the funding sources of terrorism.

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