



# Foreign State Funding and Predicate Subversion

## Exploring Malign Influence

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## About Project CRAFT

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Terrorism financing researchers and risk practitioners focus on the funding of terrorist acts and terrorist organisations. Recently, with the emergence of lone actor and small cell attacks, this has meant analysing self-funded terrorist activities. New funding typologies have emerged and evolved, along with new payment technologies<sup>1</sup> such as cryptocurrencies<sup>2</sup> or crowdfunding,<sup>3</sup> for instance. Counterterrorism financing (CTF) has targeted funds sent from Europe to foreign fighters in conflict areas such as Syria and Iraq, ensuring that abuse of the financial system in support of jihadi terrorism is identified and targeted.

An element that has not been sufficiently explored, however, is that of malign influence by hostile states and the way it is exerted. There is growing concern that foreign governments, through the funding of domestic organisations, encourage and enable subversion. This creates a fertile ground for radicalisation, or indeed, sympathy among the local population. Radicalisation is a cognitive process that initially requires ideological engagement and may result in violent extremism or terrorism.<sup>4</sup> By exerting the right influence, agitators are subsequently able to disseminate hateful, anti-pluralistic ideas among local communities. It can become a gateway to radicalisation, extremism, violent extremism and finally, terrorism. Such influence can lead to the delegitimisation of democratic principles and institutions. It can affect Europe's pluralistic society and democratic order.

Malign influence is a complex threat because it is intangible – it is not a terrorist act, cannot be labelled as radicalisation and is not illegal. Defining 'influence' can be challenging as can identifying and measuring thresholds of (un)acceptable influence. Can malign influence be identified through the suspicious activity reporting (SAR) regime? CTF has evolved from an anti-money-laundering (AML) template and there are limitations in its applicability – for example, in combating anti-pluralist and anti-democratic ideologies. As such, the concept of malign influence is worthy of further examination, particularly in the context of emerging activities exploiting 'blurred boundaries of sovereignty and laws',<sup>5</sup> traditionally

called grey-zone activities. However, exploring malign influence as a nuanced form of warfare is not in the scope of this briefing, which instead aims to explore whether malign influence can be traced to specific funding, mapped against a set of key conditions, and measured against specific targets such as radicalisation or impact on specific national policies.

A UK Parliamentary inquiry documenting Qatar's ownership of British companies, strategic national assets and landmarks raised the question as to whether such 'significant financial interest restricts the UK Government's ability to challenge Qatar from a geopolitical and national security perspective'.<sup>6</sup> Similarly, nine Russian businessmen have given money to the UK's Conservative Party, a fact documented in 'a secret intelligence report on the threats posed to UK democracy'.<sup>7</sup> These types of influence do not necessarily aim at subversion or terrorism but nonetheless further illustrate the concept of malign influence.

Yet, there are growing concerns that foreign actors can gain influence through the funding of organisations such as charities, religious institutions, (informal) schools, civil society actors and/or media outlets.

Historically, efforts have been made to ensure that projects that are incompatible with European pluralistic values do not receive support via European governments' funds. But what can policymakers do when funds come from abroad that support organisations within European jurisdictions under a set of key conditions?

While there is intelligence on terrorist financing and – to a limited extent – terrorist recruitment and radicalisation, there is a gap in relation to the funding of anti-democratic and anti-pluralistic ideologies.<sup>8</sup> Such practices are under-documented, which is a concern for several European countries – a Dutch parliamentary inquiry in 2020 discussed the possible existence of 'a deliberate financial strategy hiding influence that aims to remain invisible'.<sup>9</sup>

1. Jessica Davis, 'New Technologies but Old Methods in Terrorism Financing', Project CRAAFT Research Briefing No. 2, RUSI, July 2020.
2. David Gerard, 'Neo-Nazis Bet Big on Bitcoin (and Lost)', *Foreign Policy*, 19 March 2019.
3. Stephen Reimer, 'Following the Crowd: Clarifying Terrorism Financing Risk in European Crowdfunding', Project CRAAFT Research Briefing No. 7, RUSI, September 2021.
4. Alex Schmid, 'Radicalisation, De-Radicalisation, Counter-Radicalisation: A Conceptual Discussion and Literature Review', ICCT, March 2013; Diego Muro, 'What Does Radicalisation Look Like? Four Visualisations of Socialisation into Violent Extremism', CIDOB, December 2016.
5. Jahara Matissek, 'Shades of Gray Deterrence: Issues of Fighting in the Gray Zone', *Journal of Strategic Security* (Vol. 10, No. 3, 2017).
6. Foreign Affairs Select Committee, 'Written Evidence Submitted by Mr Steven Merley (BFA0007)', June 2020, <<https://committees.parliament.uk/writtenevidence/6578/pdf/>>, accessed 30 November 2021.
7. Tom Harper and Caroline Wheeler, 'Russian Tory Donors Named in Secret Report', *The Times*, 10 November 2010.
8. Stijn Hoorens et al., 'Study on Foreign Funding of Religious Institutions in the Netherlands', RAND, 2020.
9. Government of the Netherlands, 'Transparency Called for in Combating Foreign Influence', press release, 23 November 2021.

This briefing assesses whether foreign states' funding of anti-democratic ideologies is subversive, whether it has broader aims, in what form and whether it should be prevented, monitored or limited. It also explores policies that have been put in place to address foreign state financing of ideological threats.

## Methodology

The material in this briefing draws on research specifically on the funding of anti-pluralism and anti-democratic ideologies. It is also informed by a desk-based review of open source material, media reports, grey literature and governmental policies and senate briefings. In addition, a small range of research discussions was conducted in October 2021 with governmental and law enforcement experts.

## Defining 'Influence'

Malign influence is defined here as the process of producing any kind of behaviour that could lead to radicalisation, extremism and anti-pluralist ideologies. For example, the export of white supremacy or a radical form of religion which 'fosters nationalism in target communities',<sup>10</sup> while rejecting secular norms and values is a serious issue. Russia influences the West through subversion, defined as 'activities intended to influence a target country's domestic politics'.<sup>11</sup> Subversion does not limit itself to a religious narrative and can target political parties, information networks or separatist groups. It is a 'conscious, clandestine manipulation of grievances, short of armed conflict, in order to weaken states, communities and organisations'.<sup>12</sup>

Clutterbuck and Rosenau argue that subversion 'seeks to infiltrate and manipulate bona fide organisations, such as trade unions or pressure groups, as a way of exercising influence out of

proportion to any support they could achieve through the ballot box'.<sup>13</sup> They explain that subversion is a facet of insurgency and that 'in Europe, according to Kilcullen, subversion is directed primarily against Muslim communities'.<sup>14</sup>

Similarly, France's senate has identified 'subversive predication'<sup>15</sup> as a concern, and proposed a law in 2020 to penalise it. The French senate defines subversive predication as 'the preaching, teaching, dissemination and propaganda by acts, words, or writings or images of any kind of an ideology or beliefs which make the interpretation of a religious text, or a doctrine prevail over the constitutional principles of the Republic and or its fundamental values'.<sup>16</sup> Finance can be used to exert an undesirable influence on a country's values or customs and could be channelled 'through non-transparent structures designed to obfuscate ties to a nation state or its proxies'.<sup>17</sup>

## Examples of Influence

A review of existing literature indicates that foreign-state funding of mosques, religious schools and Islamic cultural centres in the EU comes from Saudi Arabia, Kuwait, the UAE, Qatar, and Turkey. This is not surprising as the funding of religious entities 'may be more common for Islam than for other religions'.<sup>18</sup> In addition, 'the limited foreign funding to churches [as opposed to mosques] is much less likely to originate from unfree, undemocratic countries with interests that are at odds'<sup>19</sup> with those of Europe. Concerns arise in relation to the conditions imposed by third parties in exchange for sponsorship. 'These donations may be granted based on certain conditions, for example in return for influence over the institution's governance, daily management or religious practices. Ultimately, there is a risk that such influence leads to behaviour or activities that conflict with democratic values'.<sup>20</sup>

10. Council of Europe, Committee on Political Affairs and Democracy, 'Regulating Foreign Funding of Islam in Europe in Order to Prevent Radicalisation and Islamophobia', September 2018.
11. Andrew Radin, Alyssa Demus and Krystyna Marcinek, 'Understanding Russian Subversion', RAND, 2020.
12. David Kilcullen briefly examines four European countries; Denmark, France, Netherlands and the UK. See David Kilcullen, *The Accidental Guerrilla: Fighting Small Wars in the Midst of a Big One* (London: Hurst and Company, 2009), p. 253.
13. Lindsay Clutterbuck and William Rosenau, 'Subversion as a Facet of Terrorism and Insurgency: The Case for a Twenty-First Century Approach', *Strategic Insights* (Vol. 8, No. 3, 2009).
14. *Ibid.*
15. Author's translation.
16. French Senate, 'Proposition de loi: tendant a pénaliser les dérives des communautarismes religieux, notamment les prédications subversives et séditeuses', 23 October 2020, <<https://www.senat.fr/leg/pp120-073.html>>, accessed 24 November 2021. Author's translation.
17. Josh Rudolph and Thomas Morley, 'Covert Foreign Money: Financial Loopholes Exploited by Authoritarians to Fund Political Interference in Democracies', Alliance for Securing Democracy, 18 August 2020.
18. Stijn Hoorens et al., 'Foreign Financing of Islamic Institutions in the Netherlands: A Study to Assess the Feasibility of Conducting a Comprehensive Analysis', RAND, 2015, p. xxiv.
19. *Ibid.*, p. 7.
20. *Ibid.*, p. xxiii.

Curbing foreign-state funding may not aim at specifically addressing extremism— as radicalisation is increasingly internet based<sup>21</sup> – but at improving the integration of the Muslim community in France and preventing the polarisation of society. For instance, a French senate report published in 2016 estimates that approximately 10% of imams<sup>22</sup> in France are sent and remunerated by their own countries' governments, namely Turkey, Algeria and Morocco. While it is not possible to determine the instructions and conditions that foreign governments provide to their imams before sending them to Europe, questioning and assessing whether foreign imams can deliver a 'French Islam'<sup>23</sup> to improve the assimilation of Muslim youths living as minorities in France<sup>24</sup> is appropriate. Chesnot and Malbrunot, for example, argue that beneficiaries of Qatari donations are controlled by members of the Muslim Brotherhood.<sup>25</sup> They argue that there is an agenda behind the funding of Western-based religious and educational institutions which seeks to separate Muslims from broader European society and encourage the growth of a militant political Islam. For instance, they discuss the case of Qatar Charity, an NGO with links to the Qatari government, which had invested €72 million in 113 projects across Europe by 2014. They further explain that the NGO's internal documentation referred to the Poitiers Mosque (one of its financing projects) as the 'Streets of the Martyr', a reference to the 8<sup>th</sup>-century Battle of Poitiers during which Charles Martel defeated Abd er Rahman and halted the Umayyad advance. Similarly, 'Qatar Charity's Arabic-language promotional material, advertising its projects in Sicily, is replete with references to the Islamic past of Sicily, leading sceptics to believe that the organization is pursuing an irredentist agenda'.<sup>26</sup>

Russia also sponsors anti-pluralism but with different aims and instruments than Qatar. Russia has been identified by white supremacists as 'the sole white power in the world'<sup>27</sup> and exploits this narrative by supporting far-right paramilitarism across Europe.<sup>28</sup> The Dutch General Intelligence and Security Service explains that Russia exploits Europe's existing divides, creates distrust in existing institutions and increasingly relies on social media. It is low cost, provides anonymity and enables the use of bots.<sup>29</sup> Indeed, social media manipulation may be capable of influencing and possibly misguiding public perceptions. For example, in February 2018, the US government indicted 13 Russian nationals for having interfered with the 2016 US presidential election through social media propaganda: 'The indictment, brought by the office of special counsel Robert Mueller, represents the most direct allegation to date of illegal Russian meddling during the election. It claims that Russians created bogus Internet postings, posed online as American political activists and fraudulently purchased advertisements – all with the goal of swaying political opinion during the bitterly contested race'.<sup>30</sup>

Russian subversion is not limited to media outlets. For example, there is evidence of loans having been made to 'Marine Le Pen's party from banks controlled by Russian leader Vladimir Putin and his Proxies'.<sup>31</sup> Similarly, there are claims that Russia 'secretly funds non-profits serving as bespoke fronts to execute specific mandates, like a Dutch think tank campaigning against a Ukrainian trade deal with the European Union'.<sup>32</sup> In 2015, thousands of Polish military personnel received phone calls from a Russian number.<sup>33</sup> Essentially, there is evidence that Russia runs a global campaign to influence public opinion<sup>34</sup> and democratic decision-making.

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21. Daniel Koehler, 'The Radical Online: Individual Radicalization Processes and the Role of the Internet', *Journal for Deradicalization* (No. 1, Winter 2014/15).
  22. The president of the Conseil Français du Culte Musulman (the association representing Muslims in France) estimates there are approximately 3,000 imams in France. See French Senate, 'De l'islam en France à un islam de France, établir la transparence et lever les ambiguïtés', 5 July 2016, <<https://www.senat.fr/notice-rapport/2015/r15-757-notice.html>>, accessed 30 November 2021.
  23. Akram Belkaid and Lucile Schmid, 'Islam de France, Islam en France', *Esprit* (No. 2, February 2015), pp. 49–53.
  24. Erika Solomon, 'Push for Homegrown Imams Stalls in Europe', *Financial Times*, 16 December 2020.
  25. Christian Chesnot and Georges Malbrunot, *Qatar papers: Comment l'Emirat finance l'Islam de France et d'Europe* (Paris: Michel Lafon, 2019).
  26. Daniel Rickenbacher, 'The Qatar Papers: How Qatar Charity Inserts Itself in European Muslim Affairs', *European Eye on Radicalisation*, 21 January 2020.
  27. Elizabeth Grimm Arsenaault and Joseph Stabile, 'Confronting Russia's Role in Transnational Supremacist Extremism', *Just Security*, 6 February 2020.
  28. Hans Pfeifer, Mikhail Bushuev and Vladimir Esipov, 'Why Are German Neo-Nazis Training in Russia?', *DW*, 6 June 2020.
  29. Geir Hagen Karlsen, 'Divide and Rule: Ten Lessons About Russian Political Influence Activities in Europe', *Palgrave Communications* (Vol. 5, 2019).
  30. *AP News*, 'The Latest: 13 Russians Accused of Plot to Disrupt Election', 17 February 2018.
  31. Rudolph and Morley, 'Covert Foreign Money'.
  32. *Ibid.*
  33. Norwegian Intelligence Service, 'Focus 2017', p. 34.
  34. Netherlands Defence Intelligence and Security Service, '2014 Annual Report', p. 20.

However, according to a 2021 RAND study, Russian subversion ‘lacks strong centralised command and control; and the effectiveness of Russian subversive efforts remains largely unknown’.<sup>35</sup> Identifying and confirming Russian funding of subversion is particularly challenging and may explain why there is very limited information on legislative and non-legislative measures that specifically target Russian subversion efforts in the EU. Yet, the Alliance for Securing Democracy argues that authoritarian regimes such as China and Russia ‘have spent more than \$300 million interfering in democratic processes more than 100 times spanning 33 countries over the past decade. The frequency of these financial attacks has accelerated aggressively from two or three annually before 2014 to 15 to 30 in each year since 2016’.<sup>36</sup> Furthermore, reports of foreign interference in the US presidential elections have prompted several countries to react. In Germany, political parties and individual members of the Bundestag will not accept donations above a threshold amount from sources outside Germany, with certain permissible exceptions. In addition, further information is required in relation to whether donations only apply to foreign states or to both foreign states and private citizens.<sup>37</sup> While this may not be directly related to terrorist activities it nonetheless illustrates existing policies in place to address the issue of foreign influence.

## Countermeasures

Despite this issue being a concern within some European countries – as evidenced by parliamentary hearings, legislation and reports from Western security services<sup>38</sup> - there are no available studies on the extent of foreign state funding of anti-pluralistic sentiment, extremism or the subversion of state institutions. The reluctance of donors and beneficiaries to report donations and/or the identity of donors to Islamic institutions contributes to the absence of data on foreign funding. A Council of Europe report on the scope and scale of foreign Islamic funding is inconclusive but nonetheless recommends ‘increased transparency in foreign funding

of Islam’.<sup>39</sup> This recommendation aims to protect states’ sovereignty and limit the way a foreign country may interfere in another country’s domestic affairs. Similarly, the RAND study indicates that although ‘little can be concluded about possibly undesirable influence, ... even if it is unconditional, financial support from religious (zakat) funds in countries such as Saudi Arabia or Kuwait to mosques with political Salafist influences, could raise questions about possible anti-integrative, undemocratic or discriminatory influences on a religious community in the Netherlands’.<sup>40</sup> Some EU member states have introduced legislative and non-legislative measures to specifically address foreign-state and/or state-endorsed funding of ideologies incompatible with the EU’s values as enshrined in Article 2 of the Treaty on the EU.

For example, the Netherlands tackled the entry of funds likely to have an undesirable influence by leveraging diplomatic channels and ensuring some countries in the Middle East promise to work with the Dutch authorities in preventing money from going to extremist Muslims in the Netherlands.<sup>41</sup> In addition, some other Middle Eastern jurisdictions have pledged not to fund organisations without informing the Dutch government first. The Netherlands is accessing the transfer data of international funds, and mapping flows susceptible to malign financing. Consultation of open-source documents does not determine nor assess whether funds coming in from such jurisdictions have indeed decreased or are being rerouted via other jurisdictions which may be considered lower risk. It is also important to note that a concern in relation to accessing transfer data is whether such information is readily available, accessible<sup>42</sup> and ‘whether the mass collection of financial data is a necessary and proportionate response to the risks posed’.<sup>43</sup>

This is a particularly pertinent point when considering that foreign-state funding makes up a fraction of global funding of religious institutions, which mainly occurs through private donations. A recent study conducted in the Netherlands states that ‘the main source of income for religious institutions consists of donations and contributions from members of their

35. Radin, Demus and Marcinek, ‘Understanding Russian Subversion’.

36. Rudolph and Morley, ‘Covert Foreign Money’.

37. Bundeskanzleramt, ‘Federal Law on the External Legal Relationships of Islamic Religious Societies (Islam Law 2015 - Islagesetz 2015)’, <[https://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Erw&Dokumentnummer=ERV\\_2015\\_1\\_39](https://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Erw&Dokumentnummer=ERV_2015_1_39)>, accessed 23 November 2021.

38. Hagen Karlsen, ‘Divide and Rule’.

39. Council of Europe, Committee on Political Affairs and Democracy, ‘Regulating Foreign Funding of Islam in Europe in Order to Prevent Radicalisation and Islamophobia’.

40. Hoorens et al., ‘Study on Foreign Funding of Religious Institutions in the Netherlands’, p. 7.

41. Author interview with senior CTF professional, 14 October 2021.

42. Antonio Coppola et al., ‘Redrawing the Map of Global Capital Flows: The Role of Cross-Border Financing and Tax Havens’, National Bureau of Economic Research, Working Paper No. 26855, March 2020.

43. Anagha Joshi, ‘In Pursuit of Big Data: An Analysis of International Funds Transfer Reporting’, *RUSI Occasional Papers* (April 2017), p. 3.



community,<sup>44</sup> but given the opacity of accounts, cross-border capital flows and the reluctance of donors and beneficiaries to report donations, this remains a point that requires further research.

Considering the above, it could be argued that the current SAR regime addresses such opacity and targets suspicious activities and/or transactions associated with institutions that are traditional recipients of malign funding. However, such transactions are unlikely to meet the SAR regime's suspicion threshold. The suspected conditions laid out for the exchange of funds might meet the threshold, but this is not something that SARs are designed to capture. The current SAR regime is not designed to signal and investigate intent but to escalate the analyst's suspicion when reviewing a transaction or an activity. In the absence of suspicion, expecting SARs to flag the funding of certain institutions on the basis that it may finance malign influence is problematic. This can further exacerbate the issue of the high volume of SARs that financial intelligence units receive. This is a topic that has been heavily discussed and addressed in the AML industry and academic literature.<sup>45</sup> An alternative could be leveraging EU investment screening regulation<sup>46</sup> enabling the screening of foreign direct investment into the EU<sup>47</sup> and the rest of Europe.<sup>48</sup>

## Implications and Recommendations

A review of the literature highlights the limited available data and analysis of the scope and scale of foreign state malign influence. An additional issue is the difficulty in proving that such funding is provided in exchange for influence. The absence of data may indicate the existence of 'a deliberate financial strategy hiding influence that aims to remain invisible'.<sup>49</sup> If the intent is indeed to hide influence, then more analysis and research is certainly required.

Absence of evidence-based analysis impacts jurisdictions' ability to assess the landscape for foreign government

funding and limits understanding of the threats posed to Europe's democracy. This briefing makes the following recommendations:

- Assess the scope and scale of foreign government funding and funding through private donations to better grasp sources of potential influence.
- Identify and define typologies of influence and/or indicators and conditions of undesirable influence.<sup>50</sup>
- Identify institutions and/or organisations likely to be targeted for such funding.
- Identify and map financial flows from target foreign countries that are known to be anti-pluralistic.
- Identify and map sources of funds flagging potential foreign state sponsorship.
- Identify policies and/or legislation across Europe that specifically target and address money flows from target foreign countries and assess outcomes.
- Identify existing regimes and screening mechanisms that could be leveraged to identify and counter the funding of malign influence.

## Conclusion

This briefing assesses the sponsoring of malign influence campaigns that spread anti-pluralistic and anti-democratic ideas. It is apparent that there are many challenges to identifying a link between foreign state funding and a subversive agenda. This does not mean that funding of malign influence does not exist, as it may point towards a deliberate agenda of opacity. While such funding may not be illegal, it does represent a threat, enabling foreign states to influence domestic affairs, potentially facilitating the first step towards radicalisation, subversion and even terrorism.

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44. Hoorens et al., 'Study on Foreign Funding of Religious Institutions in the Netherlands', p. 5.

45. Europol, *From Suspicion to Action: Converting Financial Intelligence into Greater Operational Impact* (Luxembourg: Europol, 2017); Michael Levi, Peter Reuter and Terence Halliday, 'Can the AML System Be Evaluated Without Better Data?', *Crime, Law and Social Change* (Vol. 69, 2017), pp. 307–28.

46. European Commission, 'EU Foreign Investment Screening Mechanism Becomes Fully Operational', press release, 9 October 2020, <[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1867](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1867)>, accessed 23 November 2021.

47. European Parliament, 'Regulation (EU) 2019/452 of the European Parliament and of the Council', Article 3.8, 19 March 2019.

48. For example, the UK introduced a new foreign direct investment regime earlier this year. See 'National Security and Investment Act 2021 (UK)'.

49. Government of the Netherlands, 'Transparency Called for in Combating Foreign Influence'.

50. For example, Hoorens and colleagues identify property/land ownership, board membership and crimes as potential proxies through which to identify influence. The issue, however, is that data pertaining to such proxies cannot provide insights into influence or conditions in exchange for funding. See Hoorens et al., 'Foreign Financing of Islamic Institutions in the Netherlands'.