

# ICCT Situation Report

The Use of Small Arms & Light Weapons by Terrorist Organisations as a Source of Finance in the South and Southeast Asia



# ICCT Situation Report: The Use of Small Arms & Light Weapons by Terrorist Organisations as a Source of Finance in South and Southeast Asia

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This situation report was produced within the framework of the Collaboration, Research & Analysis Against the Financing of Terrorism-project (CRAAFT). Funded by the European Union's Internal Security Fund – Police, the project is being implemented by a Consortium led by RUSI Europe, along with the University of Amsterdam, Bratislava-based think tank GLOBSEC and the International Centre for Counter-Terrorism (ICCT), based in The Hague.



Funded by  
the European Union

## Introduction

As the current global security landscape is marked by the multiplication of intra-state conflicts, the rise of transnational organised crime, and the spread of violent extremism, the circulation of approximately one billion small arms and light weapons (SALW)<sup>1</sup> worldwide has become a major source of concern for international and state stakeholders.<sup>2</sup> The United Nations Security Council has, in particular, repeatedly drawn global attention on the risk that “terrorists benefit from transnational organized crime in some regions, including from the trafficking of [SALW].”<sup>3</sup>

While arms trafficking is considered as one of the “most resilient factors of international organised crime that affect state security,”<sup>4</sup> weapons, including SALW, distinguish themselves from other illegally smuggled commodities in two important respects. In addition to being durable goods, their highly strategic value resides in their dual-purpose nature. While an important trafficked commodity, SALW also provide terrorist and other armed groups with the necessary means to carry out attacks (direct use) as well as to establish their control over populations and territories (indirect use).<sup>5</sup> In addition to the funds and proceeds derived from their sale (direct financing), SALW may furthermore facilitate the conduction of a wide range of other (illegal) income-generating activities such as racketeering, extortion, taxation, or kidnapping for ransom (indirect financing). The destabilising impact of the illicit trafficking in SALW—in which, as we have seen, terrorist groups may be directly or indirectly involved—thus, greatly surpasses its sole monetary value.<sup>6</sup>

Based on this distinctive nature, this situation report—the second in a wider series of papers exploring the use of SALW as a source of terrorism financing—will examine the acquisition, possession, and use of SALW by terrorist organisations active in South<sup>7</sup> and South-East Asia.<sup>8</sup> It will investigate the extent to which SALW may represent a direct source of funding and/or an enabler to conduct other profit-making activities for these groups. While presenting an overview of the situation and dynamics at work across each

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<sup>1</sup> For this paper, the authors have adopted the EU’s definition of small arms (i.e. revolvers and self-loading pistols, rifles and carbines, sub-machine guns, assault rifles, and light machine-guns) and light weapons (i.e. heavy machine-guns, hand-held under-barrel and mounted grenade launchers, portable anti-aircraft guns, portable anti-tank guns, recoilless rifles, portable launchers of anti-tank missile and rocket systems, portable launchers of anti-aircraft missile systems, mortars of calibres of less than 100 mm, ammunition and explosives, cartridges (rounds) for small arms, shells and missiles for light weapons, mobile containers with missiles or shells for single-action anti-aircraft and anti-tank systems, anti-personnel and anti-tank hand grenades, landmines, and explosives). See: [https://ec.europa.eu/home-affairs/e-library/glossary/small-arms-and-light-weapons-salw\\_en](https://ec.europa.eu/home-affairs/e-library/glossary/small-arms-and-light-weapons-salw_en)

<sup>2</sup> United Nations Security Council. “Spread of 1 Billion Small Arms, Light Weapons Remains Major Threat Worldwide, High Representative for Disarmament Affairs Tells Security Council.” *Meeting Coverage, UNSC 8713<sup>th</sup> Meeting*, February 5, 2020. <https://www.un.org/press/en/2020/sc14098.doc.htm>

<sup>3</sup> UN Security Council Resolution 2195 (2014). <http://unscr.com/en/resolutions/doc/2195>

<sup>4</sup> Howard, Russell D., “The Nexus of Trafficking and Terrorism” in Itamara V. Lochard (ed.), *Senior Leadership Roundtable on Military and Defence Aspects of Border Security in South East Europe*, NATO Science for Peace and Security Series E: Human and Societal Dynamics, Volume 141, IOS Press, 2019: 74.

<sup>5</sup> Mangan, Fiona, and Matthias Nowak. “The West Africa-Sahel Connection. Mapping Cross-border Arms Trafficking.” *Small Arms Survey, Briefing Paper*, December 2019: 3.

<sup>6</sup> The Global Initiative Against Transnational Organized Crime, and RHIPTO. “Libya: a growing hub for Criminal Economies and Terrorist Financing in the Trans-Sahara.” *Policy Brief*, May 11, 2015: 2.

<sup>7</sup> In the context of this report, South Asia is used to refer to Afghanistan, Bangladesh, India, the Maldives, Nepal, Pakistan and Sri Lanka.

<sup>8</sup> While South-East Asia refers to Brunei, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, this report will place particular emphasis on Indonesia, Malaysia, the Philippines, and Thailand – countries that have been deeply affected by terrorism in recent years.

area, the following analysis will eventually aim to identify potential common patterns and/or discrepancies among and within the two regions.

## South Asia

Violent extremism is hardly a new phenomenon in South Asia, where “the convergence of limited institutional capacities in governments and law-enforcement agencies with grievances about widespread corruption, underdevelopment, socioeconomic marginalization, and the sometimes problematic role of the state” have contributed to turn it into “an attractive operating base for terrorist groups and constrain the capacity of states to respond.”<sup>9</sup> The terrorist threat has continued to grow throughout the region, as confirmed by the Global Terrorism Index 2019, which depicted South Asia as “the region most impacted by terrorism” in 2018, partly as a result of the rise in terrorist activity, and terrorism-related fatalities, registered in Afghanistan the same year.<sup>10</sup>

Of the four terrorist groups that are responsible for the majority of the terrorist attacks globally, both the Taliban and the Khorasan Chapter of the Islamic State (IS-K), operate primarily in Afghanistan.<sup>11</sup> Whereas the Taliban has mainly targeted military and police services—aiming to undermine their stability—the IS-K has predominantly targeted civilians.<sup>12</sup> Al-Qaeda’s presence in Afghanistan seems to have been attenuated in recent years, though it has not been entirely jettisoned from the country. While a major hotbed of jihadism in the region, Afghanistan is far from being the only South Asian state having suffered from terrorist violence in recent years.

With the defeat of the Liberation Tigers of Tamil in Eelam (LTTE) in the late 2000s,<sup>13</sup> terrorist activity in Sri Lanka had significantly dropped.<sup>14</sup> However, during Easter 2019, after a period of relative calm, Sri Lanka witnessed one of the worst terrorist incidents in its history when a series of coordinated attacks targeted several churches and hotels across the three main cities of Colombo, Negombo, and Batticaloa, killing 259 people. Authorities suspect *National Thowheed Jamaath* (NTJ),<sup>15</sup> a splinter organisation of *Sri Lanka Thowheed Jamath* (SRTJ), of having carried out the attack.<sup>16</sup> While ISIS claimed the attack, its exact level of operational involvement remains unclear.<sup>17</sup>

In the aftermath of the Easter bombings attack, ISIS—despite its dramatic decline in Syria and Iraq—declared two wilayats (i.e. governorates) in South Asia; *Wilayat-e-Pakistan*

<sup>9</sup> Eric Rosand, Naureen Chowdhury Fink, and Jason Ipe. *Countering Terrorism in South Asia: Strengthening Multilateral Engagement*. Center for Global Counterterrorism Cooperation, May 2009: 1.

<sup>10</sup> Institute for Economics and Peace. *Global Terrorism Index 2019: Measuring the Impact of Terrorism*. November 2019: 2.

<sup>11</sup> Institute for Economics and Peace. *Global Terrorism Index 2019: Measuring the Impact of Terrorism*. November 2019: 14.

<sup>12</sup> Institute for Economics and Peace. *Global Terrorism Index 2019: Measuring the Impact of Terrorism*. November 2019: 2.

<sup>13</sup> Mapping Militant Organizations. “Liberation Tigers of Tamil Elam.” *Stanford University*. Last modified June 2018. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/liberation-tigers-tamil-elam>

<sup>14</sup> The LTTE will be further discussed in the fourth paper looking at the use of SALW by terrorist organizations from an historical perspective.

<sup>15</sup> BBC News. “Sri Lanka attacks: Who are National Thowheed Jamath?” April 28, 2019. <https://www.bbc.com/news/world-asia-48012694>

<sup>16</sup> Amarnath Amarasingam. “Terrorism on the Teardrop Island: Understanding the Easter 2019 Attacks in Sri Lanka.” *CTC Sentinel*, Volume 12, Issue 5, May/June 2019: 1-10.

<sup>17</sup> BBC News. “Sri Lanka attacks: Who were the bombers?” April 28, 2019.

<https://www.bbc.com/news/world-asia-48049149>. See also: Simon Scarr, and Marco Hernandez. “Sri Lanka attacks: A network of extremism expands.” *Reuters Graphics*, May 14, 2019. <https://graphics.reuters.com/SRI%20LANKA-BLASTS-PLOTTER/010091W52YP/index.html>

and *Wilayat-e-Hind*. ISIS' declaration came "amid internal rifts within IS-K and further attempts by IS to penetrate Pakistan and India", in an effort to expand its regional influence and signalling the beginning of the group positioning itself as a competitor to the Afghan Taliban and al-Qaeda in South Asia.<sup>18</sup>

India's terrorist landscape is diverse and complex. The country has continued to face different forms of terrorist threats, including terrorism related to the ongoing dispute in Kashmir, the secessionist movement in Assam and the re-emergence of Maoist rebels across Central India.<sup>19</sup> Kashmir has been the source of a violent insurgency since the late 1980s and continues to lead to tensions between India and Pakistan. India's financial capital, Mumbai, has been hit several times by terrorist attacks. In 1993, the city experienced The Mumbai Stock Exchange blasts; in 2006, it was the Mumbai train bombings; and most notably, in 2008, the 26/11 Mumbai attack. The attacks were carried out by ten gunmen from Lashkar-e-Taiba (LeT) using automatic guns and grenades. Hafiz Saeed, the alleged mastermind of the 2008 attacks in Mumbai has been sentenced to jail for financing of terrorism charges.<sup>20</sup> Left-wing terrorism dates back to the independence of India in 1947. The Maoists, also referred to as the Naxalites, were initially fragmented but started to spread through Central India after a truce was concluded between two major Maoists factions in 2004.<sup>21</sup>

While Pakistan has for its part seen—for the fifth consecutive year—a decline in the number of terrorist attacks conducted in 2019, the country has still suffered 366 incidents mainly carried out by ISIS-affiliated IS-K and *Tehrik-i-Taliban Pakistan* (TTP).<sup>22</sup> The TTP, also known as the Pakistani Taliban, is an umbrella organisation that maintains close ties to al-Qaeda. Over recent years, the group has been struggling with infighting and disagreements within its leadership. Based in South Waziristan, the TTP conducts mainly suicide attacks directed at security forces and Western-associated symbols.<sup>23</sup> In addition, the Haqqani Network (HQN)—which was founded in the 1970s in Afghanistan and is believed to have supported the development of both al-Qaeda and the Taliban in the following decades—remains an active threat in North-East regions of Afghanistan as well as in tribal areas of Northern Pakistan.<sup>24</sup> While its name suggests broader ambitions, the operations of al-Qaeda in the Indian Subcontinent's (AQIS),<sup>25</sup> which was established

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<sup>18</sup> Farhan Zahid. "Two New IS Wilayat in South Asia: IS Reinvigorates Itself in Pakistan and India."

*Jamestown Foundation, Terrorism Monitor*, Volume 17, issue 13, July 3, 2019.

<https://jamestown.org/program/two-new-is-wilayat-in-south-asia-is-reinvigorates-itself-in-pakistan-and-india/>

<sup>19</sup> South Asia Terrorism Portal. "South Asia Assessment 2019." <https://www.satp.org/terrorism-assessment/southasia>

<sup>20</sup> AFP. "Pakistan jails alleged mastermind of Mumbai terror attack." *The Guardian*, February 12, 2020.

<https://www.theguardian.com/world/2020/feb/12/pakistan-jails-alleged-mastermind-of-mumbai-terror-attack>

<sup>21</sup> Niranjana Sahoo. "Half a century of India's Maoist insurgency: An appraisal of state response." Observer Research Foundation (ORF), Occasional Paper, June 13, 2019. [https://www.orfonline.org/research/half-a-century-of-indias-maoist-insurgency-an-appraisal-of-state-response-51933/#\\_edn12](https://www.orfonline.org/research/half-a-century-of-indias-maoist-insurgency-an-appraisal-of-state-response-51933/#_edn12)

<sup>22</sup> Institute for Economics and Peace. *Global Terrorism Index 2019: Measuring the Impact of Terrorism*. November 2019.

<sup>23</sup> Mapping Militant Organizations. "Tehrik-i-Taliban Pakistan." *Stanford University*. Last modified July 2018. [https://cisac.fsi.stanford.edu/mappingmilitants/profiles/tehr-i-taliban-pakistan#highlight\\_text\\_8716](https://cisac.fsi.stanford.edu/mappingmilitants/profiles/tehr-i-taliban-pakistan#highlight_text_8716)

<sup>24</sup> Mapping Militant Organizations. "Haqqani Network." *Stanford University*. Last modified July 2018. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/haqqani-network>

<sup>25</sup> Mapping Militant Organizations. "Al Qaeda in the Indian Subcontinent." *Stanford University*. Last modified July 2018. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/al-qaeda-indian-subcontinent-aqis>

by Ayman al-Zawahiri in September 2014, have so far have been geographically limited to Pakistan and Bangladesh.<sup>26</sup>

Finally, Bangladesh has not been immune to violent extremism.<sup>27</sup> Nearly three thousand Bangladeshis left as foreign fighters to join the Soviet-Afghan war in the 1990s. Some of these fighters joined and created the terrorist organisation *Harkat-ul Jihad al-Islami Bangladesh* (HuJI-B). The two main terrorist groups today, *Jamaat-ul Mujahideen Bangladesh* (JMB) and Ansarul Islam, were engaged in complex coordinated attacks throughout the late '90s and early 2000s. The former has ties with ISIS whereas the latter is known to have ties with al-Qaeda in Asia.<sup>28</sup>

Another threat to regional stability is the rise of populist-led governments.<sup>29</sup> Notably in India,<sup>30</sup> with Hindu nationalist Prime Minister Narendra Modi, and in Sri Lanka,<sup>31</sup> with the 2018 prime-ministerial coup. This populism has led to growing tensions along religious and ethnic fault lines in several countries in South Asia, as well as feelings of grievances among minority groups, marginalisation, and political exclusion—all contributing to higher levels of radicalisation.<sup>32</sup>

Overall, the region thus remains vulnerable to both homegrown threats and the threat of returning foreign terrorist fighters. The region indeed occupies a particular place in the history of the phenomenon of foreign fighters—a term that “was first officially used in reference to fighters travelling from outside the conflict zone to fight for Al-Qaida in Afghanistan.”<sup>33</sup> While the war in Afghanistan in the eighties is “the first modern conflict to see high levels of foreign fighter participation”, it is estimated that at least about one thousand people originating from South Asia joined ISIS in Iraq and Syria.<sup>34</sup> For example, the Maldives has the highest number of foreign fighters per capita<sup>35</sup> and alone has seen two to three hundred citizens leave to fight for ISIS abroad.

<sup>26</sup> The Soufan Center. *Al-Qaeda in the Indian Subcontinent: The Nucleus of Jihad in South Asia*. January 2019.

<sup>27</sup> Iftexharul, Bashar. “Islamic State Ideology Continues to Resonate in Bangladesh. *MEI*, September 3, 2019. <https://www.mei.edu/publications/islamic-state-ideology-continues-resonate-bangladesh>

<sup>28</sup> International Crisis Group (ICG). *Countering Jihadist Militancy in Bangladesh*. Asia Report N.295, February 28, 2018. <https://www.crisisgroup.org/asia/south-asia/bangladesh/295-countering-jihadist-militancy-bangladesh>

<sup>29</sup> Mahanirban Calcutta Research Group. “Populism and Populist Politics in South Asia with Special Reference to India.” *Concept Note*, Kolkata, 1 January - 31 December 2019. [http://www.mcrg.ac.in/RLS\\_Populism/RLS\\_Populism\\_Home.asp](http://www.mcrg.ac.in/RLS_Populism/RLS_Populism_Home.asp)

<sup>30</sup> Adam Taylor. “India’s Modi has been a bellwether for global populism.” *The Washington Post*, May 23, 2019. [https://www.washingtonpost.com/world/2019/05/23/indias-modi-has-been-bellwether-global-populism/?utm\\_term=.dd98450a04fd](https://www.washingtonpost.com/world/2019/05/23/indias-modi-has-been-bellwether-global-populism/?utm_term=.dd98450a04fd)

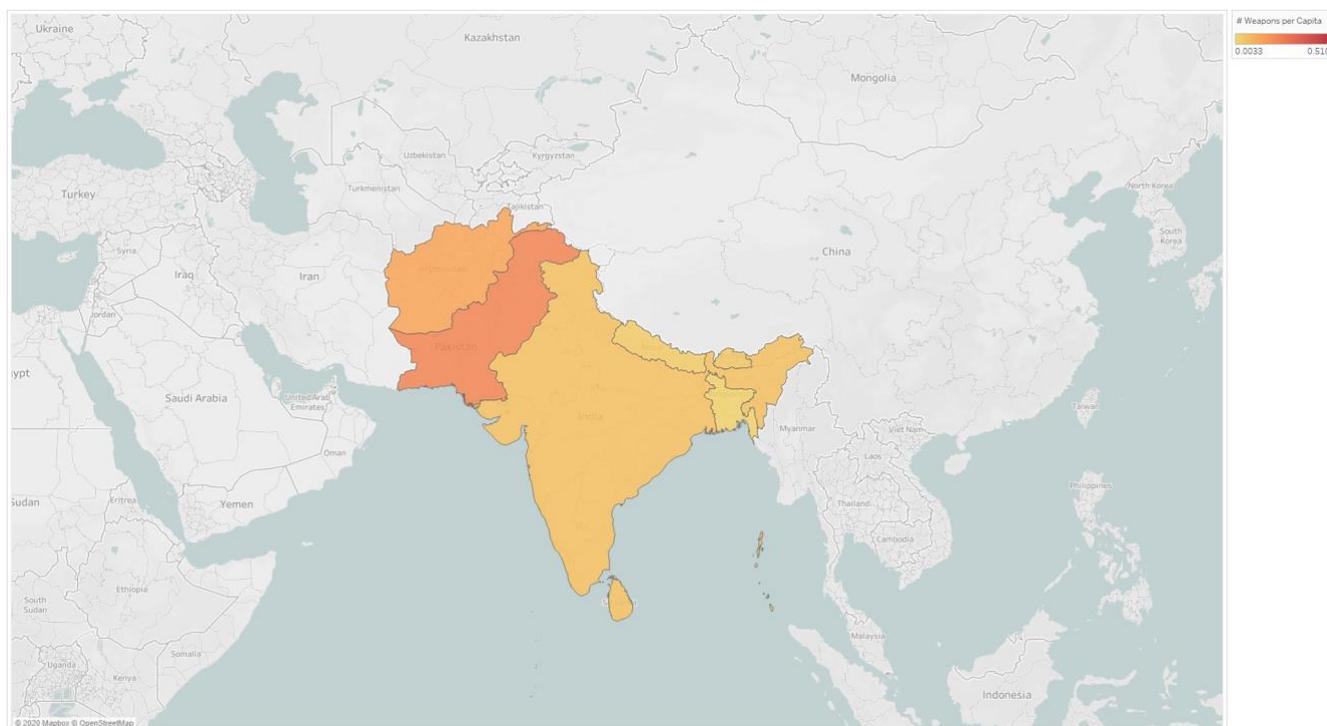
<sup>31</sup> The Economist. “Sri Lanka’s prime minister regains office, humiliating the president.” December 22, 2018. <https://www.economist.com/asia/2018/12/22/sri-lankas-prime-minister-regains-office-humiliating-the-president>

<sup>32</sup> Viraj Solanki. “The increasing presence of ISIS in South Asia.” *International Institute for Strategic Studies - IISS Analysis*, June 1, 2019. <https://www.iiss.org/blogs/analysis/2019/06/isis-south-asia>

<sup>33</sup> UNODC. *Investigation, Prosecution and Adjudication of Foreign Terrorist Fighter Cases for South and South-East Asia*. 2018: 1.

<sup>34</sup> UNODC. *Investigation, Prosecution and Adjudication of Foreign Terrorist Fighter Cases for South and South-East Asia*. 2018: 12.

<sup>35</sup> Francesca Borri. “Destination Paradise: Among the jihadists of the Maldives.” *European Press Prize 2017*. <https://www.europeanpressprize.com/article/destination-paradise-among-jihadists-maldives/>



**Figure 1. # of SALW per capita in South Asia.<sup>36</sup>**

## SALW possession and acquisition by terrorist organisations

The circulation of SALW throughout South Asia is, first of all, linked to the various conflicts that have occurred in the region in the past decades, most notably the Soviet-Afghan conflict. The Mujahideen along with other Pashtun fighters, who formed the Taliban in the early nineties, were supported and armed by the US to resist the Soviet occupation in Afghanistan.<sup>37</sup> Since Afghanistan has never manufactured ammunition on a large scale, all weapons and ammunition originated from abroad.<sup>38</sup> While the Mujahideen relied on arms originating from the US and ammunition from China, the conflict also led to a significant flow of Russian weapons and ammunition which spread throughout Afghanistan. Left behind in large quantities in the aftermaths of the conflict, part of this material might still be in circulation. SALW diverted in post-conflict settings are indeed believed to continue to fuel black markets across the region, with open gun markets—like Dara Adam Khel, Landi Kotal, and Miram Shah—allegedly containing large stockpiles of arms used during the Afghan war.

In some instances, efforts were implemented to collect arms used in previous conflicts, as in the case of Nepal. The end of the country's civil war in 2006 drastically changed the political landscape. While the monarchy was abolished, Maoists rebels were reintegrated into the army, and around 3,500 out of the 9,500 SALW they possessed were handed over—leaving some 6,000 arms outside official control.<sup>39</sup> Research

<sup>36</sup> Small Arms Survey, *Global Firearms Holdings*, June 2018, <http://www.smallarmssurvey.org/weapons-and-markets/tools/global-firearms-holdings.html>

<sup>37</sup> Tim Weiner. "History to Trump: CIA was aiding Afghan rebels before the Soviets invaded in '79." *The Washington Post*, January 7, 2019. <https://www.washingtonpost.com/outlook/2019/01/07/history-trump-cia-was-arming-afghan-rebels-before-soviets-invaded/>

<sup>38</sup> Alexander Diehl, and N.R. Jenzen-Jones. "Feeding the Fire Illicit Small Arms Ammunition in Afghanistan, Iraq, and Somalia." *Small Arms Survey (SAS)*, Issue Brief, N.8, July 2014. <http://www.smallarmssurvey.org/fileadmin/docs/G-Issue-briefs/SAS-IB8-Feeding-the-Fire.pdf>

<sup>39</sup> Aaron Karp. "Legacy of War in the Company of Peace: Firearms in Nepal." *Small Arms Survey Issue Brief*, N.2, May 2013: 7.

moreover underlines that private (predominantly illicit) ownership of firearms has continued to increase since the civil war, with a growing demand for country-made craft guns (also known as *Katuwas*).<sup>40</sup>

Domestic craft-production is indeed believed to represent an important source of weaponry in the region, on which terrorist groups may rely. For instance, Darra Adam Khel in Pakistan hosts a well-known gun market. For decades, copies of popular weapons such as Austrian Glock semi-automatic pistols, automatic M16 rifles, and AK-74 Krinkov assault rifles have continued to be manufactured, produced, and traded for low market prices. Weapons that have been manufactured here have been a resource for the TTP



against the government since 2007.<sup>41</sup> Similarly, two towns in West Bengal have been manufacturing weapons since the pre-independence era and are capable of making copies of Smith and Wessons, M-4s, and even AKs. Officially, the factories have been banned but the black market is thriving and has supplied the Naxalites for decades.

**Image 1.** Darra Adam Khel gun market in Pakistan<sup>42</sup>

In addition, seizures of arms and military equipment following attacks on security and defence forces have also facilitated—at least to some extent—the expansion of some terrorist groups’ arsenals. The Taliban, for example, have been using the “standard guerrilla tactic whereby poorly-equipped insurgents boost their firepower by capturing superior enemy gear.”<sup>43</sup> SALW, including weaponry provided by foreign powers,<sup>44</sup> is believed to have been captured from Afghan forces on the battlefield, or diverted through the intermediary of corrupt officials.<sup>45</sup> This dynamic has raised great concerns as it has allegedly enabled the group to acquire more sophisticated equipment, such as night vision devices, thereby to gain a technological advantage over national armies.<sup>46</sup>

Finally, cross-border arms trafficking represents a great challenge in South Asia, from which terrorist groups also appear to get SALW. In addition to some equipment looted

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<sup>40</sup> Aaron Karp. “Legacy of War in the Company of Peace: Firearms in Nepal.” *Small Arms Survey Issue Brief*, N.2, May 2013: 3.

<sup>41</sup> Asad Hashim. “Darra Adam Khel: Pakistan’s dying gun bazaar.” *Al Jazeera*, February 4, 2019. <https://www.aljazeera.com/indepth/features/darra-adam-khel-pakistan-dying-gun-bazaar-190204090518478.html>

<sup>42</sup> The Times. “World’s biggest arms bazaar has fight on its hands.” March 5, 2019. <https://www.thetimes.co.uk/article/worlds-biggest-guns-bazaar-faces-its-greatest-threat-bureaucracy-n8kdz696>

<sup>43</sup> Rupert Stone. “Weapons that the Taliban capture don’t need to be fired to wreak havoc.” *TRT World*, April 12, 2019.

<sup>44</sup> Shawn Snow. “US weapons complicate Afghan war.” *Military Times*, July 25, 2017. <https://www.militarytimes.com/flashpoints/2017/07/25/us-weapons-complicate-afghan-war/>

<sup>45</sup> Rupert Stone. “Weapons that the Taliban capture don’t need to be fired to wreak havoc.” *TRT World*, April 12, 2019.

<sup>46</sup> Thomas Gibbons-Neff, and Jawad Sukhanyar. “The Taliban Have Gone High-Tech. That Poses a Dilemma for the U.S.” *The New York Times*, April 1, 2018.

<https://www.nytimes.com/2018/04/01/world/asia/taliban-night-vision.html>

following raids on army depots,<sup>47</sup> most of the weapons circulating illegally in Kashmir, where many terrorist organisations operate—including *Lashkar-e-Taiba* (LeT)—are Chinese-made and have been smuggled in from Pakistan. On the eastern side of India, the weapons flow into the country mainly from Bangladesh and Myanmar. The border between India and Bangladesh is porous and besides a regular flow of migrants from Bangladesh to India, it is a well-known transit point for weapons being smuggled in and out of India. The weak borders between India and Myanmar were used for arms smuggling and now this existing route is being used for smuggling of gold.<sup>48</sup>

## SALW as a source of terrorist funding

Terrorist groups active in South Asia rely on very diverse sources of funding, including through their involvement in diverse criminal activities and traffics. This is notably the case of the Taliban in Afghanistan which, in addition to having benefited from state-sponsored funding, has also generated revenue from foreign donations, illegal mining, trading in lumber, kidnapping and extortion, as well as from illicit smuggling of narcotics and cigarettes.<sup>49</sup> The funds derived from trafficking also include taxes on smuggled goods as well as “taxation of transportation at checkpoints.”<sup>50</sup>

Research shows that other terrorist organisations in the region generate income from a combination of local and foreign donations, involvement in diverse types of illicit trafficking as well as miscellaneous criminal activities including illicit taxation, extortion and kidnapping from ransom. The HQN has received funding from both local allies and foreign donors, as well as through the extortion of legal businesses and the development of its own front companies.<sup>51</sup> The group has also acquired significant amounts through “criminal enterprises such as the illegal sale of chromite and the smuggling of timber, precious jewels, and metals”, as well as kidnapping.<sup>52</sup> Most of the AQIS branches have their own source of funding—with common resources including kidnappings for ransom, donations from individuals, charitable foundations and religious charities, and profits from counterfeiting money<sup>53</sup>—and often provide funding to terrorist organisations in the region. IS-K primarily used to receive funding from the ISIS core group but also relies on funding from international donations and other criminal activities.<sup>54</sup> The TTP’s biggest source of income is generated through kidnapping for ransom, while other forms of funding include illegal trafficking of natural resources, in particular gem and timber,

<sup>47</sup> Mohammed Sinan Siyech. “Arms Smuggling in India: Exploring Links between Crime and Terrorism.” *Studies in Conflict & Terrorism*, 2019: 1-18.

<https://www.tandfonline.com/doi/pdf/10.1080/1057610X.2019.1678875?needAccess=true>

<sup>48</sup> Prabin Kalita. “How Myanmar is Turning into Major Transit Point to Smuggle Gold into India.” *Times of India*, August 20, 2019. <https://timesofindia.indiatimes.com/india/how-myanmar-is-turning-into-major-transit-point-to-smuggle-gold-into-india/articleshow/69991340.cms>

<sup>49</sup> Counter Extremism Project. “Taliban.” <https://www.counterextremism.com/threat/taliban>

<sup>50</sup> C. Nellemann, R. Henriksen, R. Pravettoni, D. Stewart, M. Kotsovou, M.A.J. Schlingemann, M. Shaw, and T. Reitano (Eds). *World atlas of illicit flows*. A RHIPTO-INTERPOL-GI Assessment. 2018: 112.

<sup>51</sup> Gretchen Peters. *Haqqani Network Financing: The Evolution of an Industry*. Combating Terrorism Center at West Point, Harmony Program, July 2012.

<sup>52</sup> Counter Extremism Project. “Haqqani Network.” <https://www.counterextremism.com/threat/haqqani-network>

<sup>53</sup> The Soufan Center. *Al-Qaeda in the Indian Subcontinent (AQIS): The Nucleus of Jihad in South Asia*. January 2019. <https://thesoufancenter.org/wp-content/uploads/2019/01/Al-Qaeda-in-the-Indian-Subcontinent-AQIS.pdf>

<sup>54</sup> Mapping Militant Organizations. “Islamic State in Khorasan Province (IS-KP).” *Stanford University*. Last modified June 2018. [https://cisac.fsi.stanford.edu/mappingmilitants/profiles/islamic-state-khorasan-province#highlight\\_text\\_9227](https://cisac.fsi.stanford.edu/mappingmilitants/profiles/islamic-state-khorasan-province#highlight_text_9227)

extortion in the tribal region of northwest Pakistan and finally through donations.<sup>55</sup> LeT raises funds through legitimate businesses, mainly from agricultural activities, but also from domestic donations and through the diaspora.<sup>56</sup> It appears that Maoists are financed mainly through extortion of businesses and donations made by members and individuals.<sup>57</sup>

In addition to donations by families, organisations active in Bangladesh rely on an informal domestic international money transfer mechanism called Hundi. This makes moving funds easy and undetectable. The weak borders between India and Myanmar are moreover vulnerable to the illicit flow of goods, which is also used by criminal and terrorist organisations. Bangladesh has thus been struggling to address illicit financial transfers with terrorist organisations suspected to fund some of their activities through illegal trafficking of arms, drugs, and counterfeit dollars that enter the country from Myanmar, whilst also receiving funding from the Bangladeshi diaspora living and working.<sup>58</sup>

## Southeast Asia

While terrorism has affected regional security in Southeast Asia since the 1990s, the threat has been amplified in the post-9/11 context with the establishment of a consolidated and diverse network of terrorist groups (co-)operating on regional and international levels. Both al-Qaeda and ISIS-linked networks have managed to gain a foothold across the region and have, through their decentralisation strategy, established links and created financial opportunities with smaller local terrorist groups operating in Southeast Asia.

While terrorist groups such as al-Qaeda's local offshoot *Jemaah Islamiyah* (JI)<sup>59</sup> already operated in the region, Southeast Asia has drawn more attention as it progressively assumed a greater role in ISIS' global strategy.<sup>60</sup> Since 2014, various terrorist groups across the region have pledged allegiance to ISIS, including the Indonesia-based *Jamaat*

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<sup>55</sup> Mapping Militant Organizations. "Tehrik-i-Taliban Pakistan." Stanford University. Last modified July 2018. [https://cisac.fsi.stanford.edu/mappingmilitants/profiles/tehr-i-taliban-pakistan#highlight\\_text\\_8716](https://cisac.fsi.stanford.edu/mappingmilitants/profiles/tehr-i-taliban-pakistan#highlight_text_8716)

<sup>56</sup> Counter Extremism Project. "Lashkar-e-Taiba." <https://www.counterextremism.com/taxonomy/term/145>

<sup>57</sup> Anoop A. J. "Maoist Funding: Dimensions, Sources and Implications." *Vivekananda International Foundation*, January 15, 2011. <https://www.vifindia.org/article/2011/january/14/Maoist-Funding-Dimensions-Sources-and-Implications>

<sup>58</sup> Paul Cochrane. "The Funding Methods of Bangladesh Terrorist Groups." *CTC Sentinel*, volume 2, issue 5, May 2009. <https://ctc.usma.edu/the-funding-methods-of-bangladeshi-terrorist-groups/>

<sup>59</sup> Mapping Militant Organizations. "Jemaah Islamiyah." *Stanford University*. Last modified November 2018. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/jemaah-islamiyah>

<sup>60</sup> Zachary Abuza, and Colin P. Clarke. "The Islamic State Meets Southeast Asia: ISIS Seeks New Outposts Across the Indian Ocean." *Foreign Affairs*, September 16, 2019. <https://www.foreignaffairs.com/articles/southeast-asia/2019-09-16/islamic-state-meets-southeast-asia>

*Ansharut Daulah* (JAD)<sup>61</sup> as well as the Maute Group<sup>62</sup> and the Abu Sayyaf Group (ASG)<sup>63</sup> in the Philippines. ASG's leader Isnilon Hapilon<sup>64</sup> has even been declared emir of the Islamic State in East Asia.<sup>65</sup> In addition, Southeast Asia has also represented a source of foreign terrorist fighters joining the ranks of ISIS in the Middle East, notably the Indonesian-Malaysian *Katibah Nusantara*, with approximately one thousand nationals having travelled to Iraq and Syria as of late 2014.<sup>66</sup> The return of these foreign fighters in their home countries thus poses a serious security challenge.<sup>67</sup>

Not all Southeast Asian countries have been equally affected by domestic extremism and illegal trafficking in SALW. Globally, the Philippines was ranked ninth among the top ten countries most impacted by terrorism in 2018.<sup>68</sup> This outcome is imputable to diverse groups operating throughout the country including: the New People's Army (NPA) which is the armed wing of the Communist Party in the Philippines,<sup>69</sup> the *Bangsamoro Islamic Freedom Fighters* (BIFF)<sup>70</sup> as well as ISIS-affiliates, which comprise elements from the BIFF, the ASG, and the *Maute Group*, and *Ansar al-Khalifa Philippines* (AKP).<sup>71</sup>

Indonesia has also been affected by terrorist violence, which peaked in 2018,<sup>72</sup> with the Surabaya series of coordinated suicide bombings against three churches and the police headquarters in mid-May of that year.<sup>73</sup> While the al-Qaeda aligned *Ji* still represents one of the most prominent groups active in the country,<sup>74</sup> attention has recently shifted

<sup>61</sup> John McBeth. "Indonesia is Islamic State's new frontline." *Asia Times*, May 17, 2018.

<https://asiatimes.com/2018/05/indonesia-is-islamic-states-new-frontline/>. See also: The Straits Times. "Home-grown terror group JAD remains a threat in Indonesia despite crackdowns: Experts." October 22, 2018. <https://www.straitstimes.com/asia/se-asia/homegrown-terror-group-jad-remains-a-threat-in-indonesia-despite-crackdowns-experts>

<sup>62</sup> Jonathan Head. « Maute rebel group: A rising threat to Philippines." *BBC News*, May 31, 2017.

<https://www.bbc.com/news/world-asia-40103602>. See also: Sara La Rocca. "The Maute: The New ISIS-Affiliated Group in the Philippines May Be a Game Changer in an Old Conflict." *Centro Studi Internazionali (Cesi)*, July 12, 2017. <https://cesi-italia.org/735/the-maute-the-new-isis-affiliated-group-in-the-philippines-may-be-a-game-changer-in-an-old-conflict>

<sup>63</sup> Mapping Militant Organizations. "Abu Sayyaf Group". *Stanford University*. Last modified August 2018. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/abu-sayyaf-group>

<sup>64</sup> Hapilon was killed during the siege of Marawi in 2017, and replaced by Furuji Indama and Hatib Hajan Sawadjaan at the head of the ASG.

<sup>65</sup> Zachary Abuza, and Colin P. Clarke. September 16, 2019.

<sup>66</sup> Zachary Abuza, and Colin P. Clarke. September 16, 2019.

<sup>67</sup> Daveed Gartenstein-Ross, Colin P. Clarke, and Samuel Hodgson. "Foreign Terrorist Fighters from Southeast Asia: What Happens Next?" *International Centre for Counter-Terrorism (ICCT)*, February 17, 2020. <https://icct.nl/publication/foreign-terrorist-fighters-from-southeast-asia-what-happens-next/>

<sup>68</sup> Institute for Economics and Peace. November 2019.

<sup>69</sup> Mapping Militant Organizations. "Communist Party of the Philippines-New People's Army." *Stanford University*. Last modified August 2018.

<https://cisac.fsi.stanford.edu/mappingmilitants/profiles/communist-party-philippines-new-peoples-army>

<sup>70</sup> Mapping Militant Organizations. "Bangsamoro Islamic Freedom Fighters." *Stanford University*. Last modified August 2018. <https://cisac.fsi.stanford.edu/mappingmilitants/profiles/bangsamoro-islamic-freedom-fighters>

<sup>71</sup> United States Department of State Bureau of Counter Terrorism. *Country Reports on Terrorism 2018*.

October 2019: 62. See also: Bong S. Sarmiento. "Philippines claims new victory over Islamic State." *Asia Times*, December 12, 2019. <https://asiatimes.com/2019/12/philippines-claims-new-victory-over-islamic-state/>

<sup>72</sup> Institute for Economics and Peace. November 2019: 42.

<sup>73</sup> Hannah Beech, and Muktita Suhartono. "At the Heart of Indonesia Terror Attacks, a Well-Liked Family." *The New York Times*, May 18, 2018. <https://www.nytimes.com/2018/05/18/world/asia/indonesia-surabaya-terrorism-dita-oeprarto.html?module=inline>. See also: Muktita Suhartono, and Rukmini Callimachi. "Indonesia Church Bombings Carried out by Family With Children in Tow." *The New York Times*, May 13, 2018. <https://www.nytimes.com/2018/05/13/world/asia/indonesia-church-suicide-bomber.html>

<sup>74</sup> Bilveer Singh. "Jemaah Islamiyah: Still Southeast Asia's Greatest Terrorist Threat." *The Diplomat*, October 7, 2018. <https://thediplomat.com/2018/10/jemaah-islamiyah-still-southeast-asias-greatest-terrorist-threat/>

toward the threat posed by ISIS' network in Indonesia. While the latter is comprised of several "pre-existing jihadi organizations, including *Negara Islam Indonesia* (NII), *Mujahidin Indonesia Timur* (MIT), *Tauhid wal Jihad*, and *Jemaah Ansharut Tauhid* (JAT),"<sup>75</sup> the largest ISIS-affiliate in the country is JAD.<sup>76</sup>

Al-Qaeda and ISIS are present in Thailand, mainly using it as a transit country, as well as a base to plan and plot attacks. Most of the terrorist attacks in Thailand have been committed by separatist Muslim insurgents in South Thailand.<sup>77</sup> An ethnic Malay Muslim insurgency in the three southernmost provinces bordering Malaysia has led to several attacks over the years, most recently in 2019 when 15 persons were killed at a security checkpoint.<sup>78</sup> It seems moreover that "unlike some other Muslim insurgencies, which have tied themselves to transnational organisations like Al Qaeda or is the Islamic State, the militants in southern Thailand so far have focused more on localised grievances than calls for a global jihad."<sup>79</sup>

The threat of terrorism in Malaysia continues to evolve and poses significant challenges.<sup>80</sup> Since 2013, several attacks have been thwarted and although no major terrorist attack occurred, the radicalisation and growing number of ISIS sympathisers remains a concern. Malaysia also faces security threats from ISIS-linked militants in the Philippines and foreigner fighters detained and being harboured in Malaysia including from Indonesia, Iraq, and the Philippines. For decades, Sabah remained relatively free from militant activity, the Malaysian authorities remain "vigilant" of any terrorist activities that might occur in Sabah and in Marawi in the Southern Philippines.<sup>81</sup> In 2019, the Malaysian police detained thirteen suspects, including six pro-ASG members allegedly involved in the deadly Marawi siege in the Southern Philippines.<sup>82</sup> Some of the suspects were involved in harbouring foreign terrorist fighters in Sabah.

<sup>75</sup> Kirsten E. Schulze. "The Surabaya Bombings and the Evolution of the Jihadi Threat in Indonesia." *CTC Sentinel*, volume 11, issue 6, June/July 2018: 2.

<sup>76</sup> Institute for Policy Analysis of Conflict (IPAC). *The Ongoing Problem of Pro-ISIS Cells in Indonesia*. Report N.56, April 29, 2019. [http://file.understandingconflict.org/file/2019/04/Report\\_56\\_Final.pdf](http://file.understandingconflict.org/file/2019/04/Report_56_Final.pdf)

<sup>77</sup> Counter Extremism Project. "Thailand: Extremism & Counter-Extremism." <https://www.counterextremism.com/countries/thailand>

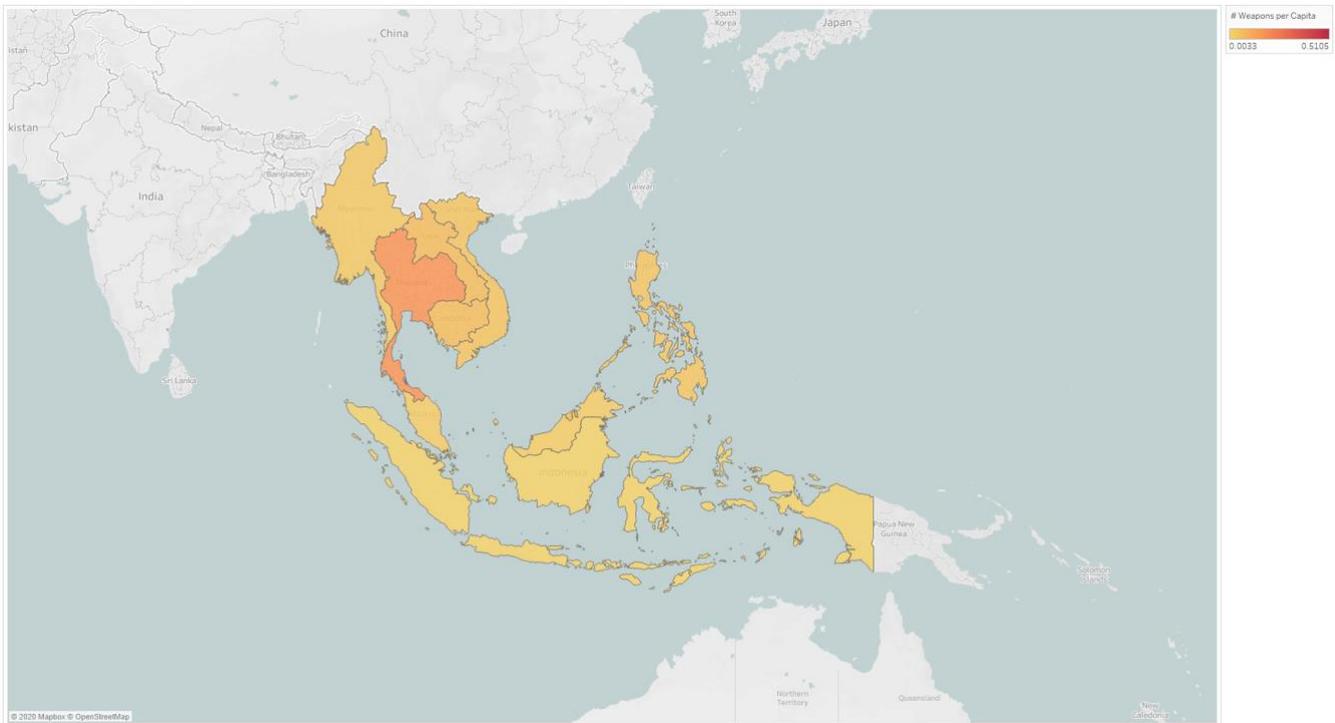
<sup>78</sup> Hannah Beech, and Ryn Jirenuwat. "15 Killed in Southern Thailand in the Worst Violence in Years." *The New York Times*, November 6, 2019. <https://www.nytimes.com/2019/11/06/world/asia/thailand-violence-insurgency.html>

<sup>79</sup> Hannah Beech, and Ryn Jirenuwat. "15 Killed in Southern Thailand in the Worst Violence in Years." *The New York Times*, November 6, 2019.

<sup>80</sup> Muhammad Haziq Jani. "Malaysia." *Counter Terrorist Trends and Analyses*, Volume 9, N.1, 2017: 18-21.

<sup>81</sup> Michael Hart. "Eastern Sabah: Malaysia's Frontline Against Militancy." *The Diplomat*, January 31, 2018. <https://thediplomat.com/2018/01/eastern-sabah-malysias-frontline-against-militancy/>

<sup>82</sup> Nadirah H. Rodzi. "Malaysia detains 13 suspected militants, including 6 involved in Marawi siege." *The Straits Times*, March 18, 2019. <https://www.straitstimes.com/asia/se-asia/malaysia-detains-13-suspected-militants-including-6-involved-in-marawi-siege>



**Figure 2. # of SALW per capita in Southeast Asia.<sup>83</sup>**

## SALW possession and acquisition by terrorist organisations

Southeast Asia is sometimes referred to as “a crossroads for small arms smuggling and weapons trafficking”.<sup>84</sup> Research moreover highlights that “the circulation of SALW or its illicit trade in Southeast Asia itself can not be separated from the long history of war that occurred in the region”, with many illicit weapons originating from post-conflict diversion following the Vietnam and Cambodian wars.<sup>85</sup> The end of the Cold War has led to “the plentitude of firearms within the Southeast Asia region which led to the increase of SALW smuggling activity.”<sup>86</sup> It is believed that up to 1.8 million SALW—including M1911 and M15 pistols, rifles, M50 machine guns, and grenade launchers, and around 150,000 tons of ammunition—were abandoned by the US forces at the end of the Vietnam War.<sup>87</sup> These weapons were ostensibly being “sold by the Vietnamese government to its allies but ... these sales were undertaken by terrorist groups”.<sup>88</sup> Moreover, arms seized following terrorist attacks perpetrated in Malaysia showed that “M16 firearms and explosives from the Vietnam War were used”.<sup>89</sup>

In addition, it seems that “family feuds, ordinary crime, and rebel fighting have made the Southern Philippines the primary destination for Indonesian militants seeking weapons

<sup>83</sup> Small Arms Survey, *Global Firearms Holdings*, June 2018, <http://www.smallarmssurvey.org/weapons-and-markets/tools/global-firearms-holdings.html>

<sup>84</sup> Matt Bartlett. “Commentary: Russia Floods Southeast Asia with Arms”. *Channel News Asia*, February 21, 2019. <https://www.channelnewsasia.com/news/commentary/russia-floods-southeast-asia-with-arms-weapons-gun-trafficking-11257166>

<sup>85</sup> Putti Ananda Hiswi. “Resolving the Illicit Trade in Small Arms and Light Weapon through ASEAN Ministerial Meeting on Transnational Crime (AMMTC).” *Otoritas: Jurnal Ilmu Pemerintahan*, 8 (2), October 2018: 111.

<sup>86</sup> Rafidah Dahari, Nor Azizan Idris, and Zarina Othman. “Influencing External Factors for Small Arms Light Weapon Smuggling at Malaysia-Thailand Border.” *Asian Social Science*, volume 15, No. 3, 2019: 14.

<sup>87</sup> Rafidah Dahari, Nor Azizan Idris, and Zarina Othman. 2019: 21.

<sup>88</sup> Rafidah Dahari, Nor Azizan Idris, and Zarina Othman. 2019: 21.

<sup>89</sup> Rafidah Dahari, Nor Azizan Idris, and Zarina Othman. 2019: 21.

and ammunition”<sup>90</sup> with approximately two million unregistered guns circulating throughout the country.<sup>91</sup> There have in fact been cases revealing that terrorists fighting in Indonesia had travelled to the Philippines in order to procure SALW as well as to organise training of other terrorist fighters coming from Indonesia and Basilan.<sup>92</sup>

One of the reasons behind the emergence of this country as a primary supply source of illicit SALW is certainly linked to the fact that illicit arms available on black markets have been fuelled by domestic craft-production of firearms in local workshops located across the country. The Philippines “is known for its unlicensed firearms industries”<sup>93</sup>, an activity that has flourished across the country since World War II.<sup>94</sup> More notably, local gunsmiths seem to be particularly concentrated in Danao City, which has become one of



the most important hotspots for the illegal small-scale production of SALW in the region.<sup>95</sup> Most importantly, “cheap but high-quality replicas” crafted in this location of the Central Philippines have, according to local security forces, ended up in the hands of violent extremists, including members of the Abu Sayyaf Group.<sup>96</sup>

**Image 2.** Craft-production of firearms near Danao, the Philippines<sup>97</sup>

The Philippines does not represent the sole source of weaponry in the region. Indeed, arms trafficking seems to be a significant issue in the broader Sulu and Celebes Sea<sup>98</sup>, which connect the Philippines to Malaysia and Indonesia.<sup>99</sup> Following maritime routes, arms locally produced in Danao can thereby be trafficked by sea to other locations including Mindanao,<sup>100</sup> and potentially facilitate the procurement of weapons by terrorist cells. In addition, in the past years, cases have shown that terrorist groups may also smuggle weapons to other parts of the region, especially across the border between Southern Thailand and Malaysia.<sup>101</sup> According to testimonies of traffickers operating

<sup>90</sup> Wahyudi Soeriaatmadja. “Trial of terrorist in Jakarta sheds light on arms trail from southern Philippines to Indonesia.” *The Straits Times*, February 2, 2018. <https://www.straitstimes.com/asia/se-asia/tracing-the-arms-trail-into-indonesia>

<sup>91</sup> Jason Gutierrez. “A Family Craft With a Deadly Toll: Illegal Gun Making.” *The New York Times*, April 7, 2019. <https://www.nytimes.com/2019/04/07/world/asia/philippines-illegal-guns.html>

<sup>92</sup> Wahyudi Soeriaatmadja. February 2, 2018.

<sup>93</sup> Michael Picard, Paul Holtom, and Fiona Mangan. *Trade Update 2019: Transfers, Transparency, and South-east Asia Spotlight*. Small Arms Survey (SAS), Report, December 2019: 63.

<sup>94</sup> Jason Gutierrez. April 7, 2019.

<sup>95</sup> Jason Gutierrez. April 7, 2019.

<sup>96</sup> Jason Gutierrez. April 7, 2019.

<sup>97</sup> Photo by Jes Aznar for the New York Times (Gutierrez, Jason. “A Family Craft With a Deadly Toll: Illegal Gun Making.” *The New York Times*, April 7, 2019.)

<sup>98</sup> Angel Rabasa. “Case Study: The Sulawesi-Mindanao Arc.” in Agel Rabasa, et al. *Ungoverned Territories: Understanding and Reducing Terrorism Risks*. RAND Corporation, 2007: 111-145.

<sup>99</sup> Alexandra Amling, et al. *Stable Seas: Sulu & Celebes Seas*. One Earth Future, MIMA, Mindanao State University, February 2019: 42.

<sup>100</sup> Alexandra Amling, et al. February 2019: 42.

<sup>101</sup> The Straits Times. “ISIS cell found smuggling weapons into Malaysia.” May 5, 2017.

<https://www.straitstimes.com/asia/se-asia/isis-cell-found-smuggling-weapons-into-malaysia>

across this border area, terrorist militants often favour assault rifles and semi-automatic guns.<sup>102</sup>

Some local violent extremist groups seem to have also benefited from their links with larger terrorist networks. ISIS-aligned groups active in the region, such as the MIT, have allegedly received money from ISIS “to purchase weapons”.<sup>103</sup> Terrorist organisations may also have established links with organised crime networks and other non-state armed groups. For instance, observers underline that separatist movements, such as the Pattani United Liberation Organisation (PULO), in Southern Thailand, are likely to play a role in providing SALW “in support of terrorist operations in Malaysia.”<sup>104</sup>

Finally, it is worth noting that, while terrorist groups have employed different tactics to carry out attacks throughout the region “ranging from straightforward territorial warfare in the Philippines to ambushes against police and security forces in Indonesia”,<sup>105</sup> one common feature among ISIS-affiliates has been the use of suicide bombings—which, thus, entails the handmade production of explosive devices.<sup>106</sup>

## SALW as a source of terrorist funding

Terrorist groups active in Southeast Asia are believed to have received substantial financial support from global terrorist networks. For instance, the ASG has received funding from both al-Qaeda and JI throughout the 1990s and early 2000s.<sup>107</sup> In Indonesia, JI is known to have financially supported other sub-national entities such as the *Jemaah Ansharut Tauhid* (JAT) and the *Mujahidin Indonesia Timor* (MIT).<sup>108</sup> Similarly, ISIS core has funded ISIS-linked militants in Southeast Asia.<sup>109</sup> This financial support has however not been their only source of income.

Groups have also relied on a range of illicit activities, with arms trafficking being only one of the many financial resources available to these organisations. While ASG had in the past received funding from al-Qaeda and Jemaah Islamiyah, it now relies on criminal activities, including kidnapping for ransom and extortion, smuggling, and sales of marijuana.<sup>110</sup> JI relies primarily on funding from al-Qaeda but also manages to raise funds through exploiting charitable organisations, donations from the diaspora, and profits from informal moneylender networks.<sup>111</sup> JAD has allegedly been “funded by prominent [ISIS]-aligned Indonesian extremist ideologues in Syria and Iraq,”<sup>112</sup> such as BahrumSyah

<sup>102</sup> Nadirah H. Rodzi. “ISIS links fire up worries about arms smuggling.” *The Straits Times*, November 20, 2017. <https://www.straitstimes.com/asia/se-asia/isis-links-fire-up-worries-about-arms-smuggling>

<sup>103</sup> Kirsten E. Schulze. June/July 2018: 3.

<sup>104</sup> Rafidah Dahari, Nor Azizan Idris, and Zarina Othman. 2019: 21.

<sup>105</sup> Zachary Abuza, and Colin P. Clarke. September 16, 2019.

<sup>106</sup> Zachary Abuza, and Colin P. Clarke. September 16, 2019.

<sup>107</sup> Alexandra Amling, et al. February 2019: 34.

<sup>108</sup> Khaspekova Daria, et al. “Islamic Extremism in Southeast Asia”. *Russian International Affairs Council (RIAC)*, 2015. <https://russiancouncil.ru/en/extremism-asean>

<sup>109</sup> Jon Emont, and Felipe Villamor. “ISIS’ Core Helps Fund Militants in Philippines, Report Says.” *The New York Times*, July 20, 2017. <https://www.nytimes.com/2017/07/20/world/asia/philippines-isis-marawi-duterte.html>

<sup>110</sup> Mapping Militant Organizations. “Abu Sayyaf Group.” *Stanford University*. Last modified August 2018. [https://cisac.fsi.stanford.edu/mappingmilitants/profiles/abu-sayyaf-group#highlight\\_text\\_11908](https://cisac.fsi.stanford.edu/mappingmilitants/profiles/abu-sayyaf-group#highlight_text_11908)

<sup>111</sup> Counter Extremism Project. “Jemaah Islamiyah (JI).”

<https://www.counterextremism.com/threat/jemaah-islamiyah-ji>

<sup>112</sup> Australian National Security. “Jemaah Anshorut Daulah.”

<https://www.nationalsecurity.gov.au/Listedterroristorganisations/Pages/Jemaah-Anshorut-Daulah.aspx>

or Bahrun Naim,<sup>113</sup> but is also believed to have acquired funds from individuals by using charities as fronts,<sup>114</sup> some of the donors to which have recently been jailed for terrorism financing.<sup>115</sup>

As in other regions, terrorist organisations may get directly or indirectly involved in arms smuggling. In Southeast Asia, research underlines that generally “terrorist groups profit from indirect taxation of traders operating where they are active”.<sup>116</sup> However, “the ASG and the Maute Group are among the violent extremist organizations that engage in arms and drug trafficking more directly.”<sup>117</sup> JI is also believed to have acquired funds through smuggling weapons.<sup>118</sup>

In addition, SALW also facilitate the conduction of other revenue-generating crimes such as robberies but also kidnapping for ransom, which is believed to be “the primary attack type in the Sulu and Celebes area”<sup>119</sup> and has been used by terrorist militants as a source of income in recent years.<sup>120</sup>

## Conclusion

South and Southeast Asia have been deeply affected by terrorist violence, which is both emerging from local terrorist cells and global terrorist networks. Despite its territorial defeat in Syria and Iraq, ISIS has managed to create branches in Pakistan and India, while gaining a foothold in both Indonesia and the Philippines. At the same time, al-Qaeda is expanding its stronghold in South Asia through AQIS—which largely consists of forging strong alliances with local terrorist groups—and Southeast Asia, mainly through its local offshoot, JI. In addition, the signing of the peace deal with the Taliban in Afghanistan could have serious implications for the terrorist threat-landscape in the region.

The acquisition and possession of SALW by terrorist networks are critical to these groups’ ability to pursue their agenda. This report indicates that the current availability and flow of SALW in both South and Southeast Asia can, to a large extent, be linked to previous wars, including the Afghan War, the Vietnam War, the Cambodians wars, or more recently the civil wars in Nepal and Sri Lanka. In addition, in both regions, domestic craft-production of firearms and flourishing gun markets seem to exist and making cheap weapons easily available for non-state actors.

In regards to the use of SALW as a source of terrorist funding more particularly, there is very little evidence-based research available to indicate whether and to what extent terrorist organisations based in South and Southeast Asia generate funding from a direct involvement in arms trafficking. As the possession of SALW certainly facilitate the conduction of part of the income-generated activities aforementioned—including kidnapping for ransom, extortion or illicit taxation—it may be considered that SALW indirectly contribute to enable terrorist networks to acquire the resources needed to

<sup>113</sup> Rohan Gunaratna. “Mastermind of Terror: The Life and Death of Bahrun Naim.” *Counter Terrorist Trends and Analyses*, volume 10, No. 10: October 2018: 1-5.

<sup>114</sup> Sylvia Windya Laksmi. “Nexus between Charities and Terrorist Financing In Indonesia.” *Counter Terrorist Trends and Analyses*, Volume 11, No. 7, September 2019: 6-10.

<sup>115</sup> Shaffiq Alkhatib. “Two maids jailed for terrorism financing offences.” *The Straits Times*, February 13, 2020. <https://www.straitstimes.com/singapore/courts-crime/two-maids-jailed-for-terrorism-financing-offences>

<sup>116</sup> Alexandra Amling, et al. February 2019: 39.

<sup>117</sup> Alexandra Amling, et al. February 2019: 39.

<sup>118</sup> Counter Extremism Project. “Jemaah Islamiyah (JI).”

<sup>119</sup> Alexandra Amling, et al. February 2019: 32.

<sup>120</sup> Alexandra Amling, et al. February 2019: 4.

pursue their activities. This could be related to drugs trafficking and armed robberies at sea.

Historically, Asia has two of the largest opium producing countries in the world—Myanmar and Afghanistan. Despite the ‘recent’ decline in opium cultivation in Afghanistan and Myanmar, the convergence in arms trafficking and drugs trafficking in South and Southeast Asia is high.<sup>121</sup> The Golden Crescent (Afghanistan, Pakistan, and Iran) and the Golden Triangle (Thailand, Laos, and Myanmar) are still considered to be two of the hotbeds for illegal trafficking of drugs in South and Southeast Asia—where drug traffickers highly depend on the availability of small arms.<sup>122</sup>

Furthermore, Southeast Asia in particular is vulnerable to various forms of illicit trafficking because of its long maritime and continental borders. The Strait of Malacca, between the coasts of Sumatra in Indonesia and Malaysia, has historically been an important pathway for trade. Southeast Asia has also seriously been affected by piracy and armed robberies. Although the number of incidents is declining, it appears that “the threat of kidnapping for ransom and hijackings persists”<sup>123</sup> involving the (indirect) use of SALW by non-state actors, including by terrorist groups.<sup>124</sup>

Indicator	South Asia	Southeast Asia
Estimated # of firearms in the region held <sup>125</sup>	<b>131,247,655</b> (10,816,655 / 120,431,000)	<b>18,964,178</b> (4,547,178 / 14,417,000)
<b>Total (# held by state actors / non-state actors)</b>		
Ongoing conflicts <sup>126</sup>	War in Afghanistan; Conflict between India & Pakistan; Islamist Militancy in Pakistan	Rohingya Crisis in Myanmar
Sources of SALW	Post-conflict diversion (i.e. Afghanistan); domestic craft-production; capture from	Post-conflict diversion (i.e. Vietnam, Cambodia); domestic craft-production; cross-border

<sup>121</sup> UNODC. “Global Overview of Drug Demand and Supply.” *World Drug Report*. 2019.

[https://wdr.unodc.org/wdr2019/prelaunch/WDR19\\_Booklet\\_2\\_DRUG\\_DEMAND.pdf](https://wdr.unodc.org/wdr2019/prelaunch/WDR19_Booklet_2_DRUG_DEMAND.pdf)

<sup>122</sup> Aparajita Biswas. “Small Arms and Drug Trafficking In the Indian Ocean Region.” *Centre for African Studies*, Working Paper, N.4. <https://www.peacepalacelibrary.nl/ebooks/files/342151363.pdf>

<sup>123</sup> Safety4Sea. “How piracy affects Southeast Asia.” August 26, 2019. [https://safety4sea.com/how-piracy-affects-southeast-asia/?\\_\\_cf\\_chl\\_jschl\\_tk\\_\\_=49a8121174719a733521d3e617bd7cde1661ab7a-](https://safety4sea.com/how-piracy-affects-southeast-asia/?__cf_chl_jschl_tk__=49a8121174719a733521d3e617bd7cde1661ab7a-1592165556-0-ASm7_hNGwK-)

[1592165556-0-ASm7\\_hNGwK-](https://safety4sea.com/how-piracy-affects-southeast-asia/?__cf_chl_jschl_tk__=49a8121174719a733521d3e617bd7cde1661ab7a-1592165556-0-ASm7_hNGwK-)

[w8sjxpg7TUeqhtu\\_2qmZ8LET8bibHTQZCSnhF\\_7xP4dpLAA230XCbOFDfnZFe5\\_jyVrN8rheADokpldgZFqsQUKqmGqeKeAJ0Q4e60bVul1nz7qBE\\_8ncNTRJDes1Hf2iP\\_h6nwPpEyp5DKDUD8N19-](https://safety4sea.com/how-piracy-affects-southeast-asia/?__cf_chl_jschl_tk__=49a8121174719a733521d3e617bd7cde1661ab7a-1592165556-0-ASm7_hNGwK-w8sjxpg7TUeqhtu_2qmZ8LET8bibHTQZCSnhF_7xP4dpLAA230XCbOFDfnZFe5_jyVrN8rheADokpldgZFqsQUKqmGqeKeAJ0Q4e60bVul1nz7qBE_8ncNTRJDes1Hf2iP_h6nwPpEyp5DKDUD8N19-)

[tW\\_7C6aqCvuuFwk41RMnZ-](https://safety4sea.com/how-piracy-affects-southeast-asia/?__cf_chl_jschl_tk__=49a8121174719a733521d3e617bd7cde1661ab7a-1592165556-0-ASm7_hNGwK-tW_7C6aqCvuuFwk41RMnZ-)

[2l4tnCuCsdwBe\\_WfGm1WIRMUE6VFLRx\\_rqr0aMjTZ1FKR6TOX4dJtWLbmQZeRjObiEz09scE\\_f4m3YCqh-BFInbMwjSireTVeqMC2Xa8CbTrG34dDclRkRfjAN1mlCuwcEBxVRvWQ](https://safety4sea.com/how-piracy-affects-southeast-asia/?__cf_chl_jschl_tk__=49a8121174719a733521d3e617bd7cde1661ab7a-1592165556-0-ASm7_hNGwK-2l4tnCuCsdwBe_WfGm1WIRMUE6VFLRx_rqr0aMjTZ1FKR6TOX4dJtWLbmQZeRjObiEz09scE_f4m3YCqh-BFInbMwjSireTVeqMC2Xa8CbTrG34dDclRkRfjAN1mlCuwcEBxVRvWQ)

<sup>124</sup> Kenneth Yeo. “Kidnapping in the Sulu Sea: Implications on Terrorism in the Philippines.” *The Diplomat*, October 4, 2019. <https://thediplomat.com/2019/10/kidnapping-in-the-sulu-sea-implications-on-terrorism-in-the-philippines/>

<sup>125</sup> Small Arms Survey, *Global Firearms Holdings* (2018). Data retrieved from:

[http://www.smallarmssurvey.org/fileadmin/docs/Weapons\\_and\\_Markets/Tools/Firearms\\_holdings/SAS-BP-Law-enforcement-firearms-annexe.pdf](http://www.smallarmssurvey.org/fileadmin/docs/Weapons_and_Markets/Tools/Firearms_holdings/SAS-BP-Law-enforcement-firearms-annexe.pdf); <http://www.smallarmssurvey.org/weapons-and-markets/tools/global-firearms-holdings.html>; and

[http://www.smallarmssurvey.org/fileadmin/docs/Weapons\\_and\\_Markets/Tools/Firearms\\_holdings/SAS-BP-Civilian-held-firearms-annexe.pdf](http://www.smallarmssurvey.org/fileadmin/docs/Weapons_and_Markets/Tools/Firearms_holdings/SAS-BP-Civilian-held-firearms-annexe.pdf). Last visited on 18 May 2020. *Firearms* are a subgroup of small arms and light weapons, referring only to small arms and heavy machine guns.

<sup>126</sup> Council of Foreign Relations, *Global Conflict Tracker* (14 May 2020),

<https://www.cfr.org/interactive/global-conflict-tracker?category=us>. Last visited on 18 May 2020.

	security and defense forces; cross-border arms trafficking	and maritime arms trafficking; procurement via global terrorist networks
SALW-related sources of income	Illicit taxation; extortion; kidnapping for ransom; illicit trafficking (i.e. arms, drugs, natural resources)	Illicit taxation; extortion; kidnapping for ransom; illicit trafficking (i.e. arms, drugs)

## About the Authors

### Méryl Demuynck

Méryl Demuynck joined the International Centre for Counter-Terrorism as Project Assistant in November 2019. Her work currently focuses on the prevention of radicalization and violent extremism in Mali, both inside and outside the prison context. She is also involved in a research project exploring the trafficking of small arms and light weapons as a source of financing for terrorist organisations.

Prior to joining ICCT, Méryl contributed to various research projects in the area of international peace and security. In addition to a Master thesis on the Line of Control (LoC) in Kashmir, she conducted research for the Council of Europe Counter-Terrorism Division on the radicalisation of women and children in terrorist organisations. Combining desk-based and fieldwork research, she also carried out a prospective study on the impact of nomadic peoples on the security environment in the ECOWAS region for the French armed forces positioned in Dakar, Senegal. She holds a multidisciplinary BA in Political Science, History, Economics and Law as well as a MA in European and International Relations — *Internal and External Security of the European Union* – from the Institute of Political Science of Strasbourg. She also completed a specialisation degree on Contemporary Sub-Saharan Africa at the Institute of Political Science of Lyon.

### Tanya Mehra

Tanya Mehra LL.M is Senior Project Leader/Senior Research Fellow at the International Centre for Counter-Terrorism – The Hague. With a background in international law Tanya is involved in conducting research, providing evidence-based policy advice, advising governments on a rule of a law approach in countering terrorism. Previously she worked at the T.M.C. Asser Instituut where she was engaged with conducting needs assessment missions, capacity building projects and training activities.

At ICCT, Tanya is currently leading a project exploring the criminal justice responses to the linkage between terrorism, transnational organized crimes and international crimes, developing a training and policy kit on a RoL base use of administrative measures within a CT context and involved in a research project exploring the trafficking of small arms and lights weapons as source of financing for terrorist organisations.

### Reinier Bergema

Reinier Bergema is a Research Fellow and Project Manager at the ICCT. Over the past five years, he worked at the interface of (actionable) research and policy for a wide variety of clients, including, but not limited to, the Netherlands' Ministries of Defense and Foreign Affairs, the Netherlands' National Police, NATO, and Europol. He holds a dual Master's degree in Political Science (International Relations) and Public Administration (Crisis and Security Management), both from Leiden University. His research interests include, inter alia, foreign terrorist fighters, the terrorist threat across Europe, and quantitative research methods.

Over the years, he frequently commented and published on a variety of terrorism- and counterterrorism-related topics in different outlets, including Foreign Policy, The

Independent, NRC, De Volkskrant, the International Peace Institute (IPI), Bellingcat, Studies in Conflict & Terrorism, and Clingendael's Planetary Security Initiative. In addition to his work at the ICCT, he is part of the editorial team of Perspectives on Terrorism and a member of the General Board of the JASON Institute. Prior to the ICCT, Reinier was a strategic analyst at The Hague Centre for Strategic Studies (HCSS) and a research assistant at Leiden University's Centre for Terrorism and Counterterrorism (CTC). He is an alumnus of the U.S. Department of State's International Visitor Leadership Program (IVLP) and a 2018 GLOBSEC Young Leader.

# ICCT Situation Report: The Use of Small Arms & Light Weapons by Terrorist Organisations as a Source of Finance in South and Southeast Asia

Méryl Demuynck, Tanya Mehra, & Reinier Bergema  
17 June 2020

## About ICCT

ICCT The International Centre for Counter-Terrorism – The Hague (ICCT) is an independent think and do tank providing multidisciplinary policy advice and practical, solution-oriented implementation support on prevention and the rule of law, two vital pillars of effective counterterrorism.

ICCT's work focuses on themes at the intersection of countering violent extremism and criminal justice sector responses, as well as human rights-related aspects of counterterrorism. The major project areas concern countering violent extremism, rule of law, foreign fighters, country and regional analysis, rehabilitation, civil society engagement and victims' voices.

Functioning as a nucleus within the international counter-terrorism network, ICCT connects experts, policymakers, civil society actors and practitioners from different fields by providing a platform for productive collaboration, practical analysis, and exchange of experiences and expertise, with the ultimate aim of identifying innovative and comprehensive approaches to preventing and countering terrorism.

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