

TERRORISM AND INTERNATIONAL CRIME —  
CORRUPTION AS THE ENABLER

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## Abstract

ISIS, at its height, was able to control large parts of Iraq and Syria. Its rise and wealth was explained by its profitable criminal activity – its bank robberies, extortion, kidnapping, oil smuggling and its taxing of a vast array of commodities and people that crossed the borders of the territory it controlled. ISIS was not distinctive. The UN Security Council recognized the association between criminal activity and terrorism in late 2014. Terrorists, like organized criminals, engage in corrupt activities with governments to survive, as they are dependent on smuggling that requires the collusion of officials. Repulsion at widespread systemic corruption of the government also serves as a recruitment tool for different terrorist organizations. Additionally, the services non-state actors provide citizens, made possible by their wealth, let them supplant the state. The visible entanglement of crime, corruption and terrorism is most apparent with ISIS, but the association among these activities is present on all continents and needs to be recognized and addressed as a key security issue.

# 1. The Relationship among Terrorism, Criminal Organizations, and Corruption

Transnational crime can exist separately from terrorism, but almost all terrorism is now dependent on criminal activity to fund its work. Corruption is a key tool for terrorists, just as it is for members of organized crime.<sup>1</sup> Terrorists are dependent not only on crime for revenues, but criminal activity provides recruits employment, and generates funds that can deliver social services not furnished by corrupt and fragile states.

Illicit trade funds not only terrorism at centers of conflict such as in Iraq, Syria, Afghanistan, Libya, and West Africa, but also in developed countries. Smaller scale terrorist attacks in France, Belgium and Spain have been funded by trade in drugs, counterfeits, and cigarettes among other commodities, as well as petty fraud. Moreover, increasingly a hybrid of criminals-terrorists is observed, as a preponderance of European terrorists have criminal pasts.<sup>2</sup> The pattern is not unique to Europe but is better documented there.

Criminal organizations help terrorists with needed logistics—moving people and goods across borders, paying off corrupt officials, facilitating illegal financial flows, and furnishing weapons needed for operations. The centrality of criminal activity and corruption to the perpetration of terrorism was first affirmed in late 2014 by Resolution 2195 of the United Nations Security Council. A Second Resolution, 2199 focused on undermining the financial basis of ISIS, was passed in early 2015.<sup>3</sup>

Yet ISIS is not unique. Examination of the activities of terrorist groups in Afghanistan, West and North Africa in the three years since the passage of these Resolutions, affirm that the combined presence of terrorists, violent extremists, transnational criminals and corruption worsens conflicts and helps perpetuate them.

Global illicit trade funds terrorism and instability far from the point of sale. Antiquities from Iraq sold in Turkey and Europe help fund ISIS.<sup>4</sup> Illegal trade in wildlife parts, such as ivory, sold mainly in Asia, funds political instability and conflict in Africa.<sup>5</sup> Heroin sold far from its production site in Afghanistan provides funding for terrorism.

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## Terrorism as a Criminal Business

Terrorism is increasingly functioning as a business dependent on criminal organizations and facilitated by corruption. Terrorists, like legitimate business people, increasingly seek a product mix. To generate profits, terrorists trade in arms, persons, drugs, cigarettes, antiquities, as well as natural resources such as gold, precious metals, stones, minerals, wildlife, charcoal and oil.<sup>6</sup> They also need professional services; expert facilitators allow terrorists to engage in cost-benefit analyses, monitor supply chains and seek strategic alliances. Professional facilitators move the illicit proceeds of terrorists' criminal activity through the international financial system to hide their profits. The Panama Papers revealed that terrorists used the same mechanisms as transnational criminals and corrupt officials to park their funds. Many exploit the anonymity of shell companies that do not reveal the actual owners (known as beneficial ownership). Despite efforts to mask their identity, Europol identified over one hundred names in the Panama Papers associated with Islamist terrorism.

**The Panama Papers revealed that terrorists used the same mechanisms as transnational criminals and corrupt officials to park their funds.**

## Crime and Terror Interactions

Terrorist and criminal organizations do not interact often but they may be linked through shared facilitators. Their contacts are often confined to individual members, as terrorists outsource a task

to a criminal organization. Both types of non-state actors may connect through their facilitators who provide arms, transport, or financial services. Facilitators may serve a variety of illicit actors, as epitomized by the notorious arms dealer Viktor Bout, who provided weapons to corrupt officials, criminals and terrorists through his global network. A financial facilitator such as the firm Mossack Fonseca in Panama (the source of the documents in the Panama Papers), provided services to kleptocrats, and members of criminal and terrorist organizations, allowing them to hide their wealth in an offshore locale.

**Criminals and terrorists can often operate with impunity after having corrupted officials.**

Terrorists may disguise themselves as criminals. Therefore their criminal associates may not know that they are interacting with a group seeking to destroy the state. Criminal-terrorist interactions have been identified in European prisons. Corrupt prison guards may facilitate communication with the outside world. Italian prosecutors ruptured the cooperation of Italian crime groups and the KLA (Kosovo Liberation Army), a terrorist group by informing the nationalist Italians of the true identity of their Balkan business partners.

Interactions of criminals, corrupt officials, and terrorists are most pronounced in: prisons, conflict regions, highly corrupt environments, and multi-border areas. Criminals and terrorists can often operate with impunity after having corrupted officials. Therefore, corruption is a facilitator of pernicious activity

of illicit non-state actors but corrupt states provide an enabling environment.

Prisons are key environments where criminals and terrorists interact, undermining the concept that prisons are institutions of social control. The perpetrators of the Madrid bombing met in prison, and many more recent European terrorists have been radicalized in confinement after incarceration for criminal activity.<sup>7</sup>

Conflict regions, where corruption is endemic, also provide key locales for the interactions of criminals and terrorists. Apart from Syria, Iraq and Afghanistan, the Balkans provided a key locale for interactions in the 1990s, and North and West Africa assume such a role today. AQIM (the al Qaeda affiliate in the Maghreb) has operated in Libya and Algeria, where it has carried out criminal activities and collaborated with criminals to raise funds, but also secure transport of arms and people.<sup>8</sup> In West Africa, terrorist groups, such as Boko Haram, exploit the high levels of corruption to participate in diverse criminal activity, such as the elephant ivory trade, that will be discussed subsequently.

Key hubs for the interaction of criminals and terrorists can also be found in diverse locales. In Karachi, Pakistan, a mega-city with high levels of corruption, many crime groups work closely with terrorist organizations and hybrid crime-terror groups, such as D-company. In Latin America, a particularly ominous hub is the tri-border area of Argentina, Brazil and Paraguay, where diverse criminal and terrorist groups operate. Interactions occur here because there is a very high level of corruption, a multi-border jurisdiction which is hard to police, and important diaspora communities with strong links to Hamas and Hezbollah.<sup>9</sup>

## 2. Corruption as an Enabler of Crime and Terrorism

Corruption facilitates crime and terrorism as it undermines governance, the economy, health, social order, and sustainable development in all regions of the globe. Pernicious non-state actors, such as criminals and terrorists, intentionally penetrate the state, often entering legislative bodies to shape laws in their favor. They, therefore de-legitimize state

institutions, facilitating the rise of parallel structures that challenge state forces. Corrupt officials, through their positions, allow illicit actors to operate and generate revenues and provide social services. Corruption also undermines the integrity of the procurement process and combat readiness.

## Corruption as a facilitator

Corrupt officials provide information and documents needed for criminals and terrorists to operate.

Corruption at borders, ports, and in consulates, has broad security and economic implications for states. Corruption can facilitate the entry and movement of many forms of illicit trade that weakens state stability, including drugs and arms, and may facilitate the entry into the country of pernicious non-state actor who may undermine the state. Terrorists who have bribed officials can easily cross borders, and sometimes they may cross-frontiers along with smuggled migrants, using the services of transnational criminals.

**Corruption can facilitate the entry and movement of many forms of illicit trade that weakens state stability**

In some cases, officials even provide key operational services. For example, corrupt officials at the Mumbai port allowed weapons to enter that were then used in the terrorist attack on the city. The terrorist attackers of the school in Beslan (in the North Caucasus of Russia) produced numerous fatalities. They were driven to that locale by a corrupt police official, who provided transport in exchange for a bribe. The school became the target because the terrorists ran out of funds to travel further, as they had no money left to pay additional bribes to the police officer.

Corrupt officials can provide visas and passports to transnational criminals and terrorists. They also can provide these to individuals who are being smuggled or trafficked by pernicious non-state actors. This facilitates both movement and revenue generation.

## Corruption and Delegitimation of the State

In the most acute situations, corrupt and criminal individuals deliberately join key sectors of government service to undermine their effectiveness. They particularly target the security apparatus, ministries of justice, the judiciary, law enforcement, particularly customs and border patrol. Legal provisions preventing the prosecution of legislators and state officials at the national and even the regional level serve as an added incentive to “engage in govern-

ment service.” Some have described this as state capture. Once, kings could be ransomed after they were taken by their enemies. But with contemporary state capture, there is little chance of release. Few countries have managed to oust the illicit networks, once they have become entangled in governmental structures.<sup>10</sup>

Corruption not only undermines the mission of state institutions but also has serious detrimental impact on their revenues. In many countries, customs services are the most compromised agency. Both high and low-level corruption in customs too often allows most commodities to be imported with limited or no duties, undermining state capacity. Compounding state revenue loss is the theft of billions in state assets such as natural resources by corrupt leaders. Global Financial Integrity has estimated that \$1 trillion exited developing and emerging countries in 2014 by these thefts alone.<sup>11</sup>

When kleptocrats steal so much of their country’s domestic resources, this limits foreign and domestic investment, and consequently constrains employment for the youthful population. Therefore, this large-scale corruption undermines state capacity and legitimacy, and weakens state institutions. The absence of a functioning state makes citizens more ready to turn to non-state actors for employment and social services.

**Large-scale corruption undermines state capacity and legitimacy**

The proceeds of the criminal activity of pernicious non-state actors are used to ensure that the citizens do not see them just as a negative force in the community, helping to ensure their future impunity. In many different regions of the world, criminal and terrorist groups such as the FARC, drug cartels, Hamas, or ISIS step in as service providers, thereby obtaining the good will of citizens. This has been seen with the *Yakuza* in Japan, after the 1995 Kobe earthquake, when the criminals provided aid in the absence of state services. In Brazil’s favelas, drug traffickers furnish service to their communities.<sup>12</sup> In Colombia, the FARC, at its height, financed, schools, medical clinics and infrastructure support. Other terrorist groups in many regions of the world have also provided services to the community, en-

hancing their legitimacy. Therefore, parallel institutions to the state emerge and are sustained, further undermining the government's legitimacy.

### Corruption Undermines State Security

Corruption undermines the capacity of law enforcement to maintain social order and for the military to protect the members of the society, thereby undermining citizen support for their government. Massive corruption of law enforcement and military in Afghanistan and Mexico, where many police and soldiers members serve as facilitators of the drug trade, leads to further destabilization.

**Corruption in peacekeeping missions may undermine their capacity to reduce violence and restore order**

States crippled by corruption also lack effective security—the personnel are compromised and the procurement programs of the military are undermined. A most dramatic example of this is Nigeria,

where procurement fraud, as well as the siphoning off of soldiers' salaries by corrupt officials, has made the armed forces both unable and unwilling to fight Boko Haram.<sup>13</sup>

In some states, bribes to officials result in unjustified exemptions from military service, leaving armed forces with inadequate or less competent personnel. In some countries, fictitious "ghost soldiers" are paid, allowing supervising officers to collect their salaries. Ghost soldiers drain military budgets, but also misleadingly swell the ranks of armed combatants, leaving citizens unprotected by actual personnel.

Corruption in peacekeeping missions may undermine their capacity to reduce violence and restore order—the corruption can include both deployed personnel, as well as corrupt subcontractors, who are even less accountable. Absence of training for deployed personnel as a consequences of corruption, may lead to a culture of tolerance, thereby reducing the peacekeepers' credibility with the citizenry. Unfortunately, all too often governmental intervention strategies tolerate corruption in the name of maintaining order and fighting terrorism, such as was seen in Afghanistan.

## 3. Case Studies

Much of the focus on understanding the corruption-terror relationship has been in relationship to the drug trade. The following two case studies on illicit financial flows and wildlife trade show how these activities fund terrorism and are dependent on corruption to operate. Therefore, the corruption associated with illicit trade now represents an important security challenge.

### Illicit Financial Flows

The hundreds of billions of dollars gained by transnational criminals, terrorists and insurgents through the global illicit trade in drugs, humans, weapons and other criminal activities often enters into the legitimate economy with the help of corrupt facilitators: bankers, lawyers, real estate agents, as well as state officials. The money goes through banks, wire transfer businesses, underground banking, trade-based money laundering, and most recently cryptocurrencies.

**Banks** – dubious banks such as Lebanese Canadian Bank have moved terrorist-related funds. But often the illicit financial flows are facilitated by well-established banks, whose corrupt officials have all too rarely been prosecuted. In most cases, major banks such as Citibank,<sup>14</sup> HSBC, Wachovia,<sup>15</sup> and Deutsche Bank have only received large fines and neither the institution nor its personnel have been prosecuted. Therefore, these fines are merely the cost of doing business, and may not equal the profits made through this corrupt facilitation. This has created a culture of corruption in many banks that has been conducive to the perpetuation of illicit financial flows.

**Wire transfer businesses** – A culture of corruption in wire transfer businesses also facilitated illicit financial flows. Western Union was fined almost \$200 million in 2017 for colluding with organized crime,<sup>16</sup> and has received previous significant fines for facilitating wire transfers for drug traffickers. In

Europe, intercepted email of criminals operating online revealed that Western Union, PayPal and Moneygram exchanged virtual currency into state backed currencies by means of Western Union.<sup>17</sup>

**Trade based money laundering**<sup>18</sup> – Investigations by the tax authorities of Colombia revealed that significant drug profits were moved offshore to Panama by means of trade-based money laundering. These transfers were facilitated by significant corruption in the Colombian customs service, as drug cartel members infiltrated regional offices allowing the certification of exports to Panama. The products might be coffee or some other commodity for which an exaggerated value was attached to the invoice. Corruption at the receiving end, as seen in the Panama Papers, affirms that trade-based money laundering often requires corruption in both the source and recipient country. It also reveals the centrality of trade abuse to the funds exiting the developing world. Terrorists use the same methods. Trade-based money laundering was at the heart of the large terrorist fund transfers connected to Lebanese Canadian Bank, as overpriced cars were used to disguise fund shipments.

**That trade-based money laundering often requires corruption in both the source and recipient country**

**Cyber currencies such as Bitcoin** –The anonymity of cryptocurrencies have facilitated the transfer of corrupt and criminal funds. In late 2017, a woman was charged with using Bitcoin to fund terrorism.<sup>19</sup>

Financial havens, such as in Panama, have accepted funds from known traffickers aided by professionals. As the game on the website of the Panama Papers states, “Welcome to the secret world of offshore. Your goal is to navigate this parallel universe and hide your cash away. Don’t worry! Lawyers, wealth managers and bankers are there to help you.” The documents of the Panama Papers revealed that the endemic corruption in this offshore locale allowed drug traffickers, terrorists and political leaders to hide their assets.<sup>20</sup>

## Conflicts, Nature Resources and Wildlife Trade

Conflicts, criminal and terrorist activities have been funded by trafficking a variety of wildlife, including the ivory and horn of elephants and rhinoceros, as well as pangolins. Trafficking of parts and derivatives is especially present in African nations because of the presence of the animals, but also the widespread and institutionalized corruption that facilitates the trade.

Participants in this trade have evolved over time to include diverse non-state actors, corrupt officials, and rebel groups that have used this trade to enrich themselves and fund operations. In the Great Lakes Region of DRC, Burundi, Rwanda, and Uganda, wildlife trafficking was just one form of criminality used to fund the long and entrenched conflict in the area.

The Lord’s Resistance Army and Boko Haram are two armed groups still using ivory as a revenue source.<sup>21</sup> The LRA was killing elephants on a large scale in the DRC and in neighboring states before the population was decimated. Genetic analysis of the tusks allowed determination of the source of the ivory, making it possible to associate some of the elephant killing with areas where insurgents and terrorists are operating.

Many current and former insurgent groups in the area, like the M23, Allied Democratic Forces (ADF), and Mai Mai Morgan, used ivory or other poaching and wildlife trafficking to fund their activities in and around DRC.<sup>22</sup> The Forces Démocratiques de Libération du Rwanda (FDLR) operates in the DRC. They previously were deeply involved in ivory poaching but with fewer of the great animals to kill they are presently engaged in mineral smuggling, and the lucrative charcoal trade derived from Virunga National Park.<sup>23</sup>

Corruption at lower levels facilitates, for example, the illegal killing of wild animals, as corrupt park rangers, guards, and employees of national and private reserves provide information to poaching syndicates about the animals’ location. This type of corruption has been documented in South Africa and Mozambique in regards to the rhino trade. On occasion, line personnel provide cover for poaching teams as they approach and travel within protected areas. Some corrupt park employees run

their own poaching rings, and others, according to intelligence sources, pass information to poachers on social media, using coded signals and photos. Officials can also issue fraudulent CITES permits, in effect authorizing and legalizing exports of rhino horn that should not otherwise be permitted to leave the country.<sup>24</sup>

The profits for crime and terrorist networks are not just at the source. The facilitators of the transport and the financial flows for the ivory shipments, have been identified by both non-governmental organizations and US government analysts as members of both transnational crime groups, terrorist networks, and hybrid groups that combine crime-terror activities, such as D-company.

## 4. Recommendations:

5) Political decision-makers need to be made more **aware that corruption is an enabling mechanism for terrorism and international crime**, and cannot be ignored in the name of short-term objectives. Failure to address pernicious non-state actors may embed them further within the political and economic structures. Diplomatic, military, and law enforcement communities need to stop stovepiping the problems of crime, corruption and terrorism and address them in an integrated fashion. To do this is essential, as it conserves enforcement resources and allows the identification of entire networks. Corruption prevention is key in fighting crime and terrorism.

6) Illicit commerce is a key security concern, and it must be addressed by **strengthening customs and border services, enhancing international police cooperation, and providing more consistency in trade laws**. More oversight needs to be provided over Free Trade Zones that are key to the facilitation of illicit trade. Consumers must be made aware of the risks to security by purchasing counterfeit goods and other illicit products.

7) In order to address the criminal and corrupt sources of funding for terrorism, it is necessary to follow the money. Corrupt officials and financial institutions that facilitate illicit flows must be held accountable. **Transparency must be enhanced in the global financial system and in supply chains**. Reporting requirements must be enhanced to limit the ability of individuals and corporations to hide funds in off-shore locales. A key element is the establishment of requirements in regards to beneficial ownership for financial accounts, companies, and real property, making it possible to determine the actual owners. Bankers and the real estate sector must enhance mechanisms to guard against money laundering by criminals, terrorists and corrupt officials, the

frequency and extent of which was revealed by the Panama and Paradise Papers.

8) Public-private partnerships need to be enhanced to ensure that corporations take more action in certifying their supply chains against corruption, preventing bribery and corruption in military procurement. **Businesses need to be as vigorous in addressing corruption as they would their competitors**. This is a particular concern in the natural resource and extractive industry sectors where corruption is particularly pronounced. Businesses especially in the new areas of technology need to ensure that social media and online platforms are not facilitating corrupt, criminal and terrorist activity where there has been exponential growth of illicit activity in recent years.

9) **Military planning and training for deployed personnel must include components on the problems of corruption** and the linkages of corruption and terrorism. Training must incorporate materials that explain that mission success may be compromised by tolerance of corruption. An integrity-training curriculum has been developed by NATO. It needs to be widely implemented to deployed personnel, as well as to UN and other national and multi-national forces. Once training is provided, there needs to be follow-up to ensure that lessons taught are being applied in the field.

10) **Development projects need to identify and address corruption to avoid** jeopardizing their own efforts while fueling patronage networks that exploit and disenfranchise populations. Development projects also need to implement a do-no-harm policy and not foster corrupt systems. Anti-corruption mechanisms and offices need to be key objectives of development projects.

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