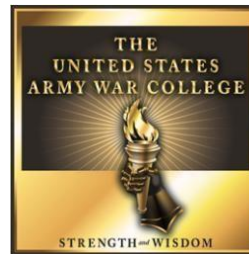


Cutting Off the Spigot: A New Strategy for Combating Al-Shabaab

by

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Abstract

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Cutting Off the Spigot: A New Strategy for Combating Al-Shabaab

Designated a foreign terrorist organization by the United States government in 2008 and characterized by, the commander of United States Africa Command (USAFRICOM), General David Rodriguez, as the primary threat to United States interests in East Africa, Al-Shabaab is a Somalia-based, al-Qaeda-affiliated, Islamist militant organization that is waging a jihadist insurgency against the Western-backed Federal Government of Somalia and has executed a series of spectacular terrorist attacks against Kenya and its other neighbors in region.

Despite significant multi-national military, economic and human resources having been committed to its eradication, al-Shabaab has endured throughout the course of its decade-long insurgency and terror campaign for several reasons. Among them are the military ineptitude and corruption of their African Union Mission in Somalia (AMISOM) and indigenous Somali adversaries and the inability of the Somali federal government to offer an effective alternative to al-Shabaab rule in the areas it controls. Another key reason for al-Shabaab's enduring presence as a force to be reckoned with in Somalia and throughout East Africa is al-Shabaab's sustained, abiding and regenerative fiscal strength. Al-Shabaab's operations have been compared favorably to those of a "fiscal-military" state that bases its economic model on the sustainment of its military capacity during a period of prolonged conflict.¹

Al-Shabaab maintains its own Ministry of Finance, Maktabatu Maaliya, which is charged with the planning and development of strategic revenue streams.² The organization has developed a multifarious and innovative funding paradigm that involves taxation and checkpoint extortion, the appropriation of diaspora remittances, illicit charcoal and sugar smuggling, and kidnapping for ransom among other business

lines.³ These funding streams each individually reap untold millions for al-Shabaab. Al-Shabaab puts its dividends to good use. Unlike the Somali government or other indigenous rivals, al-Shabaab's soldiers are well compensated, making more per month than most Somalis due annually.⁴ Al-Shabaab's wounded, its veterans and the families of its fallen are regularly provided for. Even suicide bombing is financially incentivized by al-Shabaab. The families of would-be bombers are provided upwards of \$2000 in advance of an attack and are reportedly provided additional funds after the bombing occurs.⁵ Al-Shabaab continues to regularly replenish its coffers even though it has lost control of key towns and seen some of its key leaders eliminated.

This paper argues that necessary to any successful effort to permanently reduce or eliminate al-Shabaab is a thorough understanding of its financial apparatus and then the application of all of the elements of U.S. national power to destroy that apparatus. Unencumbered by Africa's endemic political and economic corruption; vested with unmatched intelligence, economic, military and law enforcement tools and resources, the United States alone is in a unique position to set the conditions for al-Shabaab's downfall.

Origins and Current Operations within Somalia

Harakat Al-Shabaab Al-Mujahidin, also known as "Al-Shabaab," or simply as "Shabaab," meaning "The Youth," emerged from the militant youth wing of the Islamic Courts Union (ICU), a federation of sharia courts which seized control of much of central and southern Somalia before being ousted by an Ethiopian invasion in December 2006. Ethiopia's 2006 invasion plunged Somalia into the period of armed conflict in which it is still immersed⁶. Ethiopia succeeded in removing the ICU. However, far from removing a brewing Islamist threat on its border, the December 2006-January 2009 Ethiopian

incursion and occupation had the opposite effect, strengthening and emboldening a more extremist threat led by al-Shabaab. Al-Shabaab skillfully and effectively exploited nationalistic and religious resentment engendered by the presence of the largely Christian Ethiopian military force in Somalia. Al-Shabaab's ranks swelled and its coffers filled. Importantly, it was able to establish effective governance, security and stability in large swathes of central and southern Somalia under its control. Although it imposed a harsh Wahhabist variation of Islamic law, to include amputation for those accused of theft and capital stoning for alleged adultery or rape,⁷ it has also delivered essential services and regulated the local economy to its benefit.

As war raged in the country, the United Nations Security Council, in 2007, authorized the formation of the African Union Mission in Somalia (AMISOM) as a peacekeeping force to facilitate Ethiopia's withdrawal, to fill any security void created thereby, and to protect the fledgling Transitional Federal Government of Somalia. Only Uganda and Burundi contributed troops to AMISOM in 2007⁸. Kenya invaded Somalia in October 2011 and joined AMISOM in February 2012⁹. Djiboutian troops joined AMISOM in December 2011.¹⁰ Ethiopian reinvaded Somalia in November 2011¹¹ and officially joined AMISOM in January 2014.¹² As of January 2016, there are over 22,000 AMISOM troops in Somalia and a principal mission of the organization has been to rid the nation of al-Shabaab's control and influence.

Al-Shabaab is believed to consist of 7,000 and 9,000 fighters in Somalia.¹³ Its campaign against AMISOM has ebbed and flowed, however, Al-Shabaab remains a potent and formidable foe that evidences no signs that it is nearing defeat anytime soon. The initial AMISOM forces sent to Somalia in 2007 lacked adequate manning, training

or equipment and were incapable of maintaining security and making appreciable progress against al-Shabaab. The international community began to invest appreciable resources and training in AMISOM and the UN authorized an enlargement of the force. Confronted by a better trained and equipped foe, al-Shabaab chose to directly engage AMISOM forces in a conventional military struggle and suffered as a result.¹⁴ At the beginning of 2011, al-Shabaab governed a region of south-central Somalia geographically equivalent to the nation of Denmark.¹⁵ By August of that year, it was forced from the Somali capital of Mogadishu. It ceded control of the vital port of Kismayo in late September 2012 and fled from its stronghold of Barawe in October 2014. Although it has ceded physical control of most of the urban centers which it formerly governed, al-Shabaab remains the dominant political and military force in much of the hinterlands of south and central Somalia.

Since 2011, al-Shabaab has pursued an asymmetric campaign against AMISOM and the fledging Somali federal government. Al-Shabaab seeks to avoid direct frontal engagement with AMISOM and Somali National Army (SNA) forces, preferring to attack by surprise, at times and places of its choosing. Waging a war of attrition, Al-Shabaab abandons its redoubts when they are threatened militarily, preserving its strength for future engagements. Instead it harasses advancing or static AMISOM forces from neighboring areas, interdicting access routes, ambushing lines of communications, liberally employing improvised explosive devices. In areas where AMISOM is present, al-Shabaab often “rules the night” and will have total freedom of action against bunkered down AMISOM troops¹⁶.

From 2007 to 2013, al-Shabaab killed at least 3000 AMISOM soldiers. In the years since, undoubtedly hundreds more AMISOM troops have been killed by the group. Exact numbers are unavailable because individual troop contributing nations have been responsible for releasing figures and have been reluctant to do so. By way of example, however, between June 2015 and January 2016, three AMISOM forward operating bases in Somalia were overrun by al-Shabaab, leading to the deaths of 50 Burundians soldiers in one instance, 19 Ugandan soldiers in another and what may be upwards of 100 Kenyan troops in a January 15, 2016 attack.¹⁷

Although evicted from physical control of key towns in southern and central Somalia, al-Shabaab has conducted repeated catastrophic terrorist attacks, including a campaign of assassinations, suicide and remote bombings, directed at high visibility targets in Mogadishu's heavily secured areas and around Somalia. Prominent attacks have occurred at the Mogadishu judiciary complex, the Turkish embassy, the UN compound, and the Somali parliament in recent years.¹⁸ Since the formation of a new national parliament in 2012, at least ten Somali federal legislators have been assassinated by al-Shabaab¹⁹. Soft targets across Somalia such as hotels, restaurants and schools are continually attacked, as are governmental institutions and secured sites, causing mass casualties, in an effort to refute claims that AMISOM and Somali government forces are winning their war against the insurgency²⁰.

Shabaab Terrorists Attacks External to Somalia

In recent years al-Shabaab has demonstrated a determination to expand its operations beyond the contours of Somalia. Simultaneous suicide bombings of a rugby club and a restaurant in Kampala, Uganda, in July 2010 killed over 70 people (watching the World Cup Final on television), and were the first known al-Shabaab directed

provocations outside of Somalia's borders. The attacks represented an unsuccessful effort to undermine the determination of the Ugandan government to remain a part of AMISOM. However, challenged by AMISOM's territorial advances throughout the country, and motivated by a global jihadist worldview, al-Shabaab has oriented itself towards conducting similar operations. Over the past two years, the organization has either plotted and/or orchestrated sophisticated lethal provocations in Kenya, Uganda, Djibouti, and Ethiopia in addition to Somalia. These attacks are aimed at weakening the resolve and commitment of these AMISOM troop contributors for the long haul in Somalia, and at advancing the jihadist agenda.²¹

On October 16, 2013, two al-Shabaab terrorists tried but failed to conduct a suicide bombing at a World Cup qualifying match in Addis Ababa, Ethiopia.²² The operation collapsed when the two would-be suicide bombers accidentally blew themselves up a few miles from the Addis Ababa stadium where the soccer match took place. The suspected collaborators were detained at the scene of the explosion where Ethiopian security forces recovered hand grenades and soccer jerseys. Five additional alleged al-Shabaab operatives involved in the plot were subsequently arrested by the Ethiopians in December 2013.²³ In May 2014 the nation of Djibouti experienced the first al-Shabaab attack on its soil as two suicide bombers detonated their explosive devices at a French bistro in the Djiboutian capital, killing themselves and a Turkish national and wounding as many as 20 others. In September 2014, Ugandan security forces in Kampala disrupted another planned al-Shabaab assault, seizing "substantial amounts of explosives " and "suicide vests" in coordinated raids on an al-Shabaab cell on the outskirts of the capital city. Nineteen mostly Somali citizens were arrested for planning

what Uganda police suspect was to be an imminent coordinated terror attack on bars, hotels and the country's largest university.²⁴ Tanzania has also witnessed a recent increase in al-Shabaab terrorist incidents. In April 2015 a Tanzanian police officer in the eastern Morogoro region survived a machete attack by an al-Shabaab militant conducted in retaliation for the arrests of 10 suspected al-Shabaab adherents as they left a mosque carrying explosive material, detonators and an al-Shabaab flag.²⁵ Five running gun battles occurred between al-Shabaab followers and Tanzanian security forces in the first four months of 2015, causing the deaths of eight Tanzanian police officers or soldiers. No such attacks had been recorded in 2014.²⁶

Kenya, more than any nation outside of Somalia, has borne the brunt of these attacks. Kenya invaded Somalia in October 2011 and formally joined AMISOM a year later. In the years since, well over 500 hundred people have been killed in over 100 separate attacks. The most prominent of which include the September 2013 four-day siege at the upscale Westgate shopping mall, frequented by Westerners, which resulted in 67 deaths; the June 2014 massacre of 63 Christians in the coastal town of Mpeketoni over a 2-day period; the November 2014 execution of 28 Christian passengers on a northern Kenyan bus; and most recently the April 2015 attack on Garissa University in the city of Garissa, Kenya which left 147 dead.

Al-Shabaab has established a Kenya-based recruiting network and created a Kenyan subsidiary subordinate to central leadership in Somalia, al-Hijira. Many Kenyans are ethnic Somalis, especially in the border region and in the Eastleigh neighborhood in Nairobi. The port city of Mombasa and the Eastleigh neighborhood, with their large Muslim populations, are especially fertile recruiting grounds. As many as

a quarter of the al-Shabaab cadre fighting AMISOM in Somalia may be Kenya citizens or passport holders.²⁷ Al-Shabaab remains a potent and persistent menace not only in Somalia and Kenya, but regionally, and if left unchecked it has the potential to destabilize a large portion of the African continent.

The Al-Shabaab Threat to the United States Homeland

Exploiting its sophisticated multi-media presence, including the prodigious use of Facebook, Twitter and other popular social media sites, al-Shabaab has also been able to draw recruits not only from the larger Somalia diaspora, but also from individuals who are not ethnically Somali but adhere to its jihadist ideology, including many from Europe and the United States. The group therefore poses a threat not only to U.S. interests in East Africa, but to the U.S. homeland as well.

In a 2012 Joint Forces Quarterly article, Major General Charles Hooper, then USAFRICOM's Director of Strategy Plans and Programs noted that "the scenario that keeps us up at night is an American with a U.S. passport receiving indoctrination, training, and support in East Africa and returning to an American city to conduct a terrorist attack²⁸." Major General Hooper's concerns were well-founded. Between 2007 and February 2015, at least 50 U.S. citizens or green card holders are known to have joined, attempted to join or otherwise aided the group.²⁹

Until being supplanted by the Islamic State of Iraq in the Levant (ISIL) in roughly 2014, al-Shabaab's East African recruitment outposts were the prime destination for would be American jihadists. Once in Somalia, al-Shabaab's American recruits would receive military-style training and indoctrination and be employed in the fight against AMISOM troop contributing nations and the Federal Government of Somalia. At least three American al-Shabaab adherents are known to have perpetrated suicide bombing

attacks between 2009 and 2011.³⁰ Al-Shabaab has actively and deliberately exploited its sophisticated internet presence to recruit young American men.

Many, but not all, of al-Shabaab's American recruits have come from among the roughly 185,000 individuals of Somali extraction living in the U.S., including over 30,000 in Minnesota alone. One U.S. citizen alleged al-Shabaab fighter who is not of Somali extraction is Maalik Alim Jones, a 31-year old black American Muslim native of Baltimore, Maryland who was indicted by the United States government in January 2016 for providing material support to al-Shabaab among other offenses.³¹ Jones, who was captured by Somali authorities in December 7, 2015 while attempting to flee by boat to Yemen, is alleged to have flown to Kenya from the United States in 2011, to subsequently have traveled to Somalia via taxi, received weapons training and to have then become a member of a specialized al-Shabaab force that conducted cross-border raids in Kenya where he participated in actual combat against Kenyan troops, including a June 2015 attack that saw two Kenyan soldiers killed.³² Although al-Shabaab has not executed any known attacks on U.S. soil, given its recruitment of individuals with U.S. passports, English language skills and familiarity with U.S. culture, it is not beyond the possibility that such attacks may occur in the future.

In recent years the United States has devoted significant resources to supporting the AMISOM mission and to otherwise oppose al-Shabaab, expending tens of millions of dollars to purchase equipment and to provide training and other resources to build the capacity of our East African partner nations. The United States has also taken unilateral action to counter the influence of al-Shabaab. It has sought to systematically eliminate key leaders of the organization when presented with the opportunity. As far

back as May 2008, a U.S. air strike in Somalia killed Aden Hashi Ayro, then leader of the organization.³³

In June 2012, the Obama administration publicly acknowledged for the first time that it periodically conducted kinetic strikes against select military targets in Somalia.³⁴ In September 2014, Ahmed Godane, Ayro's successor, an al-Shabaab co-founder and one of the most wanted men in Africa, was killed by a U.S. airstrike. Godane's death was followed by the removal by airstrike of Tahlil Abdishakur, al-Shabaab's external intelligence chief in December 2014. Abdishakur's successor as intelligence chief, Yusuf Dheeq³⁵, was killed by a U.S. remotely piloted aircraft in February 2015. Adan Garar, senior al-Shabaab operative, and key planner and organizer of the Westgate Mall attack was killed by an RPA strike on March 12, 2015. On December 2, 2015, a U.S. airstrike killed Abdirahman Sandhere, also known as "Ukash," and two other al-Shabaab affiliated associates³⁶. As of November 2015, the U.S. is offering a total of \$27 million in rewards for information on the whereabouts of 6 al-Shabaab leaders, including a \$6 million bounty for Abu Ubaidah, also called 'Direye,' who succeeded Godane as the head of the organization in September 2014.³⁷

Killing al-Shabaab's key commanders and political leaders is necessary, but not sufficient. Essential to permanently dismantling the organization is the dismemberment of its moneymaking apparatus. The United States must prosecute, or where appropriate and convenient, attack, destroy or otherwise remove al-Shabaab's money managers, its financial enablers, facilitators and collaborators, and the revenue streams that they generate and maintain which provide long term sustenance to the organization.

The Enterprise of Al-Shabaab

As with politics, money is the mother's milk of terrorism. The capacity to generate steady streams of revenue is the lifeblood of any effective terrorist movement or insurgent organization. This capacity has been key to al-Shabaab's durability, despite the loss of key terrain or key leaders. Al-Shabaab, more than just a terrorist entity or insurgent movement, is a business, a multi-layered and diversified corporate enterprise. Recruits are paid as much of \$1000 to join the organization and receive a monthly salary of \$500 in a society where the per capita income is \$128.³⁸ Al-Shabaab makes money; its money flow is unimpeded and with its money, it is able to plan, recruit, train, and execute operations and to propagandize in support of its jihadist cause.

Al-Shabaab has judiciously avoided overreliance on any one revenue stream and has sought to vary its funding sources. It has pioneered in the exploitation of the local populace and local resources as a revenue generator through levying of taxes and/or the extortion of individuals and commercial entities large or small.³⁹ Al-Shabaab kidnaps innocent civilians, both Somalis and foreigners, in order to profit from the ransoms paid for their release. It has colluded with Somali pirates and benefitted from a share of the large ransoms derived from the interdiction and harassment of international shipping lanes near Somalia.⁴⁰ It has routinely demanded "access" payments from humanitarian organizations seeking to provide relief in Somalia and has collected money through fraudulent charitable organizations that were ostensibly serving the indigent but in reality were purposed towards filling al-Shabaab's coffers. Of critical import, al-Shabaab also sponsors, facilitates, and partners in the illicit trafficking of charcoal, sugar, and to a lesser degree, narcotics and other contraband.

The loss of territory has not necessarily translated into the loss of revenue for al-Shabaab. Al-Shabaab's financial apparatus has gained strength even as the group has ceded territory to AMISOM forces. Al-Shabaab's "white collar militants"⁴¹ have proven resilient and adaptive, coopting ostensible military adversaries and entering into business relationships with their would-be AMISOM pursuers that have proven mutually beneficial and highly lucrative.⁴²

Kidnapping for ransom (KFR) and collusion with piracy have in the past been sources of revenue for al-Shabaab. In July 2013, al-Shabaab affiliates received roughly \$5 million dollars after releasing two Spanish hostages who had been kidnapped in Kenya in October 2011⁴³. Between 2005 and 2011, piracy supplanted fishing as the main economic engine in certain coastal regions of Somalia. During this this period Somalia pirates netted an estimated \$300 million in ransom payments from international shipping firms⁴⁴. Al-Shabaab took control of major Southern Somalia's major sea ports, including the pirate redoubts of Harardhare and Kismayo in 2010. In February 2011, Al-Shabaab reportedly detained the heads of several pirate organizations and forced them into a deal under which the pirates would surrender 20 percent of future ransoms to al-Shabaab. Al-Shabaab established a 'marine office' to coordinate with the pirates.⁴⁵ Over \$1,146,000 was paid to Al-Shabaab by Somali pirates between late February and mid-May 2011 alone. A Haradhere-based al-Shabaab operative was reported to have stated "If there was no relationship between us, there is no way the pirates would be able to operate, or carry their weapons within zones we control."⁴⁶ Economic enticements play a role in al-Shabaab recruitment.

Taxation

Al-Shabaab extracts payments from those who transit through, conduct business in or who merely seek to live in the territory in which it dominates. Al-Shabaab's taxation regime is far more advanced and sophisticated than any Somali governmental entity. Al-Shabaab gathers detailed data on farms and businesses operating in its territory, including mobile phone companies, money transfer organizations, food stores and merchandise markets. Then al-Shabaab tax agents regularly visit local establishments to analyze value and collect taxes.⁴⁷ In addition to imposing business taxes, al-Shabaab levies a consumer sales tax on purchased goods within its territory, taxes farms (at \$10 per cultivable acre or \$200 per farm in some instances), levies taxes in kind in the form of grain or livestock, and most importantly, charges 2.5% total profits per annum tax, called a *zakat* contribution. Income derived from mobile military checkpoints where truck and bus drivers and passengers are forced to pay fees for continued transit supplement the taxation of brick and mortar establishments.

It is likely that al-Shabaab raises tens of million per annum through 'taxation' or extortion practices alone. A Somali government official estimated that in 2014 al-Shabaab reaped approximately \$9.5 million just from taxing farms in the Juba Valley. The Juba Valley is an area of southern Somalia firmly under al-Shabaab's control. However, the extortion of commercial entities, regardless of their size, and regardless of whether they are located in areas controlled by al-Shabaab or supposedly under the control of AMISOM or the Somali government, is a cornerstone of al-Shabaab's financial bulwark.⁴⁸ Before its withdrawal from the capital in 2011, taxation from Mogadishu's Bakara and Suuq Baad markets was estimated by the UN to have provided Al-Shabaab \$30 to \$60 million in annual revenue.⁴⁹ Al-Shabaab's ability to

strike at targets in Mogadishu and around the country with impunity means that it still reaps large sums from its protection racket. An official from the country's internal security agency reported that the country's largest commercial enterprises pay upwards of \$200,000 per month to remain in al-Shabaab's good graces.⁵⁰ Hotels, restaurants, shopkeepers, "even women selling tomatoes," pay a protection charge to al-Shabaab. Conversely, only one major company in Somalia, Hormuud Telecommunications, pays income taxes to the Federal Government of Somalia.⁵¹

Charcoal

Charcoal is Somalia's largest export and has long been characterized as the country's black gold. Approximately \$360-384 million in illegal charcoal shipments are exported from Somalia on a yearly basis.⁵² The taxation and facilitation of illicit charcoal trade has long been the preeminent business line undergirding al-Shabaab's jihadist insurgency and the first pillar of the terrorist entity's diversified financial juggernaut. Proceeds from the illegal charcoal industry have alone generated between \$38 and \$56 million annually for the terrorist entity since 2012.⁵³ A single al-Shabaab roadblock in Badhaade District, Lower Juba Region, nets the \$8-18 million per year.⁵⁴

The use of charcoal as a cooking fuel is commonplace in Africa and throughout much of the developing world.⁵⁵ However more than eighty percent of Somalia-produced charcoal is exported abroad. Most of the charcoal exported from Somalia is purchased by buyers from the United Arab Emirates or Saudi Arabia, domestic charcoal production is prohibited for environmental reasons.⁵⁶ Buyers from Kuwait, Egypt, Lebanon, Oman and Yemen also purchase Somali charcoal on a large scale.⁵⁷ Somali charcoal is able to sell at rates as much as twice the price of other African charcoal because it is derived from the acacia trees of al-Shabaab-dominated southern Somalia.

Acacia wood is known for its aromatic smell and slow-burning nature and is especially prized for use in the meat grills and shisha bars of the Gulf Region.⁵⁸

In recognition of the central role that the export of Somali charcoal has played as a source of funding for al-Shabaab operations, the United Nations Security Council passed resolution 2036 in February 2012. That resolution “expressed concern that charcoal exports from Somalia are significant revenue source for al-Shabaab⁵⁹.”

Despite the ban imposed by UNSCR, the international Somali charcoal has flourished since 2012. Al-Shabaab occupied the key southern Somalia port of Kismayo from August 2008 through September 2012, when it fell to KDF-led AMISOM forces. Under al-Shabaab rule, Kismayo served as the central hub of the banned Somali charcoal trafficking operations. In 2011, 90% of Somali charcoal exports were shipped through the port of Kismayo, then controlled by al-Shabaab. In addition to charcoal, the export of sugar, concrete and other commodities reportedly generated tens of millions of dollars for al-Shabaab’s coffers. The seizure of Kismayo by the KDF was a strategic objective because in doing so the Kenyans hoped to significantly weaken al-Shabaab’s overall economic vitality, thereby degrading al-Shabaab’s ability to maintain effective control of large swaths of southern Somalia.⁶⁰ However, far from diminishing al-Shabaab’s economic resources, the KDF seizure of Kismayo appears to have made al-Shabaab more prosperous.⁶¹

A 2014 UN report noted that “al-Shabaab continues to benefit from revenue generated, on a scale greater than when it controlled Kismayo.”⁶² Although it has been driven out of the strongholds like Kismayo and later Barawe, al-Shabaab has still been able to reap lucrative benefits from the charcoal trade. Through its stranglehold on

much of the southeastern Somalia where charcoal is produced, al-Shabaab is able to tax local producers and is again able to levy charges at various checkpoints and roadblocks along the route to ports of exit, where al-Shabaab affiliated brokers transport the contraband cargo to points in the Gulf.⁶³ Despite the AMISOM seizure of Kismayo in 2012, the pre-existing al-Shabaab dominated charcoal trade infrastructure was not only left intact, but it developed and expanded significantly. There was a 140 percent increase in Somali charcoal exports in the wake of the UN-imposed ban.⁶⁴ Al-Shabaab, its business partners and supply networks remained critical to the business locally and globally. According to multiple reports, Al-Shabaab merely reached an accommodation with the KDF and the Ras Kamboni militia which had jointly dislodged it from its Kismayo perch.⁶⁵ As the demand and therefore price of contraband charcoal escalated, charcoal proceeds were merely shared amongst a larger group of collaborators, however, al-Shabaab still profited.⁶⁶

The UN Monitoring Group for Somalia and Eritrea, charged with monitoring the situation on the ground in Somalia and reporting back annually to the UN Security Council on violations of human rights or sanctions, has implied but not explicitly alleged that elements of the KDF in Kismayo have entered into a corrupt bargain with al-Shabaab wherein KDF elements are directly facilitating the smuggling of charcoal and other commodities through KDF controlled areas and sharing profits with the terrorist insurgency. The UN Monitoring Group is dependent upon the KDF, and other AMISOM contingents, to effectively operate in Somalia in fulfilment of its monitoring mission, and must diplomatically avoid angering its KDF hosts. Other neutral observers have been less reluctant in their accusations against the KDF. An Institute for Defense Analyses

report has noted that Kenya, although formally an AMISOM member, “is also complicit in support of trade that provides income to al-Shabaab, its military opponent both inside Somalia and, increasingly, at home in Kenya,” and that at least some of the financial wherewithal employed to carry out spectacular terror attacks in Nairobi and in locations along the Kenyan coast has been generated through the cooperation of the KDF and Kenyan business entities.⁶⁷

Sugar

The illicit charcoal trade is not the only illegal business line that al-Shabaab has successfully exploited to advance its interests, or in which it has cooperated with its nominal opposition. If charcoal is al-Shabaab’s “black gold,” then the illicit sugar trade is its white counterpart. In its October 2015 report, the UN Monitoring Group detailed a recent drop-off in charcoal smuggling activity at Kismayo and noted that with this drop-off, al-Shabaab’s profits from illicit smuggling of sugar into Kenya via Kismayo had gained increased importance.⁶⁸ The Monitoring Group stated that al-Shabaab’s proceeds from the sugar trade were likely significantly higher than the \$400,000 to 800,000 it approximated in its 2011 report.⁶⁹ Noting that the al-Shabaab role in the trade had become more prominent since the KDF capture of Kismayo, the report does not directly assert KDF involvement.

Sugar is perhaps the most widely consumed product in Kenya.⁷⁰ However, there is a structural imbalance in sugar production relative to consumption in that country. Kenyans consume roughly 800,000 tons of sugar annually while producing only 500,000 tons domestically.⁷¹ Partial state control of the Kenyan sugar industry and high protectionist tariffs have translated to higher costs for the Kenyan consumer and facilitated the growth of a \$400 million illicit sugar smuggling industry centered in

Somalia. Ships arrive in Somali ports filled with sugar destined for Kenya and depart those ports with charcoal headed to the Gulf States.

A November 2015 report by, the Nairobi-based non-profit watchdog group, Journalists for Justice (JFJ) details the shadowy supply chain that runs from Kismayo, through al-Shabaab held roadblocks, through corrupt border sentries, into Kenya, with illegal gratuities paid at each turn.⁷² The report alleges that KDF personnel, the local Jubaland administration of Somali warlord Ahmed Madobe and al-Shabaab are the joint beneficiaries of an illegal sugar smuggling operation that is valued, collectively, between \$200 and \$400 million dollars. Approximately 150,000 tons of contraband sugar reportedly flows into Kenya from Kismayo on an annual basis. KDF and Jubaland officials allegedly levy a \$2 tax on each bag of imported sugar that arrives via ships at the Kismayo port, generating proceeds of a roughly \$250,000 per week, or \$13 million per year. The trucks carrying the sugar are there taxed by al-Shabaab as they leave Kismayo and transit to al-Shabaab territory towards the Kenyan border, netting al-Shabaab \$1,050 per truck (\$230,000 a week or \$12.2 million per year).

Somali Diaspora Support to Al-Shabaab

In addition to being prime recruiting ground for al-Shabaab, the U.S. has been fertile fundraising territory for the group. In 2008 the Federal Bureau of Investigation (FBI) became aware that key al-Shabaab operational leaders in Somalia had been in direct telephonic contact with grassroots fundraisers from the Somali diaspora in the United States. As a result, the FBI launched a “national coordinated campaign of investigations and criminal prosecutions” entitled Operation Green Arrow.⁷³ The federal government was able to convict multiple grassroots fundraisers in San Diego, Minneapolis, and St. Louis respectively as a result of Green Arrow. One case involved

two naturalized female U.S. citizens of Somali extraction who solicited funds door-to-door in Somali expatriate communities in the U.S. and Canada, misrepresenting themselves as collecting money for the destitute and needy when the donations collected were in reality intended to support al-Shabaab. The women also hosted teleconferences where guest speakers promoted the al-Shabaab cause and solicited donations directly for the movement. At the time, al-Shabaab supreme leader, Ayden Ayro, had many personal conversations with one of the defendants. Ayro was said to have remarked that he could maintain an al-Shabaab fighter on one dollar per day.

An estimated 14% percent of Somalia's population, nearly 1.5 million people, live outside of the country's borders. Remittances from the Somali diaspora amount to the country amount to between \$1.2 billion and \$2.3 billion annually.⁷⁴ As Somalia has lacked both a functional formal banking system and a central connection to global financial markets for over two decades, Somalia's diaspora has long relied on the trust-based, opaque, generally unregulated money service businesses which constitute the informal, difficult to trace, banking systems called hawala.⁷⁵ The primary function of money service businesses (MSB) is the transmission of money. Traditionally merchants and migrant workers utilize these businesses to transfer money home to or from regions that lack secure formal banking infrastructure.⁷⁶ Historically, illicit entities, including terrorist networks and transnational criminal organizations, have also made use of hawala systems because of their liquidity and lack of transparency.⁷⁷

Though most hawala transfers by the Somali diaspora into Somalia are likely for legitimate purposes of supporting family members, al-Shabaab is widely believed to have 'tax' or extort MSB transactions occurring on its territory, likely reaping significant

funds given the volume of money that is transmitted to the country annually. Further a significant portion of unwitting members of the diaspora may support al-Shabaab through fraudulent fundraising initiatives like the efforts uncovered by the FBI through Operation Green Arrow.⁷⁸ Western financial services firms, fearful of transacting with businesses that wittingly or unwittingly assist in terrorist fundraising have in recent years began end their relationship with Somali MSBs. The British Bank Barclays closed its Somali MSB accounts in 2013. Merchant's Bank of California, which handled 80% of Somali remittances from the U.S., shut down its Somali MSB accounts in February 2015. As foreign MSB transactions are limited, so too is al-Shabaab's ability to exploit to tax and otherwise exploit this system.

Destroying al-Shabaab senior leadership alone, although necessary, is not sufficient to rid Somalia or East Africa of al-Shabaab's malignant influence. The UN has noted that "targeted killing may have resulted in short-term gains but have not degraded or destroyed Al-Shabaab's operational capacity to carry out asymmetric attacks and, increasingly, conventional assaults on military targets."⁷⁹ Al-Shabaab's "middle management" ranks are filled with ideologically devoted adherents eager to fill the void created by their martyred superiors and continue their jihadist cause.

Defeating al-Shabaab will require a multi-pronged whole of government approach, employing the full resources, tools and authorities of the United States in a coordinated effort, to include not only the Department of Defense's kinetic and partner-building capabilities, but the participation of the Department of Justice, the Treasury and the Intelligence Community. The United States must leverage financial and other intelligence resources, to include human intelligence (HUMINT), signals intelligence

(SIGINT) and cyber capabilities, to target the criminal middlemen who facilitate the movement of al-Shabaab coal, sugar or other contraband commodities.

Restricting Al-Shabaab's Access to Capital

As much as possible, the United States must restrict al-Shabaab's access to capital. To disrupt and ultimately dismantle the market in contraband charcoal, sugar and other commodities which flow from Somalia and which enrich al-Shabaab's coffers, the United States must target for financial sanctions anyone who illicitly trades in these commodities. Al-Shabaab-connected charcoal and sugar exports move in black market networks, outside the view of the formal economy, where individuals are less susceptible to financial or legal compulsion. Eventually, however, these commodities will be acquired by individuals or corporate entities who do operate in the legitimate marketplace and who do utilize the financial system. At least some of those who facilitate for or collaborate with al-Shabaab will have a bank account, or lines of credit or credit cards. Their businesses may be financed, their equipment mortgaged or insured. They will likely do business in some way with U.S. citizens or commercial entities. All of this makes al-Shabaab's black market facilitators and collaborators vulnerable to financial sanctions.

With regard to the dissolution of al-Shabaab's tax/extortion revenue streams, the employment of sanctions or other economic tools alone will not solve this problem. The physical disruption of al-Shabaab's taxation infrastructure on the ground in Somalia will be required, to include the identification of the techniques and procedures employed by al-Shabaab's tax/extortion operatives, and quite possibly the physical elimination or removal of the operatives themselves. It will also require an instillation of confidence in

the Somali people that their government can protect them and that there is no longer a need to fear or pay al-Shabaab.

A Conceptual Model for East Africa

Combating transnational criminal activity and dismembering illicit networks is not a task that can be accomplished by any one governmental entity and even one nation by itself.⁸⁰ The Afghan Threat Finance Cell (ATFC) offers a conceptual paradigm of a collaborative interagency effort designed to identify and counter the threat posed by the nexus of terrorism and illicit criminal networks that might be effectively employed in East Africa against al-Shabaab and its facilitators. Composed of analysts and operations personnel from the Department of Defense, Justice, and the Treasury, the Central Intelligence Agency (CIA), Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA), ATFC was designed to strengthen the collection, analysis and circulation of timely and relevant all-source intelligence for purposes of identifying and disrupting the financial networks underpinning terrorism, the insurgency, narcotics trafficking and corruption in Afghanistan.⁸¹

Because Afghanistan does not have a conventional western style banking system or a mature financial system, applying focused scrutiny on the country's hawala networks, investigating international transfers and foreign donations is necessary.⁸² ATFC's work product revealed corruption and irregularities in Afghan governmental institutions in some cases, discovered narcotics money-laundering schemes in other instances, thereby allowing the imposition of U.S. sanctions, and still in other instances providing information which led to the direct kinetic targeting of insurgency figures. ATFC was success in "following the money," allowing the U.S. government to interdict, disrupt or totally shut off some Taliban funding streams.

The ATFC multi-agency collaborative model would be useful in trafficking al-Shabaab finances, and in identifying key facilitators, interlocutors and enablers who could either be targeted kinetically by the United States or AMISOM, prosecuted by for their material support to terrorism or at a minimum subjected to financial sanctions. Although the United States has continued to target and kill key al-Shabaab leaders, the U.S. government does not appear to have focused intensely on al-Shabaab funding streams, or especially its illicit trade in charcoal, sugar and other commodities. This trade has contributed hundreds of millions of dollars to al-Shabaab's coffers in the last several years and has undergirded both its insurgency and its general terror campaign. Yet, while certain key al-Shabaab leaders are on the U.S. list of Specially Designated Persons subject to sanctions, none of the companies or individuals identified by the UN Monitoring Group, al-Shabaab's known middlemen, have made their way to the sanctions list. By creating an East Africa Threat Finance Cell (EATFC), we can fully employ U.S. intelligence and law enforcement resources to take a hard and intense look at how al-Shabaab makes its money, thereby allowing the U.S. and international community to increase the pressure on the terror organization.

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