Daesh and Taxes: Extortion and kidnapping in the Islamic State

Caught off guard: Kidnapping in Burkina Faso

The carrot or the stick? Solving El Salvador’s gang problem
Kidnap for Ransom in Brief

1. United States
According to police statistics released in June, there have been 27 reported cases of virtual kidnapping in Houston, Texas since the beginning of 2015. Three of the victims paid ransoms to the kidnappers. Local authorities have confirmed that the reported cases are reflective of an overall increase in virtual kidnappings in cities countrywide; the Federal Bureau of Investigation (FBI) is investigating the trend.

2. Argentina
Reports suggest that kidnappings in the Buenos Aires Province have increased by over 50 percent in the last 12 months. Most incidents have taken place in the districts of Lomas de Zamora, Lanús, Avellaneda, and Almirante Brown. Between March and April 2015, there were eight high-profile operations in ‘Pilot Zone E’, which_coordinate member state counter-piracy patrols, information sharing, and training between the four countries in an ongoing effort to combat piracy in the region.

3. Venezuela
In June 2015, authorities in Venezuela arrested eight federal police officers charged with kidnapping a businessman in La Guaira, Vargas. This follows the January 2015 arrest of 13 investigative police officers charged with kidnapping a businessman in the capital, Caracas. The arrests indicate that the 2011 reforms to public security in Venezuela have yet to have a significant effect on rooting out corruption. Previous estimates have suggested that police are involved in approximately 80 percent of all kidnappings in Caracas.

4. Gulf of Guinea
On 13 March, the Economic Community of West African States (ECOWAS) launched the Multinational Maritime Coordination Centre (MMCC), located in Cotonou, Benin. The MMCC forms part of the ECOWAS Integrated Maritime Strategy and is intended to monitor pirate activity and coordinate member state counter-piracy operations in ‘Pilot Zone E’, which comprises Benin, Niger, Nigeria and Togo. Pirates in the Gulf of Guinea principally engage in three types of piracy: robbery, cargo theft and kidnap for ransom. Ransom demands usually range from USD 100,000 to several million US dollars. The MMCC will coordinate patrols, information sharing, and training between the four countries in an ongoing effort to combat piracy in the region.

5. Mozambique
Kidnappings in Mozambique have continued unabated in the second quarter of 2015 with at least seven incidents reported since March. The majority of kidnappings have been concentrated in Maputo and targeted local nationals. The Alto Maé area, Aeroporto ‘A’ area, and Mao Tse Tung Avenue in Maputo have emerged as kidnapping hotspots. Targets have generally been wealthy Mozambican families. Criminal groups are present throughout Italy but their activities are concentrated in the southern regions, namely: Calabria, Campania, Puglia and Sicily. Most kidnappings by organised crime groups target individuals who are in some way connected to illegal activity. As such, immigrants, who may have entered the country illegally, are more likely to be targeted due to their reluctance to engage with local authorities.

6. Italy
In May, Sicilian police arrested five Italian nationals who were part of an organised criminal gang which had orchestrated the kidnapping of several migrants and were demanding ransom payments from the victims’ families. Criminal groups are present throughout Italy but their activities are concentrated in the southern regions, namely: Calabria, Campania, Puglia and Sicily. Most kidnappings by organised crime groups target individuals who are in some way connected to illegal activity. As such, immigrants, who may have entered the country illegally, are more likely to be targeted due to their reluctance to engage with local authorities.

7. Germany
On 17 June, Markus Wuerth, the 50-year-old son of Reinhold Wuerth, Hardware Company, was abducted in Kelana Jaya, Selangor State. The victim was found chained to a tree the following day in a forest approximately 100km south east of where he was seized. According to reports, he was unharmed, and a EUR 2.1 million (USD 2.4 million) ransom was demanded but not paid. Police are still searching for the perpetrators.

8. Ukraine
On 16 June, Pavel Kanygin, a correspondent for Novaya Gazeta, a Russian investigative newspaper, was detained by pro-Russian separatists in eastern Ukraine. Kanygin was covering an anti-war rally by local residents in Donetsk. Kanygin was reportedly interrogated while handcuffed and was punched in the face. He was also accused of illegal drug use, spying for Ukraine and the US, and working in rebel-held areas without accreditation. He was deported to Russia the following day.

9. Qatar
In May, a team of BBC journalists were arrested and their equipment confiscated whilst reporting on conditions of migrant labourers in the country. The team had been invited to take part in a government-run media tour to showcase improvements to the living conditions faced by migrant labourers in Qatar. Having arrived in advance of the tour, the BBC team visited a number of sites unaccompanied by government handlers before they were arrested. The journalists were held for two days and interrogated by the Qatari security services. After the journalists were released, the Qatari government noted that they had been arrested for trespassing on private property, and that their coverage of labour issues was not being censored.

10. Yemen
On 4 May, a video was released featuring a French national, Isabelle Prime, who had been kidnapped in February 2015. In the video, Prime appealed to French President Francois Hollande and Yemen’s internationally-recognised President, Abd Rabbo Mansour Hadi, to secure her release. While Prime’s translator, Shereen Makkouk, who was kidnapped at the same time, was released in March, Prime’s current condition remains unknown. No group has publicly claimed responsibility for the kidnapping.

11. Azerbaijan
Ahead of the Baku 2015 European Games, on 9 June, Azerbaijani authorities detained Emma Hughes, a UK national and activist, at Baku airport. Hughes works for Platform, an environmental justice organisation, which had reported on human rights abuses in Azerbaijan. Although Hughes has been arrested, she obtained press accreditation to cover the games, she was barred from entering the country and sent back to London within 24 hours. Media reporting of the European Games has also focused on the imprisonment of Khadija Ismayilova, a journalist, and Leyla Yunus and Rasul Jafarov, both human rights activists who are widely believed to be political prisoners.

12. The Philippines
On 6 April, Nago Town Mayor, Gemma Adana, was abducted by affiliates of the Abu Sayyaf Group (ASG), a militant Islamist group based in the southern Philippines. Adana was abducted from her home in the village of Taytay Manubo on the island of Mindanao. The kidnapping was not staged directly by the ASG; instead, it was carried out by a group of armed immigrants, who may have entered the region illegally, are more likely to be targeted due to their reluctance to engage with local authorities.

13. Malaysia
On 25 April, two Bangladeshi students were kidnapped from a bus station in Kelana Jaya, Selangor State. The kidnappers demanded a BDT 100 million (USD 2.6 million) ransom from the victims’ families. However, police recovered the body of one hostage near a road in Shah Alam, Selangor State before any ransom could be paid whilst the other hostage managed to escape. Police have arrested four suspects in connection with the crime. Though kidnappings involving expatriates is uncommon in Malaysia, this is the second incident in Selangor State in the past seven months.
Daesh and Taxes: Extortion and kidnapping in the Islamic State

While international efforts to cut Islamic State’s funding over the past nine months have focused mainly on illicit oil revenues, the group’s most valuable asset has proved to be the population living within its territories, writes Julian Karssen.

With over eight million inhabitants in IS-controlled areas, by late 2014, an estimated 60 percent of IS’s daily revenue was accounted for via extortion, taxation, and kidnap for ransom.

IS’s success has been fuelled in large part by this ability to generate massive revenues independently from external funding, in contrast to other militant organisations such as IS’s precursor group, Al Qaeda in Iraq (AQI). Initially, it was thought that IS derived most of its revenue from illicit oil sales after the group captured numerous oil production facilities in 2014 as a result, from the start of the international military campaign in September 2014, US and allied warplanes targeted oil infrastructure controlled by IS, while neighbouring countries sought to crack down on illegal smuggling networks.

Following nine months of air strikes on IS and ongoing conflict around the major oil-producing areas of Baiji and Kirkuk, Pentagon spokesman announced in February 2015 that IS’s illegal oil sales had declined to the point where they no longer provided the main source of revenue for the group. Despite this, IS has managed to sustain its hold on territory and has even expanded its hold in parts of northern and western Iraq, Islamic State (IS) has managed to maintain its control over territories it captured in 2014.

According to US intelligence sources, IS demands a five to 30 percent cut of the salaries of all residents; any remaining registered employees of the Iraqi government face a tax as high as 50 percent. IS also imposes fees on all forms of commercial activity occurring in the regions it governs. For example, IS has set up a taxation network on the main highway between Jordan and Baghdad in the western Anbar province of Iraq, replacing the government import tax on the transport of goods by long-haul trucks. The system of tax collection also extends to illegal enterprises; for instance, IS reportedly receives payments from smugglers operating along the Turkish border.

IS’s imposition of taxes in urban centres is supposedly undertaken in exchange for the provision of basic services and utilities. To help legitimise its status as a governing entity, IS claims that a significant amount of its income is allocated towards paying official salaries, providing sanitation, building medical facilities, and distributing food supplies. However, there are mixed reports regarding the effectiveness of IS’s service delivery, with some former residents of IS areas contradicting the group’s propaganda, describing uncollected garbage and critical shortages of both doctors and medical supplies. Moreover, accounts from those who have fled IS territory suggest that fear of retribution is the primary motivation to pay taxes, further blurring the lines between taxation and extortion.

In addition to regular taxes, IS has instituted the Islamic concept of ‘Jizya’ in areas under its control. During the early Islamic empire, the Jizya was a form of protection tax demanded from non-Muslims living under Islamic rule.

The concept has been incorporated into IS’s ideology, and religious minorities living in a territory administered by IS who are unwilling to convert to Islam are required to pay a fee, or face eviction or even execution. When IS seized Mosul in June 2014, all Christians were subjected to the Jizya and their homes marked to designate them as non-Muslims. The fees demanded have reportedly ranged from USD 170 to USD 660, depending on household income, to be paid twice a year. However, with IS’s record of atrocities against minority groups, most have chosen to flee rather than pay, and it is unlikely that IS currently derives significant income from Jizya.

“Although the US-led air campaign has been relatively successful in weakening IS’s control over Iraq’s oil infrastructure, breaking the group’s hold over the population, its most valuable asset, will be a much more complex and costly endeavour.”

Religious minorities that remain in IS territory also risk being targeted in kidnap for ransom operations. While the most publicised accounts of IS hostage-taking have typically involved Western victims and end with footage of brutal executions posted online, the ransoming of local hostages serves as a valuable source of income for the group.

In territories controlled by IS, minority religious and ethnic groups are regularly targeted in mass kidnappings, the most recent instance being the abduction of approximately 220 Assyrian Christians in north-east Syria in February 2015. Indeed, only a small number of European hostages have reportedly been exchanged for large sums of cash, as it is much more common for local hostages to be ransomed off to family members for smaller amounts of money, typically a few thousand US dollars.

Although the US-led air campaign has been relatively successful in weakening IS’s control over Iraq’s oil infrastructure, breaking the group’s hold over the population, its most valuable asset, will be a much more complex and costly endeavour. Physically removing IS from the areas it controls is a task for which both the Iraqi army and Syrian regime forces are ill-equipped. While the re-taking of Tikrit earlier in the year was heralded as a victory for Iraqi forces, the prospects for success are much lower in larger cities such as Mosul, where IS is more firmly entrenched and far less willing to give up the income that the urban population provides. Until IS’s opponents demonstrate their ability to significantly roll back the group’s territorial gains, IS will continue to be able to rely on a steady revenue stream to fund its operations.

Source: https://upload.wikimedia.org
Caught off guard: Kidnapping in Burkina Faso

Recent instability in Burkina Faso has limited the government’s ability to respond to kidnappings, particularly given uncertainty surrounding the future of the country’s special forces unit, the Régiment de la Sécurité Présidentielle (RSP), writes Gabrielle Reid.

On 4 April 2015, Julian Ghenghut, a Romanian national who was employed as a security guard at a foreign-owned manganese mining operation in northern Burkina Faso, was kidnapped by five gunmen. The other employees were injured during the attack, which occurred in Ouaddai province, before the assailants drove north towards the border with Mali. Al Mourabitoun, a Sahel-based Islamist militant group, has since claimed responsibility for the attack and has called on the Romanian government to enter into negotiations over an undisclosed ransom to secure the security guard’s release. In light of the political vacuum that has emerged in Burkina Faso following the ousting of long-serving leader Blaise Compaoré, the top of the transitional government’s agenda, with the RSP, including its counter-terrorism unit, remains uncertain as civil society groups continue to call for the force’s rebranding.

The RSP has been widely regarded as a tool for repression, particularly under former President Blaise Compaoré, who passed away in February, reinforcing the widely held perception that he does not seek to disband the unit, the future of which remains uncertain and is a matter of debate within Burkina Faso.

Like all government reforms, the rebranding of Burkina Faso’s security forces will ultimately take time to implement. In the interim, the RSP will need to successfully locate Ghenghut in order to reassure Burkeina Faso’s population of its purpose; but the 1,400 strong unit has a tough task ahead.

While this is the first high-profile kidnapping in Burkina Faso, kidnapping in the wider Sahel is a well-established revenue generator for transnational militant groups. Various groups, including Al-Qaeda in the Islamic Maghreb (AQIM), Al Mourabitoun and Movement for Unity and Jihad in West Africa (MUJAO), garnered approximately USD 75 million in revenue from ransoms in the Sahel between 2003 and 2015. These groups have been able to capitalise on political and security vulnerabilities across the region, including weak central authorities, porous borders and a geographical environment conducive to sustaining an insurgency.

Furthermore, as evident in the rise of AQIM in Mali since the 2012 Tuareg rebellion, these transnational militant groups take advantage of an unstable domestic environment within Sahel states to further their own agendas.

For Burkina Faso, the reality is that cross-border criminality is not new within its northern regions. However, the recent ousting of President Compaoré, which resulted in a directionless RSP, has made parts of the country more susceptible to such transnational activity. Burkina Faso will ultimately need to do more to secure these areas and the RSP may prove to be a requisite part of the solution. The RSP is plagued by accusations of abuse of power and the abolition of its former base in Ouaddai has revealed that he does not seek to disband the unit, the future of which remains uncertain and is a matter of debate within Burkina Faso.

Reverting to the iron fist approach to combating gang violence in El Salvador, Cerén has militarised the country and escalated the government’s war on the Mara gang. Extra-judicial killings, arbitrary arrests, and human rights abuses— all characteristics of El Salvador’s brutal anti-gang police squads and army—are expected to continue, and only encourage socially and economically marginalised youth to seek protection within gang structures. Increased US funding risks exacerbating this problem. As long as the El Salvadoran government fails to show the same commitment to addressing the underlying social and economic drivers behind gang recruitment, the Maras will continue to fight with fire, perpetuating violence in the country.

The carrot or the stick? Solving El Salvador’s gang problem

The El Salvadoran government’s uncompromising approach to gang violence has failed repeatedly, and an anticipated increase in US funding is likely to exacerbate violence in the country, writes Lloyd Belton.

In light of this shift, anticipated US funding increases for social and economic development in El Salvador are likely to be undermined by the current government’s mano dura approach. In January 2015, US Vice President Joe Biden outlined a USD 1 billion aid package for Central America, earmarking approximately 80 percent of the funding for social and economic development initiatives. However, this plan also includes significant funding for counter-narcotics programmes, which critics claim the El Salvadoran government will use to further militarise the country. Many compare this latest US package with previous strategies launched in Colombia, where between 2000 and 2006, the US spent USD 9 billion on the ‘Plan Colombia’ security and development initiative. While supporters of Plan Colombia highlight its contribution to stabilising a country on the brink of being a failed state, critics argue that it funded a violent and destructive counter-narcotics war whose principal goal was improving investment conditions in Colombia. Setbacks for drug traffickers and left-wing insurgencies in Colombia went hand-in-hand with large-scale displacements, an estimated 14,000 non-combat deaths, extra-judicial killings, and a surge in paramilitary violence. It remains to be seen whether US funding for El Salvador will produce similar levels of violence.

“Social and economic development programmes—a carrot offered by the previous administration to entice gang members to cease violent activity—have been supplanted by anti-gang military battalions—the notoriously brutal stick.”

In 2012, peace seemed to be on the cards, as MS-13 and Barrio 18 leaders ordered approximately 10,500 Mara gang members in El Salvador to stop countrywide attacks. This move followed a government-supported gang truce brokered by religious and civil society representatives. The truce held for approximately 21 months, as the government suspended its mano dura approach to gang violence and instead pledged economic development projects for gang members who ceased their criminal activities. homicide rates fell by 40 percent. However, by 2014, public opinion had turned sharply against the agreement. Critics argued that the Maras had taken advantage of the truce as well as the concessions offered by the previous government to bolster their extrajudicial operations, exterminating 79 percent of small businesses at the time. The Maras tend to argue that government was forced to increasingly rely on extrajudicial violence in El Salvador, Cerén has militarised the country and escalated the government’s war on the Mara gang. Extra-judicial killings, arbitrary arrests, and human rights abuses—all characteristics of El Salvador’s brutal anti-gang police squads and army—are expected to continue, and only encourage socially and economically marginalised youth to seek protection within gang structures. Increased US funding risks exacerbating this problem. As long as the El Salvadoran government fails to show the same commitment to addressing the underlying social and economic drivers behind gang recruitment, the Maras will continue to fight with fire, perpetuating violence in the country.
About

Led by its Business Intelligence & Investigations division, **Salamanca Group** leverages its holistic risk management expertise to provide XL Catlin with a range of information resources and advice to inform their business operations.

The Global Kidnap Bulletin is a quarterly newsletter produced by Salamanca Group for XL Catlin, profiling recent Kidnap for Ransom and Extortion incidents, related events and global developments worldwide which have the potential to impact personal safety and the safety of a client's family and/or personnel. This newsletter supports the Global Security Insight website which Salamanca Group provides to XL Catlin.

XL Catlin is one of the world’s leading insurance organisations, focusing exclusively on providing property, casualty, professional and specialty insurance for businesses. Whether you're arranging cover or making a claim with XL Catlin, you'll find their people are empowered to make quick decisions. XL Catlin participate in over 2,600 global programs, and lead more than 70% of these. Across the world, you'll experience the same XL Catlin qualities: underwriting excellence, quick reactions and transparent pricing. A broad international mix with a consistent global approach.

**Terra Firma** is an independent crisis management consultancy offering specialist advice, training and support to private clients and XL Catlin policy holders worldwide.

Contact

Salamanca Group
8th Floor
50 Berkeley Street
London
W1J 8HA

+44 (0)20 7495 7070
www.salamanca-group.com

For more information, please contact:

Keri Ann Leicher
Email: k.leicher@salamanca-group.com

Tom Crooke
Email: t.crooke@salamanca-group.com

Contributors:

Lloyd Belton
Email: l.belton@salamanca-group.com

Julian Karssen
Email: j.karssen@salamanca-group.com

Gabrielle Reid
Email: g.reid@salamanca-group.com

For more information on Kidnap & Ransom Insurance from XL Catlin, please contact one of our local underwriters:

Guernsey
Jonathan Beck
Email: jonathan.beck@xlcatlin.com

Hamburg
Niclas Von Bernstorff
Email: niclas.vonbernstorff@xlcatlin.com

Hong Kong
Alex Smith
Email: alex.smith@xlcatlin.com

London
Charlie Matheson
Email: charlie.matheson@xlcatlin.com

New York
Denise Balan
Email:denise.balan@xlcatlin.com

Sydney
Ian Davidson
ian.davidson@xlcatlin.com

Important Notice

This document was prepared by Salamanca Risk Management Ltd ("Salamanca") part of Salamanca Group. While this information has been prepared in good faith, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by Salamanca, or by any of its respective officers, employees or agents in relation to the accuracy or completeness of this document and any such liability is expressly disclaimed. In particular, but without limitation, no representation or warranty is given as to the reasonableness of future suggestions contained in this document.

© Salamanca Group 2015  Salamanca Group®

XL Catlin is the global brand used by XL Group plc’s insurance subsidiaries. In the US, the insurance companies of XL Group plc are: Catlin Indemnity Company, Catlin Insurance Company, Inc., Catlin Specialty Insurance Company, Greenwich Insurance Company, Indian Harbor Insurance Company, XL Insurance America, Inc., XL Insurance Company of New York, Inc., and XL Specialty Insurance Company. Not all of the insurers do business in all jurisdictions nor is coverage available in all jurisdictions.

and XL Catlin are trademarks of XL Group plc companies.