



The Criminal-Terrorist Nexus and its Pipelines

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[This report is adapted from a presentation NEFA Senior Investigator Doug Farah delivered to the U.S. Special Operations Command in Tampa, Florida. In March 2000, Farah was named West Africa bureau chief for The Washington Post—traveling and writing extensively about the brutal civil wars in Sierra Leone and Liberia, and the interlocking networks of agents which profited from those conflicts and the diamonds-for-weapons trade.]

Introduction

The world is changing at an alarming speed. The number of failed states is rising, globalization has revolutionized both legitimate and illicit business is conducted and the Internet has fundamentally changed how the world communicates and operates.

Much of the change has brought benefits, but there are also tremendous costs. As Moises Naim wrote:

“Ultimately, it is the fabric of society which is at stake. Global illicit trade is sinking entire industries while boosting others, ravaging countries and sparking booms, making and breaking political careers, destabilizing some governments and propping up others.”¹

Much of the information on the changing global fabric, taken as separate pieces of a mosaic, is not new. But there has been little work done in putting the pieces together into a more comprehensive picture that can tell us significantly more about terrorist and criminal networks, how they operate, where they overlap, and where their potential vulnerabilities lie.

One of the great limitations in viewing the world as it now is remains that much of our thinking is locked in the 20th century, a time when two superpowers could impose some sort of order on most of the rest of the world. Despite the terrorist attacks of 9-11—carried out by non-state actors operating with the support and protection of a failed state—we continue to suffer from what the 9-11 Commission famously called a “lack of imagination.”

That is, we still suffer from the inability to conceive of how the world operates outside of the way we think it operates or, even more problematically, the way we think it should operate. Terrorist and criminal networks operate in ways that are radically different from how organizations functioned in the pre-Internet, pre-free trade world,

¹ Moises Naim, Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economy, Anchor Books, 2006, p. 33.

dominated by superpower conflicts fought through proxy wars. The ideological content and strong state control over many of the areas discussed is in a steep downward spiral.

Non-state actors have become increasingly important, and their decision making, assessments, rationales and actions are far different from the logic that drives nation-states. Non-state actors' decisions are often based on economic rather than ideological considerations, and behaviors and alliances are often more informed by personal relationships and shared economic interests than a coherent political or religious doctrine. Hence we can have Sunni and Shi'ite Muslims dealing together; secular heads of state dealing with multiple terrorist organizations of differing ideological and theological stripes; Islamist terrorist dealing with secular transnational criminal organizations and endless permutations of these combinations.

This construct is identifiable not only in my own field experience of seeing Hezbollah and Israeli diamond dealers and weapons merchants do business, but in the illegal network run by A.O Khan, the Pakistani "Father of the Islamic Bomb," in supplying Libya, North Korea and others with nuclear technologies, and countless other cases.

I. Recognizing the Threat-A Short Framework

There is little dispute now that there is a growing nexus of contacts and collaboration between terrorist networks and transnational criminal organizations around the world. Recent documented cases stretch from the diamond trade in West Africa involving Hezbollah and al Qaeda to criminal groups in the Tri-Border Area in Latin America to the groups that grow and refine poppy in Afghanistan under the guidance of the Taliban, to the protection of coca crops and cocaine trafficking activities of the Revolutionary Armed Forces of Colombia (FARC) in Colombia.

One of the central aspects that binds these disparate organizations and networks that, in aggregate make up the bulk of non-state armed actors, (meaning outside state control and competence) are the "pipelines" that these operations need to move products, money, weapons, personnel and goods. By non-state armed actors, I mean terrorist groups, either motivated by religion, politics or ethnic forces; transnational criminal organizations, both structured and disaggregated; militias that control "black hole" or "stateless" sectors of one or more national territories; and insurgencies, which have more well-defined and specific political aims within a particular national territory.²

While the groups that overlap in different pipeline structures are not necessarily allies, and in fact occasionally are enemies, they often can and do make alliances of convenience that are short-lived and shifting. Among the examples of enemies collaborating on specific deals that I cited in my talk at SOCOM in November were the first-hand experiences I had with Hezbollah diamond dealers cooperating with Israeli diamond merchants in the Democratic Republic of Congo; Hezbollah and Amal militia diamond dealers operating with al Qaeda in Liberia and Sierra Leone; and the role of an

² For a more complete discussion of these typologies of non-state armed actors and the national security implications of their growth, please see: Richard Shultz, Douglas Farah and Itamara V. Lochard, "Armed Groups: A Tier-One Security Priority," USAF Institute for National Security Studies, Occasional Paper 57, September 2004.

Israeli arms broker in Panama aiding Hezbollah-linked diamond merchants in Liberia for a sale through Guatemala.³

Many of the world's current wars, particularly in sub-Saharan Africa, are fought over commodities that need to move through the pipelines, or networks that control the flow of goods and services, which will be discussed in more detail below. In other cases, such as the increasingly lethal gangs in Central America, the commodity in dispute is the control of the pipeline itself, not an outside natural resource. Control of the pipeline extremely lucrative, and those exercising the control guarantee safe passage of illicit goods in exchange for economic remuneration.

These pipelines have expanded and become more important over time because of the rapid changes in the world order that we have witnessed over the past decade and a half. The first trend is global integration through free trade, the dawn of the Internet age and mass migration. As Tom Freidman has aptly described it, in many ways the world is now flat. Borders are often little more than imaginary lines on a map. Goods and capital flow further and faster than any time in history.⁴

The second trend appears to be contradictory to the first, and that is accelerating trend toward global disintegration as states implode, government structures fracture under the accumulation of the scourges of corruption, poverty and renewed ethnic rivalries, and the massive traffic in small weapons that gives more and more groups the possibility of waging conflict at very little cost.

The changes across the globe have been swift and dramatic, demonstrated in a snap shot drawn from three World Bank studies⁵ over the past year and reinforced in a recent survey by Foreign Policy Magazine and the Carnegie Endowment for International Peace.⁶ Both sets of metrics look at economic development, state legitimacy, human rights, demographic pressures, public services and citizen security to determine where countries rank on a global scale.

Those nations at the bottom have become known as "failed states" or "fragile states," terms that have come into vogue to describe the growing areas of the world that lie beyond the control of central governments.

In 1996 only 11 states were judged to be failing across the world. By 2003, a scant seven years later, the number had grown to 17 and by 2006 the number was 26.

II. The New World Order and the Emergence of New Pipelines

This rapid collapse of coherent ideological blocs and clearly-identifiable national security interests, coupled cheap and easy access to sophisticated weapons of war mean that many, if not most of today's conflicts are being fought over "honey pots," or natural resources. This is particularly true on the African continent and represents a sharp

³ These incidents are described in detail in: Douglas Farah, Blood From Stones: The Secret Financial Network of Terror, Broadway Books, New York, 2004.

⁴ For a compelling and more complete look at the radical transformation of the world economy in the past decade, see Moises Naim, *op cit*.

⁵ "Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries Under Stress," The World Bank, September 2006, Washington, D.C., accessed at <http://www.worldbank.org/ieg>.

⁶ "The Failed State Index 2007," Foreign Policy Magazine, July-August 2007, pp. 54-63.

change from the ideological battles of the Cold War. Today, militias with access to the almost unlimited supplies of AK-47s, RPGs and millions of rounds of ammunition that continue to pour from the arsenals of the former Soviet bloc, wage wars for timber concessions, diamonds, iron ore, bauxite, and coltan rather than socialism, democracy or Marxism.

One of the stark differences in the honey pot wars and the traditional Cold War conflicts is the absence of restraints that the superpowers placed on their proxies. Without those constraints on the type of weapons that can be used or the tactics employed, levers of pressure to modify behavior that was unacceptable to the broader outside world and control of the purse strings, the new and mushrooming crop of non-state actors are freed to operate as they see fit. The result has been, in the 1990s and into this century, a surge in horrific wars where the levels of atrocities and crimes against humanity have soared (Rwanda, Zaire/DRC, Liberia/Sierra Leone, Angola, Afghanistan before and during the Taliban regime, etc.) with little outside interference.

This stands in contrast to the refusal in the 1980s of the Soviet-Cuban-Nicaraguan to give the FMLN guerrillas in El Salvador surface-to-air missiles, or the U.S. government's insistence that the Contra rebels follow certain human rights norms necessary to keep aid from being cutoff.

And the situation is not getting better. By far the largest number of failed states—16 of 26—are in Africa. Most alarming is that the countries that serve as economic engines for entire regions—as well as holding strategic interest for the United States, were added to the list in the last report.⁷

III. Failed States vs. Criminal States and The Utility of Both

Terrorists, and in particular the Salafist/Wahhabi groups that pose a direct threat to U.S. national security interests, have made little secret of their ongoing use of ungoverned spaces for a variety of purposes.

Fouad Hussein, a radical Jordanian close to Abu Musab al-Zarqawi, the former leader of al Qaeda in Iraq, last year outlined the jihadist 20-year, six-phase plan for conquest of the West. The document, while perhaps unrealistic, makes it clear that the expansion of black holes or stateless areas is of utmost importance in the jihadist struggle.⁸ They will rely on the disruption of states and the conquest of territory to set their plans in motion. In these areas, as the Taliban and al Qaeda learned before, strategic, short-term alliances with a host of other non-Islamic non-state actors can yield significant benefits.

But not every territory or failed state is the same. There are important differences between the types of failed states that can be readily identified.

As a recent report by the Centre for Strategic Studies in The Hague stated, elaborated on the concept, noting that terrorists “seek out the soft spots, the weak seams of the Westphalian nation-state and the international order that it has created.

⁷ The most important are Nigeria and Cote d'Ivoire. While Nigeria has long been teetering on the edge of chaos, Cote d'Ivoire over the past several decades, had been an oasis of calm and stability in the volatile West African region.

⁸ Lawrence Wright, “The Master Plan: For the Theorists of Jihad, Al Qaeda is Just the Beginning,” *The New Yorker*, September 11, 2006.

Sometimes the territory's boundaries coincide with the entire territory of a state, as with Somalia, but mostly this is not the case. Traditional weak spots, like border areas are more likely. Terrorist organizations operate on the fringes of this Westphalian system, in the grey areas of territoriality."⁹ In order to help refine the discussion on terrorist sanctuaries, the authors propose looking at "Black Holes" that can be transnational in nature, rather than focusing on failed states. The report identifies 41 "black holes" in the non-Western world. Most involve at least two countries, often more.

This concept is correct, but incomplete. One important difference that studies like this do not make is the distinction between nations where the state has little or no power in certain areas that may overlap into other states, and states where the state in fact has a virtual monopoly on power and the use of force, but turns the state into a functioning criminal enterprise for the benefit of a small elite. A third variation is when a functioning state essentially turns over or franchises out part of its territory to non-state groups to carry out their own agenda with the blessing and protection of the central government or a regional power.

Many parts of Colombia, along with Somalia and the Tri-Border Area in South America fit the first category and could be considered "black holes." These areas serve as safe havens where non-state actors (the FARC; drug trafficking organizations: black marketers in pirated software, DVDs and CDs; Hezbollah; Hamas) can operate with little fear of reprisals from the state. These areas also are useful for on-the-ground training (see the IRA training of the FARC rebels or the Yair Klein/Israeli training of the Medellin cartel).

Afghanistan under the Taliban and Liberia under Charles Taylor are examples of the second category. A quick look at Liberia (1997-2003) underscores the advantages of having access to a criminal state where the state itself is strong and, in areas of concern to the criminals or terrorists, quite efficient. Some of the same advantages, although not on the same scale, apply to opium growers and heroin traffickers in Afghanistan.

In Liberia, the state, while failing to meet the basic needs of its people and fulfilling virtual none of the traditional roles of states (defending national borders, providing basic education and health services, sanitation, garbage collection, mail delivery), had a virtual monopoly on power as well as control of the "honey pots." Under Taylor's direction, the extraction of timber, diamonds and gold were carried out with relative efficiency, but the benefits went to Taylor, his inner circle and those outsiders doing business with him.

While able to control points of entry and exit, the control was used to grant protection to terrorists and internationally-wanted criminals, who in turn were able to bring economic benefit to the Liberian elite. The groups whose operations Taylor sanctioned included al Qaeda, Hezbollah, Russian organized crime, Israeli organized crime, South African organized crime and Chinese (PRC) timber companies violating international timber laws.

Sudan, with its support of the janjaweed for ethnic cleansing, and Hezbollah with the support of Iran and Syria to carry out proxy military activities in Lebanon, Latin America, and elsewhere, are examples of the third category. States essentially franchise

⁹ Rem Korteweg and David Ehrhardt, "Terrorist Black Holes: A Study into Terrorist Sanctuaries and Governmental Weakness," Clingendael Centre for Strategic Studies, The Hague, November 2005, p. 22.

out to non-state actors the jobs they do not want to do or cannot do. This gives the non-state groups a range of operational freedom within the confines of the sphere of influence of their state sponsor. It also provides a financial mechanism for the control of areas that may be considered stateless but in reality fall under the control (at times contested) of non-state armed groups. All three types of can provide hospitable conditions for non-state armed groups to flourish, and all compose different legs of the pipeline, with specific strengths and weaknesses.

IV. The Pipelines

In order for the different components of this complex equation to function as a whole, each side must get what it wants in order to make it profitable enough to continue. For example, Charles Taylor in Liberia needed two things: weapons for his wars and a market for the diamonds and timber he was able to use to pay for the weapons and his taste for the finer things in life. The FARC needs to move cocaine to U.S. and European markets in order to obtain the money necessary to maintain its army of some 14,000 troops. In order to do that the FARC, with the help of traditional drug trafficking organizations, must move their product through Central America and Mexico to the United States—the same route used by those who want to move illegal aliens to the United States, and those who want to move bulk cash shipments, stolen cars and weapons from the United States southward.

All of these goods traverse the same territory, pass through the same gatekeepers and are often interchangeable along the way. A kilo of cocaine can be traded for a batch of AK-47 assault rifles before either of the goods reaches what would normally be its final destination.

Hezbollah-linked diamond dealers in West Africa and the DRC need to move their stones to European markets without paying taxes, and have access to the profits from Africa. This is often through large-scale money laundering operations that return the money to the merchant as merchandise, rather than as cash. In Africa, this includes medications whose shelf life has expired, as well as a host of other commodities.¹⁰

In order to fulfill the basic necessities that all sides involved in the illicit transactions require, pipelines allow goods to flow both ways—from source to market and payment (in cash or in kind) from the market to the source. The primary sources of vulnerability in the pipeline structure are where they intersect with the formal or state-controlled economies because, despite the flourishing of the informal economy, non-state actors still, at some point, are forced to intersect with the formal economy. Other vulnerabilities within the network can be identified if there is a significant degree of human intelligence capabilities. These types of intelligence penetration operations within the pipeline structure are often difficult to carry out because many of parts of the networks are made up of family members or members of the same ethnic group, making penetration of these groups extremely difficult.¹¹

¹⁰ For a more complete look at the use of trade diversion and other money laundering mechanisms that are trade based, see: Donald E. deKieffer, "Trade Diversion as a Fund-Raising and Money Laundering Technique of Terrorist Organizations," *Countering the Financing of Terrorism*, (Edited by Thomas J. Biersteker and Sue E. Eckert), Routledge New York, 2007.

¹¹ For example, as I have documented in *Blood From Stones: The Secret Financial Network of Terror*, (Broadway Books, 2004), the diamond smuggling operation that tied to Taylor, Hezbollah and al Qaeda was run by the Nassour clan. Most of the business dealings, including companies

The operations of Russian weapons trafficker Viktor Bout clearly illustrate how the pipelines work.¹² His operation in many ways mirrors the illegal nuclear smuggling operation of A.Q. Khan in Pakistan, who operated for decades before being shut down.¹³

Throughout most of his career (which is ongoing), Bout has flown weapons from the former Soviet bloc to war zones around the world, using the largest private air fleet in the world. The conflicts where he was involved include many sides in most of the wars in the past 15 years in sub-Saharan Africa; Afghanistan, where he armed both the Northern Alliance and the Taliban; Colombia, with the FARC. He had, in essence, easy access to a type of commodity for which there was a ready market. In exchange, he took commodities that were marketable for himself—diamonds, timber, coltan, and others. These commodities would have been difficult to market for the warlords who controlled them, so it was mutually beneficial.

But Bout was not limited to supplying only weapons. He had the capacity to double up his routes, particularly in Africa, to fly other cargo, licit and illicit, around the continent. He flew U.N. peacekeepers, frozen chicken, gladiolas, mining equipment and beef, often mixed in with the weapons, and sometimes on their own.

Bout is striking because he was able to operate efficiently in both truly failed states (parts of the DRC, Rwanda) and criminal states (Liberia), using each one not just as a market for his goods but for other specific purposes. These purposes are illustrative of how many of these organizations operate. True failed states or black holes offered both markets for his weapons and forms of payment the merchandise he delivered. His relationships with criminal states, as well as weak or corruptible states, is more complex.

First, Bout needed a criminal state that could provide internationally recognized aircraft registrations, but where his direct ownership of aircraft was not disclosed and where his aging aircraft did not have to undergo serious maintenance checks. He found this first in Liberia, where the aircraft registry was actually run by two of Taylor's acquaintances in Britain. No ownership needed to be declared and no inspections were necessary to obtain an Air Operations Certificate. Everything was done online.

It is interesting to note that when the United Nations, along with U.S. and European intelligence services began identifying his Liberian-registered aircraft, he moved his registration to Equatorial Guinea, which happened to be run by the same individuals that ran the Liberian registry. He eventually moved his registrations across Africa, to the Central African Republic, Swaziland, the DRC and elsewhere. All were convenient because of their lack of transparency and the ease of corruptibility of aviation authorities.

he controlled in the Europe, were run by the wives, cousins and second cousins of the Aziz Nassour family.

¹² For much more information of Viktor Bout and his arms trafficking empire see: Douglas Farah and Stephen Braun, *Merchant of Death: Money, Guns, Planes and the Man Who Makes War Possible*, Wiley, New York, 2007.

¹³ The most authoritative look at the Khan network I have found is: Adrian Levy and Catherine Scott-Clark, *Deception: Pakistan, the United States, and the Secret Trade in Nuclear Weapons*, Walker Press, 2007.

This need is closely linked to the need, in Bout's case, of having a secure place to physically keep his aircraft, someplace that is often different from the country the aircraft is registered in. Bout chose Sharjah, in the United Arab Emirates, and has operated there under government protection. There he was able to create a hub in a free trade zone that was well-known for its lax controls, while remaining close to Dubai, an international banking center, where he did his financial business. In Sharjah, his aircraft could load and unload freely and run virtually no risk of cargo or aircraft inspections.

It is noteworthy that Khan also chose the UAE as his hub of operations, and used Dubai as his financial center. In both cases it is important to note the UAE was one of only three countries (along with Saudi Arabia and Pakistan) to recognize the Taliban government in Afghanistan. Because of this, the UAE was an important financial hub and market for the Taliban and its sympathizers, including Osama bin Laden and al Qaeda.

The second thing Bout needed from a complicit state was the ability to enter and exit the country without fear of being stopped. Taylor provided this, as he provided a handpicked cadre of bodyguards to escort Bout when he was in the country and a villa at the Hotel Africa in Monrovia.

But Bout needed more than just security. He needed travel documents for his crews and his accomplices. These he obtained, including a diplomatic passport for one of his chief Africa money men. With the diplomatic passport the person in question, Sanjivan Ruprah, was able to travel internationally and avoid all customs and migration checks. Bout also obtained Liberian identification for his Russian crew members, many which were used during his days of working with the Taliban in Afghanistan. Bout also needed to be sure that his aircraft would not be required to show documentation for the flights, and that control towers would allow him to land unmolested. With Taylor's protection he was able to secure unfettered access to Robert's Field, Liberia's only airfield large enough to handle his aircraft.

The third thing Bout needed was access to weapons, which he was able to obtain through his contacts in the Russian military establishment, which extended into the former Soviet Union. Of particular use were Bulgaria and Moldova. He was greatly aided by the fact that, especially in the early years of operation, immediately following the fall of the Berlin Wall, many of the former Soviet arsenals were easy to penetrate because the guards were no longer being paid by the government and inventory stocks were not monitored.

Perhaps the most important items that Bout needed (as did A.O. Khan and other networks) were the government trappings that made the deals seem legitimate. This paper trail, when established, both facilitated illegal deals and provided the legal cover that makes the type of sales that Bout and Khan engaged in difficult to prosecute.

In Bout's case, the primary document he needed to obtain was an End User Certificate (EUC), the document that a government proffers to weapons sellers, promising the weapons, if acquired, will be used by the state's military forces and not resold. With this document in hand, virtually any large-scale weapons dealer or country could "legally" sell the weapons, which Bout would then transport. Even if the Certificates were forged, as they often were, the country or company selling the weapons is not liable in the transaction.

There are other points of intersection networks have with states or state-run institutions, particularly banks that offer windows into how the groups operate. One of the great unknowns, in my mind, in the field of radical Islamist terrorism, is the role and function of the major Islamic banking structures in the movement of money both for the spread of ideology and specific support for armed groups. Because these financial conglomerates operate outside of Western banking and financial regulations and at times seemed deliberately designed to impede transparency, this remains a topic for much greater study.

V. Dealing With Possible Vulnerabilities and Choke Points

In the absence of most human intelligence gathering capabilities on the ground in stateless regions, the greatest possibilities to create choke points in the criminal/terrorist networks is in the areas where they intersect with the states. While creating an international framework to comprehensively address these vulnerabilities is unrealistic in the short-term, there are several things that can be done on a unilateral level or informally on a multilateral level that would have some immediate impact.

The first is to identify the areas of greatest vulnerability for non-state actors to intersect with the more formal system. These include free trade zones, from Panama to Sharjah; offshore banking havens; non-transparent shipping and aircraft registries, non-transparent company registries or registries that require virtually no information to be listed; and countries with large surpluses of weapons.

It is also fair to assume that criminal/terrorist pipelines will operate where their ability to circumvent the state brings the highest financial reward. This means they will operate in areas where the illicit activity is an available option. Viktor Bout made significant amounts of money by breaking U.N. arms embargoes in Africa and for the Taliban. He thrived because he had few competitors who were willing to operate in the conditions he was willing to operate in, and there was a demand for his products. Drug cartels and people traffickers operate where there is market for their services. There is far less criminal activity associated with trafficking people into Surinam because few people want to go there. However, there is high criminal activity around trafficking people into the United States, a destination many people seek. With a more comprehensive map in hand, one can begin to look for the anomalies that can be used to identify network operations.

These include the registration of numerous companies to the same person and family, including businesses that report no activity for extended periods of time. In the case of the Hezbollah and al Qaeda diamond dealings in West Africa, the groups used a company called ASA Diam for its transactions. ASA Diam was run by a family member of the main person brokering the deals, and was part of a constellation of several dozen companies registered in Antwerp, Belgium. ASA Diam did no business for the three years prior to the diamond transactions from late 2000 through the summer of 2001. During approximately nine months, the company turned over almost \$70million through its accounts, before ceasing operations again.¹⁴

This pattern of maintaining numerous companies with the same ownership or inter-related ownerships that operate only in brief bursts, is seen also with the Bout and Khan structures. Bout is able to change his aircraft company names quickly because he

¹⁴ See, Farah, *Blood From Stones*, op cit.

has many names already on the shelf. His brother Sergei is on numerous company boards, as are a handful of other Russian partners and associates. The companies often use the same address and phone/fax numbers, or occupy offices that are contiguous. This is a vulnerability that is difficult for those in the criminal and terrorist networks to overcome because they need control of the companies, and often do not or cannot trust outsiders. Khan ran several similar operations based in Dubai to purchase and ship nuclear equipment.

Another frequent anomaly is commonly found in all kinds of criminal activities—the existence of large amounts of surplus cash in the accounts of individuals who make meager salaries. An extensive internal bank investigation in UAE found that several people in Bout’s employ, making perhaps \$700 a month, had bank accounts that moved hundreds of thousands of dollars a year.

Registries (corporate, shipping or company) are valuable sources of information, when they are available. The more transparent the registry procedure, the less likely it is that the networks will seek to use it. Because of this, the more obscure registries are often preferred.

For example, many leaders of the Muslim Brotherhood (Yousef Nada, Idriss Nasreddin), as well as the Bin Laden family, have maintained dozens of companies in Panama.¹⁵ Many changed ownership, at least on paper, following the 9-11 attacks, making it impossible to know the true ownership structures at this point because Panama allows bearer shares and lawyers can register the companies and serve on the boards without disclosing the true ownership structure. There are dozens of havens around the world that offer this service, including Liberia, where the bin Laden family also has maintained companies.¹⁶

Several designated terrorist financial entities, such as Bank al Taqwa and Akida Bank, operated out of Nassau, Bahamas, where record keeping is notoriously weak. Dar al Maal al Islami (DMI) Trust, one of the largest Islamic banking structures, now under criminal investigation in Boston, has several of its main subsidiaries in Nassau, as well.¹⁷ As is often the case with Islamic financial groups, DMI Trust has created such a dense web of cross ownership with its subsidiaries that it is almost impossible, without insider knowledge, to decipher the flow of assets and resources.¹⁸ What does hold true is that almost all of the multiple DMI Trust-related companies are managed and controlled by the same small group of people in a manner that is less than transparent.

The most effective way of creating choke points is to recognize and act on these intersections between the licit structures and illicit pipelines. In many cases it is the banking and registry intersections that offer the clearest chance monitor, and possibly

¹⁵ The NEFA Foundation has obtained many of these corporate registry records and has them on file.

¹⁶ The NEFA Foundation has not been able to obtain these documents but knows of their existence from numerous reliable sources.

¹⁷ Glenn Simpson, “Terror Inquiry Turns to Tax Law,” *The Wall Street Journal*, January 31, 2007, p. A3.

¹⁸ The NEFA Foundation has documented and written extensively on this ownership structure, as well as the overlap between the DMI structure and the al Taqwa structures through the Hanna family.

disrupt the pipelines. In other cases it is in the paper trail that is created. All require the cooperation of one or more countries outside our borders.

For example, a vulnerable point in Bout's transactions were his use of EUCs. With minimal effort the companies providing the weapons for his network to move to Africa could have ascertained that the EUCs were falsified. In one case documented by a United Nations investigative team, Bout's aircraft flew 37 flights from Burgos, Bulgaria, to the West African nation of Togo. The weapons were then transshipped to UNITA rebels in Angola.

What was easily ascertainable, by a simple Google search, was that the Togolese defense minister who allegedly signed the EUCs used for the transactions had been out of office for two years. It would also have been easy to spot the potential for illicit sales by knowing that Togo has a military of 1,500 people and, as a former French colony, received all its weapons from France. The logic of supplying tens of thousands of Soviet-bloc AK-47 assault rifles and millions of rounds of ammunition, in this situation, should have raised some eyebrows.

Having a mechanism for spotting and analyzing that type of transaction before or as it happened would have enabled the Bulgarian government, had it chosen to, to stop the shipments after a simple telephone call to Togo confirmed the counterfeit nature of the shipments. It may also have established a criminal predicate for sanctioning Bout's activities as well as those of his suppliers.

Yet there is no sanction for the negligence, either for the Togolese government for allowing an official EUC to be stolen and forged, or for the Bulgarian company. The Bulgarians claimed, correctly, that they had no legal obligation to verify the validity of the EUC as long as an EUC was produced. The government of Togo simply expressed dismay that a document could be forged. Because everyone was complicit, no one could be held accountable.

Establishing transparency in weapons purchases, especially in countries in close proximity to war zones where one or more sides is under international sanction, is crucial to forcing the pipeline to stop and redirect. Identifying these areas and working with the governments to cut off the flow of weapons will decrease the pipelines' operational efficiency, and perhaps will ultimately force it to redirect.

Working with the banking and registry officials in countries that present specific vulnerabilities, as outlined above, attacks another weak point in the pipelines. Identifying and following or slowing suspicious financial transactions can also deprive the criminal pipelines of their main reason for existence and their alliance with terrorist groups-economic benefit. Working with aviation (or shipping) officials in vulnerable countries to update, modernize and become transparent would remove some of the most obvious and easiest places where these pipelines operate.

Conclusions

There is a growing alliance between criminal and terrorist networks, and an increasing reliance on many of the same pipelines or informal, illicit architecture, to move money, weapons, individuals and goods. This growth is particularly noticeable in failed states or stateless regions of the world. The growth often occurs around "honey pot" conflicts that have replaced ideological wars since the end of the Cold War.

The identifiable weaknesses or choke points in these criminal/terrorist pipelines, in the absence of significant human intelligence capabilities in these areas, occur when the pipelines intersect with the licit economy or state structures. There are metrics or identifiers that can help define and prioritize areas that are most vulnerable and where resources and efforts can be targeted. This targeting, as shown by the decades of the counter-drug struggle, will not shut the pipeline down, but can make it significantly less efficient and lethal.

Unilateral, bilateral, and multilateral efforts, many with relatively low political costs, can be made to narrow the choke points and force those using the pipeline to adapt, pay a higher cost and become less efficient. This requires both a better understanding of the criminal/terrorist networks, its operations and the willingness to focus resources this multi-headed phenomenon.