



## Cátedra de Economía del Terrorismo

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# **DISMANTLING TERRORIST'S ECONOMICS: THE CASE OF ETA**

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## ***ABSTRACT***

This article aims to analyze the sources of terrorist financing for the case of the Basque terrorist organization ETA. It takes into account the network of entities that, under the leadership and oversight of ETA, have developed the political, economic, cultural, support and propaganda agenda of their terrorist project. The study focuses in particular on the periods 1993-2002 and 2003-2010, in order to observe the changes in the financing of terrorism after the outlawing of *Batasuna*, ETA's political wing. The results show the significant role of public subsidies in finance the terrorist network. It also proves that the outlawing of *Batasuna* caused a major change in that funding, especially due to the difficulty that since 2002, the ETA related organizations had to confront to obtain subsidies from the Basque Government and other public authorities.

### ***Keywords:***

Financing of terrorism. ETA. Basque Country. Spain.

## **DESARMANDO LA ECONOMÍA DEL TERRORISMO: EL CASO DE ETA**

### ***RESUMEN***

Este artículo tiene por objeto el análisis de las fuentes de financiación del terrorismo a partir del caso de la organización terrorista vasca ETA. Para ello se tiene en cuenta la red de entidades que, bajo el liderazgo y la supervisión de ETA, desarrollan las actividades políticas, económicas, culturales, de propaganda y asistenciales en las que se materializa el proyecto terrorista. El estudio se centra especialmente en los períodos 1993-2002 y 2003-2010, a fin de observar los cambios que experimentó la financiación del terrorismo a raíz de la ilegalización de *Batasuna* —el brazo político de ETA—. Los resultados muestran el papel singularmente relevante que tuvieron las subvenciones públicas en la financiación de la red terrorista. Asimismo, se muestra que la ilegalización de *Batasuna* ocasionó un cambio muy importante en esa financiación, sobre todo como consecuencia de la dificultad que, desde 2002, tuvieron las organizaciones vinculadas con ETA para obtener subvenciones del Gobierno Vasco y las demás Administraciones Públicas.

### ***Palabras clave:***

Financiación del terrorismo. ETA. País Vasco. España.

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## 1. INTRODUCTION.

Although the economics of terrorism have gained —especially after the attacks of 9/11 (Neumayer, 2004:262; O’Connor, 2008:351)— broad attention by scholars and policy makers, both from the input (terrorist financing)<sup>1</sup> and the output side (economic consequences of terrorism),<sup>2</sup> the financing of the Basque terrorist group *Euskadi Ta Askatasuna* (ETA), seems to have so far been neglected in international studies.<sup>3</sup> Thus we believe that the recent (January 2011) ETA announcement declaring a “permanent and internationally verifiable” ceasefire, might be a good opportunity to take a look back on over 50 years of Basque terror, showing how the financing of this group has evolved over time, as well as quantifying the real volume of the money moved by ETA up to today.

The starting point for this study is our definition of terrorism as a sort of economic war that aims to economically and psychologically erode its opponent (Buesa, 2005; Baumert 2008, 2010), in the context of terrorism as a “predatory war model” (Buesa, 2010). Thus we define, for the purpose of this study, terrorism as a form of political action based on the exercise of systematic violence, on the part of organisations which adopt it, against people and property, as a means of achieving the public’s support for their cause, not by ideological persuasion, but through fear, until they undermine the will of citizens and State and force them to accept their demands. It is, to a certain extent, a singular type of war whose armed actions are planned and executed with a view to making society capitulate in the face of the aims of these organisations to dominate or hold power. Actually, this type of war is the opposite of those waged as a consequence of the establishment of the modern developed state, in that it does not aim to hold on to its own territory in order to settle and establish production activities to sustain their war effort, rather it is willing to destroy it in order to make it easier to extract the material and financial resources required for its maintenance.

It is in this context, that ETA’s shifting from political and military targets towards economic relevant objectives might be understood.<sup>4</sup> Thus, for example, the Spanish police seized in September 2002 a letter allegedly written by a member of ETA, Henry Parot, in which he urged the leadership of the band to attack, as well as the Interior Ministry and the Supreme court, “vital targets such as the Bank of Spain [Central Bank] and the Madrid and Barcelona Stock Exchanges”, adding that “I’m

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<sup>1</sup> Taking only into account the books on the subject, we may cite Adams (1986), Ehrenfeld (2005), Napoleoni (2004), Giraldo and Trinukas (2007), Taylor (2007), Bierstecker and Eckert (2008), Hinojosa (2008), Pieth *et al.* (2009), Odeh (2010) and D’Souza (2011).

<sup>2</sup> Leaving aside the numerous articles, we may point out the following books: Frey (2004), Suder (2004, 2007), Enders and Sandler (2005), Richardson *et al.* (2005, 2007, 2009), Costigan and Gold (2007), Brück (2007), Krueger (2007), Keefer and Loayza (2008) and Buesa and Baumert (2010).

<sup>3</sup> At least we have so far not been able to find any relevant monographic study regarding this topic. Of course there have been previous studies about the economic impact of ETA on the Basque Country, notably the one by Abadie and Gardeazabal (2003) as well as those coordinated by Buesa (2004).

<sup>4</sup> Thus for example, between 1998 and 2003 the main objective of worldwide terrorist attacks, much more than diplomatic, government and military headquarters, were installations belonging to the business sector (U.S. Department of State, 2003:appendix G), and according to Enders and Sandler (2006:57) it is worthwhile to predict that future attacks will centre on economic targets even more. This rise was perceived by business leaders as real and increasing, as stated by the fact that nearly twice as many companies buy terrorist coverage in 2007 than they did in 2001 (Lloyds, 2007:18-19).

convinced that if you do that they'll sit down and negotiate".<sup>5</sup> Consequently, and as we will see later on, banking centres have been attacked frequently by ETA, especially through the so called "low level terrorism" or *kale borroka*.<sup>6</sup>

As we assume that not all international readers might be familiar with the course of ETA and the circumstances surrounding its activities, we have preceded our study by a brief overview of this terrorist group's history.

## 2. ETA'S TERRORIST ACTIVITY

*Euskadi ta Askatasuna* (ETA)<sup>7</sup> is a terrorist group proscribed as such by the Spanish and French authorities, the European Union as a whole and the United States. It was started by a number of middle class, Basque nationalists —many of them university students— in response to what they considered the insufficient opposition of the Basque Nationalist Party (PNV) towards the Franco regime. On July, 30th 1959, the day of the Saint Ignatius (patron saint of the Basques) the group was constituted with the aim to reach "an independent *Euskadi* through a Basque state, and of free men inside *Euskadi*" (Garmendia, 2000:98).<sup>8</sup> Although during the 1960s ETA was heavily influenced by Marxism, the main ideology of the group has been radical nationalism, loosely interspersed with racist elements (Buesa, 2011:66).<sup>9</sup> ETA committed its first assassination in 1968, executing its most significant attack five years later, killing Franco's Prime Minister Luis Carrero Blanco. These were the first of many strokes perpetrated under the "action-repression-action spiral theory" adopted by the group in 1965.

After the arriving of democracy to Spain, the Basque Country progressively obtained more and more autonomy, not only on the political, but also economic, fiscal, educational and cultural sphere, and to such a degree, that the "Basque separatists' goal have been achieved by all by in name" (Law, 2009:251), thus hollowing out all of ETA's vindications. Nevertheless, as can be seen in graph 1, they continued and even intensified their activity —which reached its peak of violence in the late 1970s and early 1980s— at the same time developing their economic and political network, hence correcting many views who considered them primarily anti-authoritarian rather than pro-Basque. This led the Spanish government to start the so-called "dirty war" against terrorism, using secret hit squads named GAL (*Grupos Antiterrorista de Liberación*).<sup>10</sup> From 1985 onwards, ETA's terrorist activity started to decline, although presenting

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<sup>5</sup> Cf. *El Mundo*, February 13 and 14, 2006.

<sup>6</sup> See below.

<sup>7</sup> Several monographic works have studied the case of ETA: Clark (1984), Sullivan (1988), Domínguez (1998), Gurruchaga and San Sebastián (2000), Elorza (2000), Reinares (2001), Mees (2003), Portero (2008). Nevertheless, many false myths regarding ETA, the Basque Nationalism, and its relation to the rest of Spain still persist, most of which are corrected in Basta Ya (2005). In addition to the previous ones, several overall works on terrorism also present —to a varying extend— the case of ETA embedded in the context of the general history of terrorist violence. See, among others, Laquer (2001), Hoffman (2006), Chaliard (2007), Law (2009) and Burleigh (2010).

<sup>8</sup> Although it is true, that the Basques have a distinctive language and, to some extent, even culture and identity, it should be remembered, that they have not had an "independent" state for over a millennium.

<sup>9</sup> In fact, ETA still claims an "independent, socialist *Euskalerría*".

<sup>10</sup> The GAL committed 27 killings and several kidnappings, not only of ETA members but of civilians supposedly related to those, some of whom turned out to have nothing to do with the terrorist group. For a detailed analysis of this "dirty war", see Woodworth (2001).

### **Box 1: A brief chronology of ETA**

**1959:** *Euskadi Ta Askatasuna* (Eta), or Basque Homeland and Freedom, founded during the dictatorship of General Franco.

**1968:** Eta carries out its first planned attack by killing a police chief in San Sebastian.

**1973:** Franco's prime minister Luis Carrero Blanco is killed when car passes over explosives planted by Eta in Madrid.

**1980:** Nearly 100 people killed in Eta's bloodiest year to date.

**September 1985:** An American tourist is killed by the first car bomb planted in Madrid by Eta. Sixteen civil guards are wounded.

**July 1986:** A dozen civil guards are killed and 50 people injured in a car bombing in Madrid.

**June 1987:** Twenty-one shoppers in a Barcelona supermarket are killed in Eta's bloodiest attack so far. Eta apologises for its "mistake".

**April 1995:** Jose Maria Aznar, later to become prime minister, is target of Eta car bomb. He is saved by vehicle's armour plating.

**August 1995:** Police foil Eta plot to kill King Juan Carlos.

**July 1997:** Basque town councillor Miguel Angel Blanco kidnapped and killed. Six million people demonstrate.

**September 1998:** Eta announces truce.

**June 1999:** Government says it held talks with Eta.

**November 28, 1999:** Eta announces ceasefire will end on December 3.

**February 22, 2000:** A car bomb in Vitoria kills local Socialist politician Fernando Buesa and his bodyguard.

**September 15, 2000:** French police arrest Ignacio Gracia Arregui, alias Iñaki of Renteria, alleged top Eta leader.

**November 21, 2000:** Ernest Lluch, a former cabinet minister, is shot dead in Barcelona. Nearly a million demonstrate.

**February 22, 2001:** A car explodes in San Sebastian, killing two people and injuring four. Hours later French police capture suspected Eta military chief in French town of Anglet.

**November 6, 2001:** A car bomb explodes in Madrid, injuring 95 but missing a senior civil servant believed to be target. Two suspected Eta members arrested.

**November 23, 2001:** Two police officers are killed in Beasain, south of San Sebastian.

**May 1, 2002:** Car bomb explodes near Real Madrid's soccer stadium hours before European Champions League semi-final.

**June 21, 2002:** Three car bombs explode in a single day in towns of Fuengirola, Marbella and Zaragoza before two-day summit of EU leaders in Seville. Seven are injured.

**December 4, 2003:** French police arrest Ibon Fernandez Iradia, a suspected military commander of Eta who escaped from custody in France almost a year before.

**December 31, 2003:** ETA fails in its attempt to explode two suitcase bombs in the Irún-Madrid Intercity using mobile phones as detonators.

**February 18, 2004:** Eta calls truce in Spanish region of Catalonia, less than a month before general elections.

**March 11, 2004:** Ten rucksack-bombs explode in several trains in Madrid killing 182 people. Although the attacks were perpetrated by Jihadist terrorists, first suspicions pointed to ETA, due to the similarity (both of the target and the use of mobile-phones as detonators) with the procedure of the failed attacks of the previous New Year's Eve.

**February 29, 2004:** Spanish police avert a possible attack by intercepting a van carrying more than 500kg (1,100lb) of explosives Eta planned to detonate in Madrid.

**March 22, 2006:** ETA sent a DVD message announcing a "permanent ceasefire" that was broadcast over Spanish TV. Thus Spanish President Rodríguez-Zapatero officially opens negotiations with the group (it was later made public that the Rodríguez-Zapatero's socialist party has already maintained contacts to ETA from the time it was in the opposition).

**October 2006:** An ETA cell stealing some 300 handguns, ammunition and spare parts in France on October 2006.

**September 23, 2006:** ETA militants declare that the organization would “keep taking up arms [until achieving] independence and socialism in the Basque country”.

**December 30, 2006:** ETA detonates a van-bomb after three confusing warning calls, in a parking building at the Madrid Barajas international airport (T4 terminal), causing the collapse of the building and killing two Ecuadorian immigrants. President Rodríguez-Zapatero releases a statement stating that the “peace process had been discontinued”.

**January 2008:** ETA stated that its call for independence is similar to that of the Kosovo status and Scotland.

**September 8, 2008:** Two Basque political parties were banned by a Spanish court for their secretive links to ETA. The terrorists react to these actions by placing three major car bombs in less than 24 hours in northern Spain.

**April 2009:** Jurdan Martitegi is arrested, making the fourth consecutive ETA military chiefs to be captured within a single year, an unprecedented police record that further weakens the group.

**Summer 2009:** Several ETA attacks leave three people dead and dozens injured around Spain.

**September 5, 2010:** ETA declares a new ceasefire, its third, after two previous ceasefires were ended by the group.

**January 10, 2011:** ETA declares that their September 2010 ceasefire would be permanent and verifiable by international observers.

**October 20, 2011:** ETA announces a cessation of armed activity via video clip sent to media outlets following the so-called “Donostia-San Sebastián International Peace Conference”.

Source: [www.telegraph.co.uk](http://www.telegraph.co.uk), [www.bbc.co.uk](http://www.bbc.co.uk), [www.economist.com](http://www.economist.com) and own elaboration.

occasional height and a still positive trend until 1992, the year that the leaders of the group were arrested in the French town of Bidart. Anyhow, it should be observed, that ETA tried to compensate this tendency boosting the so called *kale borroka* (literally “street fight”, actions of low level street violence against public and private facilities, which might be considered a sort of “low intensity terrorism”). Again, this trend inflexed in 2003. The illegalization ETA’s political arm, Batasuna, in 2002, initiated the, so far, last period in the history of ETA, characterized by a continuous decrease of the number of terrorist attack and victims, and a new increase of street terrorism.<sup>11</sup>

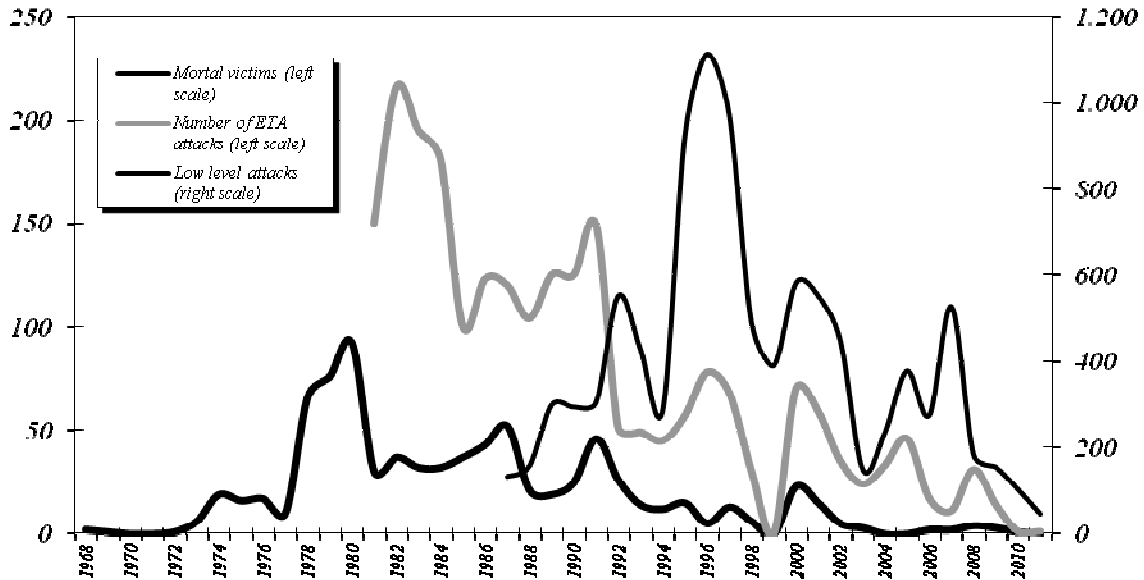
According to Law (2009:251), two factors have been critical in the decline of what was already marginal Basque support for ETA terrorism. The first was the popular reaction to the 1997 ETA kidnapping and murder of the local conservative Basque politician, the 29-year old Miguel Angel Blanco. Several millions of Spaniards, among them one hundred thousand Basques, marched and publically condemned his murder. Thus ETA terrorists found themselves in the defensive, as they noticed they even lacked the support of the communities they believed to be “theirs”. The other event that contributed to the decline of ETA effectiveness was 9/11, a terrorist act of such carnage and magnitude that it undermined in Spain, as it did in much of the West, any organization’s justification of terrorism.<sup>12</sup> As an immediate result, America froze bank accounts associated with ETA members and the world’s police forces coordinated themselves better. José María Aznar’s conservative government, in conjunction with the French government, launched an all-out police offensive against the group and several

<sup>11</sup> It should be observed, that ETA declared (temporal) ceasefires in 1989, 1996, 1998 and 2006.

<sup>12</sup> See for this Donahue (2008:141-168). In addition, it also meant “raised the bar” of terrorist attacks in Spain, as “conventional” ETA attacks now seemed relatively less significant.

of its key leaders were arrested over the following years.<sup>13</sup> The desolating product of five decades of ETA leaves an overall balance of more than 800 mortal victims—roughly one third of them being civilians—and thousands of mutilated and injured.<sup>14</sup>

**Graph 1: ETA’s terrorist activity: number of attacks and victims**



Source: Own elaboration from data of the Spanish Home Office, Vasco Press and Chair of the Economics of Terrorism (UCM).

### 3.- ETA’S ECONOMIC NETWORK

In 1986, the Spanish and French police dismantled what turned out to be the nerve of centre of ETA’s operations in the town of Sokoa on the French Basque coast; an innocent looking workshop belonging to a co-operative that served as a front for a vast business empire.<sup>15</sup> Among other things, they managed to seize the terrorists’ bookkeeping. These “Sokoa papers” clearly showed that, between 1979 and 1986, the terrorist organization had taken in an important amount of money through racketeering, particularly from the collection of the so-called “Revolutionary Tax”, various robberies of banks and businesses and other sources. In fact, the Sokoa accounting ledgers showed that ETA not only financed its terrorist cells but that it also invested in its political network. In 1979, it paid € 120,000 into the coffers of *Orain*, the publisher of the daily newspaper *Egin*, so that it could buy out the magazine *Punto y Hora* and, from 1979 on, it also provided capital for the group *Gestoras Pro-Amnistía*, the trade union LAB and their political party HB.

At the beginning of the 1990’s, the network was made up by ETA, the coordinating arm KAS, the political coalition HB, the trade union LAB, the youth organization *Jarrai* and the coordinating arm for grassroots and popular organization,

<sup>13</sup> In addition, and as we explain below, Aznar’s government also passed a new law that allowed the courts to outlaw any political party that refused to condemn terrorist actions, thus banning *Batasuna* from any (legal) political activity.

<sup>14</sup> For an excellent overview of the victims of ETA see Alonso and Domínguez (2009).

<sup>15</sup> The following paragraphs were first published in *Basta Ya* (2005:136-138).

KAS, the *Gestoras Pro-Amnistía*, the organization for promoting the Basque language called *Euskal Herrian Euskaraz* (in the Basque Country in Basque), the student organization *Ikasle Abertzaleak* (Patriotic Students) and other groups that were supposedly feminist, ecologist, and cultural. However, not only was ETA dedicated to financing its own shadowy web, it also invested in legitimate businesses in order to obtain supplementary profits and to launder its ill-begotten gains. Likewise, it set up its own business that employed sympathizers while it got money to finance illegal activities. The business of operation involved a growing number of individuals so that the shadowy web widened its network of accomplices. And it did so to such extent, that by the middle of the 1980's, the existence of ETA had become a purely economic necessity: what was important was no longer just political strategy but the business it generated, upon which thousands of "liberados" (released people) depended. In 1976 ETA setup up the Lluís Orain which published the newspaper *Egin* whose operating deficit was made up by its role as the indispensable organ of communication and propaganda. In the same year, another, more lucrative business was set up: the *Herriko Tabernak* (literally Town Taverns), a chain of bar and restaurants that spread out across towns and neighbourhoods that serve as meeting place for sympathisers of the "Basque national Liberation Movement" from which they control their immediate surroundings and where they could plan acts of violence or launder illicit money from ETA-KAS-HB.<sup>16</sup>

The business maze set up with shares and privately owned business became so complex that, in 1992, ETA launched the *Udaletxe* (Town Hall) Project. It was a question of streamlining the overall management and to distribute the profits from 100 businesses making up the terrorist network. In order to run it, they set up the company *Banaka* (literally One by One). Thus, the instructing magistrate of the summary against the ETA network established in 1997 the legal doctrine —since then ratified by numerous sentences handed down by the National Court and Supreme Court— that ETA and its web of satellite organizations are "one and the same". This shift in conceptualization made way for the newspaper *Egin*, KAS, HB, *Jarrai* and *Gestoras Pro-Amnistía*, as well as the successive reincarnations and clones of the whole shebang to be charged and outlawed.

This fact, together with the relentless pursuit of the terrorists propelled by the Conservative government of President Aznar meant a heavily drawback to the economics of ETA, which started to suffer from a lack of liquidity. Actually, we may affirm that it meant a turning point in the economic history of the terrorist network, as ETA suddenly —and unlikely what happened before— had to rely now on its satellites to cover all of its costs.

Consequently, in order to keep their terrorist activities on-going, and to impose their secessionist aim, ETA redesigned the complex network of entities of very different kind —including illegal groups, civil associations, political parties, trusts and mercantile enterprises— all of which carry out specific activities under the control of the of ETA as neuralgic centre. As can be seen in table 1, it has been ETA who, besides committing attacks, extortions, looting and other crimes, took over control of the whole network. Its authority over the rest of organizations of the network has been exercised until 1999 through KAS and from then on through EKIN.

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<sup>16</sup> In the 1990's the peak of their activity, the *Herriko Tabernak* showed an annual profit of € 12 million.



At the same time, the exercise of violence required strong logistics and, especially, the systematic recollection of information about potential objectives. This was entrusted to three information services, one from ETA itself, the other two pending from KAS and the newspaper *Egin* until the disappearance of both of them. Of course, ETA also needed to recruit militants willing to perpetrate armed attacks. In the early

**Table 1: Entities that make up ETA's terrorist network**

Entity	Legal status	Activities carried out
ETA - Euskadi ta Askatasuna (from 1959 on)*	Illegal	Terrorism, extortion, looting, political directing
Jarrai (1979-2000) Haika (2000-2001) Segi (from 2001 on)	Illegal	Low level terrorism (Street terrorism)
Sarea (ETA) Information team of the MLNV (KAS) Information service of EGIN	Illegal	Information services
KAS – Koordinadora Abertzale Sozialista (1974-1999) EKIN (from 1999 on)	Illegal	Political control of the organizations (MNLV)
Herri Batasuna (1978-1998)* Euskal Herritarok (1998-2001)* Batasuna (from 2001 on)* PCTV - Partido Comunista de las Tierras Vascas (from 2002 on)* ANV – Acción Nacionalista Vasca (originally founded in 1930) (from 2007 on)* Udalbiltza-Kursaal (from 2001 on)*	Political parties      Association	Institutional politics (Congress, Senate, Basque Parliament, local parliaments)      Local politics
ASK - Abertzale Sozialista Komiteak (1974-1996) Fundación Joxemi Zumalabe (1995-2000)*	Illegal Foundation	Civil disobedience
AEK – Coordinadora de Alfabetización y Euskaldunización (from 1882 on)*	Association	Ideological indoctrination
Grupo Orain – Diario <i>Egin</i> – Radio Egin Irratia (1976-1998) Diario <i>Gara</i> (from 1999 on) Arakatzen S.L. – Revista <i>Ardi Beltza</i> (2000-2001) Egunkaria S.A. Diario <i>Euskaldunon Egunkaria</i> (1990-2003)* Editoriales: <i>Elgargintza Elkarlanean</i> / Txapalarta / Euskal Kulturgintza S.A. / Elkar S.L. and others	Mercantile	Press and propaganda
Asociación Ekin (1969-1991) KHK - Comité de Relaciones Exteriores (1992-1994) KEA – Estructura Mancomunda del Exterior (1994-1996) Asociación Europea Xaki (1996-2001) Askapena (from 1987 on)	Association Illegal  Association	International relations. Assistance and control of affiliated, deported and refugees.
Gestoras Pro-Amnistía (1977-2001) Askatasuna (2001-20029) Etxerat (from 2001 on)*	Illegal Association	Assistance and control of the imprisoned militants and their families.
Herriko Tabernak (from 1980 on)* Firms*: Ganeko / Aulki / Grupo Banaka / Azki / grupo Gadusmar S.L. / Grupo itxas Izarra S.L. / Untzorri Bidaiak S.L. / Galkaraka S.L. / Grupo Eneko S.A. / Aski S.A.L. / Zart Komunikazioa / Martzeliano Etxea S.A.L.	Association  Mercantile	Business. Money laundering. Employment of freed militants and exiled.

\* Entities that have served to obtain financial resources for the organization as a whole.

Source: own elaboration.

days of the group and up to the mid-nineties, this was achieved attracting members from the political organizations related to ETA, mostly single men, “slightly older than twenty years, with a background of mid class, autochthonous families, living in small and medium sized villages in which the use of *Euskera* was widely extended” (Reinares, 2001:19).

This notwithstanding, from then on, ETA recruited its militants from the groups of young “street fighters” (the Basque term being *kale boroka*) related to *Jarraia*, *Haika* and *Segi*. These “street fights” were considered a sort of low-level or low-intensity terrorism, which nevertheless had an important economic impact, due to its reiteration (mainly on weekends).<sup>17</sup> It might be worth pointing out that, unlike the group commented before, this new generation of terrorists were of “urban origin, with a limited use of *Euskera*, and which had often grown up in families whose origins were outside the Basque country [...] thus having a great similarity to other groups of European radicals from their same generation, sharing an “anti-system” ideology (Reinares, *ibidem*).

Anyhow, and due to its intrinsic political core, ETA has needed to organize its activities on the institutional field through an own political party under its control. This job was done during two and a half decades by *Herri Batasuna*, which in 1998 changed its name to *Euskal Herritarok* and, three years later, to *Batasuna*. As this party was declared illegal in 2002, ETA was forced to create a new party: first the Communist Party of the Basque Land, PCTV), which participated in the elections of 2005, later Basque Nationalist Action (ANV), which concurred to the regional elections of 2007. In February 2011, *Sortu*, a party described as “the new *Batasuna*”, was launched. Unlike predecessor parties, *Sortu* more or less explicitly rejected politically motivated violence, including that of ETA. However on 23 March 2011, the Spanish Supreme Court banned *Sortu* from registering as a political party on the grounds that it was linked to ETA. As a consequence, the radical and more filo-terrorists members of the left *abertzale* found entry first into the new party *Bildu* (which concurred in the Basque regional and municipal elections (obtaining 1,138 deputies) and later *Amaiur*, which in the recent National elections (November 20, 2011) obtained seven members of the Congress (lower Chamber) and three members of the Senate. The institutional aims obtained by these parties with its municipal, regional and national representatives have been very significant, not only in controlling a huge part of the Basque geography —debilitating the exercise of constitutional liberties and the authority of the Government— but, most important, as a way of obtaining and canalizing economic resources to ETA.

## 4.- ETA’S FINANCIAL INCOME

### 4.1- Criminal activities

#### 4.1.1 Kidnapping and extortion

Extortion has been one of the main sources of income for ETA from the 1970s onwards, thus substituting the previously more important activities like bank robbery

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<sup>17</sup> The *kale borroka* suffered a severe setback and came nearly to a halt after the Conservative government of José María Aznar changed the law so that the responsibility for the economic damage caused by the “street fighters” —mostly youngsters with no own income— shifted from them to their parents.

and theft. Blackmailing—which has been mostly practiced against businessmen and self-employed professionals— can adopt two forms of execution: kidnapping and extortion letters. And in order to make clear their intentions ETA has not doubted in assassinating or hurting some of the extorted people, attack their business facilities<sup>18</sup> and even starting boycott campaigns against their products.<sup>19</sup>

Altogether, extortion has reported ETA benefits of more than € 115 million during the three decades that range from 1978 to 2008. This value—in order to make comparisons easier we express in terms of 2002 purchase power parity— has to be considered a minimum, as the available information, mostly obtained from documents seized to the terrorist group, are incomplete. As we can see in table 2, two thirds of this amount corresponds to kidnapping and one third to extortion.

**Table 2: ETA's income due to kidnapping and extortion 1978-2010**  
(thousands of €, in 2002 ppp)

<i>Year</i>	<i>Kidnapping (ransom)</i>	<i>Extortion letters</i>	<i>Total</i>
1978	614.5		614.5
1979	69.1		69.1
1980	7,584.3	2,475.2	10,059.5
1981	6,821.0	1,354.2	8,175.2
1982	3,893.3	1,282.0	5,175.3
1983	12,505.9	664.4	13,170.2
1984		574.5	574.5
1985	5,163.9	2,938.3	8,102.2
1986	7,415.0	5,338.8	12,753.8
1987	2,255.0		2,255.0
1988	14,515.3		14,515.3
1989	3,020.1		3,020.1
1990			
1991	222.7	196.0	418.6
1992			
1993	4,020.8	120.6	4,141.4
1994			
1995		5,870.7	5,870.7
1996	885.7		885.7
1997	10,421.5		10,421.5
1998			
1999			
2000		1,073.0	1,073.0
2001	217.8	1,768.6	1,986.4
2002	700.0	1,435.7	2,135.7

<sup>18</sup> From the year 2000 onwards, around 45 terrorist attacks (15 per cent of the total), were perpetrated against business interests. One often overseen fact was that ETA started to make use of the *kale borroka* or (street fight), the strategy of low level terrorism explained above, to damage the properties of the extorted people. Thus, between 1999 and 2011 nearly a thousand of these attacks targeted business facilities; roughly speaking one quarter of the total *kale borroca* activities.

<sup>19</sup> See, for example, the pamphlet *Boikota!* distributed in 2004, which listed the logos of seventy businesses unwilling to cede to ETA's extortion. For a chronic of this campaign, see *El Mundo*, June 13, 2004, page 18.

2003		1,209.8	1,209.8
2004	38.7	719.5	758.2
2005			
2006		1,149.5	1,149.5
2007		3,843.7	3,843.7
2008		4,045.9	4,045.9
2009		2,758.0	2,758.0
2010		3,927.0	3,927.0
<i>Total</i>	<i>80,364.6</i>	<i>42,745.3</i>	<i>123,109.9</i>

Source: Own elaboration using estimations of Domínguez (1998). The data of the extortion for 1995 have been estimated by the *Ertzaintza* (*Capital*, February 2001); for 2000, *ABC*, January 17 and April 8, 2004; from 2001 to 2004, the papers seized to Soledad Iparraguirre (*El Mundo*, July 2, 2006); and from 2006 to 2010, own estimation. The data referred to the kidnappings between 2001 and 2004 come from the Papeles de Susper (*El Correo*, February 17, 2008).

The kidnapping of businessmen by ETA started in 1972 and reached its peak in the second half of the 1970's and the first of the 1980's. Actually, from the 95 kidnappings perpetrated by ETA, 70 took place between 1976 and 1986. Later this criminal activity decayed until it stopped in 1996, mainly due to the fact that kidnapping requires a costly infrastructure, with well-trained militants, and bears a great risk of being detained. Therefore, once that ETA had developed less risky forms of obtaining income, it tended to leave aside kidnapping. Nevertheless, between 2000 and 2004 ETA once again made use of this tactic, although now in its "express" version. In fact, 17 cases of "express kidnapping" were registered during that period.

The amounts demanded by ETA for setting free their hostages vary a lot, reaching from a couple of thousands to several million of Euros. In most cases, the ransoms were paid by the relatives of the hostage through several intermediaries, thus incurring in an illegal action. This notwithstanding, there have been several exceptions, some of them due to the impossibility to raise the required amount. The most notable of all has been the one of the financier Javier de Ybarra, whose relatives, many of whom were seating in the directive committee of the *Banco de Vizcaya* and *Banco de Bilbao*, refused to concede the required credit, thus "breaking with the traditional unity of the family, allowing [...him...] to become the first murdered in democracy" (Ybarra, 2002:38).

The letters of extortion sent to businessmen requiring them to pay in order to avoid becoming a victim, although less profitable than kidnapping, have been perpetrated more continuously. For this purpose, ETA developed a specific infrastructure charged with contacting and transferring the funds through a complex, intertwined network (Buesa, 2011:84).

Another question that has to be elucidated is how many of the businessmen succumbed to the extortion. There are so far no official data regarding the exact number of extortion letters that were sent out by ETA. Nevertheless, the detention of the terrorist Soledad Iparraguirre and the papers she kept, allowed obtaining some insights to the accountability of ETA. According to this source, between September and

## Box 2: The blackmail and extortion procedure

The letters are usually written in an anonymous and formally administrative style which euphemistically dresses up a naked kind of extortion called “revolutionary tax” or “compulsory contribution”. ETA threatens those who refuse to cough it up with death. Once the letter has been received, the extortion victim is supposed to contact the blackmailers through certain lawyers or well-known activists of the radical Basque nationalist camp. At one time, the businessmen would receive the order to hand the money over to certain HB offices.

The extorted businessman usually receives up to four or five letters. In the first line paragraph of the extortion letter, ETA addresses the recipient with the following formula: “we are hereby notifying you of the decision of *Euskadia Ta Askatasuna* to demand payment of the “Revolutionary Tax” from you as a compulsory contribution towards furthering the struggle of the Basque National Liberation Movement led by our organization”. It is followed by the amount to be paid—in the first letter usually between € 120,000 and 300,000—and the way in which the payment is to be made. ETA writes: “In light of the information on your financial situation at our disposal, the set amount [here there is a blank for the sum], the amount for which you will have to make as of [blank for the date], the day of the date this notification was received. Payment will have to be done in cash with used banknotes. The usual Basque means will have to be used in order to contact our organization”. The letter ends with this threat to the businessman: “You are solemnly warned that should you refuse to pay the amount stipulated, our organization shall be obliged to take reprisal measures against your property and life as it deems fit. There is no need to remind you that any attempt by you to contact the Police will result in dire consequences”. All letters are dated and wear ETA’s seal.

The second letter, identical to the previous one, is sent not only to the businessman but also to its relatives in order to increase the fear factor. After seven months, and if the extorted has still not paid, a third letter is sent which bears a two months ultimatum, informing the extorted businessman that he is now a direct objective of ETA. Ten months later, a fourth letter is sent, now stating that the victim will have to pay a five per cent surcharge as “default interest”. In addition to this scheme, ETA has recently developed another, more polite letter, aimed at business which are known for their friendly attitude toward terrorism, asking for a minor contribution (usually between € 12,000 and 24,000).

The remittance of 150 to 200 letters in October 2003 in which amounts ranging between € 20,000 and 200,000 euros were demanded, was preceded by an attack against the trucks of a transport company that had refused to pay up. In the attack, twelve vehicles were burnt. Similarly, on August 8, 2000, ETA murdered the president of the Business Employers’ Association (ADEGI), José María Korta, because he had refused to give in to the extortion. Besides Korta, ETA has murdered 39 businessmen since 1976 in order to reinforce their demand for the “Revolutionary Tax”.

Source: Basta Ya (2005:136-138) and Buesa (2010:83).

November 2003, 253 letters were sent to 95 businessmen. Assuming a constant activity, we may estimate that during the three decades that we are studying nearly 11,000 persons have been objective of the terrorist extortion. Regarding the question of how many of them have actually paid, Barbería (2004:6) affirms that “the number of those who give in to the extortion ranges between 10 and 20 per cent”. That means that if our estimations are correct, between 1,100 and 2,200 businessmen would have bought their security financing terrorism.<sup>20</sup> Anyhow, it has to be remembered, that the use of extortion letters by ETA has fluctuated heavily over time, being left aside and recovered according to the band’s needs, reaching its peak between 1978 and 1986 (Domínguez, 1998:141).<sup>21</sup>

<sup>20</sup> A brief overview of some concrete cases of payment that have gotten public can be found in Buesa (2011:87-89).

<sup>21</sup> According to an investigation by the Anticorruption Prosecution that was made public in 2004, the Basque Treasury had created an especial register for 118 businessmen—mostly related to the Basque

#### 4.1.2 Looting

ETA also did heavy robbery and looting in order to obtain the necessary resources to commit their attacks. In its initial phase, the robbery of banks and businesses was the main procedure used to obtain liquidity. Thus, between 1965—the year in which the group announced that it would start “the requisition of the necessary means for the revolutionary struggle”—and 1985 they perpetrated “around 200 bank assaults and other robberies with an estimated booty of € 4.2 to 4.8 million” (Domínguez, 2006:27). In addition, during the 1970’s ETA regularly stole explosives from quarries, the most spectacular operation being the one perpetrated in 1980 in the town of Soto de la Marina, where they obtained eight tons of *goma-2* explosive. Also, two years later, ETA broke into a deposit of the Autonomous Basque Police *Ertzaintza* where they stole 135 Star pistols. This notwithstanding, from the mid-80s onwards ETA decided to elaborate their own *amonal* explosive from legally obtained products, thus abandoning during a time the looting-strategy (Domínguez, 1998).

**Table 3: Looting of explosives, weapons and other materials by ETA (1987-2011)**  
(thousands of €, in 2002 ppp)

Year	Looting of explosives, weapons and other materials.	Stolen vehicles*	Value of the explosives (€)	Value of the vehicles (€)	Total (€)
1987		19		103.9	103.9
1988		7		40.1	40.1
1989		7		41.2	41.2
1990		10		60.6	60.6
1991		17		106.8	106.8
1992		9		58.6	58.6
1993		5		34.2	34.2
1994		4		28.7	28.7
1995		4		29.8	29.8
1996		4		31.2	31.2
1997		6		51.3	51.3
1998					
1999	<i>Titadine (France)</i> : 8.350 kg. of dynamite, 11,000 m. of detonator cord, 1,142 pyrotechnic detonators and 4,612 electric detonators.		1,436.5		1,436.5
2000	<i>Cantera Asson (France)</i> : 15 kg. of dynamite, 800 m of detonator cord and 100 detonators. <i>Ski station Guzet-Neige (France)</i> : 48 kg. of dynamite.	12	27.6	112.2	139.9
2001	<i>Titadine (France)</i> : 1.600 kg. of dynamite, 20,000 detonators. <i>Mondragón</i> : A die. <i>San Sebastián</i> : Number plates of vehicles belonging to the municipal policy.	16	419.8	146.6	566.4
2002	<i>Empresa Disprauto</i> : Two dies and 250 number plates. <i>Abadiño</i> : One dies and number plates. <i>Lasarte Enterprise</i> : 18,000 €. <i>Jonzac Enterprise (France)</i> : hundreds of number plates.	13		116.9	116.9

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Nationalist Party— who had been victims of the extortion, and whose Fiscal Declarations were declared secret. It seems that this measure was adopted to allow them to deduce the extortion payments from their declaration without incurring in a criminal offence for financing a terrorist group.

2003		2		17.3	17.3
2004		1		8.4	8.4
2005	<i>Saint-Benoit fertilizers (France): 4,000 kg. of sodium chlorate. Fasver (France): materials for the elaboration of ID cards.. Rouen (France): 1,280 kg. of aluminium pulver.</i>		205.8		205.8
2006	<i>Gramat (France): Weapons and uniforms of two gendarmes. Budiness of Replonges (France): Two diez and 30,000 number plates. Business of Vauvert (France): 350 pistols, ammunition and spare parts.</i>	71		578.0	578.0
2007	<i>Enterprize of Bischojjsheim (France): 44 kg. of hexogen pills. Laboratories Laberna of La Grand-Croix (France): 2,000 litres of nitromethan.</i>	20	201.7	161.1	362.8
2008		77		603.0	603.0
2009		51		433.6	433.6
2010	<i>Car dealer of Dammarie Les Lys (France): Six vehicles. Business Impuls-France (France): Computer programs for the elaboration of ID and credit cards. Six especial printers and 23,000 blanco cards.</i>	26		238.2	238.2
2011**		16		156.9	156.9
	<i>Total</i>	397	2,291.5	3,158.6	5,450.1

Source: Own elaboration using estimations from Domínguez (1998), Vasco Press, Home Office and daily press.

Note: The calculation of the value of explosives has been done using international prizes. Regarding the vehicles, we have applied a standard mean value for a two-year old medium-size car, accounting the prizes of the second hand market.

\* Up to 2005, number of vehicles used in attacks. From 2006 on, total of vehicles stolen.

\*\* First semester.

Nevertheless, at the end of the 1990's, and due to the more severe judicial persecution of the terrorist network and the subsequent lack of liquidity, ETA reactivated the strategy of robbing the materials they needed. Maybe the most important robbery of this period was the attack against the Titadine factory in France in 1999. From then on, ETA has continued stealing explosives, weapons, number-plates, identification documents, etc.

The value of all the materials looted by ETA exceeds the amount of € 4 million according to our estimations, which are represented in table 3. This value is incomplete, as it only takes into account the explosives and the related substances—which sum € 2.3 million—and to the vehicles stolen (which sum around € 2.2 million). Anyhow, the final amount is fairly impressive.

#### 4.1.3 Other illicit operations

Although this sort of operations represents only a minor source of income for ETA, some punctual transactions have been of notable importance. Thus, for example, the terrorist group has for many years, although only occasionally, be related to drug

traffic.<sup>22</sup> Reinares (1998:197) transcripts a very interesting conversation in which a former member of ETA confessed him that he had participated in operations to buy weapons in which the provider obliged to an associated purchase of cocaine. Another case in which ETA was in touch with drug traffic was the detention in 1996 of José Luis Folgueras, who was caught with 150 kg of cocaine. More recently, in January 2006, the French police arrested two ETA members who had been involved in an operation in Italy to pay arms with drugs. According to Saviano (2008:197-198) in this operation the Genovese Camorra took part —providing the arms— together with the Columbian FARC —who provided the drugs—. There are also references to ETA participating in the cocaine distribution in Spain that were found in the papers of the late FARC leader Raúl Reyes (Villamarín, 2005:151-156). ETA has also been involved in other illegal traffic, such as tobacco smuggling, although in such a small magnitude, that we might ignore it for the purposes of our study.

Finally, a last relevant source of income for ETA has been the (remunerated) collaboration with other terrorist groups, especially through such “services” as the training of other terrorists. Unfortunately, the available information regarding this question is very scarce (Domínguez, 2006:91) although this author has convincingly proved that ETA has done this sort of collaboration with the Chilean MIR (*Movimiento de Izquierda Revolucionaria*), the Nicaraguan Sandinistas and the Salvadorian guerrilla. It might be worth focusing more in detail in one specific case: according to Legarda (2005: chapter 14) ETA instructed in 1988 some of Pablo Escobar’s people in the preparation of car-bombs, charging for it \$ 300,000. This meant the starting point of the narco-traffickers strategy to use terrorist actions in order to avoid the extradition of their imprisoned members to the US.

How important has been the income due to this activity? It is not possible to determine it, although we might conclude that, anyway, they might have been not too significant, as we are talking about sporadic actions.

## ***4.2- Illegal activities***

### *4.2.1 Subventions to political parties*

The political parties related to ETA have strongly benefited from the access to public funds. The law of 1987 that regulated the financing of political parties established three ways to do so: (a) Reimbursing a part of the costs of the electoral campaign, whenever the party obtained effective representation; (b) Covering a part of the costs of parliamentary activity (either charged to the national budget or the budget of the autonomous region) and (c) Paying for their daily activity (by the State). Anyhow, this law was soon gone over by the Basque government and the Basque city councils, who started to deviate additional funds to the parties. These practices were finally even legalized<sup>23</sup> much to the outrage of the Spanish Court of Exchequer.

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<sup>22</sup> During some periods of its history, ETA actually persecuted drug dealers as they believed them to be a source of weakening the Basque youth and thus, hypothecate the future of the Basque Nation.

<sup>23</sup> *Ley de Régimen Local*, 1999 and *Ley de Financiación de Partidos Políticos*, 2007.



**Table 4: Subventions obtained by political parties related to ETA, 1992-2011**

(thousands of €, in 2002 ppp)

Year	Subventions of regular activities					Electoral subventions			Total sum
	Basque government	General court	Basque parliament	Local corporations	Total	Basque government	Foral deputies	Total	
1992	434.1				434.1				434.1
1993	430.9	53.5	197.4	712.9	1,394.8				1,394.8
1994	411.6	107.8	219.4	669.2	1,407.9				1,407.9
1995	346.1	112.6	292.2	506.8	1,257.7				1,257.7
1996	447.6	31.3	440.2	670.7	1,589.8	72.7		72.7	1,662.4
1997	466.3		442.9	685.6	1,594.7				1,594.7
1998	538.6		265.4	629.2	1,433.2				1,433.2
1999	614.8		55.0	790.2	1,460.0	981.7	297.7	1,279.4	2,739.4
2000	713.8		701.7	1,037.0	2,452.6				2,452.6
2001	689.8		358.2	1,209.3	2,257.3				2,257.3
2002	667.5		346.0	1,226.8	2,240.3	653.2		653.2	2,893.5
2003				617.9	617.9				617.9
2004									
2005	405.9		264.6		670.4	424.2	1.0	425.2	1,095.6
2006**	392.5		493.0		885.6				885.6
2007**	383.1		460.0	475.9	1,319.1	131.5		131.5	1,450.6
2008**	362.1		437.8	315.0	1,114.9				1,114.9
2009**	60.5		73.0	315.2	448.7				448.7
2010**				308.0	308.0				308.0
2011**				560.0	560.0	364.0		364.0	924.0
<i>Total</i>	<i>7,365.2</i>	<i>305.2</i>	<i>5,046.9</i>	<i>10,729.7</i>	<i>23,447.1</i>	<i>2,627.2</i>	<i>298.7</i>	<i>2,925.9</i>	<i>26,373.0</i>

Source: Own elaboration from data of the Court of Exchequer, the Basque parliament and daily press.

\* Until 2004, *Herri Batasuna*, *Euskal Herritarrok* and *Batasuna*. From 2005 to 2009, *Partido Comunista de las Tierras Vasca*. From 2007 on *Acción Nacionalista Vasca* is added. And in 2011 also *Bildu*.

\*\* Provisional estimations

Of course all the parties related to ETA heavily turned to this subventions, which have been provided by all levels of government except the Spanish central government, and continue to do so, as can be seen in table 4. It is important to point out, that the strategy of illegalizing the filo-terrorist parties resembled to ETA, has been always corresponded by the creation of a new party with very similar personal configuration. To make a complex history easy: *Herri Batasuna* was succeeded by *Euskal Herritarrok*, later by *Batasuna*, the Communist Party of the Basque Country (PCTV, *Partido Comunista de las Tierras Vascas*), *Acción Nacionalista Vasca*, *Sortu*, *Bildu* and *Amaiur*.<sup>24</sup> Depending on the respective electoral outcomes, these parties received more or less subventions, which might become even more important after the results recently obtained by *Amaiur* (see above). It seems clear, that although less important than in past times, the subventions to political parties has been during the last decades an important source of income to ETA. And an especially critical one, due to the paradox fact that it implies that in Spain even terrorism has been publicly subsidised.

<sup>24</sup> A more detailed analysis of this complex matter can be found in Buesa (2011.100-106).

#### 4.2.2 Funds deviated to *Udalbiltza-Kursaal*

Another political structure that has been used to finance ETA is the Assembly of Basque Municipalities (*Udalbiltza*). The organisation was founded in 1999 joining together 1,778 mayors and town councillors of different nationalist parties. The compromise to subsidies this entity convinced Euskal Herritarok to give it cote to the Basque budget of 1999, thus allowing the Basque government (which ruled in minority) to stay in power and continue governing. This subventions—which up to 2003 reached a volume of € 3.27 million, with 27.6 per cent corresponding to the Basque government, 28.9 per cent due to the Deputies of Vizcaya and Guipúzcoa, and 42,1 per cent due to 135 city councils— was executed very haphazardly. The Basque Court of Exchequer (2004:26) concluded in its report, that these subventions were transferred irregularly “without the public services doing the perceptive control” of them, thus allowing that a part of that money could flow to ETA related entities.

**Table 5: Subventions to *Udalbiltza-Kursaal*, 2001-2002**

(thousands of €, in 2002 ppp)

<i>Years</i>	<i>City councils</i>	<i>European Union</i>	<i>Total</i>
2001	1,966.5	n.d.	1,966.5
2002	2,600.0	n.d.	2,600.0
<i>Total</i>	4,566.5	21,700.0	26,266.5
<i>Annual mean</i>	2,283.3	10,850.0	13,133.3

Source: Own elaboration from judicial documents (published in *El Correo*, May 3, 2003).

#### 4.2.3 AEK: the public founded ideological indoctrination

The diffusion of the Basque language (*Euskera*), especially among the adult population, has always been a priority of the Basque nationalist government. And it has also been so for ETA, who has taken advantage of its control over the main agencies dedicated to this purpose to extend its radical and violent nationalist ideology. The medium used to fulfil this objective is AEK (*Coordinadora para la Alfabetización y Euskaldunización*), an entity founded in 1962 as a popular initiative to promote the use of the Basque language, and which obtained formal character twenty years later. The documents seized to ETA clearly prove that, at least in 1992, AEK was controlled by ETA as part of the *Udaletxe* project.

During its long history, AEK has cumulated a very important patrimony in estates which, in 2000, was composed of 52 buildings valued at € 12 million. Also, at the time it was intervened by the Supreme Court in 1998, it included around 150 schools or *euskalteguis*, mostly under the control of Batasuna (Díaz and Durán, 2002:21). In order to develop its activities, in 1996 the firm *Galkaraka* was set up, being in charge of hiring the teachers and their subcontracting to AEK as a form of avoiding the payment of taxes. The debt thus contracted with the Social Security between 1995 and 1999 amounted to at least € 4.6 million. In addition, AEK managed to obtain resources from the Basque public administration—all under the cover of

spreading the Basque language and culture— and derive them to ETA. Although the data referring to this activity are incomplete, it seems secure to affirm that during the 1990's not less than € 19.5 million were transferred through this mechanism to the terrorists.

**Table 6: Financing of AEK, 1991-1998**  
(in thousands of €, 2002 ppp)

<i>Year</i>	<i>Basque government</i>	<i>Local corporations</i>	<i>Other entities</i>	<i>Raffles and others</i>	<i>Total</i>
1991		219.1	383.0		602.1
1992		206.8	361.6		568.4
1993					
1994					
1995					
1996					
1997	8,380.3	105.6	292.8	913.6	9,692.4
1998	8,228.1	103.7	287.5		8,619.3
<i>Total</i>	<i>16,608.4</i>	<i>635.2</i>	<i>1,324.9</i>	<i>913.6</i>	<i>19,482.2</i>

Source: Own elaborations from judicial documents published in Díaz-Herrera and Durán (2002)

#### 4.2.4 The terrorist press

As soon as Spain had recovered its constitutional liberties, ETA aimed to take advantage of the new situation to obtain control over an own news media that would allow them to spread their message and justify their actions.<sup>25</sup> Thus, in 1976, several people closed to ETA formed the limited corporation *Orain* with the aim of publishing a new, radically nationalist newspaper called *Egin*, that was launched on October 1977. A year later, the corporation expanded its capital, so that ETA —through middlemen— and *Herri Batasuna* acquired 40 per cent, therefore giving them the power to appoint the head of the newspaper. Additionally, a new corporation named *Ardatza* was created, aimed to own and control the assets of *Egin* (thus saving them from possible losses of the newspaper business). The business worked properly until 1986, when the paper was spitted in ten local editions, which significantly raised its costs. Hence in 1998 the paper started to make heavy debts which four years later exceeded half a million euros of debt. The main part of this amount was covered by ETA jumping in and transferring money from several other enterprises owned. Nevertheless, and in order to reduce its costs, *Orain* had started some time before to pay the regular fees to the Social Security. An attempt to further evade this payment was done by creating in 1995 a new corporation (*Erigane*) to succeed *Orain*. Finally, 1998 saw the judicial seizure of *Egin*, to which the filo-terrorists reacted editing six months later a new paper, named *Gara*, with the same operating structure and the same personnel than *Egin*, this one being edited by the new corporation EKHE S.A.

<sup>25</sup> It should not be forgotten, that spreading of their message is a main aim of any terrorist group. The complex relationship between terrorism and media is studied, among others, in Norris *et al.* (2003), and Buesa, Baumert *et al.* (2011).

**Table 7: Financing of *Egunkaria*, 1994-2002**

thousands of €, in 2002 ppp)

<i>Year</i>	<i>Subventions Basque government</i>	<i>Other funds</i>	<i>Total</i>
1994	537.7		
1995	891.7		
1996	892.8		
1997	833.7		
1998	1,064.2		
1999	1,039.8		
2000	1,773.4		
2001	1,710.6		
2002	1,712.3		
<i>Total</i>	10,456.2	16,976.7	27,432.9

Source: Own elaboration from data of the Basque government (*ABC*, March 6, 2003) and published judicial sources (*ABC*, October 17, 2003).

Another newspaper promoted by ETA was *Euskaldunon Egunkaria*, which started to be published in 1990. Unlike *Egin*, *Egunkaria* was conceived from the beginning not just a communication media, but as a network aimed to obtain, transfer and launder money. For this purpose, it generated a complex and intertwined framework, that occulted funds, perpetrated fiscal fraud and did false bookkeeping. As a result, in 2000 *Egunkaria* reported losses of € 24,000 that hid the real surplus of € 288,000 it had obtained. Another business belonging to the group was declared “inactive” while actually it turned over some € 4.2 million. Additionally, it falsely swelled the newspaper edition to 5.1 million—the real number was below 3 million—in order to obtain more subventions from the Basque government. This public help was kept until 2002, when the business was newly judicially seized and its directors prosecuted. By then, the sum obtained by the *Egunkaria* group from public sources exceeded € 10.5 million, accounting additional € 17 million of unknown precedence.

#### 4.2.5 *Gestoras Pro-Amnistía* and relatives of imprisoned ETA members

An especially outstanding field of the terrorist network so far has been the societies of support to the imprisoned members of ETA and their relatives. This not only allowed the group to maintain the internal cohesion and discipline of the group, but also to present an image of strength in front of their supporters. This mission was entrusted from 1976/1977 on, and up to its illegalization in 2002 to *Gestoras Pro-Amnistía* (subsequently substituted, in 2003, by *Etixerat*). The financing of the *Gestoras Pro-Amnistía* was based on the distribution of incomes of ETA’s economic network, organized through the *Udaletxe* project according to the following scheme: 30 per cent of the benefits of this organization were destined to *Gestoras*, the rest corresponding to *Herri Batasuna* (50 per cent) and KAS (20 per cent). Simultaneously, *Gestoras* obtained own income through raffles and the selling of drinks and snacks in stands mounted at local celebrations. Anyhow, it is not possible to estimate the amount earned by *Gestoras* through this activities. When *Gestoras* was prohibited it was the Basque government who took over the payment of the travelling costs of the ETA relatives to visit the prisoners scattered all over Spain’s prisons. As can be seen in table 8, this

transaction reached a value of nearly € 1.4 million between 2003 and 2008. In addition, many city councils governed by nationalist parties (*Batasuna*, ANV, PCV and EA) have economically supported different costs associated with the imprisoned ETA members and of its relatives from 2001 onwards.

**Table 8: Subventions to ETA prisoners, relatives and associations of relatives, 2001-2010**

(thousands of €, in 2002 ppp)

<i>Year</i>	<i>Basque government</i>	<i>City councils</i>	<i>Total</i>
2001		11.4	11.4
2002		15.0	15.0
2003	191.9	20.1	212.0
2004	181.7	1.8	183.6
2005	177.0	17.7	194.7
2006	434.3	14.5	448.7
2007	213.9	37.2	251.0
2008	171.4	66.8	238.3
2009	177.3	51.2	228.5
2010		53.5	53.5
<i>Total</i>	<i>1,547.4</i>	<i>289.2</i>	<i>1,836.7</i>

Source: Own elaboration from data published by the Basque government and the city councils of Andoain, Azcoitia, Getxo, Ibarra, Mondragón, Zizurkil, Atxondo, Bériz, Legázipi, Gernika, Zigoitia and Elorrio.

#### 4.2.6 ETA's mercantile activity

As a least point we have to consider ETA's mercantile activities, aimed to create income for the group, give employment to their exiled sympathiser, support the salaries of the KAS-Ekin members, launder money and facilitate the logistic for committing attacks. Although ETA had already control over some enterprises (like *Sokoa*) during the 1970's, it was not until 1992 that it decided, in the context of the *Udaletxe* strategy already explained above, to constitute several mercantile corporations in order to (a) maintain the ETA members exiled in Latin-America and (b) to better control the logistics of the *Herriko Tabernak*.

Regarding the first point, it has to be remembered, that many members of ETA, once they were no longer able to escape the police persecution, went to "exile" in Mexico, Cuba, Venezuela, Costa Rica, Nicaragua, Panama, Uruguay and Argentina.<sup>26</sup> Thus, ETA opted to create enterprises like *Ganeko*, *Gadusmar*, *Ugao*, *Comercial Berria*, *Ederra*, etc., as a support mechanism to offer employment to these terrorists.

Regarding the logistics and control of the *Herriko Tabernak*, the nucleus of organization was the *Banaka* S.A. corporation which was subdivided into three

<sup>26</sup> In some of these countries they collaborated with local terrorist groups.

subsidiaries: *Extepare*, *Aixa* and *Hatar*. The *Herriko Tabernak* were transformed in 1994 into cultural associations, as a way to “whitewash” its activities and to allow receiving subventions from the Basque institutions. According to judicial sources, it has been estimated that this “taverns” had an income of € 15 million per year, summing legal activities (restaurants, caterings, terrorist merchandising, etc.) and illegal ones (fraud, etc.) The detailed breakdown of these incomes can be seen in table 8.

## 5.- OVERALL ESTIMATION

Once we have exposed all the available data about the sources of ETA’s economic income, we will proceed in this section to extrapolate this information in order to obtain an overall estimation of ETA’s financial profile. This fore we have to bear in mind that the available sources refer mainly to the time after the economic reorganization of the terrorist group, according to the *Proyecto Udaletxe*, which started in 1993. For this reason, our estimation will be constructed primarily from data referring to the period 1993-2002 —the decade immediately before *Batasuna* was illegalized— and 2003-2010, the stage marked by the “ceasefire”.

The procedure applied in order to determine ETA’s financing scheme consisted in obtaining the annual mean of each source and period. In those cases where the information was incomplete, we have extrapolated the mean of the available years to the whole period. Also, when a specific source was active only during a fraction of the period, the whole value was calculated taking this fact into account. The results so obtained are presented in table 9 and, in a simplified manner, in graph 2.

**Table 9: Sources of ETA’s income 1993-2002 and 2003-2010**  
(thousands of €, in 2002 ppp)

<i>Concept</i>	<i>Organization</i>	<i>1993-2002</i>	<i>%</i>	<i>2003-2010</i>	<i>%</i>
Extortion	ETA	3,787.8	13.5	2,211.5	25.2
Looting	ETA	245.3	0.9	305.9	3.5
Subventions to political parties	HB / PCTV / ANV	1,909.4	6.8	740.2	8.4
Subventions to the diffusion of the <i>Euskera</i>	AEK	8,794.3	31.2		
Subventions to the press in <i>Euskera</i>	<i>Egunkaria</i> <i>Elkargintza</i>	1,045.6	3.7		
Subventions to the Basque culture	<i>Elkarlanean</i>	2,074.3	7.4		
Subventions to ETA prisoners	<i>Etixerat</i>	13.2	0.0	226.3	2.6
European subventions	<i>Udalbiltza Kursaal</i>	2,169.9	7.7		
Deviation of municipal funds	<i>Udalbiltza Kursaal</i>	456.8	1.6		
Social security fraud	<i>Grupo Orain / AEK</i>	1,456.7	5.2		
Failed credits from "Caja Laboral Popular"	<i>Herri Batasuna</i>	211.4	0.8		
Funds of unknown origins	<i>Egunkaria</i>	2,074.3	7.4		
Benefits from mercantile activities	<i>Herriko Tabernas</i>	3,457.2	12.3	2,545.6	29.0
Raffles	AEK	456.8	1.6		
Affiliations fees	<i>Batasuna</i>			2,009.0	22.9
Donations	<i>Herriko Tabernas</i>			738.5	8.4
<b>TOTAL</b>		<b>28,153.0</b>	<b>100.0</b>	<b>8,777.0</b>	<b>100.0</b>

Source: own elaboration

Our results evidence, in first place, that ETA disposed of much more income between 1993 and 2002 than afterwards. Although our estimations have to be considered incomplete due to missing data —basically referred to some related enterprises, and some subventions to the *Grupo Orain* and the *Gestoras Proamnistía*— and the fact that other entries —like the fiscal and social security fraud— are underrated, it is striking that the total amount of the first period quadruples that of the second one. If the terrorist network around ETA managed at least € 28.1 million a year between 1993 and 2002, in more recent times this amount has only reached around € 8.8 per annum. This clearly proves that the illegalization of *Batasuna* and the judicial persecution of many of the organisations operating in ETA's orbit, throttled significantly the terrorist's economic inflow.<sup>27</sup>

Secondly, it has to be highlighted that the model of predation of assets on the decade before *Batasuna* was prohibited, was much more complex than the recent one. Thus, between 1993 and 2002 the main source of income that nourished the terrorist network were the public subventions, which amounted up to 57 per cent of the total. This means that ETA has been primarily financed by political institutions, mainly due to the fact, that the strategists that head the group have known how to effectively exploit this source and that the politicians in charge have been long time willing to look away from this reality. The negative of former president Felipe González (PSOE) to make effective the subventions that *Batasuna* ought to receive as a party with parliamentary representation, means the moral counterpoint to the connivance of many other, mainly Basque, political institutions.

Also during this period the extortion of businessmen acquired certain relevance —representing around 14 per cent of the group's income— together with the revenue of the firms controlled by ETA (which amounted around 12 per cent of the total). Less important sources were fraud —its total, which for the reasons above explained is slightly underrated— with at least 7 per cent (this includes the deviation of municipal funds and quotas not paid to the Social Security), one important credit given to *Batasuna* by the bank *Caja Laboral Popular* (8 per cent) and, finally, other sources like raffles and donations, which, anyhow, do not seem to have exceeded two per cent of the group's total income.

The model that corresponds to more recent times (2003-2010) proves to be very different. Now the main sources are represented by benefits derived from mercantile activities and extortion—with respectively 29 and 23 per cent of the total income—, while the affiliation fees of the filo-terrorists are also very important, reaching 23 per cent of the earnings. The public subventions drop during this period to 11 per cent, while raffles and donations rise to 8.4 per cent and looting only represents 3.5 per cent. It might be worth pointing out that as the incomes due to public resources has been throttled, ETA not only had to increase its efforts to assure the returns from fraudulent and criminal activities, but mostly had to raise money among their sympathisers and supporters — and this to obtain only a fraction of what the group obtained before. It seems obvious, that if all sources of public subventions where closed and the activities of the *herriko tabernas* were pressed to null, it would imply ETA's financial collapse.<sup>28</sup>

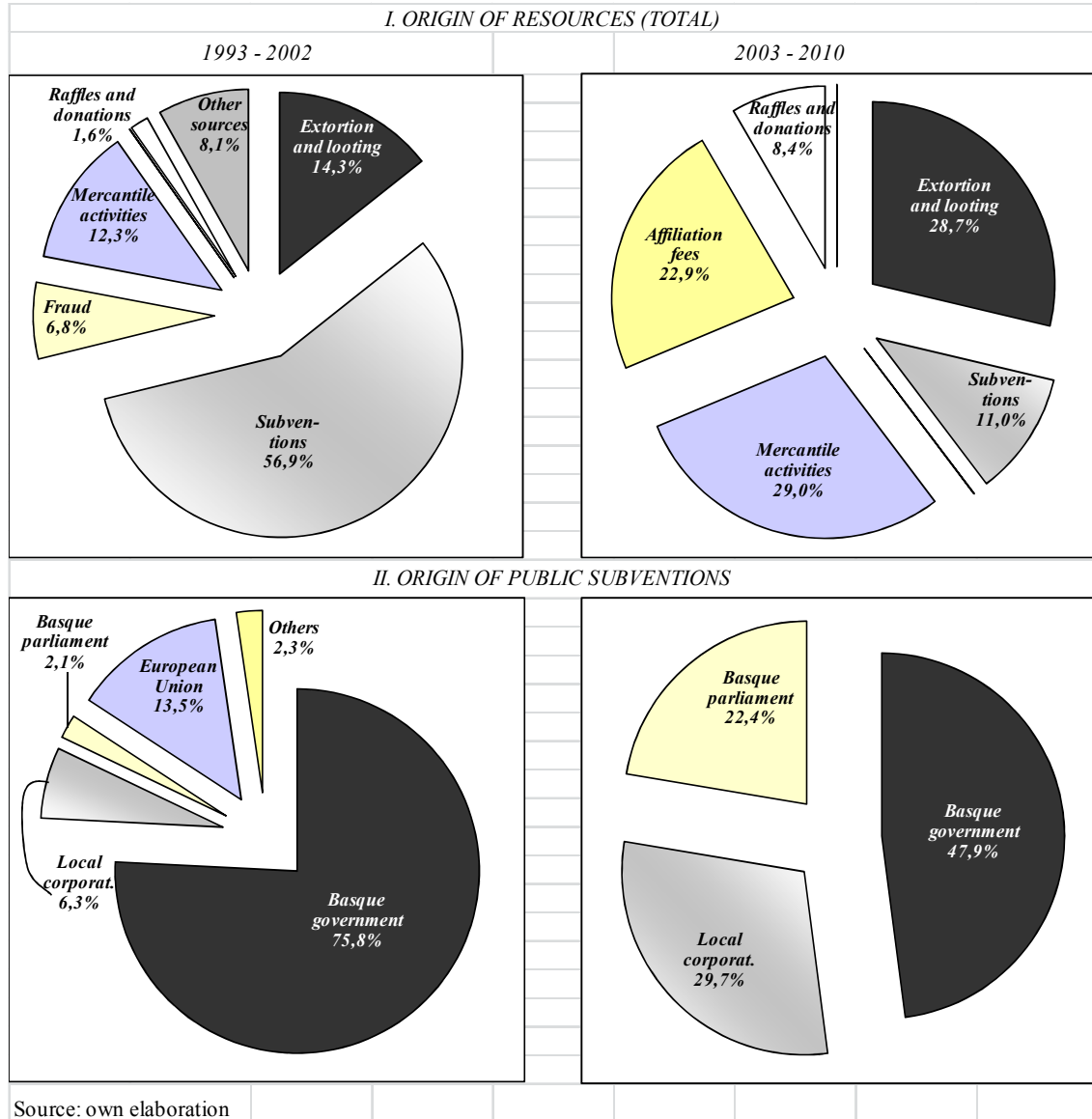
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<sup>27</sup> This does also mean that other sources, mainly the ones due to the political representation in the local, regional and national Parliaments, are becoming increasingly more relevant.

<sup>28</sup> This might push ETA forward to increase their extortion campaigns. But again, this would make them more vulnerable to judicial pressure and persecution by the state security forces.

A third point to be considered refers to the origin of the just mentioned public subsidies. A detailed analysis of the different origins of these sources leaves no doubt about the singular role played in this context by the Basque government, who has complacently —if not even favoured— at least allowed the financial flow of public aid towards the terrorist network.

**Graph 2: Sources of ETA's income**



As can be seen in graph 2, from 1993 to 2002, three quarters of the public funds that went to the accounts of ETA came from the Basque government. Nevertheless, we can also state that —although in much smaller quantities— all other administrations (including the European Union), incurred in the same erroneous policy. The ones from the Basque government continued to flow even after the illegalisation of *Batasuna* in 2003, when there could be no doubt about the interconnection of certain organisations with ETA. This support was either channelled through aids to the relatives of ETA



prisoners (and their associations) or through endowments to the political arm of the terrorist represented in the city councils and the regional parliament.<sup>29</sup>

Forth, once seen the previous points, it might be worth reflecting about the fight against terrorist financing that has took place in Spain. The Spanish Supreme Court is still working on a secret indictment about the extortion of businessmen that was initiated in 1998 (sic!). This macro-investigation is being carried out sow slowly, that it is not possible to justify its pace by its profuseness. As a comparison, the parallel cases that started simultaneously in France have been concluded long ago. We might, hence, consider that the measures adopted in Spain towards this regards have been —and still are— very inefficient. In addition, and regarding extortion, the Spanish judicial authorities have exonerated of liability all those who have succumbed the pressure and paid ETA, arguing that this was done under “state of necessity”. Although it might be true, that in many cases the payment was done under real, insuperable fear, the application of this situation as a general rule might be considered —at least from our point of view— pernicious, as it has consecrated the belief that security is a right that has to be bought from the terrorists. Even worse, many of these businessmen have been treated by the legal authorities in the Basque country with surprising deference.

But, as we have seen before, extortion is only one source of ETA’s financing. Public subsidies, affiliation fees and donations are, altogether, more important. But also regarding these points the policy adopted by Spanish authorities has to be evaluated negatively: on the one hand, because of its late response, as it was not until 2003 that the first “law for the prevention of terrorist financing and freezing of assets” was enacted; and on the other, due to its inefficiency.<sup>30</sup>

## 6.- CONCLUSIONS

We might conclude that the sum of all economic inflows obtained by ETA only represents a minimal fraction of the overall Basque economy. Between 1993 and 2002 it only meant the 0.07 per cent of the Gross Domestic Product of the Basque Country; and in the period of 2003 to 2010 this value slightly exceeded 0.01 per cent of GDP. This result is not astonishingly, as it very much coincides with the one obtained in previous studies referred to other terrorist groups<sup>31</sup> As we have stated at the beginning of this

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<sup>29</sup> This political representation was obtained with the acquiescence of the Spanish government of President Rodríguez-Zapatero.

<sup>30</sup> According to information provided by the Spanish government in response to a Parliamentary Question, between 2004 and 2007, the *Commission for the Observance of Terrorist Funding Activities* studied only 74 annual operations, not ordering the freezing of any of them.

<sup>31</sup> In the case of *The Liberation Tigers of Tamil Elam*, Byman *et al.* (2001:49-50) estimated an annual expenditure of \$ 50 million at the early 2000s, a sum that corresponds to 0.31 per cent of Sri Lanka’s GDP. Regarding the *Palestinian Liberation Organization*, the estimations done for the decade of the 1980s gave an amount \$ 400 million (Kiser, 2005:39). Regarding the *Irish Republic Army* (IRA) sums between \$ 9.8 y 22.5 million per year have been dealt with (Horgan and Taylor, 1999:9-10). In 1993, the Northern Ireland Office estimated the IRA’s annual budget to reach \$ 8 million, around 0.03 per cent of Ireland’s GDP (Kiser, 2005:52). And in 2002 the Police Services of Northern Ireland considered the IRA to collect funds that amounted between \$ 7.7 and 12.3 million; roughly speaking, between 0.01 and 0.02 percent of the regions GDP (Evans, 2002:28). Concerning the Colombian experience, it has been estimated that the country’s two main terrorist groups, the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) and the *Ejército de Liberación Nacional* (ELN) had, between 1991 and 1996, incomes

chapter, terrorism can be understood as a singular sort of low cost war that easily allows mobilizing militants in order to maintain a —usually prolonged and irregular— conflict that aims to erode its opponent up to its desistence. This is one reason why it is so difficult to combat and to eradicate. Our study of the financial network that gives economic oxygen to ETA shows that terrorist groups have learnt to adapt their sources of income to a semi-legal status, moving on a shadowy frontier between criminal, illegal and legal activities. This is the lesson that has to be learnt in fighting terrorism: one of the main instruments of effective anti-terror policies lies in a continuous economic throttling of the terrorist network, tying down the different sources of income one by one, no matter how insignificant they may seem from the overall perspective and this by all legal means available.

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of 609.8 billions of pesos year (in 1995 ppp). This would approximately correspond to 0.88 per cent of the Colombian GDP. (Trujillo and Badel, 1998:31).

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