

Articles

Illicit Trade and Terrorism

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Abstract

Terrorist participation in illicit trade is not only about revenue generation. It serves many functions: destruction of history, demoralization of communities, the weakening of social solidarity, and harms individuals' health and well-being. It also pays for the social service functions of terrorist groups. Over time, the role of the drug trade has become less central to the financing of terrorist groups. Diversification of illicit product has been key to their survival. This is part of the rational trade practices of terrorists: engaged now in less policed forms of illicit trade than narcotics where they can make consistent profits with less threat to their supply chains. Terrorist groups are technically adept and have relied recently more heavily on technology and cryptocurrencies to facilitate the operations of their illicit trade in arms and drugs, increase anonymity, and reduce risk. The United Nations has increasingly recognized the key role that illicit trade assumes in the funding and operations of terrorist groups. Curbing illicit trade by terrorists is not just the responsibility of multinational bodies such as the UN, government, or law enforcement bodies – it requires a whole of society approach including business, civil society, journalists, and researchers.

Keywords: terrorism, illicit trade, oil smuggling, trade-based money laundering

Introduction

As this article goes online, there is ongoing illegal digging for antiquities in Iraq and Syria. The financial proceeds of this activity are important, but the cultural damage of this activity cannot be overestimated.[1] Diverse terrorist groups are profiting from the raiding of major and minor sites in the Middle East[2], destroying cultural and religious history that cannot be understood without the objects in situ. But this destruction is intentional[3] and dual-purpose: to generate funds and to destroy a past that is not consistent with the perpetrators' artificial construction of history. It is key to understanding that illicit trade is not just about money and resources, an argument not acknowledged adequately in the literature.

The example of antiquities looting shows that terrorist participation in illicit trade is not only about revenue generation, it serves many functions: destruction of history, demoralization of communities, the weakening of social solidarity, and harming individuals' health and well-being. This has been the case since the relationship between crime and terrorism was first observed and the term 'narco-terrorism' was coined. Terrorist groups made large amounts of money from the drug trade in Latin America, such as the Sendero Luminoso in Peru and the FARC in Colombia, but this has also been observed with other groups in Asia, such as the Taliban. In 2002, the US Drug Enforcement Agency stated that 14 out of 36 groups identified as terrorist organizations by the US government were also involved in the drug trade.[4] Certain Taliban leaders have justified their involvement in the drug trade by arguing that "...circumstances, specifically the 'American occupation,' make it permissible, since defeating the greater evil requires embracing the lesser evil of drug money.[5] Yet, over time, the role of the drug trade has become less central to the financing of terrorist groups. Drugs still remain a revenue source as the recent disclosure of a huge shipment of the synthetic drug captagon by ISIS whose market value was estimated at over \$1 billion was disclosed in the port of Naples, a port partly controlled by the Camorra crime group. Surveillance of the Camorra and tapped communications allowed the discovery of this hidden shipment by Italian law enforcement in mid-2020.[6]

Terrorists, like transnational criminals, another key group of malicious non-state actors, diversified their illicit products as a key to their survival. For example, the FARC, when they came to the negotiating table, were

making more money from illegal gold mining than they were from the sale of drugs. Often, as this article will discuss, we find terrorist groups engaging in rational trade practices just as do actors in licit trade. They have diverse commodities and complex international financial flows, including in less policed forms of illicit trade than narcotics where they can make consistent profits with less threat to their supply chains.[7] They have become increasingly involved in new technology—raising funds through online sales, using cryptocurrencies. Some groups use cryptocurrencies to facilitate the operations of their illicit trade in arms and drugs, and trade in antiquities which has increased anonymity and reduced risk.[8]

Terrorists focus on many forms of illicit trade with high returns and low risk. The Islamic State's (ISIS) use of oil smuggling illustrates this. The origin of oil is not easily traceable and it can be combined with oil from other sources to mask its origins. ISIS used well-established smuggling routes to move the oil, repurposing routes for illicit trade that had been used since Ottoman times. Apart from oil, terrorists use some of the least policed areas of illicit trade to generate revenues. They engage in illicit trade in used cars, new and used clothing,[9] pharmaceuticals,[10] sale of counterfeits,[11] cattle rustling,[12] and natural resources such as charcoal[13] and coltan[14] as well as trade in cigarettes and gold.[15] More recently, they have been more involved in human smuggling and trafficking, antiquities trade and cybercrime as they are technically adept and capitalize on their strategic advantage.[16]

The UN Resolutions: Innovation and Limits

Since 2014, the United Nations Security Council has recognized that there is a direct link between terrorism and the funding of terrorism. Resolution 2195, and the subsequent resolution 2199 more directly tied to ISIS, articulate many forms of illicit trade that are at the core of funding terrorism. This was an important and innovative change for the UN Security Council. It was the first time that trade in intangible commodities was linked to the destructive force of terrorism and the prolongation of conflict. It represented a coupling of trade and insecurity, a first in the policy making of the United Nations. The United Nations also recognized the centrality of corruption to the facilitation of this trade, a phenomenon that was not recognized by multinational bodies until the late 1990s.[17]

Resolution 2195, passed in December 2014, articulated the following: “Reaffirming the need to prevent and suppress the financing of terrorist acts, expressing concern that terrorists benefit from transnational organized crime in some regions, including from the trafficking of arms, persons, drugs, and artefacts and from the illicit trade in natural resources including gold and other precious metals and stones, minerals, wildlife, charcoal and oil, as well as from kidnapping for ransom and other crimes including extortion and bank robbery...”. [18] The focus on particular forms of illegal activity and illicit trade are combined with the need for “good governance and the need to fight against corruption, money-laundering and illicit financial flows”. [19] The centrality of corruption as a facilitating mechanism of terrorism and illicit trade is made very clear in the document but has not been studied sufficiently in the academic literature.

The Resolution 2195 goes beyond drugs and focuses on diverse activities that may have been linked to terrorist funding, such as the trade in charcoal, but were not widely acknowledged. Furthermore, terrorism is linked to the illicit trade in many types of natural resources including oil, metals, stones, mineral, timber and wildlife. The linking of terrorist financing with environmental damage is not surprising as important environmental research links so much of conflict to regions with high levels of biodiversity.[20] This is an important innovation in the fundraising for terrorist groups and also reflects the tendency of transnational crime groups to increasingly focus on environmental crime and natural resources as an important revenue generator.

There are certain obvious omissions in this list. These include the failure to allude to the role of the illicit trade in cigarettes, the trade in counterfeits, and the role of terrorists in illicit online activity not just for recruitment but for revenue generation. All of these have been major financial activities of terrorists. Hamas and Hezbollah have a long history of involvement with the illicit cigarette trade, and more recently ISIS also profited from it. In the mid-2000s, the US Senate held a hearing on the money generated by terrorists from the trade in

counterfeit goods.[21] The Financial Action Task Force issued in 2013 a report on the role of terrorist groups in the counterfeiting of currency.[22] Various terrorist groups have generated money for their activity through computer crimes, including Hamas, Lashkar e-Taiba, and Hizballah and al Qaeda.[23] The Bali bombers continued to generate money online even after their arrest and detention.[24]

There are different reasons for the exclusion of these acts that support terrorism in Resolution 2195. First, the United Nations did not want to be seen as aiding companies in linking terrorism to illicit trade. Therefore, they were focusing on security rather than the financial interests of cigarette companies or those whose intellectual property was being violated by terrorists. In addition, the devastating effects of the spread of terrorism in Africa, with Boko Haram and al-Shabaab, was a driving reason for the adoption of this Resolution. The Foreign Minister of Chad presided over the Security Council's discussion of the proposed Resolution and was especially concerned with the tangible goods that financed terrorism.[25]

Resolution 2199, passed in February 2015, was focused on denying financial resources to ISIS.[26] Its particular focus is on the illicit trade in oil, as well as other crimes that ISIS was committing on territory it controlled. Once again, the role of the trade of a natural resource in the generation of terrorist financing is emphasized. The document also addresses the trade-based money laundering that helps finance a terrorist group. It focuses on the facilitators of illicit trade, such as those involved in transport and illicit financial flows.

More recently, in July 2019, the UN Security Council adopted Resolution 2482 on the linkages between terrorism and organized crime.[27] The resolution does not significantly expand on the types of crime that are linked to terrorism, except with some attention to the proliferation of different substances and materials linked to WMD. This measure is more concerned with the facilitating mechanisms for illicit trade, such as “the abuse of legitimate commercial enterprise, non-profit organizations, donations, crowdfunding and proceeds of criminal activity”.[28] In discussions of the drug trade, there is also analysis of the role of online marketplaces and international shipping that facilitates the movement of goods.

What is Illicit Trade?

UN Security Council Resolution 2195 refers to illicit trade as a funding source of terrorism, but it never clearly articulates what this phenomenon is and how it differs from illegal trade. There is no standard definition of illicit trade. The World Customs Organization (WCO) has been issuing annual reports on illicit trade since 2012; prior to this, it issued separate reports on drugs, intellectual property rights, and tobacco. In 2012, WCO's initial report included six different types of illicit trade; it also included the areas of security (aimed at the analysis of seizures of weapons, ammunition, explosives and chemical precursors), environmental protection, and cultural heritage[29]. In that report, it defined illicit trade as the following:

Illicit trade involves money, goods or value gained from illegal and otherwise unethical activity. It encompasses a variety of illegal trading activities including human trafficking, environmental crime, illegal trade in natural resources, intellectual property infringements, trade in certain substances that cause health and safety risks, smuggling of excisable goods, trade in illegal drugs and a variety of illicit financial flows.[30]

Clearly, the United Nations drew on this concept from the WCO, but, as noted previously, there were certain important elements of illicit trade addressed by the WCO that are not incorporated into the UN Resolution.

In 2016, the OECD (Organisation for Economic Co-operation and Development) developed its own definition of illicit trade; it is more encompassing and focused on the consequences of illicit trade, including its impacts on economic stability, social welfare, and public safety – issues that were not addressed by the WCO but are clearly relevant to the consequences of illicit trade of terrorist groups.[31]

Yet the concept of illicit trade was developed before the United Nations ever codified the concept in their resolution. However, this concept was not applied specifically to terrorist groups but more often to the smuggling

across borders in areas with weak border controls, lack of respect for borders established during the colonial period, or severe problems of corruption.[32] A narrowly limited definition of illicit trade was developed more than two decades ago that defined illicit trade as “a commercial activity for the provision of goods and services that violates the laws of the exporting and/or importing country.”[33] But illicit trade does not need to cross borders; it can be entirely domestic. Moreover, the costs of illicit trade are not just monetary as the OECD expanded in a subsequent development of the concept that focused on the resulting harm to communities.[34]

Terrorists and Illicit Trade

Both organized crime groups and terrorists engage in illicit trade.[35] This article will focus on terrorist groups identified by the US government.[36] Its subject is not the transnational crime groups that commit acts against politicians such as has occurred recently in Mexico where criminal groups killed 145 politicians in the 2018 elections.[37]

Terrorism and crime were not linked until the early 1980s when the term narco-terrorism was coined by the Peruvian President Fernando Belaúnde Terry. The concept was first identified in the Latin American context but has been used elsewhere.[38] There are important reasons that terrorists have turned to crime as a means of supporting themselves. First, the decline of state-supported terrorism[39] with the collapse of the Soviet Union and its diminished impact on Eastern Europe meant that those engaged in terrorism had to find other means to support themselves and to purchase arms.

Second, many countries with the presence of significant terrorist groups have under-employed youth who are vulnerable to employment by non-state actors - both criminals and terrorists. Islamic groups involved in terrorism have increasingly recruited those with criminal backgrounds, particularly in Europe.[40] This recruitment has often taken place in prisons.[41] The very high connectivity between terrorism and crime has become more evident since Europol began to cross check its databases of criminals and terrorists to determine linkages.

Third, terrorism-associated criminal activity often serves dual uses. It causes social harm and possibly helps traffickers achieve political objectives. Often they fund social service activities. This has been seen most recently with some of the politicized criminal groups in Mexico.[42] This has been a long-standing tradition with Hezbollah and Hamas and occurred also in Syria.[43]

Taliban drug traffickers thought of using drugs as another way of imposing harm, and Peruvian drug traffickers also considered the political outcomes of their role in the drug trade.[44] More recent examples of dual-use crime apply to kidnapping and human trafficking, as a recent UN report refers to human trafficking as a strategic tactic of terrorists, decimating communities and institutionalizing sexual violence and slavery.[45] In Nigeria, the kidnapping of the Chibok girls by Boko Haram provided trafficked labor and sex for the terrorists,[46] and it also demoralized the community from which the girls came. The failure of the Nigerian military to rescue the girls and protect its citizens revealed the weakness of the army. Moreover, the corruption of the government was revealed as the military personnel assigned to combat Boko Haram lacked the protective gear to engage with the terrorists.[47] It revealed the Nigerian state's incapacity to protect its citizens.

The trafficking of Yazidi women by ISIS is another example of the dual-use crime.[48] A handbook was issued by ISIS on the rules for enslaving Yazidi women,[49] who not only provided sexual services to the fighters but also revenue for ISIS as the women were sometimes sold. It also humiliated and decimated Yazidi communities, a religious group that ISIS views as infidels.[50] This illicit trade had very important security implications both for those who were victimized and those behind this significant human rights abuse.[51]

Another example of trafficking as dual-use crime is trade in antiquities. Not only did the removal and selling of antiquities generate funds for ISIS, but it also eliminated or removed objects of the pre-Islamic period in Mesopotamia, a period that is anathema to ISIS.[52]

Terrorists' Management of Illicit Trade

Terrorists manage illicit trade operations in ways that are not dissimilar from transnational criminals with whom they often interact. In some respects, they also mirror the practices of legitimate business: they have diversified to many different products, seek effective supply chains, and manage supply chains in order to reduce risk and enhance the chance of delivery of their trade goods.

Terrorists have not only diversified from the narcotics trade, but they often traffic in some normally licit commodities such as oil, gold, minerals, and pharmaceuticals. But these goods become items of illicit trade because terrorist groups are not authorized to acquire these goods, use trafficked labor to obtain these resources, or transport them across borders with the intent to evade taxation and customs duties. For example, ISIS smuggled oil out of Iraq and also provided petroleum products for participants in the ongoing conflict in Syria.[53] The PKK benefited from oil smuggling from Iraq into neighboring Turkey, where it extracted revenue for goods that crossed territory it controlled.[54] The affiliate of ISIS in North Africa is also involved in the oil trade, especially in Libya.[55] Gold mined in Colombia has also been used as a funding source for the terrorist group FARC.[56] This gold, often obtained through artisanal mining, became one of the largest revenue sources for Colombian terrorist groups. Coltan, an essential element of cell phones and computers, has become an important revenue source for African terrorist groups[57] and is often extracted by child or forced labor in the Congo. In Burkina Faso, terrorists worked with local criminal groups to trade in a medicine used to counter seizures in people with epilepsy.[58]

Illicit goods may be combined and moved together to increase efficiency or may be combined with licit goods to mask the shipment. In order to run their businesses effectively, and exploit existing supply chains to maximum advantage, terrorists rely on particular groups or locales that may be sympathetic to their cause. Diaspora communities are key elements of terrorists' support structures. The Tamil Tigers relied on supporters in Canada.[59] Hamas and Hezbollah rely on support structures in the Tri-Border Area of Latin America and supporters in the United States also facilitate operations (as will be explored later). The presence of West African diaspora communities in Europe are also key to the financial flows of terrorist groups in the region, as illicit financial flows can be hidden within remittances.[60]

Prisons are also key recruitment locales for terrorists. In recent years in Europe, many individuals involved in terrorist groups have spent time in prison, which is key for recruitment, networking and support for operational personnel after their release from confinement.[61] In some cases, incarcerated terrorists are able to engage in illicit trade during confinement by using cell phones and other means of communication.[62]

Traditional organized crime groups widely operating in the movement of illicit trade often work with terrorist groups in the movement of goods through ports and are central to trade-based money laundering that is key to the movement of terrorist funds. Free Trade Zones are also central to the movement of goods by terrorist groups, as there is often only limited inspection of goods to facilitate rapid processing.[63]

Terrorists are deeply involved in illicit trade in conflict zones. It is both a form of revenue generation and a means of providing the communities in which they are operating with the commodities that they need for survival. For example, the illicit trade in gold by the FARC in Colombia might contribute to the provision of goods needed in communities under their control. The commodities that are traded may differ from one conflict region to the other, but terrorists in West Africa, Iraq, Syria, North Africa, and elsewhere are involved in the trade in drugs, arms, natural resources, and other commodities.

Facilitators of Illicit Trade by Terrorist Groups

Terrorists cannot profit from illicit trade unless they have the ability to move their goods, communicate with

their suppliers and purchasers, and launder their money. Lawyers, accountants, and transport specialists are often key facilitators of terrorist involvement in illicit trade. Effective supply chains for terrorists often require them to intersect with the legitimate economy. In some cases, individuals and businesses who are facilitating the movement of these goods are unaware that their clients are terrorists. This may occur because the terrorists are operating through shell companies or front businesses and therefore their true nature is hidden.

The ability to transport goods is absolutely key to the facilitators of illicit trade for terrorists or “rogue” states. The types of transport differ whether the terrorist group/“rogue” state is moving drugs, oil, antiquities, or procuring parts for nuclear facilities. “Increasingly, shipping companies and vessels are used prominently in sanction evasion. For example, Iran and North Korea falsify documents, reflag vessels, and switch off automatic identification systems to avoid being discovered in the process of illicit transfers of goods.”[64] In Africa, the movement of the goods may be simpler and not require subterfuge. Weapons for Boko Haram are often “sourced from Sudan and smuggled through neighbouring countries to the Sambisa Forest in Nigeria. The weapons ... [are] concealed in trailers and trucks responsible for transporting food items across the region.”[65] In Nigeria, the owner of a transport business, “confessed to using the proceeds from his transportation business to finance the group’s activities and to using the same vehicles to transport group members and materials to target areas”.[66]

Falsifiers of documents are also key to the careful execution of illicit trade in support of terrorist objectives. Sometimes fraudulent documents are provided to terrorists themselves so that they can move and sometimes accompany the goods that are traded to support them.[67] Such elaborate forms of obfuscation are not always needed as terrorist groups can ship excavated coins by mail and can sell counterfeit goods in open-air markets, as was done by one of the terrorists who attacked the editorial offices of Charlie Hebdo in Paris.[68] But when individuals are transporting weapons, drugs, or even valuable wildlife parts, there are greater efforts made to cover up the source of the commodity and sometimes the actual country of destination.

Key facilitators of illicit trade also include money movers and launderers. Examples include hawaladars or underground bankers that serve the D-Company, a crime-terror group based in Pakistan.[69] Hawaladars in Turkey have been identified by the US government as transfer points for money going to ISIS sleeper cells in Iraq and Syria.[70] Recently, facilitators that support Hamas-based groups in Gaza were discovered moving money online.[71] The US has identified many financial facilitators of terrorism as of late 2019. The list of designated terrorist supporters included men working for the IRGC in Iran, ISIS in Syria, Hamas, al-Qaida, and ISIS in the Philippines. One of the facilitators of ISIS “...was involved in operating jewellery stores and money exchange/transfer businesses in Istanbul, Urfa, and Gaziantep”.[72]

The antiquities trade has a very high level of sophisticated facilitators that can be conservators or dealers.[73] Hobby Lobby, a privately owned company, established the Bible Museum in Washington, D.C. To provide items for exhibits in their new museum, they acquired thousands of objects that were sourced from questionable antiquities traders and many of the objects were of questionable provenance, as explained in a federal case against Hobby Lobby that required the repatriation of thousands of objects to the countries of origin. Some of the objects acquired may have recently been acquired from Iraq and Syria – countries which have been extensively looted since the US invasion.[74]

Facilitators may also be the high-end firms like Mossack-Fonseca in Panama whose files, when revealed in a massive newspaper leak, included the presence of known terrorists on their customer lists.[75] They specialized in creating shell companies, a convenient way to launder money. Because many jurisdictions, including the United States, do not require knowledge of who is the beneficial owner of the business, it is possible for terrorists to hide the proceeds of their illicit trade behind shell companies without having to reveal their identities. Unfortunately, there are far too many professionals willing to open accounts without making adequate inquiries on the individuals seeking to open accounts. Researchers on the feasibility of establishing shell companies found that facilitators were less likely to offer their services to individuals who might be terrorists, but some service providers did not ask for sufficient documentation to determine whether their potential clients were terrorists or terrorist financiers.[76] This explains how individuals who were identified on Europol’s terrorist

watch list could be included in the lists of clients of Mossack-Fonseca, as revealed by the Panama Papers.

Cash intensive businesses such as restaurants, casinos, and money exchanges are frequently used as vehicles to launder money from illicit trade and other fundraising activity. For example, the owner of the La Shish chain of restaurants in Michigan fled to Lebanon after learning that he was to be indicted for supporting terrorism through his business.[77] This is not the only locale in which restaurants help facilitate money laundering. At a Middle Eastern restaurant in Quito, Ecuador, “Rady Zaiter ran a drug ring that brought in \$1 million per shipment of cocaine smuggled to Europe and Asia. An internal police report confirmed that the operation was connected with Hezbollah, which reportedly received upwards of 70 percent of the ring’s profits. Zaiter was arrested in Colombia, and six others were arrested in Ecuador for involvement in his network”.[78]

Casinos are also potentially important facilitators for criminals, terrorists, and corrupt individuals.[79] A currency exchange business in the Tri-Border Area of Argentina, Brazil and Paraguay was named in a US federal indictment as a major facilitator of terrorism. The businessman who ran one of the largest money exchange businesses in the area, known for its crime-terror relationships, was extradited by Paraguay to Miami to face criminal charges.[80]

Import-export firms are often used as a way to facilitate the movement of illicit goods. As Matthew Levitt explained, Lebanese businessmen in Europe built a “web of import-export companies in Western Europe as part of ...[Hezbollah’s] dormant network, with the purpose of inserting large quantities of explosive and related equipment into target countries”.[81] A similar network was identified in procuring equipment for Iran’s nuclear program that was shipped between 2010 and 2012. Nine hundred shipments between Germany and Turkey were directed through shell companies that were used to mask illicit trade. The goods shipped were misidentified as valves and plumbing equipment when in reality these were cooling devices for Iran’s nuclear program.[82]

Real estate and construction firms are also important in laundering the proceeds of illicit trade linked to terrorism. The U.S. Treasury, in sanctioning Adham Tabaja, stated that he “is a Hizballah member and majority owner of the designated Lebanon-based real estate development and construction firm Al-Inmaa Group for Tourism Works and its subsidiaries. His company has been used by Hizballah as an investment mechanism. He maintains direct ties to senior Hizballah organizational elements, including the terrorist group’s operational component, the Islamic Jihad, the unit responsible for carrying out the group’s overseas terrorist activities”.[83] This problem is much broader than Hezbollah, as real estate is frequently used as a key vehicle for various terrorist groups to launder money generated from illicit trade and other activities.[84]

One of the most common methods of laundering money is Trade-Based Money Laundering (TBML). TBML exploits international trade transactions to transfer value and obscure the origins of illicit proceeds. Terrorists use TBML as a way of moving money and facilitating the movement of illicit funds for other uses through their involvement in illicit trade. Commonly traded items, such as used cars, new and used textiles, electronics and precious metals, are often used in trade-based money laundering.[85] Illustrative of this is a well-known case involving Hezbollah that was reported in 2015. The terrorists “wired funds from Lebanon to the United States to buy used cars, which were then shipped to Benin and sold throughout West Africa. The criminals then combined the profits from the sale of these cars with the proceeds from drug sales in Europe and subsequently sent the funds back to Lebanon via bulk cash smuggling and deposited the funds into the Lebanese financial system.”[86]

The FARC was also deeply involved in trade-based money laundering as it became more involved with the illicit gold trade, starting in the early 2000s. It would move the illicitly mined gold or combine it with legally mined gold to disguise its origins[87]. Chechen terrorists also used gold to transfer money to Arabian states where they could deposit it securely.[88]

Banks and financial services firms have also been used to move money for terrorist groups. As alluded to previously, financial institutions in Lebanon and the Lebanese-Canadian bank moved over US\$ 300 million for Hezbollah between 2007 and 2011, much of it the proceeds from illicit drug trade.[89] A more recent case also

handled by the federal court of the Southern District of New York resulted in the conviction of Reza Zarrab and Mehmet Atilla for moving tens of billions in oil proceeds from Iran through the Halk Bank in Turkey. The money was moved through the gold trade (as also seen in Colombia and Russia). The laundered money was generated while Iran was under sanctions and served the IRGC (Islamic Revolutionary Guard Corps)[90] which was subsequently designated a terrorist organization by the US government.[91]

Cryptocurrencies have also become a facilitator of terrorist financial activity and of illicit trade, and, as a recent RAND study has suggested,[92] there is potential for growth in this area. Terrorist financing and illicit trade is still in its early stages, but, as researchers have shown, it has advanced significantly in the last five years. The Ibn Taymiyya Media Center (ITMC; the media wing of Mujahideen Shura Council in the Environs of Jerusalem, a jihadist group based in Gaza), designated as a Foreign Terrorist Organization, has been the first terrorist group documented to use crowdsourcing through cryptocurrency in order to buy weapons.[93] The 'Equip Us' campaign ran from June of 2016 to June of 2018: "ITMC promoted it on platforms like Twitter, YouTube, and Telegram, posting a Bitcoin address to which donors could send funds. This shows the importance of social media and online activity in raising money for terrorist groups that can be applied to the use of illicit trade. While only a single Bitcoin address was disclosed as part of the campaign" a block chain analysis firm was "able to discover an additional 27 addresses associated with the campaign".[94] In 2019, a much more sophisticated campaign was initiated by the military wing of Hamas, the Izz ad-Din al-Qassam Brigades (AQB), a designated Foreign Terrorist Organization. Money transfers could be facilitated by hawaladars who would use Bitcoin to transfer money to AQB. Donors were also given information on how to set up private wallets, through which they could make their own private transfers via Bitcoin.[95] This is probably the most sophisticated use of cryptocurrency by an identified terrorist group.

The diverse facilitators of international terrorism provide groups with the resources needed to acquire materials, such as weapons, through illicit trade. They also allow them to launder the proceeds they have generated through illicit trade into the legitimate economy.

How to Address the Linkages of Illicit Trade and Terrorism

Facilitators are key hubs in the networks that organize the illicit trade that supports and equips terrorists. They and the illicit financial flows that they help move must be central to any strategy to disrupt illicit trade supporting terrorism.

Illicit trade often intersects with the legitimate economy. This is seen in the case of transportation, finance, and service professionals. Participants in the licit economy may be able to identify anomalies or even suspicious trade transactions that result in the funding of terrorist activity. The requirement that banks report suspicious activity is key, but there needs to be reporting of anomalies in other sectors of the economy to law enforcement and other institutions to ensure the integrity of legal trade. There also needs to be better reporting on beneficial ownership to understand who lies behind an account or a company. This is separate from the already existing role of "know your customer" which was certainly not applied to many of the bank account holders named in the Panama Papers.

Greater transparency is needed in supply chains, and much more attention needs to be paid to identifying fraudulent or doctored documents that accompany shipments. The use of blockchain—a distributed, decentralized, public ledger—may be key in ensuring that shipments cannot easily be exploited by terrorists involved in trade.

Often criminals are key participants in the supply chains of terrorist traders; more traditional crime groups are nationalistic or dependent on the state for contracts. Therefore, it is not in their interest to cooperate with terrorists. If criminals are informed that they are supporting terrorist networks, they may refrain from doing so out of their own self-interest.

As this article has pointed out, increasingly, illicit trade is going online with its funds moving through cyberspace.

Therefore, electronic finance platforms and social media need to be responsible, not only for limiting hate speech and terrorist recruitment online, but also for ensuring they are not facilitating terrorist involvement in illicit trade. Platforms and social media have expanded their activity to monitor terrorists, but they have not done enough to monitor their platforms for trade facilitation. That is why it is still possible to find sellers of illicit antiquities online who are linked to terrorist groups as was discussed previously in relation to Facebook but also other types of social media.

Corruption facilitates illicit trade for crooked businessmen, organized crime, and terrorist groups. This occurs at borders, at ports, and in prisons. Paying more attention to the role of corruption in facilitating all forms of illicit trade is key. If such corruption is curbed, it will have a positive impact on curbing terrorist involvement in illicit trade.

Curbing illicit trade by terrorists is not just the responsibility of government or law enforcement bodies. It requires a whole-of-society approach, including business, civil society, and researchers. Journalists are also key to understanding the complex networks that support crime, terrorism, and the trade that finances and facilitates their operations. Only when various members of society address the threat of illicit trade that funds terrorists and equips operations, is there a hope of stemming this activity. Society must be nimble, as terrorists will try to find new ways to exploit the new technical capacities that become available. Additionally, governments and society must ensure the resources needed by their citizens are provided, so that they do not turn to terrorists and criminals to have those needs met.

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Notes

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