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# UNHOLY ALLIANCE TERRORISM & ILLICIT TRADE IN EAST AFRICA



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## UNHOLY ALLIANCE TERRORISM & ILLICIT TRADE IN EAST AFRICA

**UNHOLY ALLIANCE: LINKS BETWEEN EXTREMISM AND ILLICIT TRADE IN EAST AFRICA** published by Counter Extremism Project is authored by Sir Ivor Roberts, former British diplomat. It investigates how extremist and terrorist organizations are financed by illicit trade in East Africa. It also examines how such organizations contribute to associated activities. The Report falls into seven sections, which provide a definition of illicit trade and activities, relationship to violent extremism, patterns of such activities in East Africa, and contribution of extremist groups, especially illicit trade in ivory, tobacco, and prohibited weapons. It provides recommendations to enhance stability across the region and counter this double menace.

## Relevance

Like other key issues, political economy which extremist movements feed on is overshadowed in research studies on extremism and terrorism, with much attention attached to ideology, politics, security and implications of the ubiquity of such groups and associated activities at the regional and global levels. The issue is critically important as manifested by the keen interest evinced by ISIS in creating a preliminary structure for an extremist state and involvement in economic operations with various parties. Several international reports have also revealed the glaringly flagrant involvement of Hezbollah, Lebanese Terrorist Group, in illicit economic activities, such as drug trafficking and diamond smuggling through Latin America and West Africa. Equally important, East Africa and the Horn of Africa were not spared; this region has suffered for decades from many threats, including wars between states, civil wars, and structural divisions of states, causing the spread of terrorist and separatist movements. The most dangerous of such movements are Al-Shabaab in Somalia and elsewhere, the Lord's Resistance Army (LRA) in Uganda, and AHLU SUNNAH WAL JAMAAH in Mozambique. With the increasingly growing security risks across the region, they still receive global attention given their natural resources international position on the trade routes between Asia, West and Africa. Such reasons created a

breeding ground for terrorist organizations, smuggling gangs and illicit trade.

The Report shows the overlapping areas between terrorist and criminal groups across the region. The areas between terrorists and smugglers are much overlapping; it also explains how such a breeding ground has caused smuggling and illicit economic activities snowball into reality, forming a large shadow economy in most countries of the region with notoriously rampant corruption, poor legal and political accountability, porous borders and poor port controls. The Report also shows the involvement of various terrorist groups in ivory smuggling tobacco and weapons across the region.

## Concept Definition

The Report provides a concept definition that overlaps between violent extremism and illicit trade. Roberts defines illicit trade as activities that involve the exchange of goods and services between individuals or organizations where either the commodity or the unregulated manner of the exchange is deemed illegal in a given jurisdiction.

The Organisation for Economic Cooperation and Development (OECD) has identified prohibited goods or services, such as illegal narcotics, illicit exchange of intellectual property rights or arms, the sale of goods outside of their legally designated destination



market for the purpose of avoiding local duties, such as illicit tobacco and the sale of stolen goods, such as electronics. Much of illicit trade is controlled by mafia networks and local gangs in the developed world. With illicit trade coming into play, the Middle East, Asia and Africa are infamously swarming with extremist groups, such as Hezbollah, Al-Qaeda and ISIS. Given the large profits offered by illicit trade juggled with in the highly orchestrated operations, more entities are allured into making predictable profits of lower risks vis-à-vis the awkward reliance on hostage-taking for ransom, which was a common method of financing terrorist groups. The volume of illicit trade globally has reached \$2.2 trillion (3%) of the total global product, which is the size of the losses of national economies.

Illicit trade sneaks into regions in different manifestations, triggered by the capabilities and opportunities made available and the countermeasures made by governments and communities to clamp down on such practices. Reality reveals the relative complexity of terrorist groups and gangs involved in illicit trade. Smuggling activities exempt terrorist groups from more severe judicial penalties if their members are arrested on smuggling charges only. Globalization has also contributed to such complexity. For instance, Afghani opium is distributed to European markets through a chain of criminal networks made up of Afghani, Iranian, Kurdish, Turkish and Albanian traffickers. The dark web has also greatly expanded the possibilities for collaborative illicit activity.

Opportunities are the relative abundance of valuable products or market demand and can be usefully subdivided into two categories: source- and end-market opportunities. Finally, the response element refers to the ability of civil society and government agencies to deal positively with those involved in these activities and combat them, through legal procedures, border control, transparency and governance programs, and anti-corruption. Based on these criteria, the report studies the features of the illegal trade market in East Africa, and the contribution of terrorist groups to it. One more determinant of illicit trade is the resilience of civic institutions to the incursions of illicit actors and the ability of relevant authorities to attach risk to illegal activity. State countermeasures which may increase risk for illicit traders include border controls, transparency measures, anti-corruption programmes, inter-state agency cooperation and criminal sentencing.

## **Symbiotic Development Extremism and Illicit Trade**

Roberts explains the overlapping patterns between violent extremism movements and illicit trade in East Africa. Many extremist groups operate in the periphery and countryside, while armed gangs mushroom in cities and suburbs, and transnational criminal networks sneak into countries, feeding on illicit activities to fund their activities.

The most notorious, resilient, and organized group is Al-Shabaab, which still operates in Somalia, Kenya and Djibouti despite the concerted efforts of the international community to crack down on its activities. Al-Shabaab has relied for a long time on the imposition of royalties and extortion of community. The illicit trade of Al-Shabaab has snowballed into reality since it announced its affiliation with Al-Qaeda in 2012 and has cooperated with groups funneling and trafficking weapons, charcoal, drugs and ivory, especially through Yemen. Despite the peace agreement signed in 2020, the armed groups that still share power in the Central African Republic, such as the LRA and others are still involved in diamond smuggling and arms trading in cahoots with armed groups on the borders in South Sudan and the Democratic Republic of Congo. AHLU SUNNAH WAL JAMAAH (ASWJ) in Mozambique (Shabaab Mozambique) affiliated with ISIS pledged allegiance to ISIS in Central Africa in May 2018. It seized the port town of MOCÍMBOA DA PRAIA. ASWJ exploited the old smuggling routes, alluring many individuals with money. ASWJ is notoriously involved in smuggling precious stones, rubber, drugs, and materials from wild animals. ASWJ shares the same trade with the Mozambican National Resistance. They have allies in the local gangs in Kenya. Despite the stability of the political situation since the 1990s, the turmoil has motivated local gangs able to operate independently by virtue of wide commercial networks that dance to the tune of the Tanzanian gangs. Gangs in the two countries control transport routes and centers in Nairobi and Dar es Salaam, making deals with other terrorist groups, such as Al-Shabaab, securing them access points to benefit from the local markets across the two countries.

## **Prohibited Illicit Trade Opportunities**

Illicit trade opportunities mushroom in East Africa, triggered by rampant corruption amid informal



economy trudging through the region wildly. The region has many advantages that make it the focus of international crime and terrorism networks. Roberts believes that the regional large market and huge mineral and natural resources and wealth make it a breeding ground for illicit trade, including:

### 1. Illegal Wildlife Trade

Illegal wildlife trade, estimated to be worth up to \$23 billion annually, represents a major source of funding for extremist and organized criminal groups, especially terrorist and insurgent movements in the Republic of the Congo and Central Africa. However, the threat of illegal wildlife trade is not only related to terrorism; it threatens many species in wildlife, due to the poaching of animals on demand for Asian markets, especially those killed for ivory. As rhinoceros horn is being advertised as a cure for COVID-19, concerns of increased poaching of the critically endangered species have been raised. Mozambican National Resistance is financed by the profits gained from poached rhinoceros ivory.

### 2. Natural Resources

Illegal logging is common in Uganda; illegally felled forestry makes up 30-40%. LRA is financed by such illegal logging. After the African Union forces in Somalia (AMISOM) recaptured Kismayo in 2008, the

proceeds made by Al-Shabaab from illegal charcoal and rubber it controls through the city port have greatly decreased. Illicit mining in Central Africa still finances the militants of Bangui. The UN Security Council has cited the importance of diamond and gold smuggling to the prolonging of civil war in the C.A.R, while AHL AL-SUNNA WA AL-JAMA'AH in Mozambique controlled parts of Cabo Delgado after discovering sapphires in large quantities.

### 3. Agricultural & Consumer Products

Most of the economies across the region depend on agriculture. Rampant corruption triggered the ubiquity of counterfeit products, which made up 40% of the volume of goods traded in local markets in Kenya. As governments intervene to control markets, black markets thrive. For instance, imports of sugar to Kenya have been capped to protect an unproductive domestic industry, creating a significant market opportunity for illicit actors. Thousands of bags of sugar are believed to be smuggled as of 2018 into Kenya from Somalia every day, enriching Somali warlords.

### 4. Narcotics

Al-Shabaab processes quantities of cocaine smuggled from Latin America and Asia, through transport networks in the port towns of Kismayo and Bosaso, which is subsequently smuggled into Kenya. AHL

AL-SUNNAH WAL-JAMAA'AH masterminds heroin in volume as a transport node, which is first shipped in volume to coastal states, such as Kenya, Tanzania and Mozambique, from where it is smuggled overland to be flown out of Entebbe airport to high-security destination markets such as Europe.

## 5. Illicit Pharmaceuticals

East Africa has notoriously become a major target for the global trade in illicit pharmaceuticals, which is estimated at about \$200 billion per year. Again, unlicensed pharmacies proliferate throughout East Africa, promoting counterfeit medicines because the countries of the region have not signed the MEDICRIME Convention. COVID-19 pandemic has provided ample opportunity for illicit actors to capitalise on an already entrenched trade in counterfeit pharmaceutical products, including fake testing kits and hand-sanitising gels. These substandard products have had a deleterious effect on public confidence.

## Resilience to Illicit Trade

East Africa has the second least resilience to illicit trade of any African region, beating only Central Africa. Roberts reveals that the region presents a daunting set of challenges, including:

### A. Borders, Transport Infrastructure & Cybersecurity

The region's vast land and coastal borders add greatly to the complications of detecting cross-border illicit trade activity. Slow progress in terms of establishing legal frameworks for the management of transboundary protected areas has further weakened the region's capacity to combat poaching. With the Kenya Coast Guard Service coming into play in 2018, smugglers and traffickers have redirected their activities to Tanzanian and Mozambican coastlines, which are less ably guarded. Smugglers and traffickers capitalize on a strong transport network across the region, especially with poor control over airports and ports. Given the poor cybersecurity, counterfeit goods requested online from China, India, Turkey and others are being dumped across the region.

### B. Economy

In the decade preceding COVID-19 pandemic, the economies of the region have remarkably improved, they still face various challenges. For instance, although the region's economy has been poorly affected by

the COVID-19 pandemic, it must affect overall growth prospects and investment opportunities. Countries like Kenya suffer major debt crises. Combined together, illicit trade and the networks of informal economy mushroom and balloon in everyday reality.

### C. Trade

The East African region remains caught between the twin impulses of economic integration and national protectionism. The region does not lack frameworks regulating free transnational trade, such as COMESA, the East African Community (EAC), and more comprehensive African frameworks. However, it has not integrated the countries of the region. The ubiquity of illicit trade is often invoked to impose further restrictions on economic movement.

### D. Society

East Africa has one of the youngest average populations in the world. For example, 70% of the population of Uganda are under 30. While this represents an enormous economic opportunity for the region, it will also present challenges for youth to be allured and recruited by fundamentalist groups, organized crime groups and smuggling and trafficking networks. This is not just a mere possibility; 10% of African youths had been approached by recruiters for militias and extremist groups. ASWJ shot dead more than 50 youths who refused to join their ranks.

### E. Political & Civic Institutions

Most of the countries in the region are still suffering from instability or failure in rebuilding the state and promoting standards of good governance to counter terrorist and criminal activities.

### F. Security Cooperation

The Tigray war affected the Ethiopian forces in the AMISOM forces operating in Somalia, which is factored in the war against Al-Shabaab. The Tigrayan insurgents operating in these forces were withdrawn and expelled. Following a dispute between Nairobi and Mogadishu, Kenya also withdrew its forces. International counterterrorism support for countries in the region seemed more hesitant, especially with former US President Donald Trump's promise to withdraw US forces from Somalia in January 2021. Taken together, the threat of Al-Shabaab is likely to snowball more in the future.



## G. Law Enforcement

Recent years have seen increasing awareness at government level of the link between extremism and illicit trade, manifested in a set of legislation and policies aimed at undermining the financing of terrorist movements. However, the countries of the region still suffer from the persistence of senior gang leaders without investigation and prosecution, while less influential individuals are made scapegoats for such consequences. However, countries in the region have seen a relative improvement in developing the necessary legal frameworks to curb illicit trade.

## H. Market Surveillance

In terms of preventing goods from being diverted onto the illicit marketplace, there have been some notable achievements in recent years. Monitoring systems for counterfeit goods are the benchmark standard in the region. The Kenyan government launched the National Illicit Trade Observatory, a tool which will enable monitoring of illicit trade in Kenya. However, these measures are still in their infancy, and the rest of the countries which have poor supervisory bodies in the region have not applied such measures.

## Three Case Studies

The Report provides models for the investigation of how illicit trade is instrumentalized and weaponized for financing extremism and organized crime. To this effect, Roberts presents three key case studies: ivory, tobacco, and arms.

## 1. Ivory

The high global demand for ivory has whetted the appetite of extremist groups to have engaged in poaching and smuggling wild animals, particularly elephants. By the same token, blood diamonds fueled West African conflicts during the 1990s, while profits derived from poached ivory have helped to finance the war economies of Central Africa. LRA made the forests of Uganda an important point for illegal ivory trade, where poaching and smuggling activities are controlled by LRA northwards to Sudan and eastwards to Kenya. The same applies to armed groups in Central Africa.

Al-Shabaab has worked out more advanced methods in illicit trade; Al-Shabaab is not directly involved in poaching but prefers to act as an intermediary between international parties and local poachers, generating more money. Also, Al-Shabaab does not use Somali ports because of the long supply lines; it uses only the Tanzanian and Kenyan ports.

Asian gangs involved in illicit trade instrumentalize the poor cybersecurity structure of the countries across the region; they market ivory products online, whether through the dark web or social networking websites. Such products are sometimes traded by cryptocurrency. Sometimes, such gangs do not need intermediaries; they operate directly in the countries of the region.

Given the threat of ivory illicit trade and the grave impact on wildlife and biodiversity across the globe, the





international community has implemented measures to reduce global demand for ivory. The international agreement (1989) banned ivory illicit trade. However, some countries, such as Zimbabwe, Botswana and Namibia were allowed to export some quantities of ivory, to the chagrin of other African countries. China has decided to ban the import of ivory since 2015 and put severe penalties on ivory illicit trade. Such measures have contributed to reducing the ivory illicit trade, but the supply is not eliminated, especially in East African countries. Therefore, the countries of the region imposed strict penalties on ivory illicit trade by imprisonment or heavy financial fines.

## 2. Tobacco

Tobacco trade is one of the most common forms of trade in the region and elsewhere. Tobacco illicit trade not only contributes to the financing of organized crime and terrorism, but also causes grave losses for the countries concerned. Tobacco illicit trade deprives the economies concerned of huge tax returns of about \$100 million annually. It attracts a spate of smugglers given the poor control vis-à-vis drugs, and the minimum associated risks. Tobacco illicit trade takes various manifestations, such as counterfeiting types of cigarettes, using counterfeit trademarks, and smuggling premium tobacco made for export. As such, tobacco illicit trade has become a major part of the war economies in the region. According to the reports of UN expert committees, the smoke-smuggling trade has financed a number of armed groups in the

Congo; like the armed forces of the Congolese people, which were dismantled at an early stage. Some trade financiers are behind some armed groups in Congo, fund some movements in Rwanda, as well as engage in trademark counterfeiting disputes with some Kenyan tobacco companies. The UN Group of Experts concluded that illicit tobacco financed several armed groups in the Congo, such as the armed forces of the Congolese people, which were dismantled at an early stage. Some trade financiers are behind some armed groups in Congo, fund some groups in Rwanda, while engaging in trademark counterfeiting disputes with some Kenyan tobacco companies.

## 3. Arms and Munitions

Notoriously enough, no other category of illicit trade does such direct and measurable harm to human society as that of the illegal trade in arms and munitions. It is the fuel for armed, terrorist groups and violence. Although arms trade is linked to a wide range of weapons and ammunition, including heavy weapons, it is most associated with small arms and light weapons, which the United Nations defines as hand-held firearms, such as assault rifles, semi-automatics, light vehicles, portable missiles, anti-armor and the like. Such weapons are often produced by law, but they become illegal weapons if they are exported illegally, or their legal destination is changed, or they are directed to a party subject to sanctions, which may be an armed organization or a state. Unlike contraband used once, such goods are for multiple

use. According to the United Nations Office on Drugs and Crime (UNODC), the largest proportion of arms trade takes place via overland routes.

Postcolonial waves of wars in the region, with interference of international parties, caused the influx of large quantities of weapons into the region, especially Russian weapons. However, the change of several regimes, such as Somalia, Rwanda, Ethiopia and Uganda in the 1980s and 1990s, made the region a large market for weapons flowing from security depots and armed forces to the clutches of armed terrorist groups. All such uncertainty and turmoil across the region happened in unison with the flow of arms across the borders; many of such arms passed and fell into the hands of groups of shepherds and farmers constantly squabbling over the pastures, making daily fight more violent. Heated competition has come into play, while fears of loss of control has also crept into the region.

Arms illicit trade gave local gangs, as in Kenya, independence from the state. Gangs in Nairobi, Mombasa, Kisumu and others have now determined the routes of arms trade even outside Kenya, and fueled the existing conflicts in Uganda, Congo and the Central African Republics. The slow implementation of the international embargo on arms exports to some conflict areas, such as South Sudan, had an impact on the continued flow of Chinese weapons to the parties to the ongoing conflict from 2013 to 2020. Disarmament of such weapons deployed in Sudan and South Sudan remains thorny, which may slip into Ethiopia. The region witnessed an influx of derailed weapons, flooded by Chinese, Russian, Belgian, Slovak and other companies.

Delegitimization or derogation from legitimacy in Yemen has become a new source of armament for Al-Shabab, following the decline in local armament sources made available since the 1990s. In recent years, Yemen has emerged as an important source of illicit arms trafficking to Somalia's semi-autonomous Puntland region, currently home to ISIS-affiliated insurgents and Al-Shabaab, which has a stronghold in the Golis mountains.

The high levels of civilian gun ownership in Yemen and the proximity of the Somali market contributed to flooding arms and weapons the Gulf of Aden. The escalation of international competition in the region,



with Iran attempting to find a foothold in Somalia, have doubled the flow of arms from Yemen to Somalia. The International Navy monitored about ten Iranian ships carrying weapons to Al-Shabab between 2015-2020; such weapons included Kalashnikov rifles, RPGs, anti-tank weapons, automatic weapons and others. Of note, many of such smuggled arms and weapons are funneled through other routes away from Somalia. Many of such trafficked arms and munitions have been spotted in local markets in Kenya, Tanzania and elsewhere, making it difficult to control.

### Stable Regional System

The Report provides a set of recommendations to address the dual threat of both violent extremism and illicit trade. The recommendations proposed go to great lengths and spells out a broader strategy aimed at building a stronger and more stable regional system in East Africa, based on five premises:

▶ Addressing crime, corruption, extremism and illicit trade as equal evils threatening national security. The legal penalties and measures taken to confront such risks will have certain implications.

▶ Adopting holistic and multiple strategies to address illicit trade. It is necessary to consider prohibited labyrinthine trade routes; precious stones and heroin are smuggled through the same routes and methods. Kenya is a pioneer in this regard; anti-fraud agencies and anti-prohibited activities action group have well provided a comprehensive framework for combating such activities. Nairobi established a national observatory to monitor illegal trade that monitors such illicit activities; it has also established databases for such products. Again, an action group was established to monitor the movement of illicit weapons. This experience should be emulated across all countries of the region, bearing in mind that the decreased prohibited activities will bring financial returns that may include control systems, infrastructure, and control operations.

▶ Strengthening regional cooperation and promoting international support to combat illicit trade in cross-border networks. It is difficult for any country to confront such threats in silo. Roberts points out the need for East African countries to build frameworks for cooperation. The intervention of the US Drug

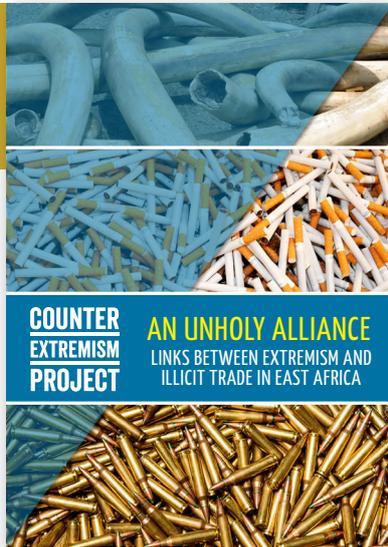
Enforcement Agency proved successful in pursuing drug trafficking networks across the region.

▶ The international community should further support the countries of the region to combat the malice of terrorist groups, threatening security, especially Al-Shabaab and ISIS and provide other regular military aid. However, this support should not be unconditional, given rampant corruption and repression flagrantly practiced by certain countries in the region. Free trade agreements between countries in the region and Western economic powers such as the United States and Britain could include cooperation measures to combat illicit trade routes. Equally important, such countries should impose sanctions on individuals and entities involved in illicit trade in arms, munitions, ivory and wildlife.

▶ Law enforcement should be prioritized to deter illicit trade and track down those involved; this strategy needs a delicate balance. For instance. In 2016, Uganda increased penalties for drug trafficking, but it did not enhance the powers of the courts to file cases against major drug dealers. Sanctions and penalties imposed on drug consumption by individuals have not been effective in combating drug addiction, very much like the ones that claim to treat COVID-19 pandemic. Therefore, it is necessary for the countries of the region to agree on the Medical Crimes Convention; they also need to pay attention to cybersecurity measures, which are glaringly poor across the region, as it is instrumentalized by smuggling networks to facilitate their operations.

▶ The use of control tools to regulate industry and markets and to prevent the production and recycling of illegal products. Kenya's experience in controlling drug trafficking provides a model case for the rest of the region, which can be applied to other cases, such as illicit alcohol trade. Uganda provides important experience in producing digital tax stamps for commodity control. It is necessary to reinforce such experiences by promoting surveillance operations to other markets. It is also essential that the Community of East African States establish an institutional framework that allows the member countries to investigate suspected activities and prosecute those involved.





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