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The Nexus Between Illicit Economies and Terrorist Financing

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Abstract. The convergence of illicit economies and terrorist financing represents a critical challenge for global security and governance. This chapter examines the connections between them, shedding light on how these economies sustain and enable terrorist organisations globally. A conceptual framework is presented to analyse the reciprocal relationship between illicit economies and terrorist financing, illustrating how these interconnected systems reinforce each other to create a cycle of instability. The chapter explores key mechanisms through which different types of trafficking, smuggling, and illegal trade are exploited to generate financial resources for operational and strategic purposes. By analysing case studies and leveraging empirical data, the chapter identifies common enablers of these linkages, including weak governance, corruption, and the exploitation of transnational criminal networks. Furthermore, the chapter critically evaluates current policy frameworks and international efforts aimed at disrupting these nexuses, offering a nuanced assessment of their effectiveness and limitations. Recommendations are proposed for enhancing countermeasures, including strengthening international cooperation and addressing systemic socio-economic drivers. By bridging theoretical insights with practical considerations, this contribution provides a comprehensive understanding of the nexus between illicit economies and terrorist financing, equipping students, but also policymakers, researchers, and practitioners with actionable knowledge to tackle this pressing global security challenge.

Keywords. Crime–terror nexus, terrorist financing, illicit economies, money laundering & hawala, transnational smuggling networks

1. Introduction

Illicit trade refers to the illegal production, movement, and sale of goods and services, spanning activities such as the trade in counterfeit goods and cultural artefacts, smuggling, wildlife trafficking, and illegal logging. These operations, often controlled by criminal networks, exploit global supply chains and trade infrastructure, undermining public safety, weakening institutions, eroding the rule of law, and reducing tax revenues.

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Illicit trade distorts markets, harms consumers, and presents a serious governance challenge that transcends borders and sectors [1].

Closely tied to illicit trade is the broader concept of illicit economies, which encompasses not only organised criminal operations but also routine and informal economic practices. Illicit economies operate on multiple scales, ranging from global criminal networks [2,3] to the everyday survival strategies found in urban settings [4,5]. These economies include a wide spectrum of illicit financial flows such as bribery, tax evasion, money laundering, and corporate profit shifting—activities that are estimated to account for trillions of dollars annually [6].

For decades, scholars and policymakers have predominantly viewed illicit economies through a security lens, recognising their far-reaching implications not only for global security but also for social development and governance [7]. As these networks grow in complexity and embed themselves within formal political and economic systems, the challenge of responding effectively becomes increasingly urgent and multidimensional.

Illicit economies raise important theoretical and practical questions that are highly relevant to economic geographers [8]. Since they see the economy as shaped by institutions and society, their approaches are well suited to studying illegal activities. Their focus on different scales and relationships offers useful ways to explore how illicit economies are formed and how they function.

Large-scale illicit economies pose serious threats to political stability, governance, and justice systems [9]. They enable criminal actors and corrupt elites to infiltrate political institutions, weakening democratic processes, as seen in contexts from Afghanistan to Central America. Expanding criminal markets also erode the capacity of law enforcement and the judiciary, fostering impunity and reducing institutional legitimacy. Economically, illicit trades like drug cultivation may provide livelihoods and limited upward mobility for impoverished populations. However, they also produce harmful effects, including inflation, distorted land and labour costs, currency instability, environmental threats, and the erosion of legal sectors essential for sustainable development. While opium and coca crops are often seen as sources of instability in fragile states, local contexts reveal a more complex picture [10]. In countries like Afghanistan, Myanmar, Colombia, and Bolivia, these illicit economies can also foster stability and economic opportunity. They provide livelihoods for marginalised communities in neglected regions, helping them reconnect with national and global markets. In such fragile settings, displaced populations often rely on these crops as adaptive survival strategies in insecure environments.

In this context, illicit economies have also become central to debates on conflict resolution and post-conflict reconstruction. The legacies of war economies often persist well beyond the cessation of hostilities, posing difficult dilemmas for peacebuilding strategies. Bhatia [11] identifies three predominant policy responses to these legacies during peace processes: co-option of illicit actors into political settlements, criminalisation of their activities, and neglect, where these structures are left unaddressed. However, there remains no clear consensus on which of these approaches yields the most sustainable outcomes, or even how success should be defined and evaluated. These debates underscore the need for further research into the intersections between illicit economies, governance, and long-term peacebuilding efforts.

Studying the interconnections between illicit economies and terrorist financing is vital for global security because these intertwined networks amplify the adaptability and reach of terrorist organisations. Research highlights a symbiotic "crime-terror nexus,"

where illicit markets—such as drug trafficking, wildlife smuggling, and illegal mining—serve as both a funding base and operational backbone for terrorist groups [12]. Terrorist actors frequently exploit established criminal channels, tapping into extortion, smuggling, and Kidnap-for-Ransom to secure resources with minimal exposure. Moreover, the financial scale of illicit economies—estimated in the trillions annually—outpaces conventional security interventions, enabling extremist groups to prosper under weakened regulatory environments. Consequently, global efforts such as FATF's anti–money laundering and counter–terrorist financing standards recognise the necessity of targeting illicit economic networks in conjunction with financial channels. Integrating insights across criminology, economics, and security studies enables more effective intelligence-led policies and asset-focused interventions. Understanding this complex nexus isn't just an academic exercise—it's a strategic imperative for trauma-resilient societies and robust counter-terrorism frameworks worldwide.

This chapter examines the complex and evolving nexus between illicit economies and terrorist financing, offering both a conceptual and empirical exploration of their interdependence. It begins by laying out key theoretical foundations and analytical models that explain how terrorist organisations exploit illicit economic activities under conditions of weak governance, corruption, and transnational criminal networks. The chapter then delves into the specific mechanisms through which terrorists generate, transfer, and launder funds, including their engagement in drug trafficking, smuggling, and other black-market operations. It further analyses the regional and global presence of terrorist actors within illicit markets, highlighting case studies that illustrate varied strategies and impacts. Attention is also given to the current policy frameworks, particularly international and regional efforts such as the FATF recommendations, legal reforms, and intelligence-sharing mechanisms. These are critically assessed to identify strengths, gaps, and implementation challenges. The chapter concludes with key recommendations, advocating for a comprehensive and multi-sectoral response that addresses both the financial and socio-political drivers of this nexus. It emphasises the importance of enhancing institutional resilience, fostering cross-border cooperation, and leveraging technological innovation in counter-terrorism and anti-illicit trade strategies.

2. Theoretical Foundations and Analytical Framework: Understanding the Nexus Between Illicit Economies and Terrorist Financing

The theoretical link between terrorism and other forms of transnational crime has long been acknowledged, but gained heightened international attention with the adoption of the Declaration on Measures to Eliminate International Terrorism by the UN General Assembly on 9 December 1994 [13]. The declaration expressed concern over the "growing and dangerous links between terrorist groups and drug traffickers and their paramilitary gangs", highlighting their shared use of violence and the threat they pose to constitutional order and human rights. This concern was further reinforced in UN Security Council Resolution 1373 (2001) [14], which explicitly noted the "close connection between international terrorism and transnational organised crime, illicit drugs, money-laundering, illegal arms trafficking, and the illegal movement of nuclear, chemical, biological, and other potentially deadly materials". While the convergence of terrorism and organised crime is not new, recent developments reveal a deepening relationship—particularly between terrorism, drug trafficking, and human trafficking—

which goes beyond mere financial motivations and increasingly points to operational cooperation.

As Sari [15] notes, despite the absence of a universally accepted definition of either terrorism or organised crime, a growing body of literature debates the existence and nature of the nexus between the two. While most scholars acknowledge some form of relationship, the divergence lies in whether this connection is temporary and opportunistic or structural and enduring. Furthermore, questions persist about whether the nexus constitutes a growing global threat or merely a context-specific phenomenon. This academic and policy discourse has been ongoing for over a decade [16], with scholars frequently referring to the "nexus" or using alternative frameworks such as convergence, transformation, or hybridity. Despite substantial interest, there remains no consensus on the scope or depth of the relationship. The complexity of interactions between terrorist and organised criminal groups—varying significantly across regions and contexts—poses a considerable challenge to generalisation and mapping of these relationships.

The evolving debate is reflected in case studies from Europe's peripheral regions, including Africa, the AfPak corridor, and the Middle East and North Africa, where the nexus is shaped by local political economies and governance vacuums. These case studies illustrate the operational interplay between organised crime and terrorism and highlight the difficulties facing European Union policy responses.

As Dimovski, Babanoski, and Ilijevski [17] emphasise, terrorists and criminal groups engage in a range of mutually beneficial activities, including arms trafficking, extortion, kidnapping, human trafficking, financial fraud, counterfeiting, piracy, and illegal trade in oil and other commodities. These illicit operations generate hundreds of billions of dollars annually, funding further violence and undermining state institutions. In this context, the crime-terror nexus poses a profound threat to both national and international security, warranting continued theoretical and empirical attention.

Ulstein [18] identifies five key features that terrorism and drug trafficking share: both rely on extensive, often transnational networks for the movement of people, goods, and money; they depend on complex communication and control infrastructures; they require the handling, laundering, and transference of large volumes of illicit funds; they exhibit extreme violence and brutality—seen, for example, in both cartel-related violence in Mexico and terrorism; and they often operate from ungoverned or lawless regions, establishing private militias, training camps, and acquiring military-grade equipment. These commonalities underscore the necessity of a more integrated theoretical and policy approach to analysing and disrupting the nexus between illicit economies and terrorism.

There is now a broad consensus that certain terrorist groups—and in some cases individual terrorists—are directly or indirectly involved in any type of illicit trade as a means of financing their operations. These groups require substantial financial resources to plan, organise, and execute terrorist activities. In practice, both traffickers and terrorists share similar logistical needs: covert movement of materials, weapons, money, and people across borders. Although it remains difficult to precisely quantify the extent of terrorist involvement in illicit trade, numerous terrorist organisations have been documented as cooperating with transnational criminal networks to meet financial and operational needs.

The nature of these relationships is multifaceted and varies by context. Terrorist actors may engage in a range of roles—providing protection, transportation, logistical assistance, or even directly participating in smuggling operations. The fundamental basis of this cooperation is mutual benefit: traffickers gain access to the terrorists' military

expertise, protection, and control over territory, while terrorists exploit the traffickers' established covert routes and financial infrastructure. In many conflict or ungoverned zones, terrorists facilitate the operations of illicit actors by providing safe passage and a permissive environment, in exchange for revenue or material support. These synergies reinforce the resilience of both groups and amplify the threat they pose to regional and global security.

3. Mechanisms Linking Illicit Economies to Terrorist Financing

3.1. Overview of Specific Illicit Economic Activities Exploited by Terrorists

The planning, organisation and execution of terrorist activity requires the possession of significant financial resources in order to procure weapons and other tools, as well as to provide for logistical and other costs.

Hence, illegal economies have always been a significant source of financing for terrorist activities. Although today, with the development of technology, new tools and sources of financing have emerged (for example, online platforms for collecting donations in cryptocurrencies), illegal economies and traditional methods such as cash and informal systems (hawala) still dominate. Mechanisms linking illicit economies to terrorist financing are diverse, adaptive, and often exploit weak governance and porous borders. Key illicit economic activities include:

- Drug trafficking - has long been the most profitable form of organised crime. Consequently, it is not surprising that terrorist organisations and drugs are closely linked, as they generate significant illegal funds to finance their activities. Namely, drug trafficking serves as a significant revenue stream for some terrorist organisations, which often dominate smuggling routes and impose taxes on narcotics traffickers. Additionally, these groups may actively participate in the cultivation, manufacturing, and distribution of illegal drugs [19]. Although they hide behind the guise of Islamic purity and religious ideology, terrorist organisations like ISIS are directly involved in drug trafficking and consumption. They exploit the illegal drug trade as a crucial source of funding, as evidenced by coalition operations that have seized and destroyed large drug caches linked to ISIS in southern Syria. This reveals the dual nature of these groups—projecting a religious image while actively engaging in criminal activities to finance their operations [20].
- Smuggling - Terrorist groups frequently depend on smuggling operations not just to generate income from illegal goods like drugs, arms, and cultural artefacts, but also to facilitate logistics such as transporting fighters and illicit materials. In one of the major refugee crises of the last decade, when more than a million people immigrated to Europe (mainly in 2015), there were cases where members of ISIS used migrant routes to enter Europe and carry out terrorist attacks, as was the case with the attacks in Paris in November 2015. This increases the security threat and makes border control more difficult, as terrorists use weaknesses in migration management systems to hide and continue their activities. Besides the above-mentioned, it's interesting to note that terrorist groups also use smuggling of cultural heritage items as a well-established tactic for gaining illegal funds. This nexus between cultural heritage

smuggling and terrorism has been particularly evident since the rise of ISIS, which systematically looted archaeological sites and used smuggling networks to finance its operations. International efforts have been ongoing to address this issue, highlighting its recognised and persistent nature in the broader context of terrorism financing [21].

- Human trafficking and exploitation have become significant tools for terrorist organisations, serving multiple strategic purposes. Terrorist groups such as ISIS, Boko Haram, and Al-Shabaab engage in trafficking to generate revenue, recruit fighters, and intimidate or destabilise communities. These groups often traffic women and children, subjecting them to sexual slavery, forced labour, or use as suicide bombers, which further advances their ideological goals and terrorises populations. For example, ISIS created a market for enslaved women, referred to as "Sabaya" (meaning "slave"), exploiting them both for profit and terror. The beginnings of such ISIS activities date back to the summer of 2014 in Iraq, when, according to UN reports, it is estimated that during one month, ISIS forced 1,500 women, girls, as well as boys, into sexual slavery. The victims were repeatedly raped, after which they were often publicly executed [22]. Besides ISIS, Boko Haram is also well known for kidnapping and exploitation, primarily targeting women and children. For example, in early 2024 alone, Boko Haram abducted over 400 individuals, including schoolchildren and displaced persons from camps in Borno State, Nigeria. These kidnappings often involve forced marriages, sexual slavery, and the use of children as soldiers or suicide bombers. Despite ongoing military efforts, the group continues to exploit weak state control and porous borders to conduct these operations. The scale of abductions remains alarming, with over 1,700 children kidnapped since 2014 and many still missing or held captive [23-25].
- Illegal trade in arms - Terrorist organisations depend significantly on the illegal trafficking of arms to equip themselves. The movement of small arms and light weapons through porous borders supports insurgent and terrorist activities globally.
- Illegal trade of resources - The unlawful extraction and trade of natural resources—such as minerals, timber, and oil—serve as vital sources of funding. These illegal operations typically take place in fragile or conflict-affected regions with weak governance, enabling terrorist groups to exert control over smuggling routes and resource exploitation.
- Counterfeiting - Terrorist organisations engage in product counterfeiting—such as fake cigarettes, apparel, and luxury goods—to generate substantial illicit revenue. Studies show groups like Hezbollah and Hamas have been involved in counterfeiting schemes, often collaborating with non-ideological criminals motivated by profit rather than ideology. Counterfeiting provides a lucrative and relatively low-risk source of funding, sometimes directly supporting terrorism, but often blending ideological and financial motives [26]. Counterfeiting currency is another avenue that terrorists use to finance activities. High-quality counterfeit banknotes are smuggled internationally by organised criminal groups, who exploit existing smuggling and money laundering networks. While currency counterfeiting mainly serves criminal profits, in some regions it is linked to terrorism financing and even economic warfare aimed at destabilising governments [27].

3.2. Methods of Generating, Transferring, and Laundering Funds

Terrorist groups employ a wide range of methods to generate, transfer, and launder funds to sustain their activities. These methods include both traditional and modern financial techniques, often exploiting weaknesses in regulatory frameworks and technological advances. Terrorists often raise money through criminal activities such as extortion, kidnapping for ransom, human trafficking, drug and arms smuggling, and the illegal trade of natural resources (minerals, timber, oil). They also exploit legitimate sources, including donations, charities and self-funding by their members. The use of cash remains prevalent, especially in conflict zones and areas with limited financial infrastructure.

Traditional cash-based mechanisms and money value transfer services (including unlicensed hawala networks and other similar service providers) remain prevalent, especially in regions with limited financial oversight [19]. Increasingly, terrorists exploit digital tools such as mobile money, online payment services, and virtual assets—including cryptocurrencies, e-commerce platforms and online video games and gaming platforms—for both fundraising and fund movement. Abuse of traditional financial services (like banking and prepaid cards), as well as digital platforms (e.g., social media and messaging services, formal and informal crowdfunding), is also common. Moreover, terrorist actors fund their operations through the exploitation of natural resources (oil, gold, wildlife, etc.), criminal activities (extortion, kidnapping, human, drug and arms trafficking), and even legally generated revenue streams such as self-financing, business investments, and misuse of non-profit organisations or front companies. This diversification underscores the growing complexity and adaptability of terrorist financing strategies.

At the same time, to prevent detection, terrorists often still use physical money transfers, even when the transfer is cross-border. They do this through illegal crossings, but also through legal crossings, using “safe persons”, and if necessary, bribing border officials to avoid searches. Sometimes they transfer the funds in the form of expensive and luxurious items that they later sell, and with the money they finance their activities. Formal banking services, including wire transfers and deposit accounts, continue to be abused despite enhanced regulations.

They launder money through the abuse of legal entities - legal businesses, but increasingly through civil (non-governmental) organisations. Often, they operate legitimate cash-intensive businesses to mask illicit proceeds.

3.3. Impact and Consequences

The nexus between illicit economies and terrorism profoundly impacts global and regional security, political stability and governance, and economic development and public trust.

The nexus between illicit economies and terrorism has a significant impact on global and regional security, intensifying instability, violence, and governance challenges. The transnational and cross-border nature of illicit economies facilitates the proliferation of arms and contraband, undermining state authority and security across multiple countries. Weak governance, porous borders, and limited law enforcement capacity in conflict-affected regions allow terrorist and criminal groups to thrive, perpetuating cycles of violence and insecurity. The persistent abuse of the international financial system by

terrorists to fund attacks poses a serious threat to global peace and security. The adaptability and resilience of terrorist financing methods, including the exploitation of illicit economies, require coordinated multilateral responses. Failure to address these intertwined challenges risks perpetuating instability, violent extremism, and transnational crime, with consequences that extend beyond regional borders [19].

Illicit economies also erode governance and the rule of law, weakening states' ability to maintain security. Criminal and terrorist groups infiltrate political and security institutions through corruption and coercion. This undermines democratic institutions and fosters environments where violence and extremism can thrive. In fragile states with weak rule of law, they can also infiltrate official religious communities, taking over preaching in religious buildings, thus being able to directly work on the indoctrination and radicalisation of potential future terrorist fighters.

Illicit economies distort legitimate markets and economic activity by creating shadow economies and fostering corruption. This environment discourages foreign investment, raises business costs due to security concerns and hampers economic competitiveness. Public trust erodes as citizens witness the state's inability to control illicit activities or provide security and justice. In many affected countries, illicit economies become dominant economic forces, further marginalising legal enterprises and deepening poverty and inequality.

4. Regional and Global Perspectives on Terrorist Actors and Illicit Economies

The connection between terrorist groups and illicit activities (such as drug trafficking, smuggling, human trafficking, etc.) differs across regions but consistently leads to greater instability, increased violence, and the erosion of governmental authority.
Speaking globally, it is important to note that terrorism has long been a transnational threat to which no country in the world is immune. Terrorist groups like Al-Qaeda and ISIS have evolved into global networks, with affiliates and cells operating autonomously across continents. Their activities have become less centralised, making detection and disruption more challenging [28]. The development of information and communication technologies allows terrorist organisations to reach their potential followers anywhere in the world, but also potentially to remain off the radar of security services for longer periods.

Illicit economies are also not confined by borders. International criminal networks facilitate the movement of goods, people, and funds, often exploiting weak governance and conflict zones [29]. Realising that they cannot defend themselves against terrorism and illicit economies, states are increasingly working to strengthen cooperation at the international level. As a result of the major geopolitical changes of the late 20th and early 21st centuries, and especially after the 9/11 attacks, the term global security has increasingly been mentioned in scientific discourse. There has been increased international collaboration to counter terrorism, including legal frameworks and coordinated law enforcement actions.

However, the nexus between terrorist actors and illegal economies is more pronounced in conflict regions and post-war societies that have not yet healed from trauma, such as the Sahel region, the Western Balkans region, and parts of the Middle East.

Instability at the national political level has persisted to varying degrees in each country of the Sahel region, while different terrorist groups are more prevalent in different regions. For example, in the Lake Chad Basin, the Islamic State West Africa Province (ISWAP) has become the leading terrorist group, while Jama'at Nusrat al-Islam wal-Muslimin (JNIM) is steadily increasing its presence throughout the western Sahel. These groups have expanded beyond isolated rural areas and now pose significant challenges to government control in key towns and strategic sites, often employing conventional military tactics in addition to traditional guerrilla warfare.

The security situation has worsened amid ongoing political instability, marked by military coups in Mali (2020, 2021), Burkina Faso (2022), and Niger (2023), which have disrupted governance and hindered counterterrorism initiatives. Alongside these political changes, there has been a noticeable shift in international alliances, with several Sahel countries distancing themselves from traditional Western security partners and engaging more with Russia and other non-Western actors. The establishment of the Alliance of Sahel States (AES) by Mali, Burkina Faso, and Niger in 2023 highlights these evolving regional dynamics and reflects the fragmentation of earlier security arrangements [30].

According to the Global Terrorism Index 2024, terrorist groups in the Sahel region are more likely to engage directly in criminal activity than cooperate with organised crime. Thus, terrorist groups like JNIM and the Islamic State in the Greater Sahara (ISGS) engage in cattle rustling, artisanal gold mining, drug trafficking, and kidnapping for ransom. These activities both fund terrorism and provide social benefits, increasing local support for extremist groups [31]. The terrorist organisation Jama'tu Ahlis Sunna Lidda'awati wal-Jihad (widely known as Boko Haram), which originated in Nigeria, also finances its activities from illicit sources. Despite being significantly weakened following the leader Shekau's death in 2021, factions of Boko Haram remain active in parts of Borno State. Throughout its insurgency, the group has relied heavily on illicit economic activities to sustain its operations, including extortion, smuggling, and control over local markets. Under Shekau's rule, Boko Haram exploited these illicit economies alongside its brutal tactics, such as kidnappings and forced recruitment, to finance and expand its insurgency.

On the American continent, the Revolutionary Armed Forces of Colombia (FARC) have been deeply involved in illicit economies, which have played a central role in financing their insurgency and terrorist activities. Primarily, FARC generated substantial revenue from the production, taxation, and trafficking of cocaine, at times controlling up to 60 per cent of Colombia's cocaine exports to the United States. Estimates of their annual income from narcotics have ranged from hundreds of millions to several billion dollars. Alongside drug trafficking, FARC also engaged in kidnapping for ransom, extortion, illegal mining, and taxing various economic activities within territories under their control [32].

The Western Balkans region does not have its own terrorist group, but it has a significant number of supporters of ISIS and Hayat Tahrir al-Sham. It is estimated that around a thousand citizens from the Western Balkans (mostly from Kosovo, Bosnia and Herzegovina, North Macedonia and Albania) joined the battlefields in Syria as foreign terrorist fighters in the period 2012-2018 in the ranks of ISIS and Hayat Tahrir al-Sham. Most of them have been returned to their home countries (some of them served prison sentences for participating in a foreign army), and a small number are still in the Middle East.

The participation in terrorist activities of fighters from the Balkans was mainly financed by the terrorist organisations themselves, but also by donations, through non-

governmental organisations, and some states. Currently, there is no specific data on the connection of these individuals with organised crime groups, but it is important to note that a certain number of these individuals had a criminal past before joining the terrorist organisations. With their return to their homelands after the loss of ISIS, and weak deradicalisation and integration measures, as well as poor economies with poor employment opportunities, it is highly likely that these individuals will be involved in illicit activities.

This dynamic poses a significant security challenge for the Western Balkans, as the return of foreign terrorist fighters with combat experience and potential criminal links increases the risk of radicalisation, violent extremism, and the strengthening of organised crime networks in the region. Addressing these challenges requires comprehensive strategies that combine effective deradicalisation programs, improved socioeconomic opportunities, and enhanced regional cooperation to prevent the destabilising influence of these individuals on the Balkans' fragile security landscape.

5. Conclusion

The chapter highlights how deeply intertwined global illicit trade and terrorist operations have become. It demonstrates that modern terrorist organisations increasingly rely on profits from illicit economies – from drug trafficking and arms smuggling to human trafficking, illegal mining, and cultural property theft – as critical funding streams. Indeed, extremist groups have diversified their revenue sources in response to law enforcement pressure on traditional financing: whereas narcotics once dominated terror finances, groups now exploit less-policed criminal markets to secure steady, low-risk profits. Notable examples include the Islamic State (ISIL), which generated an estimated $2.9 billion through oil smuggling, ransom kidnappings, and extortion at its height, and the Taliban, which for decades derived substantial income by taxing and trafficking opium for heroin production. These cases underscore the article's core insight: illicit trade has become a lifeline for terrorist funding on a global scale.

Beyond simply filling coffers, such illicit financing has powerful destabilising effects. Terror–crime collusion creates a mutually reinforcing cycle of insecurity. Illicit funds bolster terrorists' military capabilities and territorial control, enabling more frequent and sophisticated acts of violence. In turn, the chaos and corruption sown by terrorism erode state authority and the rule of law, opening space for organised crime to flourish, which then provides yet more resources to terrorists. The authors describe a continuum of interaction between organised crime and terror groups, ranging from ad-hoc coexistence in the same territory, to active cooperation (e.g. exchanging illicit goods or services), and even full convergence where a single group pursues both political violence and profit. This crime–terror nexus makes it increasingly difficult to distinguish "pure" terrorists from criminal enterprises, as many groups oscillate between ideological and material motives. Ultimately, the entangled illicit economies not only finance terrorism but also undermine governance, fuel conflict, and impair development, especially in fragile states where both terrorists and traffickers operate with impunity. The chapter thus situates illicit trade-fueled terrorism as both a security and a socio-economic threat.

In light of these findings, the conclusion reflects on urgent policy implications. It notes that international bodies now recognise the crime-terror nexus as a major security

challenge. For instance, the United Nations Security Council adopted Resolution 2482 (2019) [33] calling on states to combat links between terrorists and organised crime. It encouraged intelligence and law-enforcement collaboration (e.g. information sharing via INTERPOL) to disrupt illicit financial flows. While strengthening law enforcement and financial regulation (e.g. anti-money-laundering and countering terror finance measures) is essential, the authors argue that a solely securitised approach is insufficient. A holistic strategy is required – one that integrates traditional counter-terrorism with efforts to tackle organised crime, corruption, and the underlying conditions that allow illicit economies to thrive. This includes bolstering governance and the rule of law in conflict regions, curbing the market demand for illicit goods, and cutting off "threat finance" pipelines.

Crucially, the chapter emphasises a "whole-of-society" response: not only governments and international agencies, but also businesses, civil society, journalists, and local communities must be engaged in monitoring and combating illicit networks. Such an approach would address both the supply of illegal commodities (through law enforcement and border security) and the demand (through public awareness, development, and reducing incentives for at-risk populations to participate in illicit trade).

Finally, the chapter points toward areas for future research to better understand and counter this nexus. As terrorist financing methods continue to evolve – for example, with groups exploiting emerging technologies (such as cryptocurrency for clandestine transfers) and new illicit commodities – further academic study is needed. The authors suggest focusing research on mapping the clandestine supply chains that link local criminal actors to transnational terrorist networks, and on analysing the efficacy of past interventions. Impact evaluations could examine, for instance, how disrupting specific illicit markets (like conflict minerals or wildlife poaching) might weaken terrorist organisations' capabilities. There is also a call for improved data on illicit financial flows and more interdisciplinary analysis (bridging criminology, economics, and peace studies) to quantify how illicit economies sustain terrorist violence. By identifying the most lucrative illicit sectors and the points of convergence between crime and terror, scholars can help policymakers target resources where they will have the greatest effect. In sum, the conclusion reinforces that the nexus between illicit economies and terrorist financing is a complex, adaptive threat – one that demands equally adaptive research and policy responses. Only through continued rigorous study and innovative, concerted action can the international community hope to disrupt these dark financial undercurrents and reduce the longevity and reach of terrorist enterprises.

Key Takeaways

- Terrorist groups increasingly fund their operations through illicit activities like drug and arms trafficking, human smuggling, and extortion.
- Terrorist and criminal groups often collaborate or merge, sharing resources and tactics in what's known as the crime-terror nexus.
- Illicit financing strengthens terrorist capabilities and fuels cycles of violence, undermining state authority and fostering lawlessness.
- International institutions like FATF now treat the crime-terror nexus as a major threat, promoting laws, intelligence-sharing, and financial controls.

- Effective responses must go beyond security, combining financial controls, governance reforms, and local engagement to disrupt illicit networks.

Recommended Readings

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