

“Financing Revolution, Subversion, and Terror – How Armed Non-State Actors Fundraise”

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Abstract While some armed non-state actors (ANSAs) are confined to a limited territory of influence, others permeate the globe, infiltrating foreign markets and societies. Across a spectrum of operations, militarized groups require funding in order to function. Considering the variety of sources for cash flow, and reasons to expand lucrative activity, (1) *what factors determine whether armed non-state actors diversify their funding and* (2) *what sources will they pursue?* Though some groups penetrate and even monopolize one basis of income, others diversify their financial portfolios, gaining revenue from a number of sources, including external support, natural resources, narco-trafficking, or extortion. This study uses data from a variety sources, including statistics from the Global Terrorism Database, the Institute for Economics and Peace, and various Intelligence Agencies and International Governmental Organizations. It is expected that diversity of funding will be heavily influenced by 1) *geographic considerations (namely access to natural, in-demand, lucrative resources)* and 2) *external support (dictated by ideological, political, and religious alignments)*. Findings from this study show a relationship between territorial control and funding diversity, whereby the least and most diverse groups have less territory, while those with the greatest control are situated in the middle-ground of diversity. This study hopes to analyze the determinants of ANSA funding and answer *why, where, and how* they are funded, whereby states (or other non-state actors) can develop relevant security policies and improve strategies – whether that be through negotiation, sanctions against host states, or armed conflict.^{†††}

Introduction

Money is the lubricant to any political or military machine, and effective fundraising is integral to an organization's ability to operate. This is particularly true for sub-state armed groups, who are sometimes forced to find creative sources of funding. For sub-state groups that are militarized, weapons, recruitment, and military training inherently enlarge the organization's

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budget. Money is the so-called ‘lifeblood’ for armed non-state actors¹ and “significant influence often accrues to individuals who prove to be particularly talented at obtaining financial resources”.² As with any market, options are varied and sources of income are vast—so, given the plethora of options, why do some actors pick certain paths while others choose differently? Are all ‘menus’ the same, or do available choices vary from group to group? What causes this variance? If different actors possess different options, are these options pre-determined by geographic or political factors, or are they reflections of authentic choice? Assuming choice *is* present, what do organizations take into consideration, and how might the diversity of their funding reflect on the lifespan of the group?

Understanding the diversity of funding for armed non-state actors can help states (or other non-state actors) develop policies and improve strategies in dealing with sub-state militant groups—by way of negotiations, sanctions against host states and industries, or armed engagement. Conflict between states and non-state actors, as well as between non-state actors themselves, is becoming increasingly frequent. Irregular warfare—“conflicts that involve non-state armed groups”³—is to become the primary mode of fighting in the future, with urban areas in littoral zones as the main battlegrounds.⁴ The increasing relevance of armed non-state actors in contemporary and future conflict makes the study of their infrastructures particularly important in the field of political science, conflict studies, and international relations.

Though academic work on armed non-state actor financing is available, the data is dispersed across qualitative literature, and is often broad, therefore overlooking the uniqueness of

¹ Michael Freeman, “The Sources of Terrorist Financing: Theory and Typology,” *Studies in Conflict & Terrorism* 34, no. 6 (June 2011): 461, <https://doi.org/10.1080/1057610X.2011.571193>.

² Michael Johnsson and Svante Cornell, “Countering Terrorist Financing - Lessons from Europe Conflict & Security,” *Georgetown Journal of International Affairs* 8 (2007): 72.

³ David Kilcullen, *Out of the Mountains: The Coming Age of the Urban Guerrilla* (Oxford University Press, 2013), 102.

⁴ *Ibid.*, 24–25; 103.

and variance among organizations. This study provides insight into the funding of armed non-state actors across geography and ideology, and inspects the factors that contribute to the diversification of their financial portfolios. It further evaluates the funding paths of militant organizations, as facilitated by opportunity or carved out deliberately to build intricate business networks.

In order to effectively dissect the financial portfolio diversity of armed non-state actors, I define key terms and paradigms relevant to the framework of the study. I then establish a hypothesis and theory as to *why*, *where*, and *how* militant organizations are funded and what factors are thought to play the greatest role in influencing a group's diversity. Following the postulations will be a thorough breakdown of relevant variables: 'Sources of Funding' and 'Actors'. Methodology will be addressed, including an explanation of the multi-variable scale used to create a 'Diversity Score' to measure inter-group variation. I evaluate several case studies—some to demonstrate key themes in organization funding diversity, others to highlight outliers and raise important questions. Organizations used for elaboration are chosen from the low, middle, and high regions of financial portfolio diversity. Finally, I formulate conclusions, speculate on policy implications, and propose extensions for further research on the topic. I address the influence on funding diversity in regards to natural resources, varied fundraising, and external support; I evaluate trends, anomalies, and other impacting circumstances in the context of potential policy decision in a world where armed non-state actors are prevalent and increasingly influence the arena of international relations.⁵

⁵ Diane E. Davis, "Non-State Armed Actors, New Imagined Communities, and Shifting Patterns of Sovereignty and Insecurity in the Modern World," *Contemporary Security Policy* 30, no. 2 (August 1, 2009): 223, <https://doi.org/10.1080/13523260903059757>.

Definitions and Parameters

Armed non-state actors, henceforth referenced by their acronym ‘ANSAs’, are “any identifiable group that uses armed methods, and is not within the formal structure of a recognized state”.⁶ The pursuit of power is a principal driver for ANSAs, though this does not necessarily mean *absolute* or *total* power. These groups can act as both *spoilers* and *partners*, insomuch that they are not inherently opposed to a peaceful solution to conflict. While ‘spoilers’ see peace as a threat to their power, ‘partners’ typically have political goals that can be achieved through negotiation. For the latter in particular, violence is a means of achieving political goals, but is not necessarily the “strategy of choice”.⁷ “An ANSA uses violence as a means—though not necessarily the exclusive or primary means—to contest political power with governments, foreign powers, and/or other non-state actors.”⁸ Traditionally, ANSAs that resort to violence in order to achieve political goals are dubbed ‘terrorist organizations’ by state governments and International Governmental Organizations (IGOs). Though this term has its utility, it can be limiting and highly politicized, regardless of its circumstantial accuracy. Many terrorist organizations are ‘spoilers’ in that their ideologies are inherently incompatible with the worldview of most modern states, and peaceful negotiation is therefore limited or impossible as the actor may not seek it as an end-goal. However, many modern groups who are considered to be terrorist organizations by the United States and European Union have separatist, nationalistic, and political goals that, in theory, can be achieved through negotiated settlement. Though cliché, the adage ‘one man’s terrorist is another man’s freedom fighter’ is important to keep in mind when striving for academic objectivity. In this sense, ‘terrorist’ is both broad and subjective, therefore this study will avoid the classification

⁶ James W. Moore, “Understanding Armed Non-State Actors (ANSAs),” Technical Memorandum (Toronto, Canada: Defence R&D Canada, September 2013), 10. [See: Moser-Puangsuwan 2007].

⁷ *Ibid.*, 4.

⁸ *Ibid.*, 11.

outside of contextualizing the status of ANSAs (as they are perceived) in relation to other non-state actors or states.

Sociologist and political economist Max Weber notes that a *state* “(successfully) claims the monopoly of the legitimate use of physical force within a given territory”, while a non-state conversely does not control these institutions.”⁹ The state remains the ‘sole source’ of the ‘right’ to use force, though may choose to delegate this ‘right’ to other organizations for political reasons. “Consistent with this conceptualization, *state actor*... refers to the group or groups that control the amalgam of power institutions....”¹⁰ Organizational structure is necessary to define an ANSA, whether that structure be ‘decentralized networks’ or ‘centralized hierarchies’. Shifts to ‘lone wolf’ operators who work under the banner of an ANSA call into question the necessity of a “basic command structure”.¹¹ However, for the purposes of this study, ANSAs will be understood to have at least minimal levels of organization and structural command; there are instances where broad allegiances exist, but the organizations are fundamentally different. For example, motivated by Salafi-Jihadi ideology and united under an Al-Qaeda flag, groups such as Al-Nusra Front, Al-Shabab, Boko Haram (before aligning with the Islamic State), Al-Qaeda in the Arabian Peninsula (AQAP), and many more, pledged their allegiance to the same mother organization. In such cases, though the umbrella organization may be uniform, and the fundamental goals may be shared, the foundational chains of command and the means or resources by which goals are achieved¹² can vastly differ. Thus, groups of this nature (of which several are included in this study), will be analyzed separately—the links in ideology and funding will be recognized, but the unique nature

⁹ Ibid., 9. [See: Weber 1946].

¹⁰ Ibid.

¹¹ Ibid., 10.

¹² Avi Melamed, *Inside the Middle East: Making Sense of the Most Dangerous and Complicated Region on Earth* (Skyhorse Publishing, 2016), 128–29.

of each organization will also be independently evaluated.

In understanding the organization of a group, it is similarly important to distinguish between group types: *planned* groups and *emergent* groups.

A *planned group* is one deliberately formed by its members or an external authority and includes traditional, vertically-structured organizations in which the hierarchical relationships among the constituent elements are formally or institutionally ordered, as well as horizontal networks in which autonomous cells loosely synchronize their actions with other cells on a more or less ad hoc basis. An *emergent group*, on the other hand, is a collection of individuals who come together spontaneously to act without prior arrangement. In this respect, then, an ANSA should be regarded as a planned as opposed to an emergent group. A rioting crowd is not an ANSA, though members of an ANSA may participate in or, indeed, actively encourage the emergence of such a violent gathering.¹³

Understanding the distinction between ‘planned’ and ‘emergent’ groups is essential when considering the changing trends of warfare, and is necessary to realizing the nuance of the environments in which many ANSAs operate. This is relevant to both warfare and to this study of determining whether distinctive groups contribute differently to the financial viability of the militant organizations.¹⁴

Hypotheses and Theory

There are many elements to consider in analyzing the relationship between ANSAs and their sources of funding. Organizations may simply pursue sources most readily available to them, geographically or politically, and though some sources are more accessible than others, some also may be converse to the group’s goals. Where do ANSAs draw the line in deciding when the cost of pursuing a source of funding outweighs the benefit? If money allows for operation, and operation furthers ideological or political goals, does the pursuit of secure, diverse funding become

¹³ Moore, “Understanding Armed Non-State Actors (ANSAs),” 8–9. [See Forsyth 2006].

¹⁴ Kilcullen, *Out of the Mountains*, 113.

the true *raison d'être* of every successful armed non-state actor? In asking these questions, I expect the following:

Natural resources are an intuitively lucrative source of income. Those like fossil fuels, which are in ample supply and high demand, only reinforce this notion of profitability. Controlling large amounts of territory also presents opportunities for fundraising. Not only does land provide organizations with more natural resources, it also encompasses populations from whom money can be extracted, by means of taxation or otherwise.¹⁵ While there are increased costs associated with the control of larger amounts of geographical territory, the benefits of access to funds likely outweigh those costs. It is expected that ANSAs who control expansive, populated, resource-rich territory will be satisfied with fewer, but more lucrative and reliable, sources of income, and therefore will not diversify their funding. Conversely, militant organizations without access to such geographic advantages will be inclined to diversify portfolios of funding to compensate for the lack of secure foundations associated with territorial control.

Hypothesis 1: Geographic considerations (namely access to natural, in-demand, lucrative resources) will have notable effect on the diversity of a group's funding. Specifically, among ANSAs, the more access to natural resources and territorial control, the less diversely-funded a group will be.

External support, like natural resources, is a highly lucrative source of income. Unlike natural resources, outside patronage is not geographically limited and is (potentially) inexhaustible. Different actors fund ANSAs for different reasons. States most often fund out of political consideration. Though they seek alignment with their ideological or religious principles, political goals are usually the primary forethought. External funding also comes in the form of

¹⁵ David L. DeAtley, "Illicit Drug Funding: The Surprising Systemic Similarities Between the FARC and the Taliban," *United States Army Command and General Staff College*, 2010, 16–21.

non-state donors, such as wealthy individuals and organizations.¹⁶ Ideological, religious, and political consideration all contribute to the external sponsorship of organizations, and so ANSAs with more favorable or popular causes will receive stronger outside financial support. Furthermore, the more external support a militant group receives, the less motivated they will be to procure funds elsewhere, thereby limiting their source diversity. On the contrary, ANSAs who do not receive notable external support will be more diversified in order to compensate for the lack of substantial funding that comes with outside money.

Hypothesis 2: Ideological, religious and political alignments will have notable effect on the diversity of a group's funding. Specifically, ANSAs that are more 'aligned', or champion more popular causes, will have greater access to outside funding and therefore be less diverse in their portfolio.

Methodology

The actors analyzed in this study were chosen with several considerations in mind, namely access to information. Due to the policy implications that accompany a thorough understanding of ANSA funding sources, organizations benefit from a lack of transparency and thus have motive to hide their monetary networks. The data regarding the finances of militant organizations is either scarce, classified, or non-existent, thus discouraging the use of random sampling. It was ultimately decided that handpicked ANSAs, representative of many group types and with available data, was the more promising method, as the availability of information regarding financial diversity was not guaranteed and thus bore little fruit in terms of research potential. Along with more plentiful resources of information, the ANSAs chosen are highly relevant to contemporary conflict policy,

¹⁶ Navin A. Bapat, "Understanding State Sponsorship of Militant Groups," *British Journal of Political Science* 42, no. 1 (January 2012): 3–4, <https://doi.org/10.1017/S000712341100007X>; David B. Carter, "A Blessing or a Curse? State Support for Terrorist Groups," *International Organization* 66, no. 01 (January 2012): 129–51, <https://doi.org/10.1017/S0020818311000312>; Freeman, "The Sources of Terrorist Financing," 465–71; Eran Zohar, "A New Typology of Contemporary Armed Non-State-Actors: Interpreting The Diversity," *Studies in Conflict & Terrorism* 39, no. 5 (September 2015): 439–40, <https://doi.org/10.1080/1057610X.2015.1099996>.

and are representative of a spectrum of active or recently disbanded groups with global influence, political aspirations, and popular support. They range from separatist groups with ambitions of independent statehood, to groups that accept power-sharing agreements within existing states, to groups who lack significant political aspiration but who have powerful ideological motivations. A variety of factors can be used to compare and contrast these groups: religion, ideology, political aims, geography, network structure, relationships with host states, and competition with other ANSAs.

As precise figures can be hard to find, this study uses ranges and estimates to evaluate the sums of capital procured by ANSAs. In some cases, no figures were available—only the emphasis of how a group’s funding was diverse. Using a multitude of sources, this study categorizes *Primary Funding Sources*, *Secondary Funding Sources*, and *Partial Funding Sources*. The scarce statistics disallow each category to have a specific range of values or percentages. Rather, an assessment is made based on the reliance each group has on that particular source of funding and the general extent to which they use it to sustain operations. While one group may procure hundreds of millions of dollars from one source, another may acquire a fraction of that and still claim it as a primary source of funding; this is true across variables and within the same source. This study addresses figures and comparisons of cash-flow qualitatively, and focuses on the diversity of funding, rather than the amounts fundraised.

For this study, thirteen ANSAs were chosen and evaluated on their relationship with seven different sources of income. A ‘Diversity Score’ was created for each ANSA, based on the level at which that organization engaged in activity associated with the source of funding. The purpose of this scale is not to overcomplicate, but rather to capture the complexity of funding sources. In the table, an ANSA’s ‘Primary Funding Source’ is denoted with a solid dot, and receives a point-

value of 1.00; ‘Secondary Funding Source’ is denoted with a hollow dot, and receives a point-value of 0.50; ‘Partial Source of Funding’ is denoted with a dash, and receives a point-value of 0.25. Each group can have multiple primary, secondary, and partial sources, determined by the level an organization utilizes the source over its lifetime. (However, an ANSA may engage in one source primarily at a time when their other sources are insufficient or inaccessible.) Though groups *can* utilize multiple primary, secondary, or partial sources concurrently, the variation over time helps to explain organizations with several primary and secondary sources. As an example, facilitating the passage of drugs by one group does not compare to the full-scale cultivation and export of narcotics undertaken by another (neither in scale, practice, or importance to the group). Equating the two lack the nuance necessary to express the diversity among groups. Whereas some ANSAs use a specific source as their primary means of fundraising, others simply use it to supplement their portfolio.

Variables of Diversity: Sources of Funding

Three categories cover what many consider to be ‘natural resources’. With little exception, these categories are directly tied to the geography in which the group operates. For decades, academics have studied the relationship between natural resources and conflict, giving particular interest to the effect of natural resources on the onset and prolongation of civil war.¹⁷ To some extent, given the environmental conditions (land, soil, water) related to the production process, narcotics production can act as a natural resource for many ANSAs. This need not be the case exclusively however, in that not all natural resources are profited from by means of production or extraction—some are lucrative by means of transport or facilitation alone. However, in this event,

¹⁷ Michael Ross, “A Closer Look at Oil, Diamonds, and Civil War,” *Annual Review of Political Science* 9, no. 1 (2006): 265–300, <https://doi.org/10.1146/annurev.polisci.9.081304.161338>.

they are not a natural resource as their ties to geography and land control are less concrete.

Fossil Fuels principally refers to oil and gas, but coal, charcoal, and other non-renewables fall into this category. Like fossil fuels, *Conflict Minerals and Other Natural Resources* have much to do with geography and the extent of territory an organization controls or, at the very least, can influence. In traditional literature on the subject, fossil fuels (such as oil, gas, coal), conflict minerals (such as diamonds, rubies, tungsten), and other natural resources (such as timber and lucrative non-narcotic crops) are analyzed under the same umbrella of study.¹⁸ While this report does not contest such a method of analysis, it goes further by both circumstantially including *Narco-Trafficking* in the ‘Natural Resource’ paradigm, and by separating ‘Fossil Fuels’ from ‘Conflict Minerals and Other Natural Resources’ and from ‘Narco-Trafficking’. This achieves a holistic view of geographically-tied funding sources and adds a more nuanced view of their uniqueness. Studies have shown an overwhelming linkage between natural resources and conflict longevity, as well as it being an impetus for conflict. This is attributed to political instability and separatist inclinations with plentiful evidence that ties together economics and funding for ANSAs.¹⁹ Under this lens, these variations of natural resource are essential to the dissection of funding sources for ANSAs, as they are inexorably linked to the conflicts in which they engage.

Similar links to conflict outbreak and sustainability exist regarding ‘Narco-Trafficking’.²⁰

Like fossil fuels and conflict minerals, much research has been done regarding the use of narco-

¹⁸ Philippe Le Billon, “The Political Ecology of War: Natural Resources and Armed Conflicts,” *Political Geography* 20, no. 5 (June 1, 2001): 561–84, [https://doi.org/10.1016/S0962-6298\(01\)00015-4](https://doi.org/10.1016/S0962-6298(01)00015-4); Halvard Buhaug, Scott Gates, and Päivi Lujala, “Geography, Rebel Capability, and the Duration of Civil Conflict,” *Journal of Conflict Resolution* 53, no. 4 (August 1, 2009): 544–69, <https://doi.org/10.1177/0022002709336457>; Päivi Lujala, “The Spoils of Nature: Armed Civil Conflict and Rebel Access to Natural Resources,” *Journal of Peace Research* 47, no. 1 (January 1, 2010): 15–28, <https://doi.org/10.1177/0022343309350015>; Ross, “A Closer Look at Oil, Diamonds, and Civil War.”

¹⁹ Buhaug, Gates, and Lujala, “Geography, Rebel Capability, and the Duration of Civil Conflict”; Le Billon, “The Political Ecology of War”; Lujala, “The Spoils of Nature”; Ross, “A Closer Look at Oil, Diamonds, and Civil War.”

²⁰ Scott Gates and David Lektzian, “Drugs, Governance and Civil Conflict,” *Center for the Study of Civil Wars (CSCW)*, PRIO, Norwegian University of Science and Technology, May 2005.

trafficking as a means of financial sustenance for ANSAs.²¹ Clashes over growing territory can lead to armed conflict, and the funds from trafficking can affect the longevity and intensity of this conflict—providing salaries, weapons, and methods of bureaucratic subversion. While all funds share the ability to perpetuate conflict, notable distinctions exist between the trade of illicit drugs and other natural resources. Globally, states seek to import products—fossil fuels, minerals, gems, precious metals—that are highly sought after and, more importantly, considered legitimate market items. Although verifying the source of these commodities is a challenge in its own right, it is different than narcotics that are indiscriminately considered to be contraband. This becomes significant when considering the networks that must develop so narco-traffickers can profit from their product, from its production to its sale.²² This product is most often cocaine or marijuana in Latin America, whereas in the Middle East and Asia it takes the form of hashish and opium, respectively.²³ While some oversee the process from start to finish, others limit their involvement for logistic or ideological reasons.²⁴

The universal illegality of drugs presents a unique set of challenges for those seeking to profit from them. Since their contraband status makes them the popular target of state agencies, profits are more likely to be lost due to confiscation, and extra efforts must be made in production and transportation. However, the illegal nature of drugs makes them highly lucrative: pound for pound, illicit drugs are among the most expensive products on the market, with a steady

²¹ Freeman, “The Sources of Terrorist Financing”; Gates and Lektzian, “Drugs, Governance and Civil Conflict”; Faye V. Harrison, “Drug Trafficking in World Capitalism: A Perspective on Jamaican Posses in the U.S.,” *Social Justice* 16, no. 4 (38) (1989): 115–31; Josh Meyer, “The Secret Backstory of How Obama Let Hezbollah Off the Hook,” *POLITICO*, December 2017, <https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>.

²² Gates and Lektzian, “Drugs, Governance and Civil Conflict,” 7–10; UNODC, “The Drug Problem and Organized Crime, Illicit Financial Flows, Corruption, and Terrorism” (United Nations Office of Drug and Crime (UNODC), May 2017), 18–22; 35–37.

²³ Harrison, “Drug Trafficking in World Capitalism,” 117–19.

²⁴ Institute for Economics and Peace, “Global Terrorism Index” (Institute for Economics and Peace, 2016), 54; Johnsson and Cornell, “Countering Terrorist Financing - Lessons from Europe Conflict & Security,” 70; Freeman, “The Sources of Terrorist Financing,” 468.

international demand. Narco-trafficking is among the greatest revenue sources for ANSAs, profited from by many groups, indiscriminate of organizational structure or ideology.²⁵

In practice, the trafficking of human beings and animals is structured similarly to that of narco-trafficking in its movement of illegal imports across international borders. However, the practice of human trafficking, which can range from sex slavery to bondage to labor, is neither as widespread nor as lucrative as narco-trafficking. Even with the links between *Human and Animal Trafficking* and narcotics (usually through the use of drug mules), the levels of policy concern by states are not equal. “Human smuggling is the facilitation, transportation, attempted transportation or illegal entry of a person(s) across an international border...” and “Generally, human smuggling occurs with the consent of person(s) being smuggled.”²⁶ This practice can range from sex slavery, bondage and labor, illegal immigration, or livestock fraud. Whereas the smuggling of drugs is widely accepted as a criminal problem, and as one evoking national security concerns, human trafficking is often viewed in terms of social justice and human rights.²⁷ In recent years, the presence of human trafficking has increased in popularity among ANSAs, both as a means of recruitment and as a source of income.²⁸

The PKK, a Kurdish separatist group operating in Turkey, Syria, Iraq, and Iran, has one of the most intricate human-trafficking syndicates of any ANSA. The expanse of their human trafficking network is immense, encompassing Southwest Asia, Central Europe, and it is estimated

²⁵ Harrison, “Drug Trafficking in World Capitalism,” 117–19; UNODC, “The Drug Problem and Organized Crime, Illicit Financial Flows, Corruption, and Terrorism,” 35–37.

²⁶ Elsie Gonzalez, “The Nexus between Human Trafficking and Terrorism/Organized Crime: Combating Human Trafficking By Creating a Cooperative Law Enforcement System,” *Setton Hall University*, May 1, 2013, 10.

²⁷ *Ibid.*, 27.

²⁸ Shannon A Welch, “Human Trafficking and Terrorism: Utilizing National Security Resources to Prevent Human Trafficking in the Islamic State,” *Duke Journal of Gender Law & Policy* 24, no. 165 (2017): 168–69.

that the PKK smuggled 9,000 Kurds into Europe in 2001 alone, receiving up to \$3,000 per head.²⁹ Although the majority of those smuggled by the PKK are labor migrants, smuggled children have been forced to act as drug mules and narcotics dealers.³⁰ Organizations might smuggle humans—most often refugees or laborers—in exchange for money, as a source of recruitment (such as in Africa or Afghanistan), or as means to break the population over which they exert control.³¹ States in need of inexpensive labor may turn a blind eye to the practice. As human trafficking is implemented as a more common tactic among ANSAs, the governments become progressively wary of those who enter their country illegally. Due to both national security implications and its role in funding militant organizations, human trafficking is an issue worth addressing and certainly worth analyzing as a means of income for ANSAs.

The category of *Taxation, Remittance, Extortion, and Fraud* covers a broad range of activities—mostly illicit, but not devoid of legal avenues. ‘Taxation’ refers to tolls on goods that the group controls access to, ranging from agriculture (such as sugar, coffee, fruits, and vegetables) to clothing to checkpoint fees.³² If an ANSA exerts enough control over a territory, they can even collect taxes from sources entirely out of their purview of operations, such as water and electric billing.³³ Taxes can also be collected on natural resource exports, such as oil. For the purposes of this study, revenue from such examples are considered under the auspices of natural resources. Remittances—payments made by members of a community influenced by the group—are also an

²⁹ Mitchel P. Roth and Murat Sever, “The Kurdish Workers Party (PKK) as Criminal Syndicate: Funding Terrorism through Organized Crime, A Case Study,” *Studies in Conflict & Terrorism* 30, no. 10 (September 18, 2007): 909, <https://doi.org/10.1080/10576100701558620>.

³⁰ *Ibid.*, 910.

³¹ Louise I. Shelley, “ISIS, Boko Haram, and the Growing Role of Human Trafficking in 21st Century Terrorism,” *The Daily Beast*, December 26, 2014, <https://www.thedailybeast.com/articles/2014/12/26/isis-boko-haram-and-the-growing-role-of-human-trafficking-in-21st-century-terrorism>.

³² DeAtley, “Illicit Drug Funding: The Surprising Systemic Similarities Between the FARC and the Taliban,” 15; Yaya J Fanusie and Alex Entz, “Al-Shabab,” *Foundation for Defense of Democracies*, Center on Sanctions and Illicit Finance, June 2017, 4.

³³ Institute for Economics and Peace, “Global Terrorism Index” (Institute for Economics and Peace, 2017), 85.

avenue for income generation. Though donations are given by willing individuals, this form of fundraising can also be collected by force or intimidation. Both traditional taxes on imports and exports, as well as forced remittances, are often referred to as ‘revolutionary tax’. This form of money collection is particularly effective for groups with extensive global networks, particularly in western, urban areas.³⁴ Diaspora communities living in western cities often have more wealth than the home communities in which the ANSAs operate (even if still poor compared to the population in which they reside). Therefore, remittances collected from these groups can be highly lucrative. A similar situation exists with the case of extortion. ‘Extortion’ is the coercive means of procuring funds from businesses or the government, violently or otherwise, and is usually done at the lower-level through extracting funds from urban businesses. However, in more successful instances, groups have collected hundreds of millions of dollars from the extortion of large companies, such as airlines and International Governmental Organizations.³⁵ In these cases, the ‘armed’ aspect of a non-state actor becomes essential to their success. The ability to coerce by threats or acts of violence is effective in fundraising and consequential to the sources of funding groups are able to pursue. ‘Fraud’ can be highly lucrative for a group, while remaining non-offensive or even hidden to communities in which ANSAs operate. It most often takes form in the illegal sale of fraudulent products and counterfeits, or the use of legitimate and legal front-businesses. Simpler acts of fraud include the sale of pirated or fake merchandise, or the forging of documents and identification for sale.³⁶ For this study, licit activity such as front-businesses are also included in the category of ‘fraud’. These businesses include pubs and restaurants, taxi

³⁴ John La, “Forced Remittances in Canada’s Tamil Enclaves,” *Peace Review* 16, no. 3 (September 1, 2004): 379–85, <https://doi.org/10.1080/1040265042000278630>.

³⁵ Freeman, “The Sources of Terrorist Financing,” 466.

³⁶ *Ibid.*, 466–67; John Horgan and Max Taylor, “The Provisional Irish Republican Army: Command and Functional Structure,” *Terrorism and Political Violence* 9, no. 3 (September 1, 1997): 13, <https://doi.org/10.1080/09546559708427413>.

companies, networks of catering services, plumbing and construction companies, copy shops, and farms.³⁷ The legal nature of these funding sources poses particular challenges for authorities who wish to stymie ANSA funding. Though these businesses rarely procure funds to the extent that natural resources or other external support systems do, their networks can be global, reliable, and more importantly provide operational cover in the countries they are located.

While taxation and fraud can take legal forms, *Ransoming, Piracy, and Armed Robbery* are exclusively criminal activities. Kidnapping for ransom is a popular method of procuring funds. Though this method takes coordination and opportunity, it has the potential for high payout—ranging into the tens of millions of dollars. Some groups, like Boko Haram in Nigeria, use this method as their main source of income, and it is not uncommon for western journalists, doctors, aid workers, and peace-keepers to be the targets of kidnapping.³⁸ Armed robbery and piracy, when done correctly, can also be lucrative sources of income. ANSAs frequently rob banks, post offices, and building societies,³⁹ while pirates commandeer shipping vessels and ransom them, sometimes for hundreds of thousands of dollars each.⁴⁰ All three methods share certain advantages and disadvantages beyond the economic sphere. In addition to being a powerful source of income, kidnapping and armed robbery act as effective intimidation tactics and self-promoting publicity techniques.⁴¹ At its height, the Islamic State and Jabhat Al-Nusra were perhaps most notable for their use of kidnapping as a means of fundraising as well as recruitment. In one of their more notable operations, the Al-Nusra received \$25 million from Qatar for the release of forty-five UN

³⁷ Freeman, “The Sources of Terrorist Financing,” 469; La, “Forced Remittances in Canada’s Tamil Enclaves,” 381.

³⁸ Institute for Economics and Peace, “Global Terrorism Index,” 2016; Zohar, “A New Typology of Contemporary Armed Non-State-Actors,” 439.

³⁹ Horgan and Taylor, “The Provisional Irish Republican Army,” 13.

⁴⁰ Fanusie and Entz, “Al-Shabab,” 9.

⁴¹ Sam Kiley, “Funding Al-Shabaab: How Aid Money Ends up in Terrorists’ Hands,” CNN, February 12, 2018, <https://www.cnn.com/2018/02/12/africa/somalia-al-shabaab-foreign-aid-intl/index.html>; Geoffrey Kambere, “Financing Al Shabaab: The Vital Port of Kismayo - GlobalECCO,” Global Ecco, August 2012, <https://globalecco.org/financing-al-shabaab-the-vital-port-of-kismayo>.

peacekeepers from Fiji—all of whom were abducted on the Syrian side of the Golan Heights.⁴² Militant organizations rely on popular support, or at least complicity, in order to succeed—notably from separatists with nationalist goals. When ANSAs directly compete with the state for community backing, they toe a fine line between asserting their authority (while still fundraising) and winning the support of the community in which they operate (while not breaking the backs of the population they control). Such bold and criminal acts are far from victimless and have consequences. Over time, many groups that once relied heavily on kidnapping and armed robbery as primary sources of income were forced to change their ways due to community backlash, even by those who were traditionally loyal.⁴³ Ultimately, the costs of the activity can outweigh the lucrative benefits.

The final variable of funding diversity is *External Support*. Under the parameters of this report, ‘External Support’ refers to state sponsorship, the financial support of other non-state actors (militarized and non-militarized), International Governmental Organization (when not extorted or contributing through ‘revolutionary tax’), and specific funding by Non-Governmental Organizations (NGOs) and charities. For the purposes of this study, diaspora communities that contribute via remittances (willing or forced) are not considered in this category. Organizations such as the Irish Northern Aid Committee (NORAID) and The Holy Land Foundation For Relief and Development have been implicated in the funding of groups from the Irish Republican Army (IRA) to Hamas.⁴⁴ State financial capacities dwarf those of non-state actors. Likewise, global communities sympathetic to a cause can amass large sums of money and do so quickly. For these reasons, finding patrons abroad is often the most effective means of fundraising for ANSAs, and

⁴² Zohar, “A New Typology of Contemporary Armed Non-State-Actors,” 439.

⁴³ Johnsson and Cornell, “Countering Terrorist Financing - Lessons from Europe Conflict & Security,” 70.

⁴⁴ Freeman, “The Sources of Terrorist Financing,” 462; 470; 471; Johnsson and Cornell, “Countering Terrorist Financing - Lessons from Europe Conflict & Security,” 72.

is a tactic that raises hundreds of millions of dollars per year.⁴⁵ ETA, a Basque separatist group operating in northern Spain acts as an interesting case study for the use of external financial support. For years, unbeknownst to the Spanish government, grants for Basque cultural and language education were funneled to the group through their political wing *Herri Batasuna*. Not only did governmental funding become the ANSA's primary source of income, but it also enabled the ETA to reduce its reliance on and usage of other financing means, such as 'revolutionary taxes'. So, in addition to providing valuable assets, government funding also allowed the organization to grow in popularity and in public support.⁴⁶

Outside funding has the greatest potential for high-yield income, but it is not without its costs. Lack of autonomy, which can corrupt a group's mission or ideology, is the most pressing conflict, as the alignment and pressure of patrons can push groups to take on roles they otherwise may not have taken. If an organization chooses to defy its donors, it risks losing valuable funds. If an organization undertakes operations that are inconsistent with their principles, it risks losing the support of its popular base or distracting from the foundations of their political or ideological goals.⁴⁷ Another inconvenient aspect to outside funding is the potential for changing political priorities, goals, and the disappearance of sponsors.⁴⁸ This was the case with the collapse of the Soviet Union: many groups lost their superpower backing seemingly overnight, as the Soviet Union ceased existing in a state capacity and the United States found many ANSAs to be suddenly irrelevant.

From the perspective of the outside sponsor, whether state or non-state, little more than money is invested or at risk in supporting militant groups. ANSAs are unlikely to overthrow their

⁴⁵ Zohar, "A New Typology of Contemporary Armed Non-State-Actors," 439–40.

⁴⁶ Johnsson and Cornell, "Countering Terrorist Financing - Lessons from Europe Conflict & Security," 72.

⁴⁷ Zohar, "A New Typology of Contemporary Armed Non-State-Actors," 439–40.

⁴⁸ Freeman, "The Sources of Terrorist Financing," 466.

one-time sponsors, and financial sponsorship of ANSAs can even be a sound foreign policy decision for states. In fact, there is a high return for states investing in militant groups to achieve their political goals.⁴⁹ Proxy wars are far less costly than conventional warfare, both in terms of money as well as political capital. Investing tens of millions of dollars in ANSAs pales in comparison to the financial costs of airstrikes and special operations, let alone boots on the ground.⁵⁰ For example, in the 1970s and 80s, Libyan leader Muammar Qaddafi sought to subvert British and other western powers by funding the IRA and ETA, while having little other investment in their causes or methods of operation.⁵¹ States are able to align with ANSAs and utilize them for actions they would rather not undertake and let them loose, creating political distance when convenient and sparing themselves the political battle. In this sense, ANSAs are useful tools in accomplishing deeds for which governments do not want to take responsibility.⁵² ANSAs are consequently used as regular militias in larger proxy wars. The funds raised from external support are used toward training, equipment, and other bureaucratic costs, which can further the goals of the militant organizations, proving useful to both sides.

Variables of Diversity: The Actors

The selected actors embody a variety of ANSA models. Each has similar and dissimilar characteristics, different degrees of global influence, and varied political aspirations. Some receive more popular support, whereas others are championed by niche communities. Included in this study are separatist groups with aspirations of independent statehood, groups that accept power-

⁴⁹ Bapat, "Understanding State Sponsorship of Militant Groups."

⁵⁰ Andrew Mumford, "Proxy Warfare and the Future of Conflict," *The RUSI Journal* 158, no. 2 (April 1, 2013): 40–46, <https://doi.org/10.1080/03071847.2013.787733>.

⁵¹ Johnsson and Cornell, "Countering Terrorist Financing - Lessons from Europe Conflict & Security," 70; Freeman, "The Sources of Terrorist Financing," 465.

⁵² Neil J. Mitchell, Sabine C. Carey, and Christopher K. Butler, "The Impact of Pro-Government Militias on Human Rights Violations," *International Interactions* 40, no. 5 (October 20, 2014): 812–36, <https://doi.org/10.1080/03050629.2014.932783>.

sharing agreements within existing states, and groups without significant political aspiration but with powerful ideological motivations. There are paradigms in which these groups can be analyzed, including religious affiliation, ideological causes, political aims, geography, network structure, and relationships with states as well as with other ANSAs. The four selected groups are currently active or recently disbanded, having ceased armed struggle since the turn of the millennia, and are representative of varying ratings of financial diversity. Deeper analysis of these particular cases provides insight into the dynamics of organizational structure, penetrable markets, and the influence of territory control and source diversity.

Liberation Tigers of Tamil Eelam (LTTE):

Sri Lanka was among many former colonies to gain independence after the Second World War. Following decades of civil conflict between two major ethnic groups, the Sinhala and the Tamils, the LTTE (also known as the ‘Tamil Tigers’) emerged in the mid-1970s as militant response to the perceived oppression and discrimination by the Sinhala government. The foundations of their struggle centered around the call for a homeland in ‘Eelam’ for Sri Lanka’s Tamil minority.⁵³ Over the course of several decades, the ANSA developed as a formidable and violent fighting force, numbering up to 17,000 members in 2004, and even engaging in guerilla warfare with the Indian military, the world’s fourth largest army.⁵⁴ However, the group is not immune to hypocrisy. Though the LTTE claims to be a champion of Tamil rights in the fight for independent statehood, the conflict in Sri Lanka has displaced tens of thousands of Tamils seeking to escape the violence. The majority of the displaced are middle-class Tamil families who

⁵³ Shawn Teresa Flanigan, “Nonprofit Service Provision by Insurgent Organizations: The Cases of Hizballah and the Tamil Tigers,” *Studies in Conflict & Terrorism* 31, no. 6 (June 13, 2008): 500, <https://doi.org/10.1080/10576100802065103>.

⁵⁴ *Ibid.*, 501.

emigrated to Canada, where the largest Tamil diaspora community lives,⁵⁵ and it is from this diaspora community that the LTTE gains much of its revenue. The International Monetary Fund (IMF) estimates that the LTTE collected approximately \$1 billion in the form of (usually forced) remittances in 1999, when the entire GDP of Sri Lanka stood just below \$20 billion.⁵⁶ Though it funds a militant group on the opposite side of the globe, this form of collection is particularly difficult to track, as it operates in the legal sphere. Front businesses are another popular means of collecting ‘revolutionary tax’ for the LTTE. As an example, those in the diaspora living in Tamil communities may be forced to use catering services for large events.⁵⁷ Charities and Non-Governmental Organizations (NGOs) act as another source of income. In the wake of the 2004 tsunami that devastated Southeast Asia, the LTTE capitalized on NGO aid to communities under its control;⁵⁸ prior to being declared a ‘terrorist front organization’ by the United States, the Federation of Associations of Canadian Tamils (FACT) raised between \$12-22 million per year for the Tigers.⁵⁹ Despite forty years of operation, the Tigers lack financial diversity, with diaspora remittances as a primary source, charitable organizations and extortion of NGOs as a secondary source, and marginal profit made by smuggling Tamils out of Sri Lanka and into Canada⁶⁰, where they are then monitored and exploited abroad.

The Revolutionary Armed Forces of Colombia (FARC) [Fuerzas Armadas Revolucionarias de Colombia]:

The FARC is a left-aligned guerilla group that was active in the mountains of Colombia

⁵⁵ La, “Forced Remittances in Canada’s Tamil Enclaves,” 381.

⁵⁶ Ibid., 382.

⁵⁷ Ibid., 381.

⁵⁸ Flanigan, “Nonprofit Service Provision by Insurgent Organizations,” 503–4.

⁵⁹ La, “Forced Remittances in Canada’s Tamil Enclaves,” 381.

⁶⁰ The Mackenzie Institute, “Funding Terror: The Liberation Tigers of Tamil Eelam and Their Criminal Activities in Canada and the Western World,” Mackenzie Institute, December 25, 1995, <http://mackenzieinstitute.com/funding-terror-the-liberation-tigers-of-tamil-eelam-and-their-criminal-activities-in-canada-and-the-western-world/>.

from the 1960s to 2017. Though the group originally established ties with the Communist Party and with global socialist movements,⁶¹ the formation of diplomatic relationships between the Colombian government and the Soviet Union limited the FARC's ability to obtain funding from major communist patrons.⁶² Until their cessation from militant activity (and so throughout most of their existence) the group was self-funded⁶³ and placed a heavy reliance on narco-trafficking for financial sustenance; “[a]s a ‘full-service’ guerrilla organization, the FARC [was] involved in all stages of production, processing, and trafficking of illicit drugs.”⁶⁴ In addition to their own operations of narco-trafficking, the ANSA profited greatly from the cocaine production of others—most often individuals or small collectives of farmers—in the form of a 10-15% ‘revolutionary tax’ imposed on each shipment.⁶⁵ In order to diversify their funding, as well as add legitimacy to claims that they did not profit off the drug trade,⁶⁶ the ANSA was diligent in taxing the population they controlled in other ways. The group exerted power over many export hubs in the country and imposed tariffs on a range of outgoing products, such as papaya, mango, and coffee. Despite their desire to publically distance themselves from the drug market, the group actively partook in illicit means of fundraising, such as kidnapping, extortion, and other methods of violent extraction.⁶⁷ At their height, the FARC controlled one-third of Colombian territory,⁶⁸ and the expanse of territorial control had enormous implications on the organization's ability to procure funds—both in terms of increased coca production, as well as an enlarged population base from which they extracted money, usually in the form of taxes. Some estimates put the ANSA's annual budget at \$1 billion.⁶⁹

⁶¹ DeAtley, “Illicit Drug Funding: The Surprising Systemic Similarities Between the FARC and the Taliban,” 11.

⁶² *Ibid.*, 14.

⁶³ Vera Eccarius-Kelly, “Surreptitious Lifelines: A Structural Analysis of the FARC and the PKK,” *Terrorism and Political Violence* 24, no. 2 (April 2012): 236, <https://doi.org/10.1080/09546553.2011.651182>.

⁶⁴ *Ibid.*, 240.

⁶⁵ *Ibid.*

⁶⁶ Alain Labrousse, “The FARC and the Taliban's Connection to Drugs,” trans. Laura Garcés, 2005, 178–81.

⁶⁷ DeAtley, “Illicit Drug Funding: The Surprising Systemic Similarities Between the FARC and the Taliban,” 15.

⁶⁸ Eccarius-Kelly, “Surreptitious Lifelines,” 236.

⁶⁹ Freeman, “The Sources of Terrorist Financing,” 462.

The Islamic State of Iraq and al-Sham:

This particular ANSA is well-known by a number of names, including ‘The Islamic State of Iraq and al-Sham’, ‘The Islamic State of Iraq and the Levant’, ‘The Islamic State of Iraq and Syria’, ‘Daesh’ (a derogatory Arabic acronym), or, simply, ‘The Islamic State’.⁷⁰ The various names all refer to the same territory in which they aspire to create a new Islamic Caliphate, broadly matched with that of the old Islamic kingdom, from the Mediterranean, through historic Palestine, Syria, and Iraq.⁷¹ Regardless of name, ISIS was born from the power vacuum created by instability in Iraq following years of sectarian violence and a sudden overthrow of dictator Saddam Hussein. In several respects, the Islamic State is an outlier among ANSAs. In a conflicted region defined by sectarian and ideological alliances, ISIS is self-sufficient and ostracized even by organizations with similar aspirations.⁷² Uncommitted to the external support of formal state ties, the group appeals to the most extreme followers of radical Islam from around the globe, and shamelessly pushes the limits of modern norms with complete disregard for international opinion. While human trafficking is not new to the world of militant groups, the Islamic State is perhaps the first ANSA to publically endorse the practice.⁷³ Human trafficking—which, in the case of ISIS, usually takes the form of young girls sold into sex slavery—is neither the primary nor secondary source of ISIS’s funding, but is rather a practice of subjugating the conquered and the enforcement of radical beliefs. Beginning in 2014, the Islamic State took the Middle East by force, capturing swaths of oil fields and populations. In 2015, half of the group’s \$2 billion budget was collected through

⁷⁰ Patrick Garrity, “What Does ‘Daesh’ Mean and Why Does ISIS Hate It?,” NBC News, November 14, 2015, <https://www.nbcnews.com/storyline/isis-terror/paris-attacks-what-does-daesh-mean-why-does-isis-hate-n463551>.

⁷¹ Zohar, “A New Typology of Contemporary Armed Non-State-Actors,” 427; Melamed, *Inside the Middle East*, 262–63.

⁷² NYT Editorial Board, “Fighting, While Funding, Extremists,” *The New York Times*, June 19, 2017, <https://www.nytimes.com/2017/06/19/opinion/saudi-arabia-qatar-isis-terrorism.html>.

⁷³ Welch, “Human Trafficking and Terrorism: Utilizing National Security Resources to Prevent Human Trafficking in the Islamic State,” 169.

elaborate and sophisticated networks of selling and smuggling oil,⁷⁴ another 30% was raised from taxation, and the remainder was generated from extortion and kidnapping, namely of Western journalists and peacekeepers.⁷⁵ The official and longstanding US policy of not paying ransoms has emboldened the Islamic State to kidnap and publicly execute Americans—not necessarily for financial gain, but as a means of publicity.⁷⁶ The financial and moral consequences of this US principle are hotly debated amongst policy-makers dealing with armed non-state actors. It is worth noting, however, that before their successful land expansion, ISIS relied most-heavily on extortion.⁷⁷ In many ways, the group is a valuable example of the relationship between territorial control and revenue, both in the sheer sums collected, as well as the diversity of sources. When the group lost control of land due to aggressive Western-backed operations against the organization, ISIS expanded into narco-trafficking in an attempt to compensate for losses of oil and tax revenue. Ultimately, the group’s revenue dropped from \$81 million per to \$16 million per month.⁷⁸ Later in this study, I analyze the Islamic State more closely to explore the relationship between territory and revenue.

Hezbollah:

The Lebanese Shi’a Muslim organization is perhaps the most impressively diverse ANSA in operation, and certainly the group with highest diversity score amongst those of this study. Their diversity can be tied to several key points, namely their lack of natural resources, which forced them to branch out; their *raison d’être*—opposition to the State of Israel—which is highly palatable

⁷⁴ Erika Solomon, Robin Kwong, and Steven Bernard, “Syria Oil Map: The Journey of a Barrel of ISIS Oil,” *Financial Times*, February 29, 2016, <https://ig.ft.com/sites/2015/isis-oil/>.

⁷⁵ Zohar, “A New Typology of Contemporary Armed Non-State-Actors,” 439.

⁷⁶ Brian Jenkins, *Does the U.S. No-Concessions Policy Deter Kidnappings of Americans?* (RAND Corporation, 2017), <https://doi.org/10.7249/PE277>; Peter Bergen, “American Hostages More Likely To Die Than Others From the West,” *CNN*, January 8, 2017, <https://www.cnn.com/2017/01/08/opinions/us-hostages-worse-off-bergen-mellon/index.html>.

⁷⁷ Institute for Economics and Peace, “Global Terrorism Index,” 2017, 83–84.

⁷⁸ *Ibid.*, 85.

to regional actors and a cause that surrounding populations enthusiastically support; and their Shi'a religious alignment, which has turned them into the global militia for the Islamic Republic of Iran, at the behest of the Ayatollah. Overall, they are enabled by their network of self-sustained financial sources, as well as substantial external support.⁷⁹ Unlike Al-Qaeda and other globally expansive ANSAs, Hezbollah operates under one cohesive leadership that has a centralized chain of command, and cooperating political and military wings that are sometimes indiscernible in both rhetoric and activity. The group has penetrated and, in many cases, dominated the drug trade in Latin America;⁸⁰ profited from conflict minerals in Africa, including Blood Diamonds;⁸¹ kidnapped, ransomed, and robbed individuals and groups;⁸² and has successfully embedded their organization into the political apparatus of Lebanon as a legitimate parliamentary force with substantial representation in the government, including veto power.⁸³ The group's political power vis-à-vis their position in the government is only emboldened and empowered by the plethora of public works and social welfare projects they undertake in the urban centers of Lebanon. Still, Hezbollah's most influential source of funding is the Iranian state. In the group's early years of operation, Iran provided an estimated \$100 million per year for the securing of Lebanese Shi'a influence and for armed resistance against the State of Israel. With Hezbollah as a proxy militia for Iran in the Syrian civil war, funding has reached up to \$800 million per year.⁸⁴ Over time, Iran has remained the main financial backer of the ANSA, particularly as the state seeks to expand its

⁷⁹ Yaya J Fanusie and Alex Entz, "Hezbollah," *Foundation for Defense of Democracies*, Center on Sanctions and Illicit Finance, September 2017, 2; Douglas Philipponne, "Hezbollah: The Network and Its Support Systems, Can They Be Stopped?," *Naval Postgraduate School*, June 2008, 14–15; Freeman, "The Sources of Terrorist Financing," 472.

⁸⁰ Meyer, "The Secret Backstory of How Obama Let Hezbollah Off the Hook."

⁸¹ Enough Team Project, "A Comprehensive Approach to Congo's Conflict Minerals - Strategy Paper," *The Enough Project* (blog), April 24, 2009, <https://enoughproject.org/reports/comprehensive-approach-conflict-minerals-strategy-paper>; Freeman, "The Sources of Terrorist Financing," 467.

⁸² Philipponne, "Hezbollah: The Network and Its Support Systems, Can They Be Stopped?," 4.

⁸³ Fanusie and Entz, "Hezbollah," 2.

⁸⁴ Fanusie and Entz, "Hezbollah," 3; Matthew Levitt, "Attacking Hezbollah's Financial Network: Policy Options," *The Washington Institute for Near East Policy*, June 8, 2017, 4.

regional influence. The ties between Hezbollah and Iran are so strong that, in many ways, they are directly affected by political and economic considerations related to their state patron. In the time leading up to the Joint Comprehensive Plan of Action (JCPOA), colloquially referred to as ‘the Iran Deal’, Iran massively cut funding to its proxy in response to crippling sanctions and international pressure. However, following the implementation of the agreement—and with it, the lifting of economic sanctions and influx of western money—funding and support to Hezbollah was not only restored to previous levels, but exceeded them in volume and extent.⁸⁵ Despite substantial state-sponsorship, the organization has sought other means of fundraising to offset the uncontrollable fluctuation of cash-flow that accompanies changing political climates. More notable than the diversity of capital is the vigor and force by which Hezbollah pursues alternative sources of capital, becoming not only varied, but effective across a spectrum of fundraising activities. The United States Drug Enforcement Agency (DEA) has been investigating and conducting operations targeting deep-penetrating Hezbollah networks in Latin America and Africa. In addition to narco-trafficking and conflict minerals, the organization uses crime syndicates and smuggling routes to launder money and sell used cars, the profits of which all end up in the ANSA’s coffers.⁸⁶ In 2004, the group was implicated in a ring of cigarette smuggling, fraud, and other forms of ‘white collar’ crime, generating millions of dollars in revenue.⁸⁷ Global charities, front businesses (in Lebanon and abroad), and diaspora remittances are additional avenues in Hezbollah’s international financial network. Since the outbreak of the Syrian Civil War, Hezbollah has transformed into a colossal and highly active militia—one that depends on their effective system of funding to continue operations.

⁸⁵ Levitt, “Attacking Hezbollah’s Financial Network: Policy Options,” 4; Fanusie and Entz, “Hezbollah,” 3.

⁸⁶ Meyer, “The Secret Backstory of How Obama Let Hezbollah Off the Hook.”

⁸⁷ United States v. Hammoud, 381 Federal Reporter, 3d Series 316 (4th Circuit 2004).

Diversity Score: Identifying ANSAs and Their Sources of Income

Using the approach and measurements detailed in the methodology earlier, the following table represents a plotting of data that details the nuanced sources of income, aggregated over the lifetime of selected armed non-state actors. The right-most column, the ‘Diversity Score’, denotes the total value of diversity based on the results of the research done for this study.

Armed Non-State Actor

Source of Income

	Fossil Fuels	Conflict Minerals & Other Nat. Resources	Narco-Trafficking	Human & Illicit Animal Trafficking	Taxation, Remittance, Extortion, & Fraud	Ransoming, Piracy, & Armed Robbery	External Support (Superpower or Other)	Diversity Score
LTTE				-	●		0	1.75
The Shower Posse			●		●			2.00
Hamas					●		●	2.00
Taliban			●	-	0		0	2.25
Boko Haram		-	-	-	0	●	-	2.50
FARC			●		●	0	-	2.75
ISIS	●		-	-	●	-		2.75
ETA					●	●	●	3.00
Al-Nusra	0				0	●	●	3.00
PKK			●	0	●	-	-	3.00
Al-Shabab	●	-	-		●	0	-	3.25
IRA	-			-	●	●	●	3.50
Hezbollah		0	●		●	0	●	4.00

● = Primary Funding Source (1.0 pt. value) 0 = Secondary Funding Source (0.5 pt. value) - = Partial Funding Source (0.25 pt. value)

A Closer Look: The Relationship Between Territory Control and Revenue

At their peak, the FARC controlled one-third of Colombian territory,⁸⁸ which it effectively utilized for coca cultivation and flourished. In a converse scenario, the Taliban lost control of many poppy fields as US operations were in full-force during the 2000s, which cut the group off from its main source of funding, and made it far more reliant on other sources of income—in this case, funding from Pakistan.⁸⁹ Increased territory also gives groups access to another source of wealth: taxation of newly controlled populations and an expanse of commodities. The nature of the relationship between ANSAs and their controlled population is likely to have a great effect on their efficiency of fund extraction. While this study does not spend time exploring the relationships between civilian populations and ANSAs, existing literature does explore this dynamic and its effect on funding efficiency.⁹⁰

In another case study, the Islamic State provides an interesting example of what can happen to an ANSA following the loss of territory. Between 2014 and 2017, ISIS lost nearly all the territory it controlled due to aggressive campaigns of multiple states and other ANSAs,⁹¹ but its greatest loss was its access to swaths of oil fields.⁹² The loss of territorial control had a significant toll on the group's cash-flow, and forced the group to seek alternative means of funding in order to compensate for the monetary losses, namely narco-trafficking.⁹³ Still, the group could not recover from their situation, but this was likely attributable to tactical considerations, rather than

⁸⁸ Eccarius-Kelly, "Surreptitious Lifelines," 236.

⁸⁹ DeAtley, "Illicit Drug Funding: The Surprising Systemic Similarities Between the FARC and the Taliban," 35–36.

⁹⁰ Jeremy M. Weinstein, *Inside Rebellion: The Politics of Insurgent Violence*, Cambridge Studies in Comparative Politics (Cambridge; New York: Cambridge University Press, 2007., 2007); Ana Arjona, *Rebelocracy: Social Order in the Colombian Civil War*, Cambridge Studies in Comparative Politics (New York, NY: Cambridge University Press, 2016., 2016).

⁹¹ Skye Gould and Michal Kranz, "These Maps Show How Drastically ISIS Territory Has Shrank Since Its Peak," Business Insider, October 24, 2017, <http://www.businessinsider.com/maps-of-isis-territory-2014-2017-10>; NYT Editorial Board, "Fighting, While Funding, Extremists."

⁹² Solomon, Kwong, and Bernard, "Syria Oil Map."

⁹³ Institute for Economics and Peace, "Global Terrorism Index," 2017, 83.

a blatant lack of effort to fundraise. This strategic blow rendered them unable to invest time or manpower into other fundraising activities upon which they had previously relied, such as kidnapping. Interestingly, Jabhat al-Nusra, who previously controlled many of the oil fields taken by the ISIS, *did* diversify at the loss of precious territory and natural resources. This is likely due to the group's ability to retreat, regroup, reorganize, and pursue other means of fundraising—a luxury not enjoyed by the Islamic State under immense tactical pressure and in a fight for existential survival.

The size of territory controlled and the ability to maintain said control are both important in addressing geography's relation to funding. Jabhat Al-Nusra's loss of Syrian oil fields crippled the organization financially, and forced them to find alternative sources of income—not unlike the Taliban's loss of poppy fields in Afghanistan. In this example, territorial control had direct consequences on the diversity of the group's funding. However, while the Islamic State experienced similar events, recovery and diversification were harder to achieve under their circumstances of war.

Conclusions

This study reinforces previously-held notions of the relationship between territorial control and revenue—the more geography an organization controls, the more access it has to natural resources as well as a population to tax, extort, or otherwise use as a fundraising tool. Those with the greatest control of territory fell into the middle range of diversity, *partially disproving Hypothesis 1*. Geographic primacy act as a 'launch pad' for groups to expand their networks of finance, likely due to the access gained regarding natural resources and population. However, while financial portfolio diversification seems to go hand-in-hand with expanding territorial control, ANSAs become sufficiently comfortable with their sources of revenue, and are thus kept

from pursuing other means.

Groups with a low diversity score, such as the Tamil Tigers, The Shower Posse, and Hamas, control little territory, as do groups with a high diversity score, such as the Irish Republican Army and Hezbollah. For those on the lower end of the scale, the lack of broad territorial control is believed to be a main contributor to the lacking diversity of funding, as these groups cannot meaningfully penetrate other markets. On the high end of the spectrum, lack of territorial control is also apparent. In these cases, the groups have overcome lacking the resources accessibility associated with territorial control, and have instead found a multitude of diverse funding networks. For these groups, the lack of traditional land control acts as a driver for creative diversification and, in many ways, exemplifies resilience in the face of challenges. Of the ANSAs analyzed in this study, those that fell in the middle (with a Diversity Score between 2.25 and 3.25) generally had influence over large areas of territory. Control over sizable territory both limits and expands diversity of funding for militarized sub-state groups; this is best exemplified by groups like the Taliban, Boko Haram, FARC, the Islamic State, and Jabhat Al-Nusra. On one hand, access to territory provides more avenues of fund-collection, such as a greater population to tax and exploit, as well as more natural resources. On the other hand, the availability of resources creates a comfortable middle-ground for groups. For these ANSAs, venturing into creative (and sometimes risky) methods of fund-procurement is both unnecessary and often not worth the work.

Possible exceptions to this pattern are ETA in Basque Spain and Al-Shabab in Somalia. While ETA exerts little control over physical territory, its few but highly developed networks of fundraising elevate its Diversity Score, where it may have otherwise been ranked lower and among others without significant land.⁹⁴ Al-Shabab controls significant territory in Somalia, and is ranked

⁹⁴ Johnsson and Cornell, "Countering Terrorist Financing - Lessons from Europe Conflict & Security," 72.

highly on the diversity scale. In some ways, the Al-Qaeda affiliate is an outlier in that it has pushed itself to find creative and reliable sources of income, despite the obvious methods of fundraising available to the group within its substantial territorial zone of influence. This may be due in part to the necessary adaptive behaviors of the group, insomuch that when faced with challenges regarding one source of funding, it expanded into another market—sometimes maintaining the new avenue even when supply from the former returned (as seen throughout Al-Shabab’s existence with its relationship to charcoal production).⁹⁵ Nevertheless, this flux of financial diversity is not unique to one group. While this study analyzes aggregate trends of financing for armed non-state actors, it does not delve deeply into the evolving and adaptive nature of funding diversity over the lifetime of a group. Further research regarding the longevity of a group (perhaps in a ‘snapshot’ framework looking at the ebbs and flows of ANSA operations) could provide an even more nuanced understanding of an organization’s behavior and needs, particular in the field of financing.

Regarding natural resources and funding diversity, there are mixed assumptions as to their precise relationship relating to militant organization. While some scholars draw definitive conclusions between natural resources and the success of ANSAs, others contest that access to natural resource merely simplifies beginning stages and that the lack of natural resources does not preclude a group from becoming successful by seeking out other sources of income.⁹⁶ Natural resources can, at least, empower ANSAs, allowing for the pursuit of more diverse funding. The Taliban and FARC are quintessential examples for comparison within groups that have access to natural resources.⁹⁷ Both rely primarily on narco-trafficking as a source of funding (similarly

⁹⁵ Fanusie and Entz, “Al-Shabab,” 3; 7.

⁹⁶ Jeremy M. Weinstein, “Resources and the Information Problem in Rebel Recruitment,” *Journal of Conflict Resolution* 49, no. 4 (August 1, 2005): 598–624, <https://doi.org/10.1177/0022002705277802>.

⁹⁷ DeAtley, “Illicit Drug Funding: The Surprising Systemic Similarities Between the FARC and the Taliban”; Labrousse, “The FARC and the Taliban’s Connection to Drugs.”

producing, cultivating, and exporting). As with these examples, ANSAs that participate in narco-trafficking from its infant stages of cultivation, will also rely on taxation as a source of primary or secondary income. The more territory they control, the more potential product yield as well as population to tax. The FARC benefitted from geographic proximity to the United States, who was its main consumer of cocaine. Likewise, the Taliban profited from Asia and the opium market. The lucrative and reliable nature of narco-trafficking led the groups to avoid pursuing a wide array of funding sources, though other means came with the territory, so to speak. For ANSAs like Hezbollah, a complete lack of natural resources *did* cause the expected outcome and forced an extreme diversity of funding in order to compensate. To its remarkable credit, Hezbollah has managed to infiltrate the drug markets of Latin America and conflict minerals of Africa, utilizing both as primary and secondary sources of income. The group deliberately established global networks of funding, gaining involvement with natural resources even when they scarcely had their own.

Regarding external support as a significant factor in financial diversity of militant groups, *Hypothesis 2 was disproven* since primary external support shows no sign of precluding ANSAs from pursuing other sources of funding (though it may affect *sums* of income, meaning more ‘aligned’ or ‘popular’ groups may have more cash-flow). However, outside funding may act as a foundation for groups to expand their networks of finances, likely as an attempt to retain sovereignty and remain independent of their patrons. The ideological, religious, and political alignments of groups have an effect on the quantities on funding, rather than the diversity of funding. While this study did not set out to analyze the sums of money received by groups, there are indicators that endeavors with more popular support receive more money. The *diversity* of an organization’s financial portfolio, however, is largely unaffected. Nearly all of the actors studied

have some form of external support, with more than half as either a 'primary' or 'secondary' source. Across the spectrum, groups either diversified or did not, regardless of outside help. The two most diverse groups, the IRA and Hezbollah, have external support as a primary source. Groups likely expand their portfolios in order to remain autonomous and less affected by the whims and will of their patrons. Another explanation is groups with popular support have inherently better networks, thereby facilitating more diverse financial portfolios.

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