

Terrorist Financing: Current Challenges

Louise Shelley, University Professor, Hirst Chair and Director, Terrorism, Transnational Crime and Corruption Center, George Mason University, Berlin January 27, 2016

Different Regions and different Terrorist Funding

- The financial needs of ISIS in the Middle East are very different from that of ISIS affiliates elsewhere and supporters in Europe and US
- ISIS has the largest financial needs of any terrorist group because it has 8-10 million people in the territory it controls, it needs to generate large sums
- ISIS affiliates have significant but lesser needs
- ISIS-inspired and trained terrorists in Europe can and are funded by petty crime as needs are small

Why are certain crimes selected?

- Availability of commodity
- Opportunities to capitalize based on geographic location
- Calculations made on risk vs. return, less risk in the Middle East for large ticket items than in Europe
- Petty crime used in Europe and the US because they attract less attention
- Smuggling along established chains is easier; therefore, convergence

Diverse Funding sources of Terrorism

- Illicit trade--Antiquities, arms including weapons of mass destruction, counterfeits (consumer goods, pharmaceuticals, cigarettes), drugs, human beings, natural resources (oil, minerals), wildlife and other environmental product, piracy
- Computer –facilitated crimes, stolen credit cards and identities, financial fraud (San Bernadino case)
- Financial fraud—fraudulent bank loans

Terrorists and Illicit Trade

- The concept of narco-terrorism has made us focus too much on terrorist engagement with large scale drug trade and not enough on smaller-scale illicit trade that support their activities in the US and Europe
- UN Security Council Resolutions 2195 and 2199 link illicit trade and terrorism
- One of Kouachi brothers who murdered the staff of Charlie Hebdo was involved in trade in counterfeits, cigarettes
- Terrorist on Thalys train was a small scale drug trafficker
- Foreign fighters going to join ISIS from Europe engage in petty illicit trade to fund their passage and give them funds to survive on arrival

Evolution of Commodities

- Characteristics of some aspects of Illicit trade change over time
- Just as changes in the cyber world have created new forms of illicit trade there are also evolutions in commodities in the real world
- Cigarettes—no longer a problem just of diversion & counterfeits but of illicit whites, cigarettes produced legally in one country to be smuggled to another
- Black market and illicit street markets important funding sources for European terrorism
- Rising importance of environmental commodities such as elephant whose trade has been created on mass scale threatening viability of the species
- Rising importance of cyber-facilitated crime

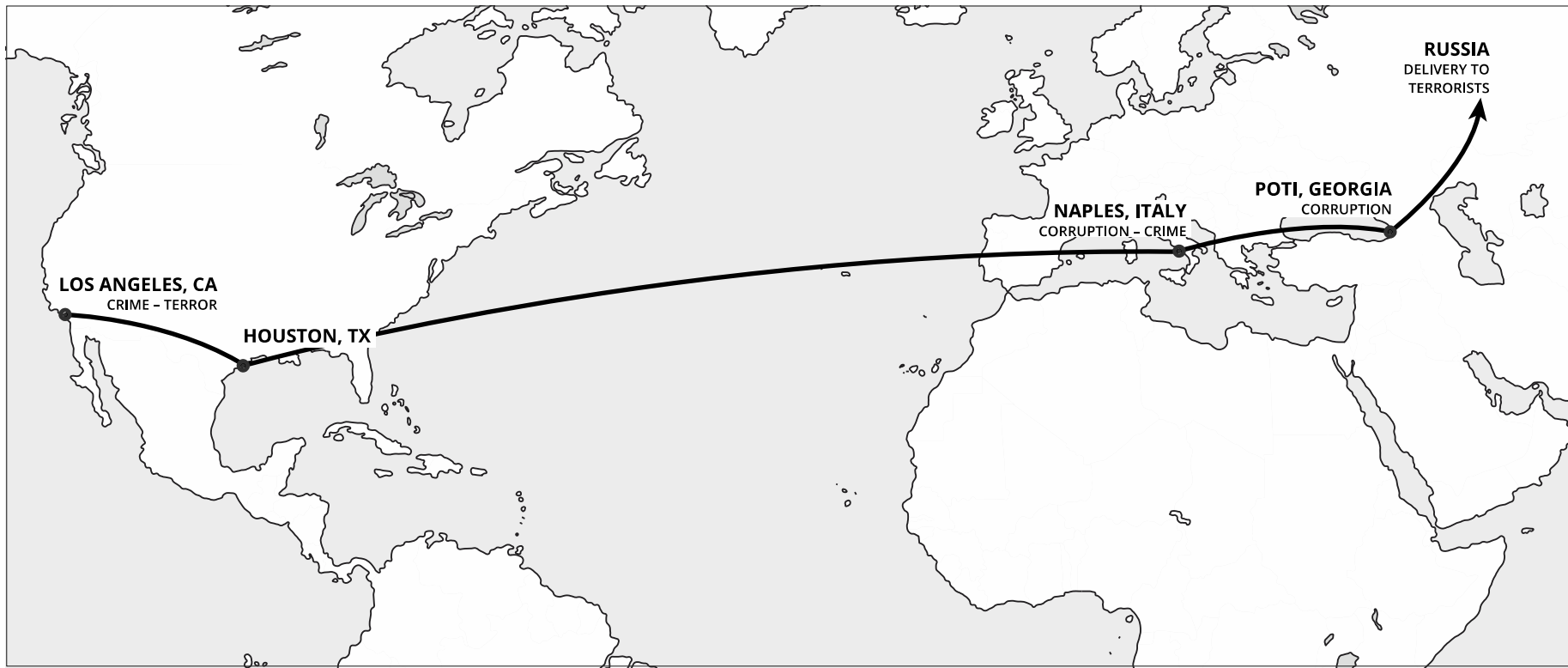
Cyber crime and Terrorism

- In the beginning, cyber trade represented an online version of the commodities available in the virtual world
- Cybercrime now can be divided into cyber-enabled crime and crime that is unique to the cyber world, i.e sale of malware, botnets
- Increasingly illicit trade is going on the darkweb, where the buyers and sellers remain anonymous and purchases are made by digital currency that cannot be traced
- This is an enormous challenge for Europe

Convergence of Terrorist Criminal Activity

- Convergence is both a local and a global phenomenon
- Convergence may occur at different points along the supply chain (see map)
- Within Europe—supply chains for weapons intersect with communities with terrorists, ie. Weapons markets in Belgium connect with traffickers and criminals from Balkan route

Different elements of dirty entanglements along the trail—Funding of Beslan attack: Source: L. Shelley: Dirty Entanglements: Corruption Crime and Terrorism



Modus operandi for terrorists

- Successful funding sources in one locale are replicated in another—small scale bank fraud figures in ISIS-related terrorist attacks in Paris (Koulibaly) and California
- Taxing of trade (both legal and illegal) as well as taxing movement of people
- Corruption key in movement of commodities within territory and across borders
- Centrality of trade-based money laundering

Service Market for Terrorism

- Terrorists tap into illicit trade in weapons
- Terrorists acquire documents such as false passports and identity cards that are needed to travel to Middle East and to hide their identity
- Online currencies provide a way for terrorists to move money
- Small scale businesses provide services—such as night shops in Belgium
- Money laundering into real estate

Links between crime and terrorism

- Prevalence of this trade in many urban centers makes it hard to disrupt and is perceived in most countries not to be a law enforcement priority
- Liberalization of currencies is not evaluated in terms of terrorist threat, i.e. bitcoin and other new web-based currencies
- Governments are ready to allocate resources to police drugs, traffic in arms and people but not in consumer commodities
- Therefore, risk is low for terrorists

What does Europe need to do against terrorist financing and money laundering?

- Focus more on trade-based money laundering
- Understand and establish framework for online currencies
- Ensure monitoring of supply chains, i.e know your customer laws and packaging that facilitates monitoring
- Greater oversight over Internet trade that funds terrorism, i.e. antiquities
- Authorize interactions and exchange of information between counter-crime and counter-terrorist law enforcement
- Establish greater controls over money laundering into real estate

What can be done?

- Need to change perception of problem of illicit trade —understand its consequences and its severity and allocate more resources to its policing
- Develop responses that incorporate all sectors of society—multinational organizations and corporations, states, ngos, media, researchers
- Develop not only legal framework but allocate resources needed to respond to these great challenges
- Create POLITICAL WILL