

Terrorist Financing & Money Laundering Through Cigarettes

The Danger

- The litany of ongoing provocations by groups such as Al-Shabaab ISIL for lone wolf attacks within Western democracies showcase the need for vigilance within our security forces. In particular, the revenue streams used to fund networks and attacks should be a primary concern; limiting revenue to these individuals and cells is key to reducing the impact and damage they can achieve through terrorists acts.
- Ongoing enforcement and action within Canada to stem the flow of finances to terrorists, has been successful in allowing for seizure of funds and identification of end accounts. It is now riskier for terrorists to rely on lawful financial transactions and holdings, so they are increasingly engaging in riskier illegal money laundering, especially over international borders.
- As a result of increased risk of using fiscal systems, organized criminals and terrorists have adapted their methods for shuffling their money across international borders.

The Method / Vehicle

- One of the best vehicles for both money laundering and financing of terrorist rings are cigarettes.

- Cigarettes are the most widely smuggled legal good worldwide with contraband focused on developed western democracies where taxation is highest. As a result, it provides an ideal and ripe target for terrorists to exploit.
- This is because it is easily sold into the general marketplace (20%+ of any population), high value and compact size, consumable (it leaves no trail of readily traceable long-term evidence) and heavily taxed
- As the excise taxation in Canada is in the range of 70% of the fair market cost, it presents numerous opportunities and benefits to the prospective smuggler.
- By avoiding taxes, the smuggled/contraband goods can be sold with tremendous profits at a price that is significantly lower than the legitimate product to the end customer, providing an incentive for them to participate in the scheme.
- The terrorist financier is able to charge the equivalent of some taxes increasing their overall profits and benefits from defrauding the government and hurting its coffers, thereby doubling the damage done.

The Proof

- There is a long history of proven connections between terrorists and cigarette-related activity including smuggling, contraband and counterfeiting.
- The following five case illustrate the threat presented by cigarette-based terrorist financing to Canada's national security and global interests.
- *Case #1 "Mr. Marlboro"*: Mokhtar Belmokhtar was a military commander of Violent Extremist Organizations (VEOs) including Al-Qaeda in the Maghreb before he founded his own more radical organization Al-Mulathameen ("Masked") Brigade, the group behind the 2013 terrorist assault upon the Tigantourine gas facility in Algeria. In 2008, he kidnaped and held Canadian diplomats Robert Fowler and Louis Guay for 130 days. He is also known as Mr. Marlboro for his dependence and frequent use of cigarette smuggling into Europe to fund his terrorists attacks.
- *Case #2 ISIL*: ISIL has publicly burned shipments of cigarettes to enforce Sharia (smoking is prohibited) but continues to profit from smuggling the product into and through Iraq, Syria and Turkey through the porous border. ISIL is well known to control the smuggling routes in their territory that are key to smuggling oil, cigarettes and other profitable goods that, by all public estimates, constitute the majority of their revenue. The product and profit not only support ISIL and their organized crime network, but other Al-Qaeda affiliates and foreign fighters drawn to the region.

- *Case #3 World Trade Center Attacks – Al-Qaeda:* The first World Trade Center bombing in 1993 was partially funded through cigarette fraud in New York. Financing of the 2001 attack is also through to have contraband links, although more tenuous ones.

Case #4 Operation Tobacco Road - Hezbollah: Sixteen persons were arrested in the 2013 operation dubbed 'Tobacco Road.' Through smuggling, NYC lost \$80M and the group made at least \$22M. Only a fraction was recovered with significant evidence that at least some money was remitted to Hezbollah as well as funding operations of terrorist mastermind Sheik Omar Abdel-Rahman the "One Eyed Sheik."

- *Case #5 Operation Smoke Screen - Hezbollah:* Similar but less sophisticated to the later 'Tobacco Road', Operation Smoke Screen that took place between 1995 and 2002 also had links to Hezbollah. Canada is thoughts to have been used as the financial intermediary for the illicit funding before it was sent to Lebanon.

Conclusion

While often taboo and overlooked in light of tax revenues and health impacts, proper recognition and focus on Tobacco products as a vehicle both for funding terrorists activities and money laundering should be undertaken.

With lone wolfs on our collective radar, cigarettes could pose a viable method by small or large rings to defrauding the government while simultaneously fund potentially catastrophic terrorist activity on us, our allies or our interests.