

Illicit Trade

Illicit Trade in Conflict-affected Countries of the Middle East and North Africa

FOCUS ON YEMEN



Illicit Trade in Conflict-affected Countries of the Middle East and North Africa

FOCUS ON YEMEN

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note by Turkey

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Please cite this publication as:

OECD (2022), *Illicit Trade in Conflict-affected Countries of the Middle East and North Africa: Focus on Yemen*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/f31fd13a-en>.

ISBN 978-92-64-34526-3 (pdf)
ISBN 978-92-64-42593-4 (HTML)
ISBN 978-92-64-45499-6 (epub)

Illicit Trade
ISSN 2617-5827 (print)
ISSN 2617-5835 (online)

Photo credits: Cover © Vladimir Melnik/Shutterstock.com

Corrigenda to publications may be found on line at: www.oecd.org/about/publishing/corrigenda.htm.

© OECD 2022

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <https://www.oecd.org/termsandconditions>.

Foreword

Illicit trade is a universal threat that grows in scope and magnitude. There are many flows of illicit trade, including human trafficking, arms smuggling, illegal trade in natural resources, intellectual property infringements, trade in substances that cause health and safety risks, smuggling of excisable goods, trade in illegal drugs, and a variety of illicit financial flows. All of them pose critical threats to economic stability, social welfare, and public safety.

In recent years, the OECD Task Force on Countering Illicit Trade has been gathering evidence on various aspects of this trade and the factors that enable it. The results have been published in a set of factual reports, including *Governance Frameworks to Counter Illicit Trade* (2017), *Why do Countries Export Fakes* (2019) and *Global Trade in Fakes: A Worrying Threat* (2021). All of these reports highlight governance frameworks as an important enabler of illicit trade. This is particularly the case for economies that suffer from armed conflict.

To contribute to the existing pool of evidence on the dynamic interplay between illicit trade and armed conflict, this paper looks at illicit trade flows in four separate conflict-affected countries in the MENA region: Iraq, Libya, Syria and Yemen. All of these countries have been involved to varying degrees in illicit trade flows.

This report presents a rigorous review of existing evidence and uses a tailored statistical methodology to gauge the trends in illicit trade in Yemen, Libya, Syria, and Iraq, with a particular focus on Yemen. Such analysis is critical, not only for a better understanding of this threat in the context of armed conflict, but also for developing effective governance responses to support post-COVID recovery.

The results are a cause for concern. In all four analysed economies conflicts have resulted in the expansion of many areas of illicit trade, such as narcotics, human trafficking, wildlife trafficking, illicit trade in cultural artefacts and counterfeits. In addition, the increased inflows of weapons, ammunition, and other forms of military equipment from regional actors added to the already significant illicit weapons flows.

This study was carried out under the auspices of the OECD's Task Force on Countering Illicit Trade, which focuses on evidence-based research and advanced analytics to assist policy makers in mapping and understanding the vulnerabilities exploited by illicit trade.

Acknowledgements

This report was prepared by the OECD Public Governance Directorate (GOV), under the leadership of Elsa Pilichowski, Director, and Martin Forst, Head of the Governance Reviews and Partnerships Division.

The report was prepared by Morgane Gaudiau, Economist at the OECD Directorate for Public Governance and Peter Avery, Senior Consultant. Piotr Strykowski, Senior Project Manager in Charge of the TF-CIT provided overall guidance. Raed Khelifi, and Jean-Paul Rebillard provided significant inputs to the report. The authors wish to thank the OECD experts who provided valuable knowledge and insights: Amr Soliman, Caroline Mina and Jean-Jacques Hible and from the OECD Public Governance Directorate.

Andrea Uhrhammer and Ciara Muller provided editorial and production support.

The database on customs seizures was provided by the World Customs Organization (WCO) and supplemented with regional data submitted by the European Commission's Directorate-General for Taxation and Customs Union, the US Customs and Border Protection Agency and the US Immigration and Customs Enforcement. The authors express their gratitude for the data and for the valuable support of these institutions.

Table of contents

Foreword	3
Acknowledgements	4
Executive Summary	7
1 Introduction	9
2 Yemen	12
3 Libya	28
4 Syria	35
5 Iraq	41
6 Concluding remarks	47
Annex A.	49

Tables

Table 2.1. Main Yemeni seaports and export terminals	23
--	----

Figures

Figure 2.1. Products category of Yemeni fake imports, 2011-19	19
Figure 2.2. Product categories of fake goods originating from Yemen, 2011-19	19
Figure 2.3. Conveyance methods of counterfeit goods originating from Yemen, 2011-19	20
Figure 3.1. Main destination economy for counterfeit goods originating from Libya	32
Figure 3.2. Product categories of counterfeit goods originating from Libya	32
Figure 3.3. Conveyance methods of counterfeit goods originating from Libya, 2011-19	33
Figure 3.4. Main provenance economies of counterfeit goods imported into Libya, 2011-19	33
Figure 3.5. Main product categories of fake imports in Libya, 2011-19	34
Figure 4.1. Destination economies of counterfeit products originating from Syria, 2011-19	39
Figure 4.2. Product categories of counterfeit products exported by Syria, 2011-19	39
Figure 4.3. Conveyance methods of counterfeit goods originating from Syria, 2011-19	40
Figure 5.1. Main destination economies of counterfeit goods exported by Iraq, 2011-19	44
Figure 5.2. Product categories of fake goods originating from Iraq, 2011-19	45
Figure 5.3. Conveyance methods of counterfeit goods originating from Iraq, 2011-19	45

Boxes

Box 1.1. What is illicit trade?

9

Box 1.2. OECD Database on customs seizures of counterfeit goods

11

Follow OECD Publications on:



http://twitter.com/OECD_Pubs



<http://www.facebook.com/OECDPublications>



<http://www.linkedin.com/groups/OECD-Publications-4645871>



<http://www.youtube.com/oecdilibrary>



<http://www.oecd.org/oecdirect/>

Executive Summary

Sound governance frameworks are a critical deterrent of illicit trade. Consequently, economies with poor governance structures, such as those suffering from armed conflicts, are particularly prone to this threat. Moreover, parties engaged in disputes have an interest in driving illicit trade, or at least in ignoring it. For these parties, illicit trade can be an effective way of obtaining supplies of commodities (e.g. arms) or, most often, a source of revenue generation, especially when traditional revenue collection opportunities are reduced or lost altogether. In addition, countering illicit trade requires resources that, in a case of armed conflict, are likely to be engaged in other areas.

This study looks at illicit trade flows in four conflict-affected countries in the MENA region: Iraq, Libya, Syria, and Yemen, focusing on Yemen. These countries are also conveniently located transit point for international trade, especially to the European Union.

- **Yemen.** For the past seventy years, Yemen has experienced almost non-stop conflict, significantly affecting the development of the economy as well as governance, notably governance frameworks designed to counter illicit trade flows. As a result, Yemen has long been a hub and conduit for both the regional and international arms trade and trafficking, as well as other illegal activities and goods. These include the outward smuggling of cheap, heavily subsidized fuel from Yemen to East Africa; the smuggling of people from East Africa and the Horn of Africa through Yemen to seek employment in Gulf countries; and the smuggling of narcotics into neighbouring countries.

In addition, Yemen suffers from illicit trafficking of cultural property, as many cultural objects are looted from archaeological sites and sold for a profit. Recently, the risk of wildlife trafficking has also grown, as the rich and unique wildlife on the Yemeni island of Socotra has been attracting both opportunistic wildlife traders as well as collectors. Finally, quantitative analysis of recent data of customs seizures confirms that Yemen is a remarkably vibrant hub for the illicit trade in fakes, most of them fake pharmaceuticals.

- **Libya.** Since 2011, Libya has been in a severe state of insecurity that greatly affected Libya's governance frameworks to counter illicit trade. There seems to be little or no effort by either of the central authorities in Libya to counter illicit trade, as groups involved in the civil conflict are preoccupied with fighting each other and organizing an internationally recognized government. Consequently, arms flows are the most important and impactful illicit dynamic in Libya, with both local and global ramifications. As in Yemen, Libya is also severely affected by the illicit drug trade. It is located at the centre of most trans-Saharan trade routes and has vital links with the Mediterranean region. In addition to arms and drugs, human trafficking is a significant part of overall illicit trade in Libya; local militias have formed international ties with various tribes to facilitate illicit human trafficking flows. The final component of illicit trade in Libya is the illegal trade of cultural artefacts and counterfeits.
- **Syria.** Since 2011, Syria has been in disarray. Given its geographical location, Syria has historically been a critical trade corridor; today, Syria acts as a major highway for illicit trading activities. Many smuggling groups are apolitical, private, and profit-oriented networks composed of connected businesspeople and border residents. One of these critical sectors is defence, although the arms

trade in Syria appears to be less intense than in Yemen and Libya. The most extensive illicit trade operation in Syria seems to be drug smuggling. There is also a criminal industry to facilitate human trafficking. The illegal excavation of Syrian cultural objects from archaeology sites has worsened since the conflict began in 2011, a practice that bears certain similarities to Yemen and the smuggling of historical and cultural artefacts from Saudi Arabia's southern neighbour. The dataset on customs seizures also indicates that counterfeit goods coming from Syria are primarily destined for European countries

- **Iraq.** A considerable conflict began in Iraq in 2014 when the Islamic State advanced from Syria and took control over northern parts of the country and the city of Mosul. Illicit trade in Iraq is driven by political instability and socioeconomic strife. Non-state actors control many ports of entry around the nation, with the border in Iran being a major weak point. Illegal arms smuggling is a problem in Iraq, although it appears to be less significant than the trade between Yemen and Libya. Drug trafficking and abuse in Iraq have been steadily increasing. Historically, Iraq was a transit point for global drug operations, but, more recently, a domestic market has emerged. Iraq is also emerging as a worldwide hub for the illicit trade in body organs. The final sector heavily affected by the illicit trade in Iraq is national antiquity and cultural heritage.

The evidence summarized in this report confirms that actors involved in illicit trade, particularly those associated with armed conflicts and organized crime, respond quickly to changes in the risk-reward structures. These risk-reward structures are, in turn, affected by international legal frameworks, national legislation, and enforcement policies. Consequently, policy makers may wish to consider the following avenues for action.

First, there is a need to develop a viable national strategy that not only addresses current illicit trade but also recognizes the limitations imposed by the current conflicts and plans for action in a post-conflict setting. This is particularly the case of Yemen, where the lack of information surrounding the current efforts to prevent and penalize smuggling results in uninformed local and international responses. A thorough study could help determine the best short-, medium, and long-term strategies for mitigating the impact of illicit flows and the breakdown of anti-smuggling governance during the conflict.

Second, support is needed to existing governance frameworks and institutions to counter illicit trade, such as the Yemeni coast guard, in terms of equipment, training, and technical support.

Third, international co-ordination involving neighbouring countries is necessary to strengthen the response to smuggling. This also includes multilateral co-ordination among neighbouring countries on anti-illicit activity policies.

1 Introduction

The threat of illicit trade

Illicit trade is a global threat that keeps growing in scope and magnitude. Such phenomena as globalisation, trade facilitation, and technological and logistical advancements have been of course fuelling economic growth and prosperity. On the other hand, they were also opening up new opportunities for criminal networks to expand the scope and scale of their operations, with serious negative consequences for the economy and society. There is ample evidence that highlights that illicit trade also undermines good governance, the rule of law and citizens' trust in government, and can ultimately threaten political stability (OECD, 2018^[1]).

As in any business, parties that engage in illicit trade do so primarily to make profit. Therefore, in most sectors of illicit trade they face similar market challenges as those faced by legitimate business and licit trade actors (OECD, 2018^[1]). Many of these challenges depend on characteristics of a country that could be involved in illicit trade, notably in terms of logistics and trade facilities, as well as in terms of the institutional environment. Existing studies highlight that for many sectors of illicit trade there is a link between the quality of governance frameworks, levels of public sector integrity and illicit trade.

Box 1.1. What is illicit trade?

There is no standard definition of illicit trade, and it is important to keep in mind that this study does not attempt to provide any sort of definition that goes beyond its scope.

The approach taken by this analysis follows the approach taken in previous OECD studies on illicit trade (see (OECD, 2018^[1]). While these studies did not introduce any general definition, they implicitly focused on the negative consequences of illicit trade, in particular its damaging effects on economic stability, social welfare, and public safety. Following this approach, this study looks at the illicit trade flows including human trafficking, arms smuggling, illegal trade in natural resources, intellectual property infringements, trade in certain substances that cause health and safety risks, smuggling of excisable goods, trade in illegal drugs and a variety of illicit financial flows.

A more complex case occurs for countries that suffer from on-going armed conflicts. On the one hand, an armed conflict significantly increases risk to commercial actors and hence deters trade. On the other hand, parties engaged in conflicts might be interested in driving illicit trade, or at least ignoring it. For these parties, illicit trade can be an effective way of bringing supplies of commodities (e.g. arms), or most often an important source of revenue generation, especially in the context of the degradation or loss of traditional revenue collection opportunities. In addition, countering illicit trade requires resources that, in a case of armed conflict, are likely to be engaged in other areas.

Existing studies note that for parties engaged in armed conflict, and for organized crime and terrorist groups, illicit trade can provide a major, and sometimes primary, source of operating revenues. The utilisation of illicit revenues by these groups is both growing and diversifying (Bindner, 2016^[2]), (Shelley, 2020^[3]). The specific sources of financing has evolved over time, and depends on specific location, localised needs, and opportunities present.

Illicit trade in the MENA region

To contribute to the existing pool of evidence on the dynamic interplay between illicit trade and armed conflicts, this paper looks at illicit trade flows in four separate conflict-affected countries in the MENA region: Iraq, Libya, Syria and Yemen. All these countries have been reported to a varying degrees in the context of illicit trade flows.

The choice of Middle East – North Africa region is driven by several motives:

- First, thanks to its location, this region is an important transit point for international trade. Most of the trade from Asian Far East to the EU passes through the Middle East, specifically the Suez Canal. The importance of this trade artery was highlighted in early 2021, when a blockage to the Suez Canal caused significant disruptions to supply chains in the EU.
- Second, several countries in this region, such as Iraq, Libya, Syria and Yemen suffer from long lasting internal armed conflicts. While an armed conflict is usually disruptive for an economic activity, it is often the opposite for illicit trade, with the collapse of centralised regulatory and legal frameworks presenting a huge opportunity for illicit networks. As noted above, parties engaged in conflicts might be interested in driving illicit trade, or at least allowing it or ignoring it.
- Lastly, several countries in the MENA region have well developed trade infrastructure, including vibrant free trade zones, as well as being a central global hub for hydrocarbon production and export. Consequently, this region has become an increasingly important transit point for trade in general. The combination of significant high value trade, with endemic conflict across much of the region, is itself a major driver of illicit trade networks.

This report also makes a deep dive into the historical and current context in Yemen, whose illicit trade dynamics are complex, multi-layered, and heavily integrated into regional and global networks. These dynamics are not new, with Yemen being a source, destination, and transfer location for a range of illicit activities throughout the 20th century. Weak state institutions and an economy dominated by a patronage system both interlinked, and subversive of state institutions has exacerbated this, with much of it dominated by a small group of elite families, and many aspects of illicit trade often run by state adjacent or incorporated groups such as the military.

In 2014, Yemen was ranked by Transparency International's Corruption Perception Index, which measures perceived levels of public sector corruption at 161 out of 175 countries and territories. These dynamics have continued and expanded during the course of the conflict, largely due to the breakdown of state control because of the ongoing civil war, and the loss of significant territory since 2014 by the Internationally Recognized Government (IRG) to the Houthi movement, otherwise known as Ansarallah. The conflict has also led to other, previously less present illicit dynamics, such as the trade in antiquities or protected wildlife. Other regional and global developments have in turn exacerbated these dynamics, such as an increase in outward migration flows from the Horn of Africa, seeking refuge and livelihoods in the oil producing nations of the Arabian Peninsula, and driven by conflict, environmental, and economic instability in east Africa.

To re-iterate, this report presents qualitative and quantitative evidence on trends in illicit trade in conflict-affected countries: Yemen, Libya, Syria, and Iraq, with a particular focus on Yemen. For each country, a brief political and conflict background will be supplemented with an overview of major illicit trade trends,

both historical and current. In addition, for each country a data extract based on the OECD dataset on counterfeit goods seizures (Box 1.2) is presented. Such extract shows the scale and magnitude of illicit trade in counterfeits passing through the analysed country.

Box 1.2. OECD Database on customs seizures of counterfeit goods

The OECD database on customs seizures is constructed from databases from the WCO, the European Commission's Directorate-General for Taxation and Customs Union (DG TAXUD) and from the United States Department of Homeland Security (DHS). The latter submitted seizure data from US Customs and Border Protection (CBP), the American customs agency, and from the US Immigration and Customs Enforcement (ICE).

The customs seizures dataset refers to a nine-year period from 2011 to 2019 and contains almost 1.5 million observations. Each observation refers to one seizure. For each seizure, information such as the type of infringed goods, the destination and provenance countries of fake goods, conveyance methods used to ship goods as well as the size of shipment are available.

A detailed analysis of the data reveals a set of limitations. Some of these limitations deal with discrepancies between the datasets, while others involve differing product classification levels or outliers in terms of seized goods or provenance economies. All limitations were thoroughly discussed in published reports such as (OECD/EUIPO, 2016^[4]), (OECD/EUIPO, 2019^[5]) and (OECD/EUIPO, 2021^[6]), and a methodological way forward was proposed for each limitation.

References

- Bindner, L. (2016), *Illicit Trade and Terrorism Financing December 2016 – Interim result*, Center for the analysis of terrorism, <http://cat-int.org/wp-content/uploads/2017/03/Interim-note-Illicit-trade-and-terrorism-financing-Dec-2016.pdf>. [2]
- OECD (2018), *Governance Frameworks to Counter Illicit Trade*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264291652-en>. [1]
- OECD/EUIPO (2021), *Global Trade in Fakes: A Worrying Threat*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/74c81154-en>. [6]
- OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris/European Union Intellectual Property Office, Alicante, <https://doi.org/10.1787/g2g9f533-en>. [5]
- OECD/EUIPO (2017), *Mapping the Real Routes of Trade in Fake Goods*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264278349-en>. [7]
- OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264252653-en>. [4]
- Shelley, L. (2020), *Illicit Trade and Terrorism*, <https://www.jstor.org/stable/26927661>. [3]

2 Yemen

This chapter looks in depth at the situation in Yemen. It presents the political context of the country and provides a detailed picture of the illicit trade. Human trafficking, drugs, heritages and antiquities as well as illicit capital flows are discussed. Finally, governance framework aimed at monitoring the country's maritime entries is also presented.

Background to current conflict

To understand current illicit trade dynamics in Yemen and the absence of any coherent or robust governance that aims to combat illicit trade flows within the country, it is important to acknowledge its pre-conflict dynamics. For this section, the focus is on the two decades that followed the unification of North and South Yemen in 1990 and the permissive illicit trade environment that Yemen's political and military elite helped shape during this period.

Yemen has experienced almost non-stop conflict since 1948, significantly affecting governance across the country and the development of state institutions and the economy, notably institutions tasked with managing "illicit" flows, such as control over the coastline and technocratic oversight institutions managing borders and trade flows.¹ This combines with the fact that Yemen's geographic position straddles some of the world's busiest trade routes, has independent and powerful tribes located across many border regions, and has long land borders which are geographically hard to police. As a result, the country has become a destination, origin, and transit point for many different forms of "illicit" movement, from human trafficking to the smuggling of arms, narcotics, historical artefacts, fuel, and various other forms of unregulated trade. Many of Yemen's illicit flows have been the result of poorly implemented and regulated government policies, which have sometimes even incentivised illicit flows.

As a result, Yemen has long been a hub and conduit for regional and international arms trade and trafficking, as well as other illicit activities and goods that included: the outward smuggling of cheap, heavily subsidized fuel from Yemen to East Africa; the smuggling of people from East Africa and the Horn of Africa through Yemen that aimed to reach and secure employment in Gulf countries; and the smuggling of qat² and other drugs (e.g. opiates and hashish) into neighbouring countries.

Yemen's relevance for regional and international arms flows has been defined by two primary factors. First, its plentiful domestic weapons stocks – particularly small arms.³ Second, a political and military elite that aided, abetted, and ultimately benefited from a state-sponsored system that enabled arms dealers to operate and profit, in exchange for supplying Yemen's Armed Forces with a percentage of the arms entering the country.⁴

For former President Ali Abdullah Saleh, the facilitation of arms imports and smuggling to and across Yemen was a means of consolidating his position of power. First, the direct acquisition of weapons imported by private arms dealers and subsequent distribution among different military and security forces meant these weapons could be deployed against any domestic actors that posed a threat to him.⁵ Second, and equally important, a permissive arms trade environment acted as a critical form of patronage, whereby non-state actors were granted the freedom to manoeuvre and profit from the domestic and regional arms trade. This included a variety of actors operating at different stages of the process: from domestic arms dealers to the owners of maritime and overland transportation companies that helped move the weapons where they needed to go, and tribal leaders that permitted the transit of weapons flows through their local areas of jurisdiction.

Saleh's prioritisation of the maintenance of the extensive patronage system and networks that he developed after becoming president of North Yemen in 1978 and unified Yemen in 1990 ultimately superseded state interests and institutions.⁶ In terms of illicit trade, this meant that illicit trade was allowed to occur through Yemen so long as it provided potential opponents the financial incentive to continue supporting Saleh and the system of patronage he oversaw.⁷ As a result, the state-run institutions and bodies that were technically responsible for the monitoring, prevention, and penalising of illicit activities were essentially powerless.

The lack of governance and varying degrees of involvement and complicity among Yemen's elite regarding illicit trade that originated in or passed through Yemen was appealing to certain regional and international arms dealers, as well as their respective clients. Before the conflict Yemen was implicated in several transnational weapons pipelines and arms deals.

Illicit trade networks were also behind an illicit trade of diesel. Although Yemen is an exporter of crude oil, it imported diesel, which in turn was heavily subsidised by the state as a pillar of its social protection and development strategy. Government subsidized fuel would then get re-sold for profit by fuel traders.

Despite Ali Abdullah Saleh's forced abdication of the presidency in February 2012 and replacement with incumbent President Abdrabbu Mansour Hadi, and the shifting of political alliances both during and after the 2012-2014 failed transitional period, a "business as usual" approach was adopted for illicit trade. As will become clearer in the sections below, the onset and escalation of conflict did, however, alter illicit trade dynamics and the previous governance structure that was designed to curb such activity.

Illicit trade dynamics during the current conflict

Background

The Yemeni conflict originated in 2014 and has since created one of the largest humanitarian crises facing the world today. The civil war began when Houthi insurgents, a rebel group with a lengthy history of government opposition, took control of Sana'a, Yemen's capital and largest city. Angered by the removal of fuel subsidies, the Houthis attempted to usher in a replacement government. After negotiations to establish this new government failed, the Houthis seized the presidential palace in early 2015.

The civil war has taken a particularly heavy toll on Yemeni civilians. The U.N. estimates that over half of 230,000 deaths in the country since 2015 result from indirect causes such as food insecurity and lack of access to health services. Furthermore, nearly twenty-five million Yemenis need assistance, five million are at risk of famine, and over one million have been affected by a cholera outbreak.

The crisis in Yemen also extends beyond conventional humanitarian issues, as illicit trade has played a larger role in the country's economic landscape since the civil started. The primary government agency to combat this increasingly important risk is the Yemeni coast guard. Since 2015, the coast guard has worked closely with Joint Forces Command to protect Yemen's coast from counterfeiting and organized crime. However, the coast guard has fallen victim to the civil war, as a least one boat has been struck by a sea mine likely placed by Houthi rebels. Outside of the coast guard, no other institutions are engaged in countering illicit trade.

One of the main products illicitly traded in Yemen is illegal weaponry. It is estimated that there are between 40 and 60 million weapons in the country, making Yemen the second-most armed country in the world after the United States. However, arms trafficking is not a new trend in Yemen. Prior to the civil war, Yemen was already a regional arms-trafficking hub with well-connected smuggling networks. The illegal arms trade is also not isolated to one part of the country. Arms markets flood the streets in both north and south Yemen.

Beyond the arms trade, the illicit flow of drugs in Yemen is also wreaking havoc in the nation. Yemen's pervasive drug problem is rooted in cultural tradition, as the chewing of qat, goes back more than 500 years. It is estimated that around 90% of Yemeni men and 25% of Yemeni women chew these leaves daily.

This drug trade is not confined to Yemen, as drug trafficking out of Yemen and into Saudi Arabia is a persistent problem. The border between the two nations is incredibly porous, and just between 2008 and 2010, over 6 million kilograms of qat heading to Saudi Arabia were seized. During the same time, 13 million tablets of amphetamine and 500 kilograms of hashish were seized before they entered Saudi Arabia.

The drug trade also has close ties to the Yemeni conflict. Reportedly, in Houthi-controlled areas, narcotics are very prevalent and can even be found in grocery stores. Houthi militias have also transformed their territory into open drug markets, exploiting a lack of central authority to crack down on smuggling. The illegal drug trade is a large source of revenue for these groups.

Beyond the arms and drug trades, the illicit trafficking of cultural property is a problem in Yemen. Many cultural objects are illicitly looted from archaeological sites and are sold for a profit. Museum collections are also illicitly traded around the world. In recent years, the increased risk of illicit trafficking of cultural artefacts brought about by war and conflict, combined with the social-economic growth of the Africa and Arab States regions and the rapid expansion of the international art market, through internet, has created a fertile environment for the illegal trafficking of cultural artefacts originating from countries, like Yemen, that do not have the necessary measures in place.

To re-iterate, the current conflict contributed to the fragmentation and regionalisation of Yemen and consequently prompted a shift in previous illicit trade governance. The largely centralised, Sana'a-centric governance model now operates in tandem with a set of diffuse, and at times competing, localised governance models that mirror different areas of territorial control. Against the backdrop of violence and political and regional fragmentation, illicit goods have crossed front lines and different areas of territorial control inside Yemen relatively seamlessly. Pre-conflict illicit activities, such as arms, people, and drug smuggling have continued if not increased in scale and complexity and have been joined by an increase in the smuggling of historic artefacts and exotic plants and animals.

Weapons

Yemen has one of the highest levels of gun ownership in the world, with 2007 estimates that 10 million small arms are held by a population of 23 million.⁸ These stocks have increased significantly during the conflict that has existed since 2015, to the point where Yemen has begun to re-export portions of its stock through arms networks in the Horn of Africa and Beyond. Weapons are traded freely through open markets throughout the country. The conflict saw the weapon stock grow as many weapons supplied to armed groups have often been sold in local markets, often ending up in the hands of Houthi forces, as well as armed groups throughout Africa.⁹

Houthi armed forces rely partially on weapons and weapon parts supplied by Iran. Between 2015 and 2021, 15 maritime seizures were made by the CMF, the coalition and the Yemeni coast guard of illicit weapon shipments that originated from Iran and that violate the weapons embargo. Weapons come via two coastlines, Al Mahra in the eastern part of Yemen and the red seacoast in the Western part.

Most of the shipments were transported through stateless dhows and fishing boats.¹⁰ Weapons are also transhipped in the sea after first stopping at Puntland, Somalia,¹¹ where Yemeni fishing ships are more familiar with the waterways and less conspicuous, and therefore can relatively easily bypass Saudi Led Coalition (SLC) naval forces and IRG coast guard forces.

The Iranian shipments include Iranian manufactured weapons such as missiles and their component parts, Russian weapons such as the AK-pattern rifles and PK type machine guns, and Chinese type 56 assault rifles. Investigations conducted by the Global Initiative Against Transnational Organized Crime indicate that Iranian weapons rely to an extent on the same smuggling networks previously used by AQAP and IS.¹²

Weapons seem to have also been smuggled on land through the Omani border. Being transported on land and through Government of Yemen controlled territory indicated that within the Government of Yemen structure there exists complicit entrepreneurs that aid in the smuggling of the weapons into Houthi territory. A report by the Conflict Armament Research showed that it's mainly the components of Unmanned Aerial Vehicles (UAVs) used in cross-border attacks on locations in Saudi Arabia that rely on components smuggled through the Omani border.¹³

Illicit trade in fuel and oil

The general collapse of centralised state authorities across many parts of Yemen has also led to major changes in its fossil fuels sector. Traditional export pipelines have been cut by frontlines, with domestic

production and refining declining significantly, and a concurrent far greater dependence on imported fuels. These market dynamics have continued to encourage complex interplay of illicit activities around the sector (See section 4.2 for efforts to stop the illicit import of Iranian fuel). Crude oil export has continued, however, in an ad-hoc fashion, and with a complex revenue sharing relationship between local and central authorities in IRG controlled areas developing in light of the former's increasing independence from central authorities. While rather irregular in nature, this is largely within the framework of non-illicit movements and transactions.

There have been also some isolated reports of crude oil being smuggled out of Yemen via a stretch of the Shabwa coastline.¹⁴ Fuel was reportedly trucked from an unknown production source to an area as being located near to Bir Ali Port (and 25km east of the LNG export terminal in Belhaf), where the fuel was then unloaded and transferred via a pipeline that connected the truck to a large vessel waiting offshore.¹⁵ Although the exact frequency of this reported smuggling activity is unknown, there have been a few separate alleged sightings of this activity taking place in late 2015, July 2018, and August 2018.¹⁶ The expectation is that if this activity was happening on a large scale there would have been more reporting and alleged sightings of this activity with the kind of visual imagery that was presented to back up earlier allegations of smuggling.¹⁷

Human Trafficking

Given the strategic location of the Republic of Yemen in the south-western corner of the Arabian Peninsula, it has long served as the established route for irregular migrants from the Horn of Africa seeking refuge and economic opportunities in wealthy Gulf states, a source country for outward movement of irregular migrants, and to some extent a destination country. The illicit smuggling networks that facilitate these movements are highly lucrative, and as with other aspects of illicit trade outlined in this report, many Yemenis have turned to illicit activities due to the impact of the conflict both on the Yemeni states ability to regulate these activities, as well as the severe degradation of other economic opportunities.

According to the International Organisation for Migration (IOM), 50,000 migrants from the Horn of Africa, mainly Ethiopia, entered Yemen alone during 2018.¹⁸ While these movements preceded the current conflict, a combination of the breakdown of state authority in Yemen, with a series of environmental, economic, and political crises in the Horn of Africa, has prompted higher rates of migration since the beginning of the current conflict in Yemen in 2015. These migrants have been highly vulnerable to abuse, and in turn have been caught up in a range of other illicit activities, notably forced conscription by armed actors, forced labour, kidnapping for ransom, and sexual abuse. Increased and often punitive efforts by Saudi authorities to limit migration flows at the border have seen large numbers of migrants stuck in Yemen for significant time.¹⁹

Illicit "human trafficking" flows have not been limited to migrants from the Horn of Africa. The impact of the conflict in Yemen has seen thousands of Yemenis utilise smuggling networks to enter Saudi Arabia to access livelihood opportunities no longer available inside Yemen. The business of human trafficking has become highly lucrative, and highly interlinked with other illicit flows, such as weapons, drugs, and unregulated financial transfers, which will be addressed in the next section.

Narcotics

Narcotic exports from Yemen, largely in the form of hashish of the local drug, Qat, have been a major form of illicit trade out of Yemen. Prior to the war, an estimated 160 million USD of drugs were exported from Yemen, primarily through land or coastal routes into Saudi Arabia.²⁰ This has reportedly continued and increased during the recent conflict. Yemen's northern tribes were historically the greatest benefiter, many of which support the Houthi movement, which has in turn made significant efforts to expand its control over the trade. This trade has increased significantly because of the conflict. Vibrant border markets that existed

on the border between Saudi Arabia and Yemen have largely been destroyed because of the conflict.²¹ While the illicit trade in drugs and weapons existed prior to the conflict along the border, it didn't dominate all economic activity, with much trade being legal. Since the conflict, many involved in what were previously regulated businesses turned to more illicit means to ensure continuation of livelihoods. With traditional border crossings largely being closed, dozens of smuggling routes have developed across the porous border, thriving on a combination of mountainous terrain and complicit and corrupt border security.²² Other drugs include cocaine, cannabis, and heroine. Saudi efforts to improve control over their border have been hamstrung by the corresponding decline in capacity of regulatory/security authorities on the Yemen side.²³

Unregulated Financial Networks, illicit trade and illicit capital flows

The increase in illicit flows in their various forms in Yemen has been closely linked to the established presence and growth of unregulated financial networks in Yemen, the Horn of Africa, and into the Arabian Peninsula. The use of “hawala” networks to facilitate trade are not new. However, over the course of the current conflict, the regulatory frameworks that did exist in Yemen have been severely undermined in the face of the breakdown of central governing authority, the impact of international de-risking on Yemen's banking system, the partial bankruptcy of Yemen's banks, and the ongoing institutional conflict between Houthi controlled economic authorities and those of the IRG Central Bank of Yemen. By 2016, this had seen a significant liberalization of local “informal” hawala services, with hundreds of new institutions springing up around the country, largely facilitating the inward flow of remittances and the outward flow of funds for trade financing.²⁴ The significant lack of “Know Your Customer” practices linked to these networks, and therefore the nonexistence of anti-money laundering/countering the financing of terrorism controls, is a major characteristic. For example, Hawala networks are critical in facilitating the outward flow of weapons from Yemen to Somalia, as was shown in a 2020 investigation by the Global Initiative against transnational organized crime.²⁵

Yemen is also ranked as one of the world's highest sources of illicit capital outflows among poor countries, with 12 billion USD being estimated to have left the country between 1990 and 2008, dwarfing the amount of foreign aid entering the country during this time.²⁶ Capital outflow has likely significantly increased during the conflict, although data is hard to find. Anecdotal evidence coming from interviews with Yemeni economists based in Cairo, stated that real estate have been bought by Yemenis over the course of the conflict alone, potentially reflecting the movement of additional capital from Yemen.²⁷ The lack of any viable economic investment opportunities inside Yemen has increased the incentive to move wealth offshore, largely outside of the framework of government regulatory frameworks or taxation.

Heritage and antiquities

As with other forms of illicit trade outlined in this report, the collapse of state authorities tasked with countering the illicit trade in antiquities has fuelled a vibrant export market for Yemen's cultural heritage. Notable was the 2015 looting of Taiz Museum of several ancient manuscripts, with only a small portion being recovered. The non-payment of public sector salaries in Yemen has also significantly increased the theft of antiquities. The destination for stolen items, according to different investigations of the matter, is generally Saudi Arabia. A contributing factor to the outward flow of Yemen's antiquities – illegal under Yemeni law – is cataloguing and preservation that existed even prior to the conflict, with many items remaining in the hands of local Mosques and families.

Wildlife in Socotra

Socotra is an archipelago that sits around 380 Kilometers south of Aden consisting of 4 Islands. Due to its rich wildlife and its importance for biodiversity conservation, it was designated in 2008 as a UNESCO world heritage Site.²⁸ Also because of those reasons, the Island has always been the site of smuggling. Smuggling in Socotra comes in the form of tourists that try to smuggle out endemic animals and plants for

collection purposes as well as ex-situ breeding.²⁹ The island's relative isolation up until the end of the 20th century has helped in preserving its exotic wildlife. However, with the turning of the century the Island attracted both opportunistic wildlife traders as well as collectors. The onset of the 2015 conflict saw a growing UAE presence on the Island and has helped in decreasing the smuggling of wildlife due to limiting fighting in and out of the Island.

Counterfeits

Yemen has been appearing several times in the OECD/EUIPO studies on illicit trade in counterfeit good (see (OECD/EUIPO, 2017^[7]) and (OECD/EUIPO, 2021^[6])). A more recent data on customs seizures counterfeit goods reconfirms that Yemen was a remarkably vibrant hub for the illicit trade in fakes. Over the period 2011-2019 Yemen has been reported as a destination and source of fake goods, which points at its potentially important role in facilitating the transit of fakes (see Table A.1 and Table A.2 in the Annex). Importantly, the volumes of seizures of fakes in Yemen has been constantly decreasing over the analysed period, while the volumes of counterfeits coming from Yemen, remained stable. This suggest that counterfeit goods were losing their importance for Yemeni enforcement. This is clearly linked with the on-going conflict, and changing priorities of relevant enforcement agencies.

Data on customs seizures indicate that counterfeit goods imported into Yemen mainly came from Egypt, China, United Arab Emirates, and Turkey. These four countries represented more than 85% of seizures of counterfeit goods destined to Yemen. Importantly, such global hubs of trade in fakes as Hong Kong (China) and Singapore don't appear on the list of main provenance countries for counterfeit goods imported into Yemen. To the contrary, some neighbouring countries such as Egypt, United Arab Emirates and Saudi Arabia play an important role.

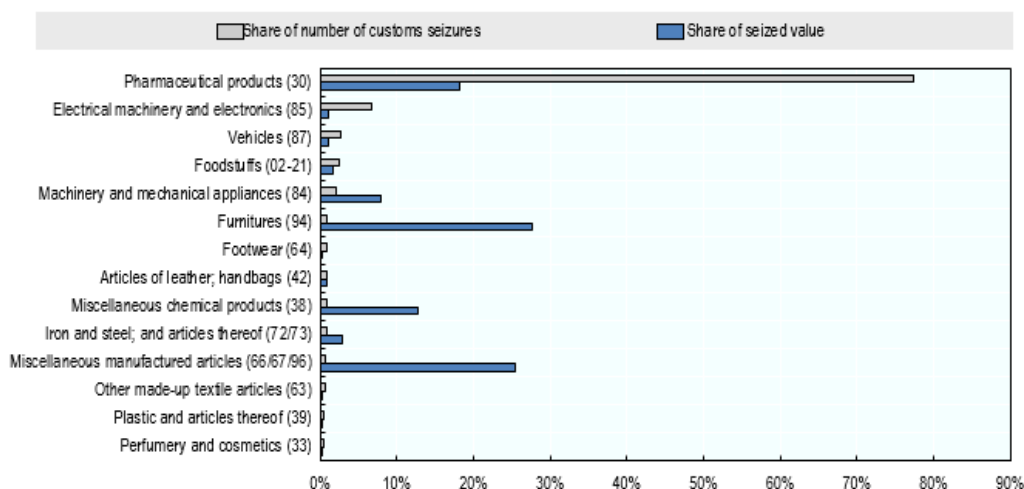
It is important to note that among the countries of origin of counterfeit goods destined to Yemen, a distinction is made between economies that export counterfeit goods to Yemen on a recurrent basis and those that export on an occasional basis. Figure A.1, which shows the provenance economies of counterfeit goods imported into Yemen by year from 2011 to 2015, is useful in understanding this distinction. This figure indicates that year on year, China, Egypt, the United Arab Emirates and Turkey are still the main countries supplying counterfeit goods to Yemen. In contrast, one can note a seasonal trend for economies such as the US, Germany and the UK which are only occasional suppliers of counterfeit goods to Yemen.

The source of counterfeit goods destined to Yemen has evolved over time. Egypt was the top provenance economy of Yemeni fake imports during the 2011-13 period while United Arab Emirates was the first source more recently. While Egypt, China and United Arab Emirates were the main providers of fake goods destined to Yemen, there was also seasonal trend like the role played by the United States in 2011 (See Figure A.1 in the Annex).

Counterfeits departing from Yemen were mainly destined to nearby countries (Saudi Arabia, Ethiopia, Egypt and United Arab Emirates) and to the EU countries (Netherlands and Germany).

In terms of product categories, a wide range of fake products has been smuggled to Yemen (Figure 2.1). Over 2011-19, most of counterfeit goods destined to Yemen were fake pharmaceuticals (77% of customs seizures destined to Yemen) followed by electrical machinery and electronics (7%), spare parts (3%) and foodstuffs (3%). The fake pharmaceuticals destined to Yemen included anxiolytic, diabetes treatment, erectile dysfunctions treatment, lung diseases treatment or gastric ulcer treatment.

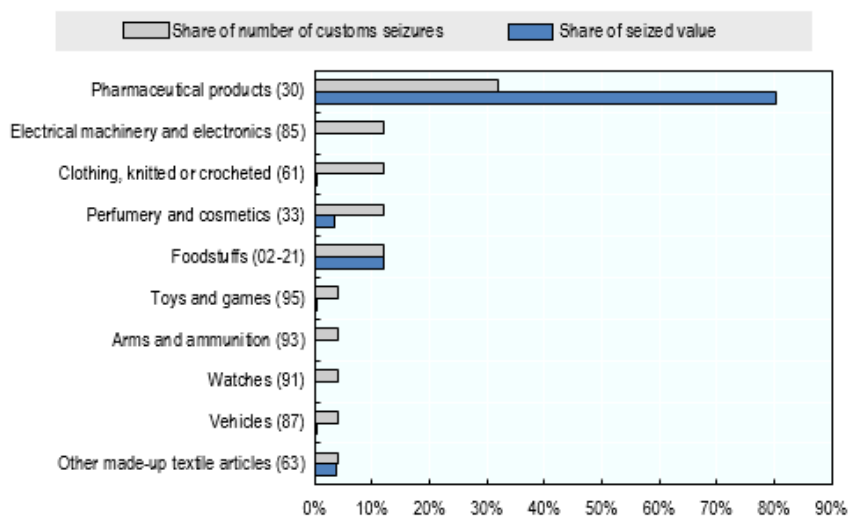
Figure 2.1. Products category of Yemeni fake imports, 2011-19



Source: OECD global customs seizures database

While some of these goods stay in Yemen, many of them are re-exported, as Yemen is abused a transit point in global trade in fakes. Data on customs seizures shows that counterfeit goods originating from Yemen were mainly pharmaceuticals (32%), electrical machinery and electronics (12%), clothing (12%), perfumery and cosmetics (12%) and foodstuffs (12%). In terms of value, fake pharmaceuticals clearly dominated, representing 80% of the seized value of counterfeit goods coming from Yemen (see Figure 2.2).

Figure 2.2. Product categories of fake goods originating from Yemen, 2011-19



Source: OECD global customs seizures database

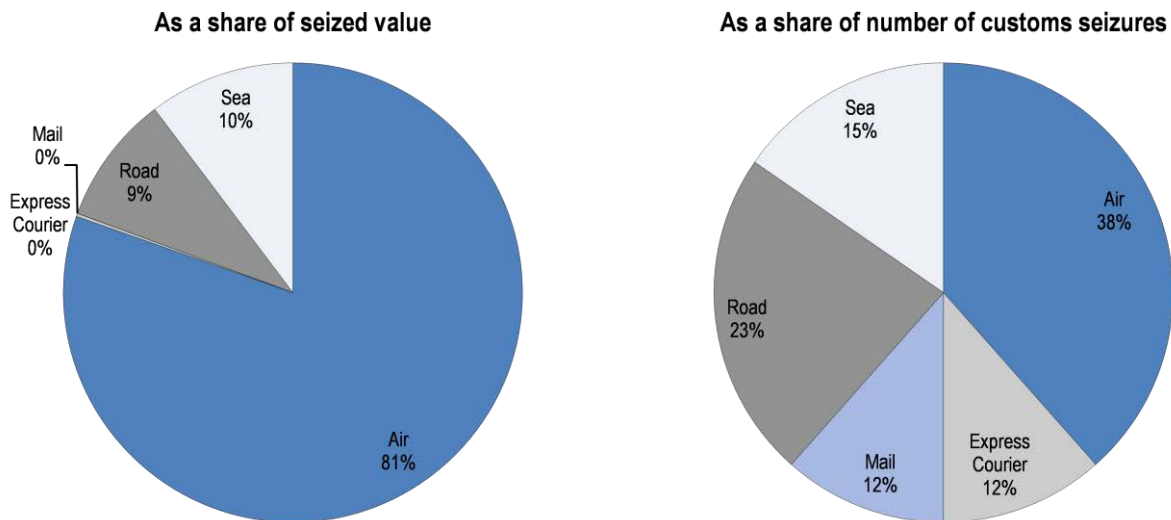
Data on customs seizures indicate that air was the preferred conveyance methods of counterfeit goods originating from Yemen (see Figure 2.3). In terms of seized value, air clearly dominated – 81% of seizures was made on air shipments, 10% referred to sea shipments, and 9% road transport. Interestingly, fakes

that were leaving Yemen, were shipped through several transport modes including air (38%), road (23%), sea (15%), mail and express courier (both at 12%).

The data on customs seizures also provide information on shipment size. This indicates that shipment of counterfeit goods destined to Yemen tend to be large. Indeed, almost 100% of seizures refer to shipment containing more than 10 items. This result differs from what is observed in the OECD countries, where small shipments tend to dominate trade in counterfeit goods. As noted in OECD/EUIPO (OECD/EUIPO, 2021^[6]) the dominance of small shipments is trend is directly correlated with the on-going boom of e-commerce coupled with the expansion of postal and express services, which may be less developed in Yemen.

The analysis of shipment size reveals that trade in counterfeit goods originating from Yemen is dominated by large shipment. Indeed the largest majority of seizures (92%) refers to shipment containing more than 10 items.

Figure 2.3. Conveyance methods of counterfeit goods originating from Yemen, 2011-19



Source: OECD global customs seizures database

Existing governance structure

The intervention and continued involvement of different regional and international actors prompted the establishment of more rigorous maritime monitoring and regulation of goods entering the country. The primary objective that underpins the various regulations and steps taken by the Saudi-led coalition and its allies has been to prevent the Houthis from receiving weapons that could drastically alter conflict dynamics and pose a threat to Saudi national security. The accomplishment of this primary objective has been mixed.

Resolution 2216/UNVIM

In April 2015, the United Nations Security Council passed resolution 2216, which aimed to restrict weapon flows into Yemen. The resolution imposed an arms embargo on former president Ali Abdallah Saleh and Abdulmalik Al Houthi two months after the Houthi Saleh alliance solidified its control over Sanaa by forming a ruling council. It is also important to note that increasing instability and lack of arms regulation in Yemen coupled with its abundant arms stockpile also raised concern over its role in supplying other rebel armed groups in the wider region.

Because of complications in implementing Resolution 2216, commercial imports into Yemen declined impacting the livelihood of civilians.³⁰ The UN regional humanitarian coordinator for Yemen established the UN Verification and Inspection Mechanism for Yemen to better coordinate the implementation of the Resolution. In May 2016, the United Nations Office for Project Services implemented a Verification and Inspection Mechanism for Yemen (UNVIM) to ensure that cargo shipments delivered to Red Sea ports are compliant with Resolution 2216.³¹ UNVIM runs an assessment of all commercial imports destined for seaports under Houthi control, most notably the Red Sea ports of Al Hodeidah and As Salif.

In addition to a commercial import clearance, UNVIM requires that cargo undergo physical inspection in Djibouti. UNVIM inspection and clearance does not however apply for dhows, which tend to be the primary vector for illicit trade into and outside of Yemen.³²

IRG policy to combat Iranian fuel imports

During the conflict IRG introduced different fuel import regulations that aimed in part or in full to prevent the import of Iranian fuel to Yemen, following decisions by it to support the US implemented sanctions regime, as well as to combat support to the Houthi movement illegal under Security Council Resolution 2216. The rationale behind this approach was to limit the Houthis' ability to generate revenue from different Iranian fuel financing schemes present from 2016 to 2018 that would in turn be used to support the war effort.

In September 2018, IRG introduced Decree 75 that contained a new set of specific requirements that fuel importers needed to meet moving forward to obtain clearance from IRG to import fuel to Yemen.³³ Additional clearances are also needed from UNVIM, the Saudi-led coalition, and the Houthi-run Yemen Petroleum Company (YPC) for fuel shipments via Al Hodeidah Port.

A Technical Office was established to review documentation submitted by fuel importers that would enable the Technical Office to assess importers' level of compliance with the Decree 75 requirements.³⁴ The Technical Office will then coordinate with the Saudi-led coalition regarding the issuance of clearance for fuel traders that wish to import via Al Hodeidah Port. The Saudi-led coalition will not grant fuel vessels authorisation to proceed from the Coalition Holding Area (CHA) to Al Hodeidah Port until the Technical Office has issued its own clearance for the vessel/shipment being held in CHA.

Among the main documents, that the importer must provide to the IRG-run Technical Office to obtain clearance from IRG to import fuel to Yemen includes a certificate of origin approved by the Chamber of Commerce in the exporting country or completed technical inspection certificates from approved companies. This specific requirement was designed to ensure that the fuel being imported into Yemen was not of Iranian (or Iraqi) origin.³⁵ Likely in an effort to enforce this, June 2019, IRG introduced a ban on fuel imports from Al-Hamriya port in Sharjah, UAE, or any port in Iraq or Oman.³⁶ The ban was, however, only temporarily enforced, with imports again allowed from Al-Hamriya and Oman but not Iran nor Iraq.³⁷

IRG and Saudi Led Coalition prohibited items lists:

In October 2018, the IRG and Saudi-led coalition published a list of goods restricted for entry into Yemen. The list includes eight categories of imported goods that can be used for military and violent activities: vehicles (including pickup trucks and four-wheel drive vehicles); power generation materials (including deep-cycle batteries and solar panels); telecommunication equipment; toys; mechanical spare parts; unmanned aerial vehicles; explosive material; and chemicals.³⁸ Some of these goods, including four-wheel drive vehicles, are able to enter through land ports, and are usually imported through Salalah Port in Oman and transported via land to the Shiha border crossing. Several of these items however still make their way into Yemeni markets, mainly through land crossings (See Omani border below) with the prohibition only serving to increase their prices.

Yemeni waters

There are several countries engaged in monitoring and regulating maritime activity in Yemen's waters and off Yemen's coastline, as part of ongoing regional and international efforts.

Saudi Arabia

Members of the Saudi-led coalition, namely Saudi Arabia, have deployed warships along Yemen's Red Sea coastline to monitor vessel activity, and specifically vessels that wish to enter and unload at the Houthi-controlled Red Sea ports of Al Hodeidah and Saleef. They also prevent fuel vessels from unloading at Ras Issa, which has been offline since August 2017.³⁹ Saudi Arabia established the Coalition Holding Area (CHA), which vessels must pass through as part of the import process for vessels that wish to proceed to and unload at Houthi-controlled ports. The CHA is located in the Red Sea, adjacent to Jazan, Saudi Arabia, and Massawa, Eritrea, and about 250km from Al Hodeidah Port.

Saudi-led Coalition / UAE

There is also an unknown number of Saudi-led coalition forces stationed on Mayun Island (also known as Perim Island) that is located on the strategic Bab al-Mandeb Strait. UAE forces were thought to be present on the island before it started to reduce the number of UAE soldiers deployed in Yemen in 2019.⁴⁰ In May 2021, a Saudi-led coalition official dismissed reports that UAE forces were (still) deployed at Mayun Island, stating that: "all equipment currently present on Mayun Island is under control of the Coalition Command, and is situated there to... counter the Houthi militia, secure maritime navigation and support West Coast forces."⁴¹

Combined Maritime Forces (CMF) and Joint Task Force CTF-151

The Combined Maritime Forces (CMF) is a 34-member multinational coalition of naval forces that patrol the so-called Maritime Security Transit Corridor that spans from the Gulf of Oman to the Red Sea.⁴² The CMF coordinates with the Saudi-led coalition on anti-smuggling operations. Brazil currently leads the Combined Task Force 151 (CTF-151), which is one of three task forces operated by CMF.⁴³ CTF-151 is deployed in the Gulf of Aden where it is tasked with combating piracy in the Gulf of Aden and off the coast of Somalia in the Indian Ocean.⁴⁴

Ministry of Transport and Yemen Coast Guard

Prior to the current conflict, the Ministry of Transport (MoT) maintained direct oversight of Yemeni seaports. The current overarching conflict between the Houthis (formerly the Houthi-Saleh bloc until the Houthis killed former President Saleh in December 2017) and the internationally recognized Yemeni government (IRG) led to the bifurcation of state-run institutions. In terms of regulating the movement of people and goods into and out of Yemen, the IRG-run MoT, which is headquartered in Aden and has an important liaison office in Riyadh, is responsible for providing requisite clearance for vessels to berth at Yemeni seaports.⁴⁵

The IRG-run MoT has direct oversight over two out of three of Yemen's seaport corporations: the Yemen Gulf of Aden Ports Corporation (YGAPC) that oversees Aden Port and other small ports west of Balhaf LNG export terminal in Shabwa; and the Yemen Arabian Sea Ports Corporation (YASPC) that oversees Mukalla (Hadramawt), Nishtun (Al Mahrah), and the Island of Socotra.⁴⁶ The IRG-run MoT also has a degree of oversight over Mokha and Midi ports in Taiz and Hajjah governorates, after anti-Houthi forces captured these ports from the Houthis during the conflict.⁴⁷ The third Yemen seaport corporation – the Yemen Red Sea Ports Corporation (YRSPC) – is run by the Houthis and oversees the Red Sea ports of Al Hodeidah, Saleef, and the Ras Issa export terminal.⁴⁸ Ras Issa is currently being used as a fuel storage facility under the supervision of the Houthi-run Yemen Petroleum Company (YPC).

The Yemen Coast Guard, which was established by Republican Decree in 2002 but not fully operational until 2004, falls under the umbrella of the IRG-run Ministry of Interior and is headquartered in Aden.⁴⁹ The Yemen Coast Guard is technically responsible for the following missions: human migration interdiction and anti-piracy, anti-smuggling operations (e.g. drugs and other illicit materials), maritime safety, and fishery protection.⁵⁰ The Yemen Coast Guard, which was already operating at a reduced capacity before the conflict due to limited resources, has continued to struggle during the conflict.

Management of Yemeni seaports and hydrocarbon export terminals

The following is a summary of the main Yemeni seaports and export terminals that are managed by different entities. Information concerning the location of each port or export terminal is included along with an indication of the forces present.

Table 2.1. Main Yemeni seaports and export terminals

Name of Port	Primary Cargoes Handled	Location/Operator	Status: Active or Offline	Area of Control / Forces Present
Saleef	Dry bulk (wheat, corn, soya, bulk sugar, cement, coal)	Al Hodeidah / YRSPC	Active	Houthi territory / Houthi forces
Ras Issa	Fuel (gas oil/diesel/gasoline)	Al Hodeidah / Houthi-run Yemen Petroleum Company (YPC)	Offline (fuel storage facilities are being used by Houthi-run YPC)	Houthi territory / Houthi forces
FSO SAFER	Crude oil export facility (for crude oil produced at Marib's Block-18)	Al Hodeidah / SAFER and the Houthis	Offline	Houthi territory / Houthi forces present on board FSO SAFER
Al Hodeidah	Containers, dry bulk (food/animal feed), fuel (gas oil/diesel/gasoline/LPG)	Al Hodeidah / YRSPC	Active but fuel imports currently limited	Houthi territory / Houthi forces
Mokha	General, livestock, fuel	Taiz / IRG-MoT and Tariq Saleh's Forces	Active (opened in 2021 but limited commercial activity to date)	Tariq Saleh's forces
Aden	Fuel (gas oil/diesel/gasoline), containers, dry bulk (wheat, corn, cement, coal, clinker), steel, timber, general, livestock	Aden / YGAPC and IRG-MoT	Active	Southern Transitional Council (STC)-
Nushayma (also known as Rudum)	Crude oil export terminal	Shabwa / local governing authorities in Shabwa	Active	Small presence of IRG-allied forces
Balhaf	LNG export terminal	Shabwa / YLNG and Total	Offline	UAE forces are present at Balhaf where UAE-backed Shabwani Elite Forces are sometimes deployed while the surrounding areas are controlled by IRG-allied forces.
Mukalla	Fuel (gas oil/diesel/gasoline), bulk wheat, bulk cement, steel, timber, general, livestock	Hadramawt / YASPC	Active	Local forces allied with local governing authorities in Hadramawt
Ash Shihr	Crude oil export terminal	Hadramawt / IRG and state-run energy company, PetroMasila	Active	Local governing authorities in Hadramawt and
Nishtun	general cargoes, cars, fuel (petrol and diesel fuel)	Al Mahrah / YASPC	Active	Saudi forces are present in various locations in Al Mahrah
Socotra port	Foodstuff and fuel	Unknown	Partially active	STC forces

Notes

¹ https://georgetownsecuritystudiesreview.org/2015/01/21/yemen-the-difficulties-of-curtailling-smuggling-and-the-regional-implications/#_edn7

² *Qat*, also known as *khat*, is a plant native to Yemen. Its leaves contain a stimulant, which gives the chever of khat leaves some excitement. Khat chewing is a practice and social custom that dates back thousands of years in the Horn of Africa and the Arabian Peninsula.

³ Yemen's arms supplies increased during the 1994 North-South civil war. In 2003, the Small Arms Survey (SAS) estimated that there were 6-9 million weapons circulating inside the country; Miller, Derek, Demand, Stockpiles, and Social Controls: Small Arms in Yemen, Small Arms Survey, May 2003.

⁴ Senior officials (e.g. from the Ministry of Defence, the military, and the president's office) provided the state approval that enabled arms dealers to import shipments to Yemen. Import permits granted to arms dealers would list Yemen's Armed Forces as the end user. For these types of arms deals, the local arms merchant would finance the deal themselves and arrange for transportation to Yemen. Once inside the country, around 10 percent would go to Yemen's Armed Forces (overseen by President Saleh and Brigadier General Ali Mohsen Al Ahmar). The rest of the weapons shipment would be broken down into smaller consignments that were either sold on the domestic arms market and/or sold to other arms brokers that could secure the entry and sale of weapons to buyers in other neighbouring countries, such as Saudi Arabia, Oman, and the Horn of Africa.

⁵ A prime example is the six wars that Saleh and Yemen's Armed Forces fought against Houthi militants in Sa'adah governorate from 2004-2010. Saleh later allied with the Houthis during the current conflict after being removed as president in February 2012.

⁶ Sana'a Center for Strategic Studies, "Beyond the Business as Usual Approach: Combatting Corruption in Yemen," November 2018, https://sanaacenter.org/files/Rethinking_Yemens_Economy_No4_En.pdf; Alley, April. "Shifting Light in the Qamariyya: The Reinvention of Patronage Networks in Contemporary Yemen." PhD diss., Georgetown University, 2008.

⁷ Sana'a Center for Strategic Studies, "Beyond the Business as Usual Approach: Combatting Corruption in Yemen," November 2018, https://sanaacenter.org/files/Rethinking_Yemens_Economy_No4_En.pdf; Alley, April. "Shifting Light in the Qamariyya: The Reinvention of Patronage Networks in Contemporary Yemen." PhD diss., Georgetown University, 2008.

⁸ <https://www.smallarmssurvey.org/resource/fault-lines-tracking-armed-violence-yemen-yava-issue-brief-1>

⁹ <https://edition.cnn.com/interactive/2019/02/middleeast/yemen-lost-us-arms/>, and <https://jamestown.org/program/arms-from-yemen-will-fuel-conflict-in-the-horn-of-africa/>

¹⁰ https://globalinitiative.net/wp-content/uploads/2020/11/Snapping-back-against-Iran-The-case-of-the-Al-Bari-2-and-the-UN-arms-embargo_GITOC.pdf

¹¹ <https://undocs.org/S/2016/919>

¹² https://globalinitiative.net/wp-content/uploads/2020/11/Snapping-back-against-Iran-The-case-of-the-Al-Bari-2-and-the-UN-arms-embargo_GITOC.pdf

¹³ <https://www.conflictarm.com/perspectives/iranian-technology-transfers-to-yemen/>

¹⁴ Author interviews in February 2020

¹⁵ Author interviews in February 2020

¹⁶ https://twitter.com/3MAR7_7/status/1025413816174215168?s=09 ;
https://twitter.com/kamal_ALNomani/status/1024302611355324417?s=19 ;
<https://twitter.com/NYS9511/status/670895229478830080?s=19>

¹⁷ https://twitter.com/3MAR7_7/status/1025413816174215168?s=09 ;
<https://twitter.com/kamalALNomani/status/1024302611355324417?s=19> ;
<https://twitter.com/NYS9511/status/670895229478830080?s=19>

¹⁸ <https://www.iom.int/news/iom-raises-protection-concerns-2018-migrant-arrivals-yemen-approach-150000>

¹⁹ Saudi anti-smuggling efforts have increased substantially over the last decade, with large sums invested in improving border security. This includes the construction of electrified fences, surveillance and heightened security presence. This has even been reflected in abuse towards migrants, with some reports of mass shootings taking place in border areas. See, <https://www.reuters.com/article/us-yemen-security-saudi-idUSKBN0KV1VH20150122>

²⁰ <https://georgetownsecuritystudiesreview.org/2015/01/21/yemen-the-difficulties-of-curtailling-smuggling-and-the-regional-implications/>

²¹ <https://carnegie-mec.org/2021/06/14/yemeni-border-markets-from-economic-incubator-to-military-frontline-pub-84752>

²² <https://carnegie-mec.org/2021/06/14/yemeni-border-markets-from-economic-incubator-to-military-frontline-pub-84752>

²³ <https://www.middleeasteye.net/news/hunting-children-saudi-border-guards-prey-teenage-yemeni-qat-smugglers>.

²⁴ Yemen Bringing Back Business Project: Risky Business - Impact of Conflict on Private Enterprises. World Bank. <https://openknowledge.worldbank.org/handle/10986/32048>

²⁵ <https://globalinitiative.net/analysis/yemen-somalia-arms/>

²⁶ https://www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/0913r_yemen_es.pdf

²⁷ Interview with Cairo based Yemeni Economist

²⁸ <https://whc.unesco.org/en/list/1263/>

²⁹ <https://www.tandfonline.com/doi/pdf/10.1080/09397140.2011.10648899>

³⁰ https://www.securitycouncilreport.org/monthly-forecast/2016-09/the_story_of_the_un_verification_and_inspection_mechanism_in_yemen.php

³¹ <https://www.vimye.org/doc/UNVIM%20SOPs%20English.pdf>

³² UNVIM carries out an initial desk review of each application (including the required supporting documentation provided to it) as well as a physical inspection of the shipment.

³³ <https://sanaacenter.org/publications/the-yemen-review/6620#Import-regulations>

³⁴ The Technical Office previously operated under the umbrella of the IRG-run Economic Committee that

is no longer operational. The Technical Office currently operates under the authority of the Supreme Economic Council that is overseen by the prime minister.

³⁵ <https://sanaacenter.org/publications/the-yemen-review/6620#Import-regulations>

³⁶ <https://sanaacenter.org/publications/the-yemen-review/7665#Economic-Committee-Bans-Oil-Imports-from-Oman-UAE-and-Iraq-Ports>

³⁷ Interviews with operational actors, August 2021

³⁸ <https://almahrahpost.com/news/6488#>; <https://www.almashhad-alyemeni.com/print~119945>

³⁹ Sana'a Center for Strategic Studies, "Beyond the Business as Usual Approach: Combatting Corruption in Yemen," November 2018, https://sanaacenter.org/files/Rethinking_Yemens_Economy_No4_En.pdf.

⁴⁰ <https://www.nytimes.com/2019/07/11/world/middleeast/yemen-emirates-saudi-war.html>

⁴¹ <https://www.reuters.com/world/middle-east/saudi-led-coalition-says-its-behind-military-buildup-red-sea-island-2021-05-27/> .

⁴² <https://combinedmaritimeforces.com/>

⁴³ <https://combinedmaritimeforces.com/ctf-151-counter-piracy/> ; The other two task forces are: CTF 150 (Maritime Security Operations outside the Arabian Gulf) and CTF 152 (Maritime Security Operations inside the Arabian Gulf); <https://combinedmaritimeforces.com/>

⁴⁴ <https://combinedmaritimeforces.com/ctf-151-counter-piracy/>

⁴⁵ Key informant interview on October 03, 2021.

⁴⁶ <http://www.portofaden.net/en>; <https://www.yaspc.co/>

⁴⁷ <https://english.alarabiya.net/News/middle-east/2016/01/07/Yemen-troops-seize-northwestern-port-from-Houthis-militias>; <https://www.reuters.com/article/us-yemen-security-idUSKBN15M2FI>

⁴⁸ <https://yrspc.net/>.

⁴⁹ <https://www.facebook.com/ycg2017/>; http://www.y-coastgaurd.com/?fbclid=IwAR1AtX3nOq1r4xUQFMyk3wDTjGfQs0ErzsoZJDureO5hphFjNVw3k_gDNGM

⁵⁰ http://www.y-coastgaurd.com/?fbclid=IwAR1AtX3nOq1r4xUQFMyk3wDTjGfQs0ErzsoZJDureO5hphFjNVw3k_gDNGM

References

- Bindner, L. (2016), *Illicit Trade and Terrorism Financing December 2016 – Interim result*, Center for the analysis of terrorism, <http://cat-int.org/wp-content/uploads/2017/03/Interim-note-Illicit-trade-and-terrorism-financing-Dec-2016.pdf>. [2]
- OECD (2018), *Governance Frameworks to Counter Illicit Trade*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264291652-en>. [1]

- OECD/EUIPO (2021), *Global Trade in Fakes: A Worrying Threat, Illicit Trade*, OECD Publishing, Paris, <https://doi.org/10.1787/74c81154-en>. [6]
- OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris/European Union Intellectual Property Office, Alicante, <https://doi.org/10.1787/g2g9f533-en>. [5]
- OECD/EUIPO (2017), *Mapping the Real Routes of Trade in Fake Goods*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264278349-en>. [7]
- OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264252653-en>. [4]
- Shelley, L. (2020), *Illicit Trade and Terrorism*, <https://www.jstor.org/stable/26927661>. [3]

3

Libya

This chapter deals with the illicit trade in Libya, which is a regional transit point being both a source and a destination of counterfeit goods. The Libyan conflict has led to an increase in illicit activities and notably in the areas of trafficking of weapons, narcotics, humans and cultural artefacts which are specifically analysed.

Background to current conflict

Libya has been in a severe state of insecurity since the ouster and death of former leader Muammar Gaddafi in late 2011. The government elected in July 2012, the General National Congress, has faced numerous setbacks over the years. The most noticeable of these setbacks were the September 2012 attack on the U.S. consulate in Benghazi and the quick spread of the armed Islamic State throughout the country.

In 2014, the Libyan National Army launched Operation Dignity to attack militant groups across eastern Libya. Following this campaign, numerous armed groups formed a coalition called Libya Dawn. Fighting between these two factions broke out in Tripoli, the nation's capital. A full civil war emerged from this confrontation with the Dawn coalition controlling Tripoli and much of western Libya and the Dignity coalition controlling Benghazi and eastern Libya.

The battle for control over Libya is highly complex, as it crosses tribal, regional, political, and religious lines. Both coalitions have created central governments, established central banks, and have named military leaders. However, over the course of the war, internal fragmentation has affected both sides, which has further complicated the situation.

To stop the fighting, the UN Special Envoy to Libya facilitated peace talks between the two controlling governments. These talks created the Libyan Political Agreement and the interim, UN-supported Government of National Accord, although the GNA has faced considerable obstacles to creating a unified Libyan government.¹

The current territorial holdings in Libya as of May 2021 are complex.² The Russian-, UAE-, and Egyptian-backed Libyan National Army controls most of the eastern part of the country. The key holdings of this group include Tobruk, Benghazi, and Sirte. Meanwhile, the Government of National Accord controls the capital and largest city, Tripoli, as well as Misrata and most of the western part of the country. The southern portions of the country are controlled by local militant forces, except for Sabha, which is controlled by the Libyan National Army. The southern militant forces hold varying affiliations, and the Islamic State has significant influence in the region. Also, it is important to note that all coastal ports are open and controlled by their corresponding governments with the two exceptions of National Army controlled Sirte and Derna which are closed.³

Illicit trade in Libya

Like in Yemen, the civil war has negatively impacted the Libyan populace. It is estimated that more 200,000 people have been internally displaced and approximately 1.3 million Libyans are in need of humanitarian assistance. In the same manner illicit trade affected Yemen, Libya has also been negatively impacted by the increase in illicit trade flows since the civil war began.

There seems to be little or no real effort by either of the central authorities in Libya to counter illicit trade, as both groups are largely preoccupied with fighting each other and organising an internationally recognized government. It comes as no surprise that illicit trade issues affect Libya heavily.⁴

Following the collapse of the Gaddafi regime, Libya evolved into a hotbed for illicit economic activities. While the Gaddafi regime had permissive policies toward these activities, the collapse of its political power and the failure of the state-building process created a decentralized and pervasive war economy.

Weapons

Arms flows are the largest and most impactful illicit dynamic in Libya, with both local and global ramifications the arms trade is the most. Weaponry is crucial to buying protection, threatening others, and holding control over the other illicit markets that fund military operations.

Before the civil war began in 2011, Libya already had a sizeable arms culture, as the country was one of the largest and most diverse owners of conventional weapons in Africa. Once the old regime in Libya was ousted, the political instability in the nation motivated everyday Libyans to take up arms to protect their families and homes.

A clear picture mapping the flow of arms into and across Libya can be drawn by separating the trade into two flows: diversion of existing arms stockpiles and external transfers to non-state actors. Addressing the first flow, the poorly guarded arms stockpiles were systematically looted by rebel and militia groups across the country. These stockpiles extended beyond smaller arms and light weaponry, as many of the confiscated arms were heavy weaponry, ammunition, tanks, and other military vehicles. There was fierce competition between the rival militarist groups to acquire these weapons, and ultimately many arms found their way into terrorist hands. To address this threat, the General National Congress instituted a weapons recall, but very few listened to the request.

The arms trade in Libya became more internationalized after 2014. Multiple UN reports suggest that the main regional and global players, provided their allies and affiliated groups with heavy artillery, anti-tank missiles, drones, and heavy weaponry, violating the U.N.S.C. arms embargo. Furthermore, international security contractors and foreign mercenaries have only increased the flow of goods into the nation in more recent years. There has also been a spill-over effect in the illicit arms trade, as there are reports indicating that Libyan weaponry has been used in Sudan, Syria, and Gaza. Moreover, due to the lack of adequate border controls, Libya arms have been extensively used by the Tuaregs and Malians in their conflict, Boko Haram in West Africa, and terrorist organizations like Al-Qaeda throughout the Maghreb region. International online markets have also worsened the Libyan arms trade situation. Small arms and light weaponry from at least 26 countries can be found on online illicit weapon marketplaces. Social media is playing an increasingly important role in this trend as well by making transactions between private groups easier than before.⁵

Narcotics

Like in Yemen, Libya is severely affected by the illicit drug trade. Smuggling has been embedded into Libyan society since Gaddafi was in power, as the nation sits at the centre of most trans-Saharan trade routes and has key links with the Mediterranean region. But since the 2011 uprising, the nation predominately acts as a destination hub, rather than a transit point, for illegal drugs since many of the illicit smuggling networks maintained by Gaddafi himself fell into the hands of the varying factions, although the international drug trade still exists.⁶

The largest drug trade in Libya is cannabis. Typically, blocks of cannabis resin produced in Morocco makes its way into Libya where it is either consumed by the nation or transferred onto Egypt and the Balkans. The internal cannabis trade is larger in southern Libya, with cities like Sebha, Ubari, and Murzuq being major players. The international drug trade normally transits on traditional trade routes through points like Tazirbu and Rebiana. Cannabis is also stored to serve growing domestic markets for hashish. Coastal cannabis flows through Libyan seaports are also rising in popularity. Al-Khoms and Musrata in the west and Tobruk in the east are the key coastal trade ports and show that both factions are engaging in the illicit drug trade.

The cocaine trade is less common than the cannabis trade, although it is still a major component of the overall illicit drug trade. Typically, cocaine moves in large heavily guarded convoys separate from other drug and illicit trafficking flows. This trade is intercontinental as cocaine typically comes from Latin America via West Africa. There is also cooperation with other illicit economic groups and smugglers that facilitate

the illicit cocaine trade by clearing convoy routes for expedited transfer processes. There is also little evidence that suggests Libya is a destination country for cocaine, so it merely acts as a transit point to markets in Europe. It is also important to note that Libya is becoming less of a player in the cocaine trade as flows and trade routes are increasingly moving out of Africa.

Libya also sustains a domestic ecstasy and amphetamine market. Trade of these drugs typically moves through seaports and airports. Tripoli, Al-Khoms, Misrata, Benghazi, and Tobruk are the most relevant cities in this trade. Libya also had a small but serious heroin problem through the 2000s, but since heroin production in Afghanistan has slowed dramatically, the market in Libya shrank quickly.

The most expansive and important drug trade in Libya is pharmaceutical smuggling. This is because customs officials at airports and seaports only occasionally audit shipping containers, usually when they receive a tip-off. A conventional land trade route for pharmaceutical smuggling also exists which connects the booming market for these illegal drugs in virtually all parts of Libya. The situation is also worsened by the illicit practice of pharmacies supplying drugs without prescriptions. Painkillers, psychiatric medicines, and sleeping pills are the main drugs pharmacies, smugglers, and armed groups use to supplement their income.

Human trafficking

In addition to arms and drugs, human trafficking is a key aspect of overall illicit trade in Libya. For instance, in the western portions of the country, the Amazigh community used their control over human smuggling to boost their fortunes and gain political control in the country. However, by 2015, this group largely stopped this illicit activity even as the human smuggling trade was becoming more commoditised. Militias have also formed international ties with various tribes to facilitate illicit human trafficking flows.

Illicit Trade in cultural artefacts

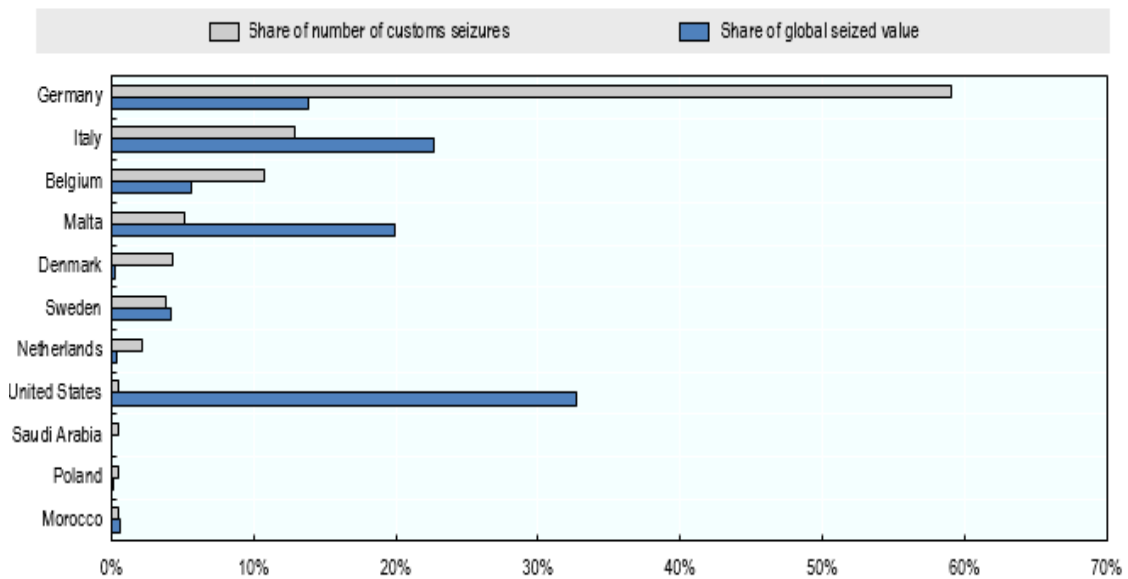
The final component of illicit trade in Libya is the illegal trade of cultural artefacts. Like in Yemen, the looting and distribution of archaeological findings has been rampant. The collapse of the Libyan economy during this civil war has made theft, looting, and trafficking tempting for smugglers and looters. This situation has only been worsened by emerging online markets that facilitate the international illicit trade of Libyan antiquities.⁷

Quantitative picture – illicit trade in counterfeits in Libya

According to the OECD data on customs seizures, Libya is a transit point in illicit trade in fakes, being both: a provenance and destination in trade in counterfeit goods.

Over 2017-2019, Libya was the sixty-first provenance economy of global counterfeit goods. As can be seen in Figure 3.1, the counterfeit goods coming from Libya were mostly destined to European countries (e.g. Germany, Italy, Belgium, Malta) in terms of number of customs seizures. United States were the first destination country in terms of seized value.

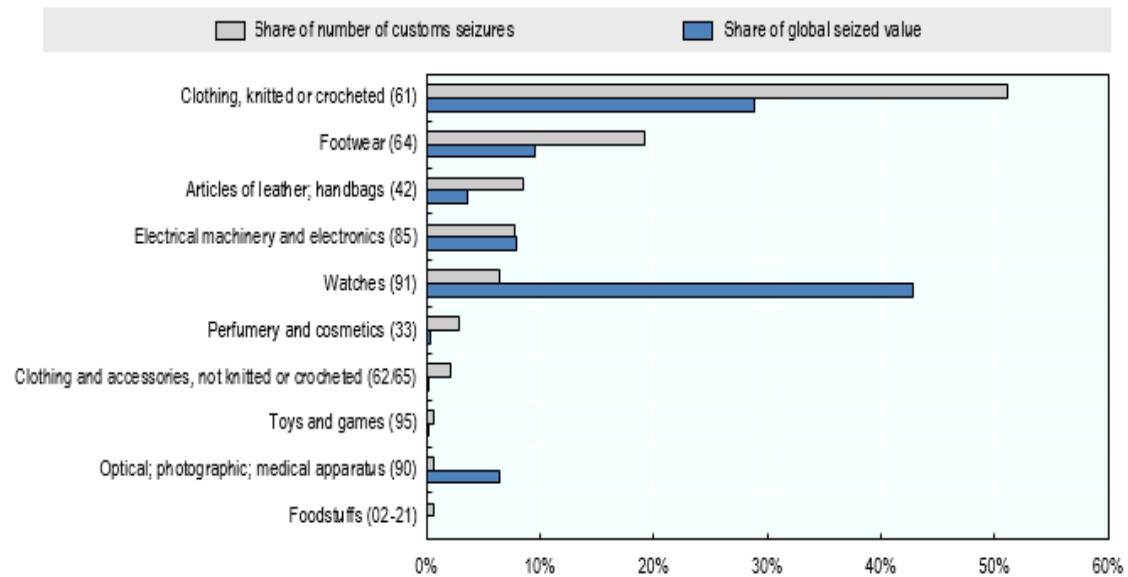
Figure 3.1. Main destination economy for counterfeit goods originating from Libya



Source: OECD global customs seizures database

The scope of counterfeit goods exported from Libya is broad and includes clothing (51% of global customs seizure coming from Libya), footwear (19%) and leather goods (9%). In terms of seized value, watches clothing and footwear were the main counterfeit product categories (see Figure 3.2).

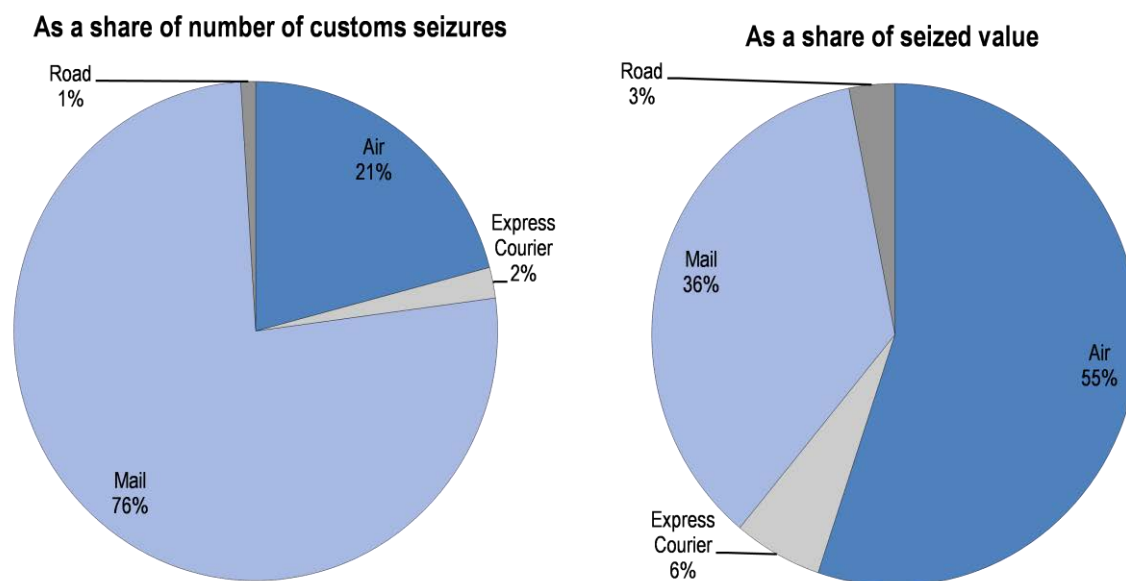
Figure 3.2. Product categories of counterfeit goods originating from Libya



Source: OECD global customs seizures database

Data on customs seizures also provide insight on conveyance methods used to ship counterfeit goods. As can be seen in Figure 3.3, fakes coming from Libya were mostly shipped through mail (76%) and air (21%).

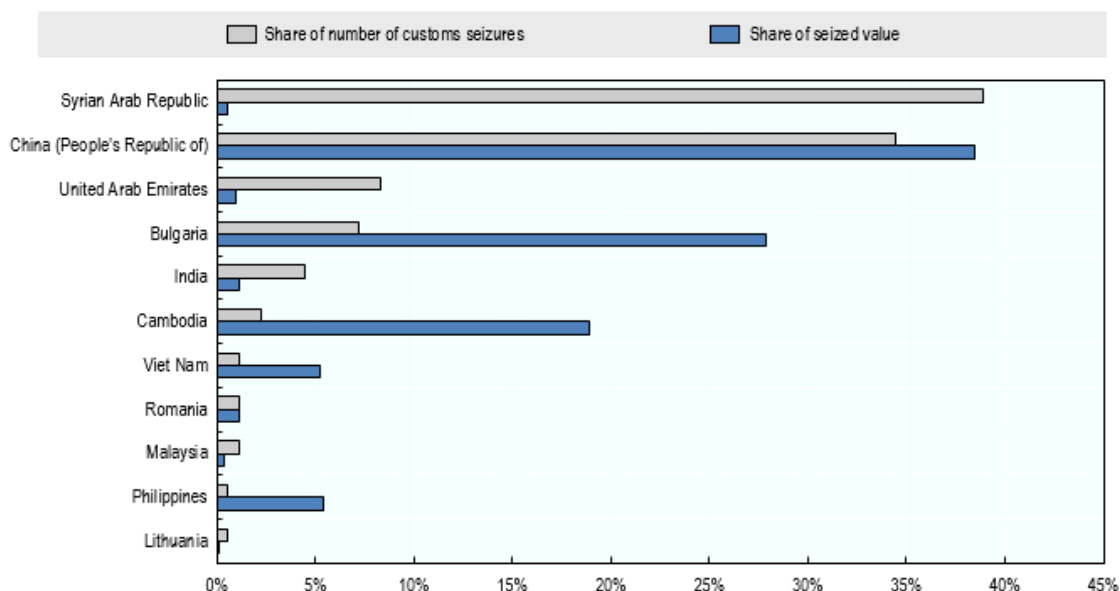
Figure 3.3. Conveyance methods of counterfeit goods originating from Libya, 2011-19



Source: OECD

Regarding the fake goods imported into Libya, they mostly come from the MENA region. Syria was the first source of counterfeits entering Libya and the United Arab Emirates being the third provenance economy. Imports of fakes in Libya also frequently came from China and other Far-East Asian countries such as India, Cambodia, Viet Nam or Malaysia.

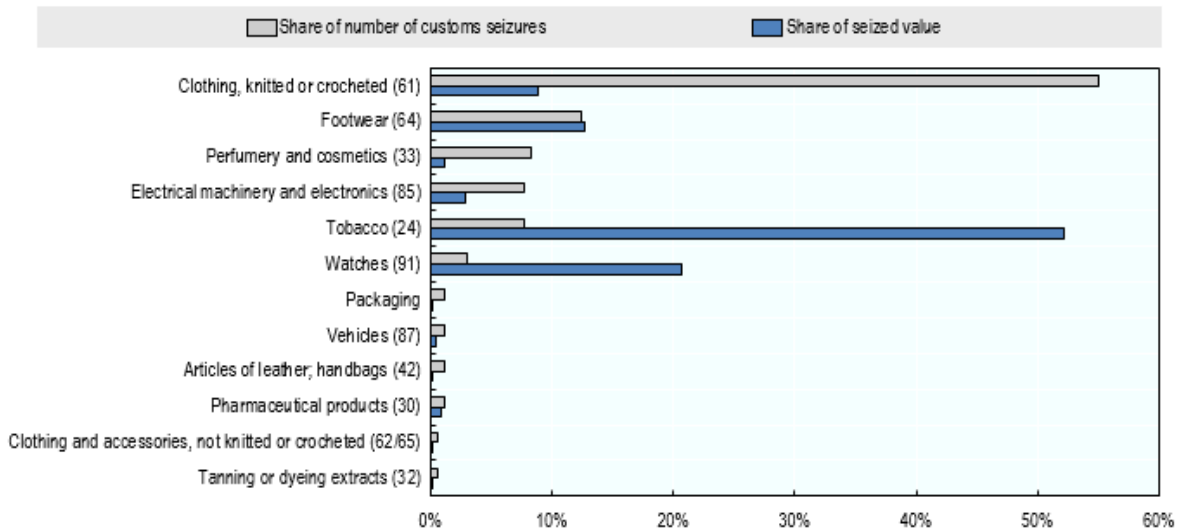
Figure 3.4. Main provenance economies of counterfeit goods imported into Libya, 2011-19



Source: OECD global customs seizures database

Figure 3.5 shows the main product categories of fakes imported into Libya. Over 2011-19, Libya mostly imported fake clothing (55%), footwear (12%) as well as perfumery and cosmetics (8%). In terms of seized value, counterfeit tobacco (52%) and watches (21%) were the main products imported into Libya.

Figure 3.5. Main product categories of fake imports in Libya, 2011-19



Source: OECD global customs seizures database

Counterfeit goods entering Libya were mostly shipped by sea. This conveyance method represented almost 100% of both the global seized value and the number of customs seizures destined to Libya.

Notes

¹ [IF11556 \(congress.gov\)](#)

² For recent updates see <https://microsites-live-backend.cfr.org/global-conflict-tracker/conflict/civil-war-libya>

³ [Libya - port situation - GARD](#)

⁴ [Libya politics.pdf \(unu.edu\)](#)

⁵ [16657.pdf \(fes.de\)](#)

⁶ [20200528-pw 161-illicit drug trafficking and use in libya highs and lows-pw.pdf \(usip.org\)](#)

⁷ [CHI-Report Libya-Illicit-Trafficking Full Compressed 2021-03-25.pdf \(asor.org\)](#)

4 Syria

This chapter focuses on the illicit trade in Syria. In particular, it discusses how the war in Syria has influenced the networks of illicit actors. Specific attention is given to the trafficking of human, arms, narcotics, cultural artefacts as well as the abuse of e-commerce to facilitate illicit trade activities.

Background to current conflict

Syria has been in a state of disarray since President Assad's regime gained control in 2011. Sizeable protests against the regime quickly grew into a full-scale civil war between the government and anti-government rebel groups, both supported by regional and global powers. Three primary conflicts are driving the confrontation in Syria: violence between the government and opposition forces, international coalition efforts to defeat the Islamic State.

Efforts to reach a diplomatic resolution have largely been unsuccessful as opposition and Syrian regime officials struggled to find mutually agreeable terms. Some progress was made following peace talks held in Kazakhstan, resulting in a cease-fire agreement and four de-escalation zones.¹ However, shortly after the cease-fire was implemented, Syrian government forces attacked opposition-held areas in these crucial zones. The Syrian government has also faced international condemnation after using chemical weapons over the course of the conflict.

More recently, the 2020 withdrawal of United States ground forces from north Syria has played a large role in the civil war, even with the United States-led coalition continuing to utilize airstrikes as part of their general strategy. The withdrawal of American troops has increased uncertainty around the role of other regional and global parties involved in the conflict, namely Russia, Turkey, Iran, and Israel.

As of May 2021, President Assad's government controls a majority of Syria. The President's supporters, control the nation's coastal heartland, including the capital Damascus, and have regained control over the major mercantile cities of Aleppo in the north and Daraa in the south. Meanwhile the American-led coalition has largely defeated the Islamic State and has gifted the land they fought for, including the oilfields, to the Kurds in the northeast. Meanwhile the Turkish-led coalition have a foothold in the northwest part of the country and have created a buffer between the Turkish mainland and neighbouring Kurdish-controlled territory. The Islamic State and other jihadist organizations also have a few pockets scattered throughout the country.²

Illicit trade in Syria

In terms of trade, the territory of modern Syria has historically been a key trade corridor, linking Turkey with the Middle East. But today, Syria acts as a major highway for illicit trading activities. Many smuggling groups are apolitical, private, and profit-oriented networks composed of connected businessmen and border residents. By the start of the civil war, a long history of drug, weapons, and people trafficking have created networks of illicit actors in Syria and some of its neighbouring countries which were only strengthened by the insecurity and instability of the conflict. The international networks are vital conduits of weapons and ammunitions for militant organizations. Meanwhile, these same networks satisfy the necessities of Syrian citizens who need food, aid, and opportunities to escape the conflict zone. In turn, these networks benefitted from the chaos, by supplying the demand for weapons and aid, and by leveraging the war to loot sectors of the economy.^{3 4}

Weapons

One of these key sectors was defence, although the arms trade in Syria appears to be less intense than the ones in Yemen and Libya. Unlike Yemen and Libya, which have long had many guns within their own respective borders, Syria has historically had far fewer weapons in civilian hands than its neighbours. Since there were comparatively less weapons in Syria outside of state control at the advent on the conflict, a large illicit arms trade was needed by the various militant groups to fuel the conflict. Weapons enter insurgent hands in three main ways: purchase from a corrupt government, transfer from defecting soldiers, and looting from offensive campaigns.

The Syrian insurgency has also been supplied by neighbouring countries. Once weapons are procured, they move easily into Syria over the unguarded border via vehicle, donkey, or foot, before being offered in marketplaces. The most common entry points for weapons are Turkey and Jordan, and many of the international arms originate from Libya and the Black Sea region. As the conflict has raged on, illegal arms smuggling has transitioned from largely ad-hoc efforts into an established trade operated by professional criminal organizations.⁵

Narcotics

The largest illicit trade operations in Syria seem to be centred around drug smuggling, rather than arms smuggling.⁶ In fact, the drug trade in Syria has grown so severe that some are even calling the nation a narco-state.⁷ Syria has long been active in the global drug trade. In the 1990s, when Syria occupied and ruled Lebanon, the nation was a main producer of hashish worldwide. However, the levels of drug production seen today only started after the civil war started. One of the primary drugs the nation produces is Captagon, a fenethylline. Insurgent fighters from Afghanistan and Lebanon have been particularly impactful, as they brought drug-making and trafficking skills to foster hashish and Captagon cultivation. This drug serves a sizeable domestic market, as many Syrian soldiers are fed these pills by their commanding officers. In addition to fuelling domestic drug addiction, Saudi Arabia has also fallen victim to the massive trade of this drug.

Syria began exporting Captagon in 2013, using Aleppo, Homs, Rif-Dimashq, Damascus, Qusayr, and Tal Kalakh as key production and smuggling points. Seizures of Syrian narcotics has been on the rise since 2013, with a sharp increase after 2018. In fact, in 2020, 84 million pills worth over 1 billion euros were seized on just one ship. The key shipping route for Syrian narcotics flows through the Libyan port of Benghazi into the Assad-controlled port of Latakia. Syrian drugs can also be found as far as Malaysia.

There is evidence to suggest that the government regime is involved with the narcotics trade.⁸ Since the drug trade is so profitable, pills can be marked up over 50 times their cost in Syria, it would be advantageous for the Syrian government to become involved. The Assad regime has had difficulty in the past paying their troops, so any additional revenues, even if associated with smuggling, would make the government more effective in their civil war campaign. The Syrian government has also reportedly used drugs as a geopolitical tool, threatening to overflow rival territories with illicit drugs if they disagree with their vision. However, the Assad regime is not alone in the drug trade. The Kurds in the north also operate trade routes along the border with Turkey, so there is substantial evidence suggesting most militia and insurgent groups are involved with illicit smuggling activities, although it appears the Islamic State in Syria is not directly linked with the trade in this drug.

Illicit trade in water rights

Beyond arms and drugs, illicit trade also exists in water rights. Since 2005, the Assad regime has limited access to water and requires licences for constructing water wells. This created an illicit trade in water rights, aggravated by corruption since only those who were able to bribe others to build wells gained access to water.

Human trafficking

There also exists an illicit industry to facilitate the movement and trade of people. It is common for individuals to sell their possessions to afford smugglers who can move their families safely. Sometimes, these people are unable to afford their own smuggling, so they become indebted to the smugglers. This often forces them to work in slave-like conditions to repay their debts once they finally arrive to Europe.

Illicit trade in cultural artefacts

The illegal excavation of Syrian cultural objects from archaeology sites has worsened since the conflict began in 2011, a practice that bears certain similarities with Yemen and the smuggling of historical and cultural artefacts from Saudi Arabia's southern neighbour. There has been little research into investigating the operation of theft and trafficking of cultural objects inside Syria. With that said, damage to Syrian heritage is well documented and there appear to be links to terrorist organizations who use archaeological raids to fund their wartime campaigns. More research on the illicit trade of Syrian cultural heritage is needed, but it will likely highlight the importance of coins and other small cultural objects in trade.⁹

Abuse of on-line environment

Finally, it must be noted that greater usage of the internet has worsened the illicit trade situation in Syria. Online illicit trade, largely conducted on the Dark Web, is based on impersonal and anonymised relationships between smugglers and buyers. This has also made tracking illicit trade in Syria harder, since the anonymity of the Dark Web no longer connects payments to nations or traditional currencies. The internet has been most used to facilitate the sale of narcotics, child pornography, sex workers, and steroids.

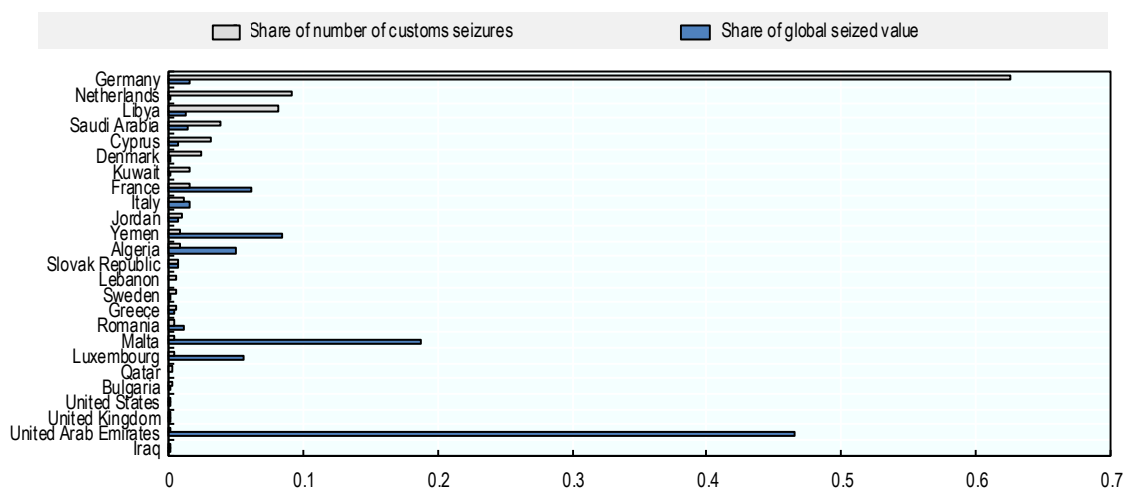
Quantitative picture – illicit trade in counterfeits in Syria

The OECD customs seizures database provides some insights on trade in counterfeits in Syria. It appears that Syria is a transit point of counterfeit goods. However, while the data on trade from Syria are pretty robust, the quantitative information on imports of fake goods into Syria are rare, presumably due to lack of sufficient governance frameworks in this conflict-affected country.

Regarding exports of fakes from Syria, this economy was the thirtieth provenance economy of global counterfeit goods during the 2017-2019 period (see Table A.2). As regards the imports of fake goods into Syria, the number of related seizures is sparse and all refer to the 2017-19 period meaning this is a quite recent phenomenon. Due to the limited seizures data on imports of fakes into Syria, this perspective will not be subject to further analysis.

The dataset on customs seizures also indicates that counterfeit goods coming from Syria are mostly destined to European countries (Germany, Netherlands, Cyprus, Denmark, France and Italy) and MENA countries (Jordan, Libya, Lebanon, Saudi Arabia, Kuwait, Qatar and United Arab Emirates). Over 2011-2019, more than 60% of global customs seizures coming from Syria were destined to Germany (see Figure 4.1). In terms of seized value, one can note the prominent role of the United Arab Emirates (46% of global seized value of counterfeit goods originating from Syria were destined to this country).

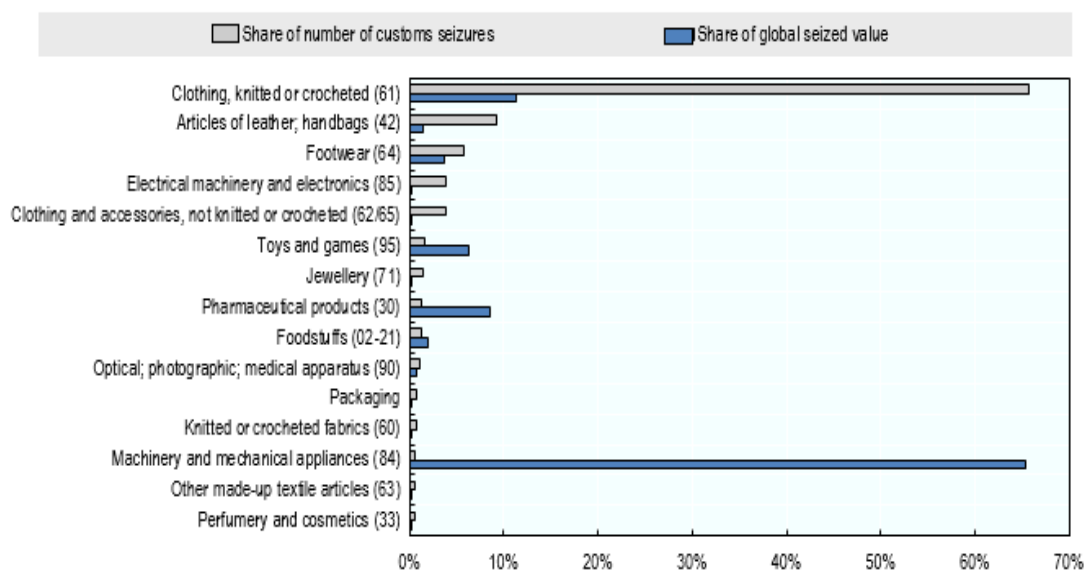
Figure 4.1. Destination economies of counterfeit products originating from Syria, 2011-19



Source: OECD global customs seizures database

Regarding the product categories of counterfeit goods originating from Syria, the data on customs seizures indicate that fake clothing (66% of global customs seizures originating from Syria) was the most frequent type of good exported by Syria (see Figure 4.2). It was followed by leather goods footwear and electrical machinery and electronics. Counterfeit machinery and electrical appliances (65% of global seized value of counterfeit goods originating from Syria) were the most traded in terms of seized value.

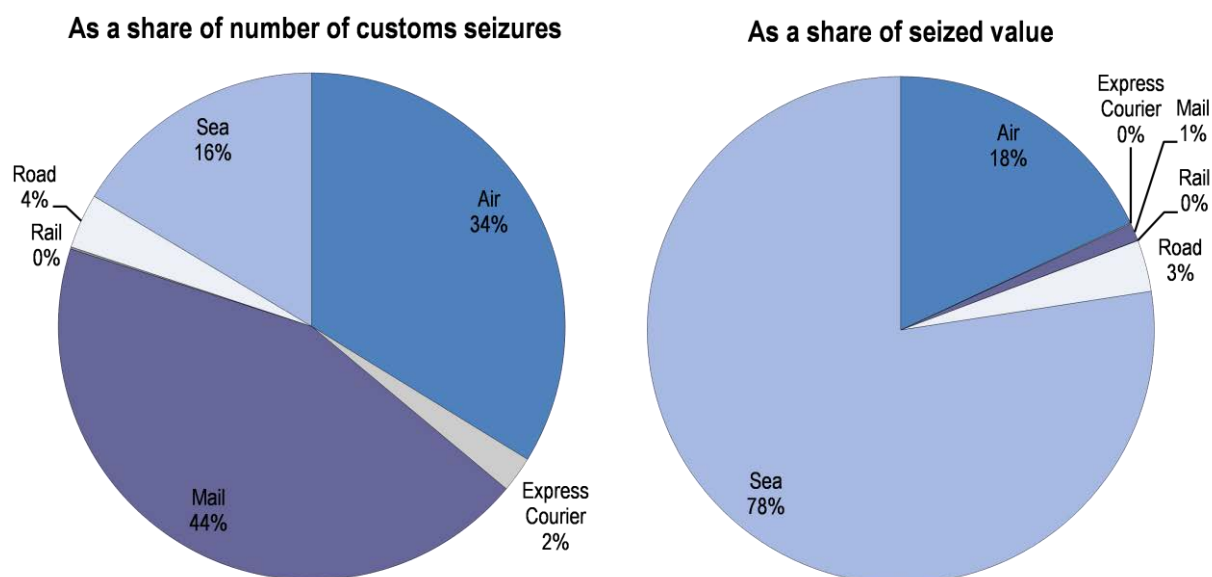
Figure 4.2. Product categories of counterfeit products exported by Syria, 2011-19



Source: OECD global customs seizures database

As can be seen in Figure 4.3, mail (44% of global customs seizures coming from Syria), air (34%) and sea (16%) were the most frequently used transport modes to export counterfeit goods from Syria.

Figure 4.3. Conveyance methods of counterfeit goods originating from Syria, 2011-19



Source: OECD global customs seizures database

Notes

¹ See <https://www.nytimes.com/2017/01/24/world/middleeast/syria-war-iran-russia-turkey-cease-fire.htm>

² [Who controls Syria? | The Economist](#)

³ [NATO Review - New security challenge: The growth of illicit trade and corruption](#)

⁴ [Partisans, Profiteers, and Criminals: Syria's Illicit Economy on JSTOR](#)

⁵ [Arms Trafficking in Syria: A Case of the Biter Getting Bitten | Global Initiative](#)

⁶ See <https://coar-global.org/2021/04/27/the-syrian-economy-at-war-captagon-hashish-and-the-syrian-narco-state/>

⁷ [Syria has become a narco-state | The Economist](#)

⁸ [The Islamic State Isn't Behind Syria's Amphetamine Trade, But the Regime Could Be \(foreignpolicy.com\)](#)

⁹ [Full article: The Illegal Excavation and Trade of Syrian Cultural Objects: A View from the Ground \(tandfonline.com\)](#)

5 Iraq

This chapter outlines the illicit trade in Iraq and in particular how the conflict has worsened illicit activities by reducing the government's ability to limit illicit trade. A specific attention is given to illicit trafficking in weapons, narcotics, human organs as well as heritage and antiquities.

Background to current conflict

In Iraq, serious conflict began in 2014 when the Islamic State advanced into Iraq from Syria and took control over northern parts of the country and the key city of Mosul. To address the risk, the United States formed a large coalition that now includes nearly eighty countries, and launched numerous targeted airstrikes to counter the Islamic State. Regional forces, including Iranian, Kurdish, and local tribal forces assisted the Iraqi army in recapturing the key metropolitan areas of Tikrit, Ramadi, Fallujah, and Mosul over the course of two years. In December 2017, the Iraqi government declared victory over the Islamic State.

The struggle to dislodge the Islamic State was arduous and complex, exacerbated by sectarian tensions between Sunni and Shiite groups, as well as tensions between northern Kurds and the central government in Baghdad. These tensions have been growing since 2003, following the United States invasion and the fall of Saddam Hussein. These tensions persist even in the absence of the Islamic State, and they are threatening the stability of the new Iraqi government which is striving to rebuild the country and prevent an Islamic State resurgence.

Iraq faces significant challenges in its recovery from the war against the Islamic State. More than two million people remain internally displaced and nearly nine million remain in need of humanitarian assistance. In addition to reintegrating liberated Sunni communities into the political system, the new government must also deal with the demobilization and integration of powerful Shiite militias that formed during the fight against the Islamic State into the Iraqi security forces, as well as ongoing tensions with Kurdish groups pressing for greater autonomy in the north following a failed independence referendum in October 2017.

In 2018, the United States disbanded its command that oversaw the fight against the Islamic State, although some forces have remained to assist and train the Iraqi military. The 2018 election also sparked controversy as a Shiite cleric surprisingly won Iraq's parliamentary election and has since appointed Shiite officials to form a new government. This has resulted in protests that have since turned violent, particularly in the southern city of Basra. Since then, an ongoing low-intensity Islamic State resurgence has continued to destabilize the nation. The 2021 elections resulted in a victory of Sadrs nationalist bloc, at expense of Iran aligned Hashd Shaabi groups. These elections resulted in severe clashes in Baghdad between Iraqi supporters of Iran-backed militias and Iraqi security forces.

Illicit trade in Iraq

Illicit trade in Iraq is driven by political instability and socioeconomic strife. During the conflict, the Iraqi government has slowly lost control over their borders, weakening their ability to limit illicit trade. Non-state actors control many ports of entry around the nation, with the border in Iran being a large weak point for the government. In addition, widespread corruption has also worsened the illicit trade problem, weakened customs apparatuses and strengthening criminal and opposition networks.

The non-state organizations with the most control over the border are the Popular Mobilization Front, and its numerous subgroups, and Iran's Revolutionary Guards Corps. The former has instituted import and export taxes on both licit and illicit products at the border checkpoints which they control. Cartels also maintain a strong presence throughout the country, although they are most prominent in the Mandali border crossing region in the east and the Umm Qasr port city on the Persian Gulf. The border with Syria also serves as a key international smuggling point.¹

Weapons

Illegal arms smuggling is a problem in Iraq, although it appears to be less significant than the trade in Yemen and Libya. In the past few years, weapons have been sold to the public via social media networks such as Facebook, in addition to the sale of weapons on the black markets in east Baghdad and by well-known traders. Iraq's supreme religious leader, Ayatollah Ali al-Sistani, has since called for crack down on the possession of illegal weapons outside of state control, which Prime Minister Kadhimi has supported for the first time in history. The current campaign targets heavy weaponry in the South, postponing the confiscation of light weaponry until a later time. The focus on the southern portions of the country was a deliberate move to counter aggression of rival factions and drug cartels. The arms confiscation operation is also being hailed as an opportunity to decrease stability and secure the environment for future elections. Whether it achieves this goal is yet to be seen.²

Narcotics

According to the U.N., drug trafficking and abuse in Iraq has been steadily increasing since 2003. The drug trade in Iraq operates largely the same as the trade in Syria, which has similar consequences on public health. Historically, Iraq was a transit point for global drug operations, but more recently a domestic market has emerged. Drugs typically enter the country from southern regions and are quickly transported to all parts of the country. The Basra, Maysan, Anbar, Najaf, and Baghdad regions are the most influential provinces in drug trafficking. The Islamic State has been powerful in increasing drug flows by diverting government attention to fighting militant groups and away from controlling illicit trade.

In addition to the Islamic State profiting from the drug trade, it is alleged that armed Kurdish organizations are using the trade to finance their guerrilla operations. Kirkuk is a key transit point for Kurdish trafficking networks. In addition to the illegal cannabis, hashish, and Captagon flows seen through the Middle East region, the Kurdistan Worker's Party has also introduced Afghan heroin into the domestic supply chain. The drug trade has been immensely profitable, with hundreds of millions of dollars being earned by supplying and transporting drugs throughout Iraq.³

Iraq has tried to slow the drug trade in recent years by leveraging international cooperation. Numerous U.N. programs, initiatives, and special envoys have worked to mitigate drug problems in the country, although further help is needed to control the situation.

Illicit trade in human organs

Iraq is also emerging as a global hub for the illicit trade in body organs. Poverty across Iraq caused by years of war, compounded by corruption and economic crises, has led to the rise of a black market in organs that has grown in recent years. Due to the economic problems in the country, some individuals are selling their kidneys to raise money to support their families. Organ trading networks can be disguised as charities and sell organ operations through online ventures. The Iraqi government allows its citizens to donate their organs, which has created legal loopholes where these fake charities are able to sell illicitly them for a profit. The illicit trade is lucrative to dealers since they typically take 2/3 of an operation's profit, whereas donors only receive 1/3.⁴

Heritage and antiquities

The final sector heavily affected by illicit trade in Iraq is national antiquity and cultural heritage. The trade in illicit antiquities is not new. The art and antiquities markets of the developed world continue to demand vast quantities of cultural heritage, most of which originates in fragile or conflict-ridden states like Syria, Libya, Iraq and Yemen. While Iraq has policies to limit the exportation of cultural heritage, it is extremely

difficult to enforce the legislation. Corruption, maladministration, poorly funded cultural organisations and police, and few alternative assets available to poor locals, fuel illicit excavations and trade.⁵

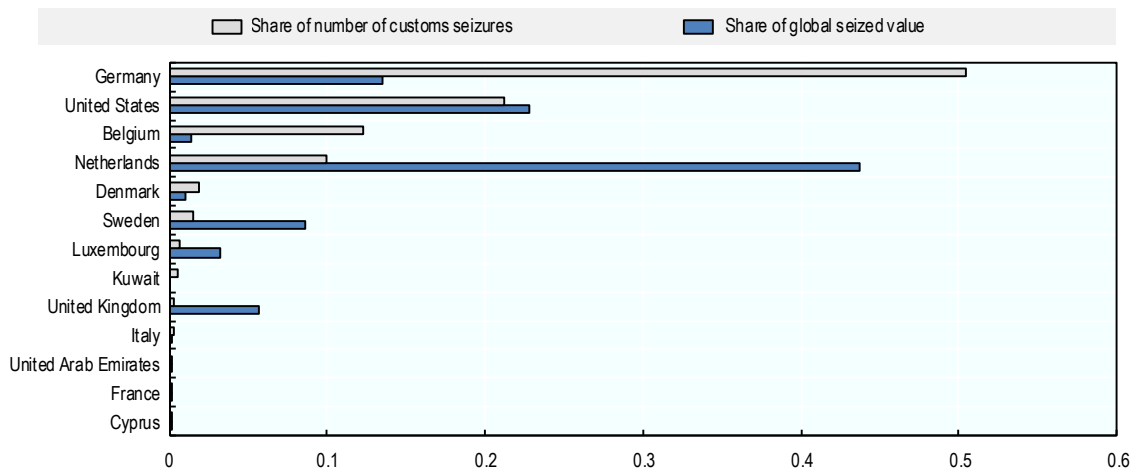
Quantitative picture – illicit trade in counterfeits in Iraq

According to the OECD data on customs seizures, Iraq is an important source of counterfeit goods. Over 2017-19, Iraq ranked 32 in the list of provenance economies of counterfeit goods. Over time, Iraq has continuously strengthened its role since it ranked 38 in 2014-16 and 44 in 2011-13.

Data on customs seizures are scarce, most likely due to insufficient enforcement levels in Iraq. Consequently, import of fakes in Iraq is outside the scope of this analysis.

As can be seen in Figure 5.1, European countries and the United States were the main destinations of fake goods originating from Iraq over 2011-19.

Figure 5.1. Main destination economies of counterfeit goods exported by Iraq, 2011-19

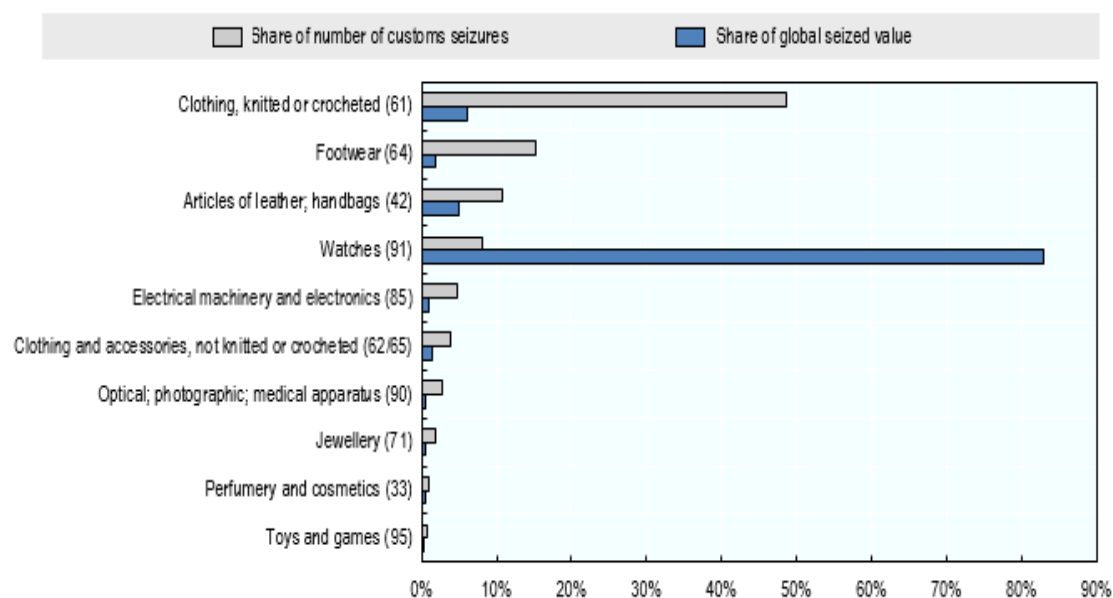


Source: OECD global customs seizures database

Fake clothing were the most frequently seized products originating from Iraq over 2011-19, they represented almost the half of seizures coming from this country (see Figure 5.2). They were followed by fake footwear (15%) and fake leather goods (11%).

Fake watches were by far the main counterfeit goods exported by Iraq over 2011-19 in terms of seized value, representing 83% of global seized value of counterfeit goods coming from this country.

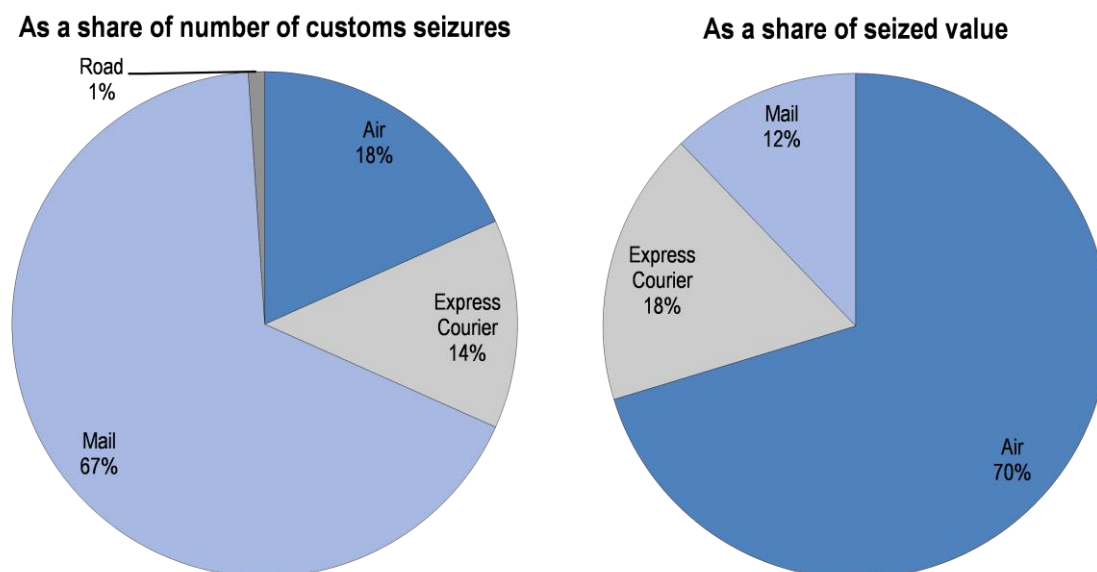
Figure 5.2. Product categories of fake goods originating from Iraq, 2011-19



Source: OECD global customs seizures database

Seized fake goods coming from Iraq were mostly shipped by mail (67% of customs seizures originating from this country). Air and express courier were also used to ship counterfeit Iraqi goods.

Figure 5.3. Conveyance methods of counterfeit goods originating from Iraq, 2011-19



Source: OECD global customs seizures database

Notes

¹ [Corruption and Illicit Trade are Ravaging Iraq's Borders - Gulf International Forum \(gulrif.org\)](#)

² [Iraq cracks down on illegal arms flow to militias, armed groups - Al-Monitor: The Pulse of the Middle East](#)

³ [Iraq has seen major increase in drug trafficking,... | Rudaw.net](#)

⁴ [Iraq emerging as hub for illicit trade in body organs | | AW \(thearabweekly.com\)](#)

⁵ [Forrest, Craig --- "The illicit trade in Iraqi heritage: Considerations for the Australian art and antiquities market" \[2004\] AltLawJI 33; \(2004\) 29\(3\) Alternative Law Journal 121 \(austlii.edu.au\)](#)

6 Concluding remarks

There is a growing recognition that illicit trade assumes in the fuelling of armed conflicts and the funding and operations of groups engaged. Curbing illicit trade requires a whole of society approach including not only government and its agencies but also business, civil society, journalists, and researchers.

This assessment of the effectiveness of sanctions and penalties being used to counter illicit trade is based on the presumption that illicit actors will prefer to trade in goods where rewards are highest, and the risks are lowest. Actors involved in illicit trade, particularly those associated with armed conflicts and organised crime, respond to changes in the risk-reward structures that are affected by international legal frameworks, national legislation and enforcement policies.

Effective action to counter illicit trade and support for governance frameworks to lower the incidence of such trade are key policy concerns for governments as they support the promotion of economic prosperity.

Yemen has historically been a hub and transit for many forms of illicit trade. The country's geographical location, its powerful non-state actors and tribal class, and a complicit Saleh regime were all factors that contributed to the spread of illicit activity. In a system where institutional corruption was rampant, regulatory and security institutions that sought to curb smuggling were easily bypassed through personal relations and connections to government, military, and tribal actors. Such relations in many cases cut across geographical and political lines. Yemen's location makes illicit activity taking place within its borders a regional issue with obvious implications for neighbouring countries in the Gulf and the horn of Africa.

The escalation of the Yemen conflict in 2015, however, shifted illicit trade dynamics and removed many of the previous governance structures designed to combat it. The expansion of new armed groups went hand in hand with the fragmentation of governance structures, leading to a disruption of previous smuggling networks and the formation of new ones. For example, while the smuggling of state subsidized Diesel decreased after the removal of subsidies in late 2014, the politicization and paralysis of state economic institutions such as the Central Bank of Yemen prompted the expansion of unregulated financial markets. Government efforts to combat smuggling also took a different shape after the outbreak of the conflict. Different authorities were no longer focused on mitigating illicit trade's effect on national security more broadly, but rather on limiting any potential benefit their opposition gained from access to illicit networks, whether financial, or in the acquisition of weapons and other goods.

The conflict has also resulted in the expansion of many areas of illicit activity, such as narcotics and human trafficking. The addition of increased inflows of weapons, ammunition, and other forms of military equipment from regional actors added to the already significant supply of arms present in the country, increasing the presence of illicit weapons flows across and out of Yemen. Other less conspicuous forms of illicit trade, such as wildlife trafficking, illicit trade in cultural artefacts and illicit trade in counterfeits, have been further boosted by the impact of the conflict. Quality control infrastructure at customs points around the country have deteriorated or ceased to exist. Challenges faced in importing from regulated markets have led to a shift in supply chains to fake and low-quality goods, with significant negative implications for Yemenis in the case of medicines or industrial and agricultural chemicals. What positive progress had been made before the conflict has largely been erased, and Yemen will continue to be a major thoroughfare, source, and destination for harmful illicit trade flows in the coming years. The broader economic

consequences of these dynamics have international ramifications, but for Yemen itself will be absolutely devastating.

In this context, international actors and partners invested in supporting efforts to counter these flows can benefit from the following issues for policymakers to consider.

- The lack of information surrounding the current efforts to prevent and penalize smuggling often results in local and international responses being uninformed. There is a need to develop a viable national strategy that not only addresses current illicit trade, but also recognizes the limitations posed by the current context and plans appropriately for action in a post conflict setting. A thorough and extensive study can help in determining the best short-, medium-, and long-term strategies for mitigating the impact of illicit flows and breakdown of anti-smuggling governance during the conflict. Such efforts will be in line with the OECD Strategic Framework Document on “Building institutional capacity for better public service delivery in Yemen” (To be published in 2022) and its recommendation to strengthen the Centre-of-Government in Yemen as a priority during conflict to coordinate national policies and strategic plans.
- Given the implications that illicit activity in Yemen has on the region, international and regional actors need to not only support in monitoring Yemeni seas, but also to provide Yemeni institutions such as the coastguard with equipment, training, and technical support.
- International coordination involving neighbouring countries is necessary to strengthen the response to smuggling. Notably, neighbouring countries need to both coordinate with local actors in Yemen as well as multilaterally with each other on anti-illicit activity actions. More broadly, Yemen’s location straddling major regional illicit flows as well as illicit flows into the country will continue to require complex multi-stakeholder coordination frameworks for any anti-illicit activity efforts to succeed

Annex A.

Table A.1. Ranking of main destination countries and MENA countries for global counterfeit goods (in terms of customs seizures)

Destination country	Rank as a destination economy of global counterfeit goods		
	2011-13	2014-16	2017-19
United States	1	1	1
United Kingdom	2	5	8
Germany	3	2	2
Belgium	4	3	3
Ireland	5	7	19
Netherlands	6	21	10
Yemen	26	53	128
Libya	80	na	50
Syrian Arab Republic	na	na	107
Iraq	145	108	na

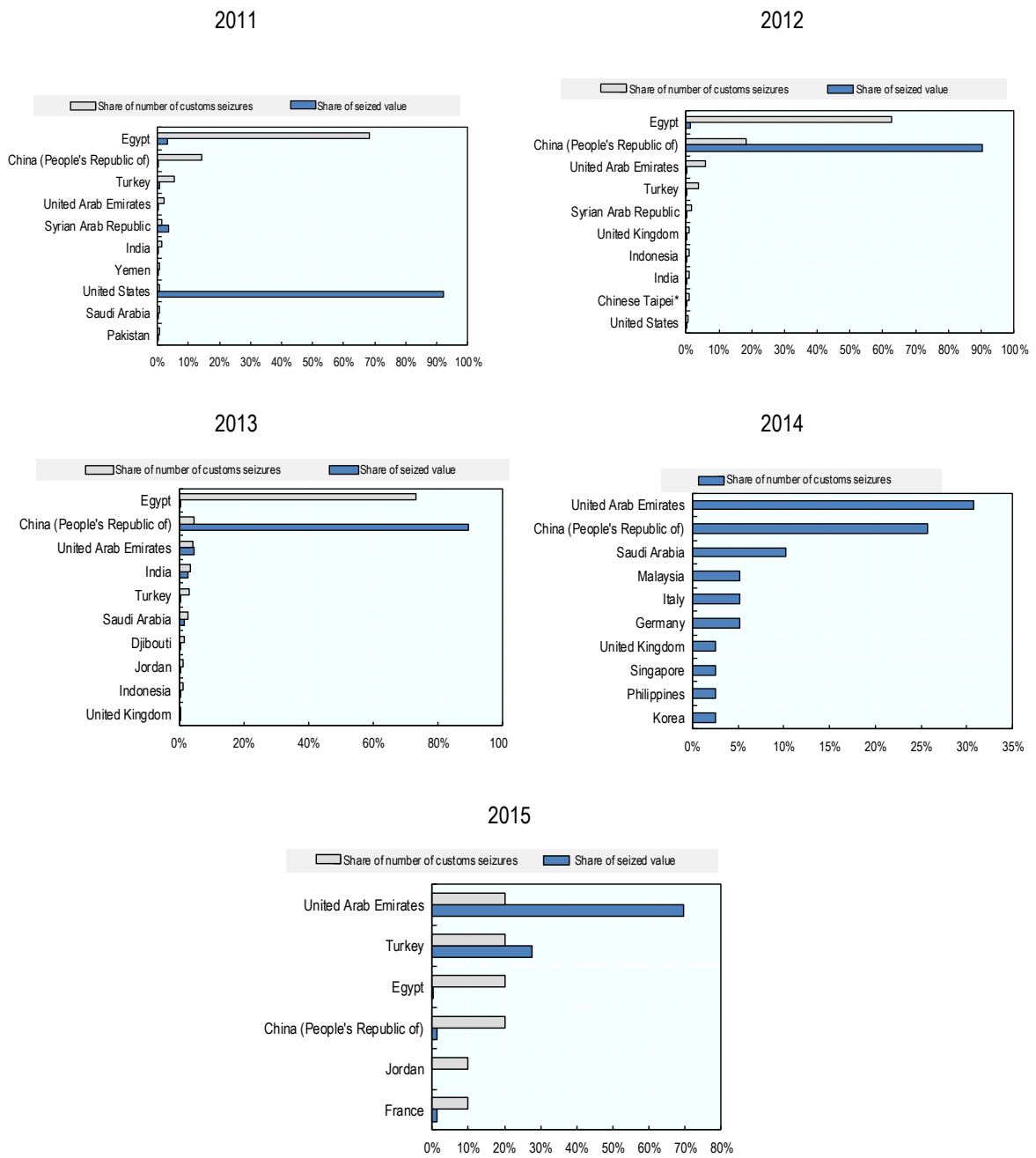
Source: OECD global customs seizures database

Table A.2. Ranking of main provenance countries and MENA countries for global counterfeit goods (in terms of customs seizures)

Provenance economy	Rank as a provenance economy of global counterfeit goods		
	2011-13	2014-16	2017-19
China (People's Republic of)	1	1	1
Hong Kong (China)	2	2	2
Turkey	3	4	3
Thailand	4	6	10
Singapore	5	5	4
India	6	7	11
Morocco	7	12	16
United Arab Emirates	8	3	5
Yemen	114	139	138
Libya	68	130	61
Syrian Arab Republic	47	81	30
Iraq	44	38	32

Source: OECD global customs seizures database

Figure A.1. Main provenance economies of counterfeit goods imported into Yemen, by year



Note: The value of seized counterfeit goods imported to Yemen in 2014 is not well reported so that the share of seized value is missing in the graph. For 2016 to 2019, the number of seizures is not sufficient to draw the same analysis
 Source: OECD global customs seizures database

Illicit Trade

Illicit Trade in Conflict-affected Countries of the Middle East and North Africa

FOCUS ON YEMEN

To contribute to the existing pool of evidence on the dynamic interplay between illicit trade and armed conflicts, this report looks at illicit trade flows in four separate conflict-affected countries in the MENA region: Iraq, Libya, Syria and Yemen. For the case of Yemen, the report also presents a deep-dive analysis of illicit trade flows and the relevant governance environment. The findings highlight that illicit trade networks in these countries are dynamic, complex, and heavily integrated into regional and global networks.



PDF ISBN 978-92-64-34526-3



9 789264 345263