

**A Survey of Global Terrorism
and Terrorist Financing**

Jonathan Schanzer
Vice President for Research
Foundation for Defense of Democracies

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1726 M Street NW • Suite 700 • Washington, DC 20036

Chairman Fitzpatrick, Ranking Member Lynch, members of the Task Force to Investigate Terrorist Financing, on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance, thank you for the opportunity to testify.

My testimony today draws from the work of a number of CSIF analysts at FDD who have been tenaciously tracking the financial flows of terrorist operatives and rogue states. I am pleased to showcase their research today, and it is my hope that CSIF can become a resource for this task force for years to come.

I should note that I was a terrorism finance analyst at the U.S. Department of the Treasury during the time when Juan Zarate, now a CSIF senior counselor, was a senior administration official. I am particularly pleased to be testifying alongside him today.

Crime and Terror Finance

Mr. Chairman, I will address in my testimony the major states behind terror finance in the Middle East today. But before I do, allow me to briefly note one dominant trend we continue to observe: the intersection of terrorism and crime.

Designated terrorist groups in Africa and the Middle East take advantage of the territories they control. They do so rather easily by exploiting existing businesses and levying oppressive taxes and tolls on the populations they dominate. The Islamic State, for example, extracts taxes in the territories it has seized in Syria and Iraq. The group is involved in extortion, through protection rackets and high taxes for basic services, such as electricity.¹ The Islamic State also brings in funds from illegal sales of antiquities as it ravages ancient towns in Syria and Iraq.²

Boko Haram, based primarily in Nigeria but also active in parts of Chad, Cameroon, and Niger, has used its military strength to tax the fish trade in the areas it controls.³ Boko Haram secures major resources by robbing banks⁴ and stealing Nigerian military equipment and vehicles.⁵ The group also sustains itself by threatening poor farmers and kidnapping farmers' family members in exchange for animals and food.⁶

¹ Ashley Fantz, "How ISIS Makes (and Takes) Money," *CNN*, February 19, 2015.

(<http://www.cnn.com/2015/02/19/world/how-isis-makes-money/>)

² Duncan Mavin, "Calculating the Revenue From Antiquities to Islamic State," *The Wall Street Journal*, February 11, 2015. (<http://www.wsj.com/articles/calculating-the-revenue-from-antiquities-to-islamic-state-1423657578>)

³ Siobhan O'Grady, "Boko Haram Turns Robin Hood's Strategy on Its Head," *Foreign Policy*, March 5, 2015, (<http://foreignpolicy.com/2015/03/05/boko-haram-turns-robin-hoods-strategy-on-its-head-nigeria-niger/>)

⁴ Heather Murdock, "Nigeria's Boko Haram Funding Vast, Varied," *VOA News*, March 20, 2014.

(<http://www.voanews.com/content/analysts-nigerias-boko-haram-funding-vast-varied/1875921.html>)

⁵ Aminu Abubakar, "Boko Haram Mount Dynamite Raid, Rob Bank, in Looting Spree," *Agence France Presse* (France), November 5, 2014. (<http://www.businessinsider.com/afp-boko-haram-mount-dynamite-raid-rob-bank-in-looting-spree-2014-11>)

⁶ Siobhan O'Grady, "Boko Haram Turns Robin Hood's Strategy on Its Head," *Foreign Policy*, March 5, 2015. (<http://foreignpolicy.com/2015/03/05/boko-haram-turns-robin-hoods-strategy-on-its-head-nigeria-niger/>)

In Somalia, al-Shabaab maintains a robust taxation system in the areas it dominates, notably deriving tax income from charcoal.⁷ The U.N. estimates that al-Shabaab earns \$75 to \$100 million per year through illegal charcoal sales alone.⁸ Al-Shabaab has used proceeds from the illegal ivory trade to fund terrorist attacks in Kenya. A 2012 investigation showed that al-Shabaab was earning between \$200,000 and \$600,000 per month by selling ivory tusks.⁹

Meanwhile, other terrorist groups sustain themselves through drugs. Whether it is the Taliban's heroin trade¹⁰ or Hezbollah's Latin American narcotics rings,¹¹ terrorist groups continue to profit from illegal drugs, despite their purported piety.

Local and regional criminal activity is difficult for an outside power to stop. To be sure, the U.S. government can issue executive orders and targeted financial sanctions against individuals involved in these illicit activities. However, money from the financial underworld moves in cash and through value-transfer systems, meaning that for the United States, addressing these challenges often requires bilateral or multilateral cooperation with local law enforcement to establish better controls.

Iran

Mr. Chairman, the number one terrorist sponsoring country in the world is the Islamic Republic of Iran. The U.S. Department of State labeled Iran a State Sponsor of Terror in 1984.¹² Three decades later, the designation is still apt. The regime backs a wide range of terrorist groups, including Hezbollah, Palestinian Islamic Jihad, Hamas, the Houthi rebels in Yemen, Shi'ite militias in Iraq, and militants in Afghanistan. Iran also maintains its own terrorism apparatus: the Islamic Revolutionary Guard Corps (IRGC). In recent years, Iran's ability to support the IRGC and these other terror proxies has diminished somewhat, thanks to the sanctions that the United States and its allies have put in place to block Iran's illicit financial activities and to inhibit its attempts to build a nuclear weapon. Most of the "nuclear sanctions" are not purely nuclear sanctions, but hybrid sanctions linked to Iran's support for terrorism, proliferation, and human rights violations.

Now, however, with the Joint Comprehensive Plan of Action (JCPOA) framework announced on April 2, and with a final deal expected by the June 30 deadline, the White House appears poised to remove many of those sanctions.

⁷ Tim Keatinge, "The Role of Finance in Defeating al-Shabaab," *Royal United Services Institute*, December 2014. (https://www.rusi.org/downloads/assets/201412_WHR_2-14_Keatinge_Web.pdf)

⁸ "Study: Charcoal Production By Al-Shabaab Increases in Survey Area," *Phys.org*, February 10, 2015. (<http://phys.org/news/2015-02-charcoal-production-al-shabaab-survey-area.html>)

⁹ Nir Kalron & Andrea Crosta, "Africa's White Gold of Jihad: al-Shabaab and Conflict Ivory," *Elephant Action League*, accessed April 17, 2015. (<http://elephantleague.org/project/africas-white-gold-of-jihad-al-shabaab-and-conflict-ivory/>)

¹⁰ Michael Chossudovsky, "The Spoils of War: Afghanistan's Multibillion Dollar Heroin Trade," *Centre for Research on Globalization*, January 7, 2015. (<http://www.globalresearch.ca/the-spoils-of-war-afghanistan-s-multibillion-dollar-heroin-trade/91>)

¹¹ Matthew Levitt, "South of the Border, A Threat From Hezbollah," *The Journal of International Security Affairs*, May 15, 2013. (<https://www.washingtoninstitute.org/uploads/Documents/opeds/Levitt20130515-JISA.pdf>)

¹² State Sponsors of Terrorism," *U.S. Department of State*, accessed April 10, 2015. (<http://www.state.gov/j/ct/list/c14151.htm>)

As it stands already, between November 2013 (when the Joint Plan of Action was announced) and the June 30 deadline, the international community will have ceded some \$12 billion to Iran in cash transfers.¹³ Moreover, this does not include direct sanctions relief and tens of billions of dollars in indirect economic gains.¹⁴ I am concerned that some of these funds have already found their way to terrorist groups, and that much more terror finance could be on the way. After a final nuclear deal, an estimated \$100 billion that has been held in semi-restricted accounts in China, India, Japan, South Korea, and Turkey likely will be remitted directly back to Iran over time.¹⁵ Moreover, news reports now suggest that the White House plans to give as much as \$50 billion to Iran as an upfront “signing bonus.”¹⁶

The White House has unfortunately limited the terms of the agreement with Iran to narrow nuclear parameters, despite Iran’s extensive record of destabilizing activities throughout the region. This means that while some restrictions will hopefully remain on some Iranian banks involved in terror finance, others will melt away. As a result, Iran’s Supreme Leader, Ali Khamenei, will have greater flexibility to disperse the windfall from the nuclear deal to terrorist groups at his discretion.

After oil export and central bank sanctions are suspended, Iran will also be able to sell its oil on the open market. Iran is believed to have 30 million barrels of oil in floating storage.¹⁷ It is likely that Iran, which currently sells one million barrels per day under heavy restrictions, will be able to return to pre-sanctions levels of 2.2 million barrels per day within a year or so.¹⁸

To break down the math: An extra one million barrels per day at \$50 per barrel is \$50 million per day, or \$18 billion annually, which could flow to terrorists’ coffers. Add that to the aforementioned escrowed oil revenues of \$100 billion and we are looking at a windfall of nearly \$120 billion.

Moreover, if the international community allows Iranian banks back into the formal financial sector, as is currently being contemplated under a final nuclear agreement, it will then be easier for Iran to transfer this money to banks worldwide for the purposes of funding terrorism.

¹³ Mark Dubowitz & Jonathan Schanzer, “Cheap Oil Won’t Stop Iran,” *The National Interest*, January 27, 2015. (<http://nationalinterest.org/feature/cheap-oil-wont-stop-iran-12128>)

¹⁴ Paul Domjan, Mark Dubowitz, Jennifer Hsieh, & Rachel Ziemba, “Sanctions Relief: What Did Iran Get?” *Foundation for Defense of Democracies & Roubini Global Economics*, July 2014. (<http://defenddemocracy.org/content/uploads/general/RoubiniFDDReport.pdf>)

¹⁵ Jennifer Hsieh, Rachel Ziemba, & Mark Dubowitz, “Iran’s Economy Will Slow But Continue To Grow Under Cheaper Oil and Current Sanctions,” *Roubini Global Economics and Foundation for Defense of Democracies*, February 2015. (www.defenddemocracy.org/media-hit/FDDRoubini-Report_Cheaper-Oil/#sthash.iy9aG2eV.dpuf); Carol E. Lee & Jay Solomon, “U.S. Suggests Compromise on Iran Sanctions,” *The Wall Street Journal*, April 17, 2015. (<http://www.wsj.com/articles/u-s-suggests-compromise-on-iran-sanctions-1429308388>)

¹⁶ *Ibid.*

¹⁷ Jonathan Saul & Florence Tan, “UPDATE 1- Iran Storing 30 Million Barrels of Oil at Sea,” *Reuters*, March 25, 2015. (<http://www.reuters.com/article/2015/03/25/iran-crude-ship-idUSL3N0WR4I520150325>)

¹⁸ U.S. Energy Information Administration, “Iran,” *Country Analysis Briefs*, July 22, 2014. (<http://www.eia.gov/countries/cab.cfm?fips=IR>)

In practical terms, that means Iran can continue to arm Hamas with missiles, whether by land or by sea.¹⁹ Iran will continue to teach Hamas how to build and perfect missiles, as well.²⁰ Treasury has designated Iranian officials for facilitating this relationship in recent years, but with the release of funds, Treasury's job is going to get a lot more difficult.²¹

Similarly, the released Iranian funds will likely flow to Hezbollah. In 2013, the U.S. Department of State reported that Iran has provided "hundreds of millions of dollars" to the Lebanese terror group.²² Tehran has armed Hezbollah with light weapons as well as long-range missiles,²³ including a domestically produced model of a Chinese Silkworm anti-ship cruise missile.²⁴ Iran is also widely believed to have supplied Hezbollah with drones.²⁵

Sanctions relief is also likely to bring a surge of Iranian support to the Assad regime in Syria. Iran has already provided Assad's government with cash since the uprising began in March 2011, including a reported²⁶ \$3.6 billion dollar line of credit in July 2013.²⁷ Iran has also provided expertise and support in "intelligence, communications and...crowd control" to keep Assad in place as rebel forces have attempted to unseat him.²⁸ Iranian officials have called Syria the country's "35th province."²⁹ In 2013, Qassem Suleimani, commander of the IRGC's elite Quds Force, said, "We will defend Syria to the end."³⁰ Backing up their words with action, the

¹⁹ "Israel Halts 'Weapons Shipment from Iran'," *BBC*, March 5, 2014. (<http://www.bbc.com/news/world-middle-east-26451421>); Yaakov Lappin, "Israel Navy Intercepts Gaza-Bound Iranian Rocket Ship Near Port Sudan," *The Jerusalem Post*, March 5, 2014. (<http://www.jpost.com/Defense/Israel-Navy-intercepts-Gaza-bound-Iranian-rocket-ship-near-Port-Sudan-344369>)

²⁰ "Larijani Says Iran Gave Hamas Its Rocket Know-How," *Naharnet* (Lebanon), July 24, 2014. (<http://www.naharnet.com/stories/en/140398>)

²¹ U.S. Department of the Treasury, Press Release, "Fact Sheet: U.S. Treasury Department Targets Iran's Support for Terrorism Treasury Announces New Sanctions Against Iran's Islamic Revolutionary Guard Corps-Qods Force Leadership," August 3, 2010. (<http://www.treasury.gov/press-center/press-releases/Pages/tg810.aspx>); U.S. Department of State, Press Release, "Terrorist Designation of HAMAS Operative Muhammad Hisham Muhammad Isma'il Abu Ghazala," September 22, 2011. (<http://www.state.gov/r/pa/prs/ps/2011/09/173352.htm>); and U.S. Department of the Treasury, Press Release, "Treasury Sanctions Hizballah Leadership," August 22, 2013. (<http://www.treasury.gov/press-center/press-releases/Pages/jl2147.aspx>)

²² *U.S. Department of State*, "Country Report on Terrorism 2013," April 30, 2014. (<http://www.state.gov/j/ct/rls/crt/2013/224826.htm>)

²³ "Iran Said to Give Hezbollah Missiles That 'Can Reach Dimona'," *The Times of Israel* (Israel), November 22, 2014. (<http://www.timesofisrael.com/hezbollah-has-iranian-made-missiles-that-can-reach-dimona/>)

²⁴ Mark Mazetti & Thom Shanker, "Arming of Hezbollah Reveals U.S. and Israeli Blind Spots," *The New York Times*, July 19, 2006. (http://www.nytimes.com/2006/07/19/world/middleeast/19missile.html?_r=0)

²⁵ Milton Hoenig, "Hezbollah and the Use of Drones as a Weapon of Terrorism," *Public Interest Report*, Spring 2014, page 1. (<http://fas.org/wp-content/uploads/2014/06/Hezbollah-Drones-Spring-2014.pdf>)

²⁶ Karim Sadjadpour, "Iran's Unwavering Support to Assad's Syria," *Combating Terrorism Center*, August 27, 2013. (<https://www.ctc.usma.edu/posts/irans-unwavering-support-to-assads-syria>)

²⁷ Suleiman al-Khalidi, "Exclusive: Iran's Support for Syria Tested by Oil Price Drop," *Reuters*, December 19, 2014. (<http://www.reuters.com/article/2014/12/19/us-mideast-crisis-syria-iran-idUSKBN0JX21420141219>)

²⁸ Tim Lister, "What Does Iran Get for Supporting al-Assad?" *CNN*, August 13, 2012. (<http://www.cnn.com/2012/08/08/world/syria-iran-analysis/>)

²⁹ Will Fulton, Joseph Holliday, & Sam Wyer, "Iranian Strategy in Syria," *AEI's Critical Threats Project & Institute for the Study of War*, May 2013. (<http://www.understandingwar.org/sites/default/files/IranianStrategyinSyria-1MAY.pdf>)

³⁰ See: Behnam Ben Taleblu, "Iran's Levantine Strategy," *Threat Matrix*, May 24, 2014. (http://www.longwarjournal.org/archives/2014/05/irans_levantine_strategy.php)

Iranians continue to send vast quantities of military support to their Syrian ally,³¹ and IRGC forces have been on the battlefield in Syria since 2012.³²

The Iranians are also likely to increase their support for the rebel Houthi movement that is currently wreaking havoc in Yemen. Multiple reports suggest that Iran has been sending the Houthis weapons since 2009.³³ As recently as last month, an Iranian ship reportedly unloaded more than 180 tons of weapons and military equipment at a Houthi-controlled port in western Yemen.³⁴ Iran also appears to also be utilizing Pouya Air—an airline previously designated by the U.S. for its weapons shipments to Syria—to send arms to the Houthis.³⁵

Tehran has also provided financial support to the Houthi movement. In 2012, U.S. officials noted that Iran had been sending cash to Yemen to back the rebels.³⁶ And in December 2014, a Yemeni official warned that “sacks of cash” from Tehran had been arriving at Sana’a International Airport, some of which was channeled via Hezbollah.³⁷

Sanctions relief to Iran will almost certainly mean an increase in these activities.

Turkey

Iran, it should be noted, was already receiving financial perks from a NATO ally long before the P5+1 agreed to a nuclear framework. Between 2012 and 2013, Turkey facilitated a massive sanctions-busting operation that yielded Iran \$13 billion or even more. As revealed in a recent corruption scandal, Iran may have also benefited from another roughly \$100 billion in illicit Turkish transfers.

³¹ “Iran Increases Military Support to Syria’s Assad, Diplomats Say,” *Haaretz* (Israel), March 14, 2013. (<http://www.haaretz.com/news/middle-east/iran-increases-military-support-to-syria-s-assad-diplomats-say-1.509295>); United Nations Security Council, “Final Report of the Panel of Experts Established Pursuant to Resolution 1929 (2010),” June 12, 2012, page 26. (http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2012_395.pdf)

³² Ian Black, “Iran Confirms it Has Forces in Syria and Will Take Military Action if Pushed,” *The Guardian* (U.K.), September 16, 2012. (<http://www.theguardian.com/world/2012/sep/16/iran-middleeast>)

³³ “Yemen Seizes Weapons Vessel With Iranian Crew,” *Al Arabiya* (Saudi Arabia), October 26, 2009. (<http://www.alarabiya.net/articles/2009/10/26/89328.html>); Barbara Starr, “Weapons Seized Off Yemen Point to Iran, U.S. Official Says,” *CNN*, January 29, 2013. (<http://www.cnn.com/2013/01/29/world/meast/yemen-weapons-seized/>); Yara Bayoumy & Mohammed Ghobari, “Iranian Support Seen Crucial for Yemen’s Houthis,” *Reuters*, December 15, 2014. (<http://www.reuters.com/article/2014/12/15/us-yemen-houthis-iran-insight-idUSKBN0JT17A20141215>); Phil Stewart, “Large Arms Shipment Intercepted Off Yemen, Iran Eyed As Source,” *Reuters*, January 28, 2013. (<http://www.reuters.com/article/2013/01/29/us-yemen-weapons-iran-idUSBRE90S01B20130129>)

³⁴ “Iranian Ship Unloads 185 Tons of Weapons for Houthis at Saleef Port,” *Al Arabiya* (Saudi Arabia), March 20, 2015. (<http://english.alarabiya.net/en/News/middle-east/2015/03/20/Iranian-ship-unloads-185-tons-of-weapons-for-Houthis-at-Saleef-port.html>)

³⁵ Roni Daniel, “התמונות הושפוט את הטריק האירני,” *Mako* (Israel), March 31, 2015. (http://mobile.mako.co.il/news-world/arab-q1_2015/Article-2e8f4352aa07c41004.htm); Oren Adaki, “Nonstop: Tehran to Sana’a,” *Qualitative Military Edge*, April 3, 2015. (<http://militaryedge.org/analysis-articles/nonstop-tehran-sanaa/>)

³⁶ Eric Schmitt & Robert F. Worth, “With Arms for Yemen Rebels, Iran Seeks Wider Mideast Role,” *The New York Times*, March 15, 2012. (<http://www.nytimes.com/2012/03/15/world/middleeast/aiding-yemen-rebels-iran-seeks-wider-mideast-role.html?pagewanted=all&r=0>)

³⁷ Yara Bayoumy & Mohammed Ghobari, “Iranian Support Seen Crucial for Yemen’s Houthis,” *Reuters*, December 15, 2014. (<http://www.reuters.com/article/2014/12/15/us-yemen-houthis-iran-insight-idUSKBN0JT17A20141215>)

Between 2012 and 2013, Turkey was purchasing Iranian natural gas in Turkish lira and transferring the proceeds to Halkbank accounts that Iranian gold traders used to buy gold in Turkey. The gold was subsequently shipped off to Dubai and then Iran.³⁸ At the time, Turkey's Deputy Prime Minister Ali Babacan unabashedly explained that his country's gold exports to Iran worked like "payments for our natural gas purchases."³⁹

From Turkey's perspective, there was no reason to hide the arrangement. The sale of gold was technically legal because the sales were going to individuals, not the government of Iran. And trade with individuals was not, at the time, in violation of sanctions. Still, once the scheme was discovered, 47 members of Congress demanded an explanation from Secretary of State John Kerry and Secretary of the Treasury Jack Lew.⁴⁰ The Obama administration and Congress adopted new legislation in January 2013 imposing a blanket prohibition on all gold sales to Iran.

Inexplicably, however, the administration did not make the prohibition effective immediately; the sanctions only became effective six months later, on July 1, 2013. By forestalling the imposition of the sanctions, the White House granted Turkey and Iran additional months of trading opportunities. According to a report by FDD's executive director Mark Dubowitz and our colleagues at Roubini Global Economics, "Iran's Golden Loophole" allowed Tehran to receive over \$13 billion before "gas-for-gold" slowed to a trickle.⁴¹

A massive corruption scandal that erupted last year suggests that Turkish government figures were involved in yet another massive scheme that processed an additional €87 billion in illicit transactions.⁴² The Turkish government has quashed all investigations into this scheme, which included gold traders in Istanbul, UAE money traders, Iranian and Chinese banks, and an astounding list of high-level officials.

However, Turkey's illicit financial activity does not end there. Ankara's desire to bring down the Assad regime in Syria has led to inexcusable policies that have enabled the growth of jihadist groups like Jabhat al-Nusra (JN) and the Islamic State (IS). Turkey's southeastern frontier—the territory along its 565-mile border with Syria—is now akin to Peshawar, Pakistan in the 1990s as the primary gateway for this generation of jihadists.⁴³

³⁸ Asli Kandemir, "Exclusive: Turkey to Iran Gold Trade Wiped Out By New U.S. Sanction," *Reuters*, February 15, 2013. (www.reuters.com/article/2013/02/15/us-iran-turkey-sanctions-idUSBRE91E0IN20130215)

³⁹ Joe Parkinson & Emre Peker, "Turkey Swaps Gold for Iranian Gas," *The Wall Street Journal*, November 23, 2012. (<http://online.wsj.com/news/articles/SB10001424127887324352004578136973602198776>)

⁴⁰ Rep. Jeff Duncan, et al., "Letter to Secretary of State John Kerry & Secretary of the Treasury Jack Lew," April 11, 2013. (<https://jeffduncan.house.gov/sites/jeffduncan.house.gov/files/Turkey-Iran%20Letter%20%28April%2011%202013%29.pdf>)

⁴¹ Gary Clark, Rachel Ziemba, & Mark Dubowitz, "Iran's Golden Loophole," *Foundation for Defense of Democracies and Roubini Global Economics*, May 13, 2013, pages 5-8. (www.defenddemocracy.org/stuff/uploads/documents/FDD_RGE_Iran_Gol_Report_May_2013_FINAL_2.pdf)

⁴² Jonathan Schanzer & Emanuele Ottolenghi, "Turkey's Teflon Don," *Foreign Policy*, March 31, 2014. (<http://foreignpolicy.com/2014/03/31/turkeys-teflon-don/>)

⁴³ Kren Leigh, "Q&A: On Foreign Fighters Flowing Into Syria," *Syria Deeply*, December 2, 2013. (<http://www.syriadeeply.org/articles/2013/12/2628/qa-foreign-fighters-flowing-syria/>); Kadri Gürsel, "Has Turkey Become The 'Pakistan of the Middle East'," *Al Monitor*, September 24, 2013. (<http://www.al-monitor.com/pulse/security/2013/09/time-act-al-qaeda-turkey-jabhat-al-nusra.html#>)

Turkish authorities have not only turned a blind eye to the border traffic. They have also been accused of actively assisting fighters to cross the border.⁴⁴ Multiple reports further suggest that since 2012, extremist financiers (mainly from Persian Gulf countries such as Qatar and Kuwait) have been camped out in hotels along the southeastern Turkish frontier meeting with jihadist groups.⁴⁵ Meanwhile, IS has been recruiting fighters in at least eight Turkish cities, including Ankara and Istanbul, by offering hefty salaries.⁴⁶

Turkey has also been involved in the financing of IS through illicit oil sales. Indeed, Turkey has been a key market for the sale of oil from fields conquered by IS.⁴⁷ At its peak, between \$1 million and \$2 million worth of oil was reportedly smuggled daily to Turkey's border areas to be sold through middlemen.⁴⁸ Turkey's main opposition party charges that \$800 million in oil from

⁴⁴ Adam Entous & Joe Parkinson, "Turkey's Spymaster Plots Own Course on Syria," *The Wall Street Journal*, October 10, 2013. (<http://online.wsj.com/news/articles/SB10001424052702303643304579107373585228330>); Alev Scott & Alexander Christie-Miller, "Exclusive: ISIS Starts Recruiting in Istanbul's Vulnerable Suburbs," *Newsweek*, September 12, 2014. (<http://www.newsweek.com/2014/09/19/exclusive-how-istanbul-became-recruiting-ground-islamic-state-269247.html>); Katrin Elger, Hasnain Kazim, Christoph Reuter, & Holger Stark, "The Caliphate Next Door: Turkey Faces Up to its Islamic State Problem," *Spiegel International* (Germany), September 29, 2014. (<http://www.spiegel.de/international/world/islamic-state-jihadist-activity-in-northern-syria-forces-Turkey-hand-a-994392.html>); Barney Guiton, "'ISIS Sees Turkey as Its Ally': Former Islamic State Member Reveals Turkish Army Cooperation," *Newsweek*, November 7, 2014. (<http://www.newsweek.com/isis-and-Turkey-cooperate-destroy-kurds-former-isis-member-reveals-Turkish-282920>)

⁴⁵ U.S. Department of the Treasury, Press Release, "Treasury Further Exposes Iran-Based Al-Qa'ida Network," October 18, 2012. (<http://www.treasury.gov/press-center/press-releases/Pages/tg1741.aspx>); "You Can Still See Their Blood," *Human Rights Watch*, October 11, 2013. (<http://www.hrw.org/node/119645/section/11>); Chana Ya'ar, "Report: Turkey Supports Funding to Syrian Jihadist Rebels?" *Arutz Sheva* (Israel), October 3, 2013. (http://www.israelnationalnews.com/News/News.aspx/166047#.VEAx_vldVps); Email correspondence with Barak Barfi, February 8, 2014.

⁴⁶ Alev Scott & Alexander Christie-Miller, "Exclusive: ISIS Starts Recruiting in Istanbul's Vulnerable Suburbs," *Newsweek*, September 12, 2014. (<http://www.newsweek.com/2014/09/19/exclusive-how-istanbul-became-recruiting-ground-islamic-state-269247.html>); "Looking for ISIL: How Jihadists Operate Among Turks," *Hürriyet Daily News* (Turkey), September 22, 2014. (<http://www.Hurriyetdailynews.com/looking-for-isil-how-Turks-become-jihadists.aspx?pageID=238&nID=72054&NewsCatID=352>); "ISIS Renting Villas in Istanbul," *Aydinlik* (Turkey), September 29, 2014. (<http://aydinlikdaily.com/Detail/ISIS-Renting-Villas-In-Istanbul/4619#.VClv7xuHGzE.twitter>)

⁴⁷ Mike Giglio, "This Is How ISIS Smuggles Oil," *BuzzFeed*, November 3, 2014. (<http://www.buzzfeed.com/mikegiglio/this-is-how-isis-smuggles-oil>); Anthony Faiola & Souad Mekhennet, "In Turkey, a Late Crackdown on Islamist Fighters," *The Washington Post*, August 12, 2014. (http://www.washingtonpost.com/world/how-Turkey-became-the-shopping-mall-for-the-islamic-state/2014/08/12/5eff70bf-a38a-4334-9aa9-ae3fc1714c4b_story.html); "Turkey Cracks Down on Oil Smuggling Linked to IS," *Associated Press*, October 6, 2014. (<http://www.nytimes.com/aponline/2014/10/06/world/europe/ap-eu-Turkey-oil-smuggling.html?smid=tw-share&r=0>)

⁴⁸ David Sanger & Julie Hirschfeld Davis, "Struggling to Starve ISIS of Oil Revenue, U.S. Seeks Assistance From Turkey," *The New York Times*, September 13, 2014. (http://www.nytimes.com/2014/09/14/world/middleeast/struggling-to-starve-isis-of-oil-revenue-us-seeks-assistance-from-Turkey.html?_r=0); Mike Giglio, "This Is How ISIS Smuggles Oil," *BuzzFeed*, November 3, 2014. (<http://www.buzzfeed.com/mikegiglio/this-is-how-isis-smuggles-oil>)

IS-occupied regions may have been sold in the country in 2014,⁴⁹ although the recent drop in global oil prices and coalition air strikes on Iraqi oil fields may have decreased that revenue.⁵⁰

IS has also profited from smuggling antiquities from Syria into Turkey, primarily through the border crossing near Tel Abyad.⁵¹ It is difficult to calculate the exact amount IS receives from the antiquities trade, but *The Guardian* reported that IS made an estimated \$36 million alone by selling artifacts from the al-Nabuk area, west of Damascus.⁵²

Several reports also suggest that Turkey has supplied weapons to jihadi groups operating along the Turkish border, including JN and IS.⁵³ On January 1, 2014, the Turkish gendarmerie stopped a suspicious truck headed to Syria in Turkey's Hatay province and found weapons and ammunitions that allegedly belonged to Turkey's intelligence agency.⁵⁴ About two weeks later, on January 19, soldiers in Adana searched another group of trucks carrying weapons, also linked to the intelligence agency.⁵⁵ Testimonies by two Turkish truck drivers from the Adana case pointed to direct Turkish government involvement.⁵⁶

The truck in Hatay was allegedly part of an aid convoy operated by the Turkish charity Humanitarian Relief Fund (İHH), which has been repeatedly accused of working with radical groups in Syria including al-Qaeda,⁵⁷ Ahrar al-Sham,⁵⁸ and others.⁵⁹ İHH, best known for its ill-

⁴⁹ Sibel Uktu Bila & Güler Vilmaz, "Opposition MP Says ISIS is Selling Oil in Turkey," *Al-Monitor*, June 13, 2014. (<http://www.al-monitor.com/pulse/business/2014/06/Turkey-syria-isis-selling-smuggled-oil.html#>)

⁵⁰ "Islamic State Revenues Hit By Lost Iraqi Oil Fields: Report," *Agence France Presse* (France), April 8, 2015. (<http://news.yahoo.com/islamic-state-revenues-hit-lost-iraqi-oil-fields-234333847.html>)

⁵¹ Amr al-Azm, Salam al-Kuntar & Brian I. Daniels, "ISIS' Antiquities Sideline," *The New York Times*, September 2, 2014. (http://www.nytimes.com/2014/09/03/opinion/isis-antiquities-sideline.html?_r=1)

⁵² Martin Chulov, "How an Arrest in Iraq Revealed Isis's \$2Bn Jihadist Network," *The Guardian* (U.K.), June 15, 2014. (<http://www.theguardian.com/world/2014/jun/15/iraq-isis-arrest-jihadists-wealth-power>)

⁵³ "BDP: Türkiye El Nusra'ya Silah Verdi," *Radikal* (Turkey), July 30, 2013; (http://www.radikal.com.tr/politika/bdp_turkiye_el_nusraya_silah_verdi-1144124) Emre Uslu, "El Nusra'yı Kim Destekliyor," *Taraf* (Turkey), September 19, 2013; (<http://www.taraf.com.tr/yazilar/emre-uslu/el-nusra-yi-kim-destekliyor/27333/>) "El Nusra Silahları Türkiye Üzerinden Tırlarla Gönderiyordu," *Dicle Haber Ajansı* (Turkey), June 23, 2014; (<http://www.diclehaber.com.tr/news/content/view/407656?page=4&from=942074458>) & Cansu Çamlıbel, "Türkiye'den Silah Geliyor," *Hürriyet* (Turkey), January 27, 2014.

(<http://www.Hurriyet.com.tr/dunya/25661278.asp>)

⁵⁴ Fevzi Kızılkoyun, "Hatay'da Silah Yüklü TIR," *Hürriyet* (Turkey), January 2, 2014. (<http://www.Hurriyet.com.tr/gundem/25484247.asp>)

⁵⁵ Fehim Taştekin, "Turkish Intelligence Service Trucks Reveal Secrets," *Al Monitor*, January 20, 2014. (<http://www.al-monitor.com/pulse/originals/2014/01/turkish-intelligence-trucks-smuggle-syria.html>)

⁵⁶ "Kılıçdaroğlu'ndan Davutoğlu'na Yanıt: 'Belge mi İstiyorsun, Al Sana Belge'," *HaberTürk* (Turkey), October 14, 2014. (<http://www.haberturk.com/gundem/haber/999337-Kilicdarooglundan-davutogluna-yanit-belge-mi-istiyorsun-al-sana-belge>)

⁵⁷ "Turkish Anti-Terrorist Police Raid Aid Agency Near Syrian Border," *Reuters*, January 14, 2014. (<http://www.reuters.com/article/2014/01/14/us-Turkey-ngo-idUSBREA0D0JI20140114>)

⁵⁸ Aaron Zelin, "The Syrian Islamic Front: A New Extremist Force," *Washington Institute for Near East Policy*, February 4, 2013. (<http://www.washingtoninstitute.org/policy-analysis/view/the-syrian-islamic-front-a-new-extremist-force>)

⁵⁹ Horan Maunaha, "Veze sa İHH-om vode ka Ministarstvu odbrane," *Glas Srpske* (Serbia), January 20, 2014. (http://www.glassrpske.com/novosti/vijesti_dana/Veze-sa-İHH-om-vode-ka-Ministarstvu-odbrane/144621.html)

fated flotilla to Gaza in 2010, has also come under scrutiny for its support for Hamas. The organization is a member of a designated Hamas charity known as the Union of Good.⁶⁰

Beyond the government's close ties with İHH, Turkey has allowed a number of Hamas figures to operate on its soil with impunity. One example is Saleh Arouri, the founder of the West Bank's Izz al-Din al-Qassam Brigades.⁶¹ Arouri is suspected of raising funds for Hamas and of leading the group's West Bank operations from Turkey.⁶² Arouri is also believed to have launched a plot to take down the Palestinian Authority government in Ramallah.⁶³

Turkey is home to 10 Hamas operatives that Israel released in 2011 as part of a prisoner exchange deal. This includes Mahmoud Attoun and Taysir Suleiman, who were both sentenced to life terms in Israel, but now appear on television and lecture about the merits of Hamas.⁶⁴ Imad al-Alami, a long-time liaison with Iran, also reportedly went to Turkey for medical treatment after last summer's Gaza war, and is believed to remain there today.⁶⁵

Turkey also appears to be the home of two leading Hamas financiers. According to a Kuwaiti newspaper, Bakri Hanifa plays a significant role in an ongoing financial operation to move tens of millions of dollars to Turkey from Qatar. From Turkey, the funds are reportedly then sent on to Hamas' political and military wings.⁶⁶

Another key financial figure for Hamas in Turkey appears to be Maher Ubeid. A 2011 report by the Palestine Press News Agency, a website affiliated with the ruling Fatah faction, alleges that Ubeid is a Hamas financial operative who receives funds from Turkish official sources and transfers them to Hamas in Gaza via Turkish money changers.⁶⁷

Finally, there are indications that Turkey has been assisting jihadists in Libya since 2013. Greek and Egyptian authorities have snared some weapons shipments,⁶⁸ while Libyan authorities have

⁶⁰ U.S. Department of the Treasury, Press Release, "Treasury Designates the Union of Good," November 12, 2008. (<http://www.treasury.gov/press-center/press-releases/Pages/hp1267.aspx>)

⁶¹ Alex Fishman, "Leaving Prison, Returning to Terror," *Ynet News* (Israel), October 21, 2013. (www.ynetnews.com/articles/0,7340,L-4443522,00.html)

⁶² David Barnett, "Israel Indicts More Palestinian Terror Cells," *The Long War Journal*, April 18, 2013; (www.longwarjournal.org/threat-matrix/archives/2013/04/israel_indicts_more_palestina.php) Yoav Limor, "'There Is No Intifada'," *Israel Hayom*, January 10, 2014. (www.israelhayom.com/site/newsletter_article.php?id=14651); Jihan al-Husseini, "هنية في القاهرة اليوم وابو مرزوق مسؤول الاعلام," *Al Hayat* (U.K.), April 23, 2013.

(<http://alhayat.com/Details/506404>); "מעורבות פעיל ששוחרר בעסקת שליט בכהונת טרור," *Shin Bet Website* (Israel), accessed April 16, 2015. (<http://www.shabak.gov.il/publications/publications/Pages/shotef170413.aspx>)

⁶³ "Israel Says it Foiled Hamas Plan for Massive Attacks on Israel, Coup Against PA," *Times of Israel* (Israel), August 18, 2014. (www.timesofisrael.com/israel-says-it-foiled-hamas-plan-for-coup-against-pa-in-west-bank/)

⁶⁴ Jonathan Schanzer & Michael Argosh, "Lying Down with Dogs," *Foreign Policy*, August 20, 2014. (http://www.foreignpolicy.com/articles/2014/08/20/turkey_hamas_palestine_erdogan_abbas_israel)

⁶⁵ Jonathan Schanzer & Grant Rumley, "Hamas's Main Man From Turkey to Tehran," *Foreign Policy*, December 8, 2014. (<http://foreignpolicy.com/2014/12/08/hamas-main-man-from-turkey-to-tehran-imad-al-alami-iran/>)

⁶⁶ "معارضون لأردوغان يطلعون جهات غربية على النشاط المشبوه لحماس," *Al Seyassah* (Kuwait), September 14, 2014. (<http://al-seyassah.com/عمل-غربي-ية-جهات-يطعون-لأردوغان-معارضون-ضمن-النشاط-المشبوه-لحماس>)

⁶⁷ Adnan al-Tamimi, "موقف الدوحة من دماس وفلسطين لن يتغير حتى لو غادر مشعل الى تركيا," *The New Khalij* (UAE), January 18, 2015. (<http://www.thenewkhalij.com/ar/node/8711>)

⁶⁸ Yorgo Kirbaki, "O Gemi AB Yasağına Takıldı," *Hurriyet* (Turkey), January 31, 2013. (<http://www.hurriyet.com.tr/planet/22481275.asp>); "20 Bin Kalaşnikof Taşıyan Geminin Kaptanı Türk Çıktı," *T24*

stopped others.⁶⁹ In February, Libya's internationally recognized Prime Minister Abdullah al-Thinni directly accused Turkey of having sent weapons to the Islamist rebels.⁷⁰ Most recently, a U.N. report found that Turkish firms were among the international companies violating the international arms embargo on Libya and shipping weapons to anti-government factions.⁷¹

As my colleague Thomas Joscelyn noted, Turkey also appears to be providing shelter to Libya's jihadists. In January, a leader of the al-Qaeda affiliate Ansar al-Sharia Libya died at a Turkish hospital due to injuries sustained in battles in Benghazi.⁷²

Saudi Arabia

The Kingdom of Saudi Arabia is often described as a “moderate” Arab state, but this term fails to address several issues. Saudi Arabia is the number one exporter of an ascetic and virulent strain of Islam known as “Wahhabism” that has engendered hatred toward other religions and sparked religiously inspired violence. From 1973 to 2002, the Saudi government spent tens of billions of dollars on Islamic institutions and activities in the non-Muslim world alone, which fueled the construction of more than 1,500 mosques, 150 Islamic centers, 200 Muslim colleges, and 2,000 Islamic schools—all dedicated to teaching Wahhabism.⁷³

The Saudi-U.S. relationship came under severe strain after September 11, 2001, as Americans learned that 15 of the 19 hijackers were Saudis and followers of Saudi-born Osama bin Laden. Numerous Islamic institutions in the U.S. came under heavy scrutiny. Of the nearly 50 that were raided, shut down, or had their assets frozen because of terrorist activities, most were controlled or funded by Saudis. These institutions included: the Muslim World League, the World Assembly of Muslim Youth, SAAR Foundation, the International Institute of Islamic Thought, and the School of Islamic and Social Sciences.⁷⁴ Under fire, the Saudis took tentative steps to

(Turkey), November 10, 2013. (<http://t24.com.tr/haber/20-bin-kalashnikov-tasiyan-geminin-kaptani-turk-cikti.243671>); “حية وذخيرة أسلحة تحمل تركيا من قادمة حاويات 4 ضبط: الجمارك,” *Al Youm Al-Saabe'* (Egypt), December 28, 2014. (www.youm7.com/story/2013/12/28/الجمارك-4-ضبط-الجمارك-حياة-ذخيرة-أسلحة-تحمل-تركيا-من-قادمة-حاويات-4)

⁶⁹ Qaasemi al-Jum'i, “درنة في للتكفيريين تركية أسلحة شحنه تصف ليبية طائرات,” *Al Arab* (U.K.), August 13, 2014.

(<http://www.alarab.co.uk/?id=30302>); Ahmad Mu'amar, “ليبيا في مصرارة الى تركيا من قادمة بالاسلحة محملة سفينة ضبط,” *Sada Al-Balad* (Egypt), December 28, 2014. (<http://www.el-balad.com/1313911>)

⁷⁰ Ahmed Tolba & Ayman al-Warfalli, “Libyan PM Says Turkey Supplying Weapons to Rival Tripoli Group,” *Reuters*, February 27, 2015. (<http://www.reuters.com/article/2015/02/27/us-libya-security-turkey-idUSKBN0LV1S120150227>)

⁷¹ Benoit Faucon, “U.N. Warns Arms Bound for Libya Pose Terror Risk,” *The Wall Street Journal*, March 1, 2015. (http://www.wsj.com/articles/u-n-warns-arms-bound-for-libya-pose-terror-risk-1425246008?mod=rss_middle_east_news); John Pearson, “Libyan Arms Embargo ‘Almost Nonexistent’, Says UN,” *The National* (UAE), March 2, 2015. (<http://www.thenational.ae/world/middle-east/libyan-arms-embargo-almost-nonexistent-says-un>)

⁷² Thomas Joscelyn, “Libyan Ansar al-Sharia Leader Gets Medical Treatment in Turkey,” *FDD Policy Brief*, January 28, 2015. (<http://www.defenddemocracy.org/media-hit/thomas-joscelyn-libyan-ansar-al-sharia-leader-gets-medical-treatment-in-turkey/>)

⁷³ Alexander Alexiev, “The Wages of Extremism: Radical Islam's Threat to the West and the Muslim World,” *Hudson Institute*, March 2011, page 44. (<http://www.hudson.org/content/researchattachments/attachment/875/aalexievwagesofextremism032011.pdf>)

⁷⁴ Alex Alexiev, “The End of an Alliance,” *National Review*, November 26, 2002. (accessed via Nexis)

stem the flow of funds, although several of these organizations continue to operate out of the Kingdom with varying degrees of government sponsorship.⁷⁵

As late as 2007, then-Undersecretary of the Treasury for Terrorism and Financial Intelligence Stuart Levey said, “If I could somehow snap my fingers and cut off the funding from one country, it would be Saudi Arabia.”⁷⁶ In 2009, a memo signed by then-Secretary of State Hillary Clinton stated, “Donors in Saudi Arabia constitute the most significant source of funding to Sunni terrorist groups worldwide.”⁷⁷

Treasury Department officials indicate that U.S.-Saudi cooperation on terror finance has improved in recent years,⁷⁸ but considerable funds continue to flow from Saudi coffers to jihadist organizations. In 2010, coalition and Afghan forces arrested a Haqqani Network weapons facilitator boarding an airplane destined for Saudi Arabia.⁷⁹ In 2011, the Pakistani newspaper *Dawn* reported that nearly \$100 million in annual financial support to radical clerics originated in Saudi Arabia and the UAE. Families with multiple children and severe financial difficulties were targeted for recruitment. Parents received cash payments averaging \$6,500 if their child was chosen for a “martyrdom operation.”⁸⁰

Saudi Arabia published its first terror finance blacklist in 2014. However, as my colleague David Andrew Weinberg noted at the time, the list was highly politicized with a focus on the rival Muslim Brotherhood movement, and the process lacked rigorous standards.⁸¹ In the meantime, the Saudis have moved against some charities, such as the Pakistani branch of Kuwait’s Revival of the Islamic Heritage Society (RIHS), which the U.S. sanctioned in 2008 for funding al-Qaeda. However, Riyadh has inexplicably failed to target all of the charity’s offices—the regime today continues to provide state perks to clerics who openly fundraised for RIHS.⁸²

Kuwait

⁷⁵ U.S. Government Accountability Office, “Combating Terrorism: U.S. Agencies Report Progress Countering Terrorism and Its Financing in Saudi Arabia, but Continued Focus on Counter Terrorism Financing Efforts Needed,” September 2009, page 9. (www.gao.gov/new.items/d09883.pdf)

⁷⁶ Brian Ross, “U.S.: Saudis Still Filling Al Qaeda’s Coiffers,” *ABC News*, September 11, 2007. (<http://abcnews.go.com/blogs/headlines/2007/09/us-saudis-still/>)

⁷⁷ Declan Walsh, “WikiLeaks Cables Portray Saudi Arabia as Cash Machine for Terrorists,” *The Guardian* (U.K.), December 5, 2010. (<http://www.theguardian.com/world/2010/dec/05/wikileaks-cables-saudi-terrorist-funding>)

⁷⁸ Jonathan Schanzer, “Saudi Arabia’s Terror Finance Problem,” *The Weekly Standard*, September 7, 2011. (www.weeklystandard.com/blogs/saudi-arabia-s-terror-finance-problem_592744.html)

⁷⁹ Bill Roggio, “Haqqani Network Facilitator Arrested on Plane Bound for Saudi Arabia,” *The Long War Journal*, November 9, 2010. (http://www.longwarjournal.org/archives/2010/11/haqqani_network_faci.php)

⁸⁰ Qurat ul ain Siddiqui, “Saudi Arabia, UAE Financing Extremism in South Punjab,” *Dawn* (Pakistan), May 22, 2011. (www.dawn.com/2011/05/22/saudi-arabia-uae-financing-extremism-in-south-punjab.html)

⁸¹ David Andrew Weinberg, “Saudi Arabia Moves Against the Muslim Brotherhood,” *FDD Policy Brief*, March 7, 2014. (<http://defenddemocracy.org/media-hit/saudi-arabia-moves-against-the-muslim-brotherhood/>)

⁸² David Andrew Weinberg, “Saudi Steps on Terror Finance Fall Short,” *FDD Policy Brief*, April 16, 2015. (<http://defenddemocracy.org/media-hit/david-weinberg-saudi-steps-on-terror-finance-fall-short/>)

“Our ally Kuwait has become the epicenter of fundraising for terrorist groups in Syria.”⁸³ So said David Cohen, then-undersecretary for terrorism and financial intelligence at the Treasury Department and now deputy director of the CIA, just last year. Kuwait remains a country of considerable concern, although it is difficult to know whether these funds from deep-pocketed donors are flowing with or without the approval of the Kuwaiti government.

My colleague David Andrew Weinberg broke the story last year that Kuwait’s appointed Minister of Justice and Islamic Affairs, Nayef al-Ajmi, was involved in no fewer than three different networks that were funding jihadists in Syria.⁸⁴ Treasury ultimately called out al-Ajmi and the Kuwaitis, and al-Ajmi resigned.⁸⁵

Even after this incident, the Kuwaitis were not terribly concerned by the presence of terror financiers on their soil. After the United States and the U.N. sanctioned Sunni cleric Hajjaj al-Ajmi for funding jihadists in Syria and Iraq, Kuwaiti authorities picked him up at the airport from Qatar, but quickly released him without charges. Shafi al-Ajmi, another designated cleric and fundraiser, was also picked up and then released shortly thereafter.⁸⁶

I should also note briefly that Hakim al-Mutairi, the head of Kuwait’s Ummah Party, has been described as a leader of Hajjaj al-Ajmi’s fundraising commission.⁸⁷ He reportedly provided seed funding for the creation of one of the most radical groups on the battlefield, Ahrar al-Sham in Syria, which operates in close cooperation with al-Qaeda and was co-founded by bin Laden’s onetime courier.⁸⁸ Mutairi could be a person of interest for this Task Force moving forward.

Qatar

No discussion of Gulf-based terror finance would be complete without attention to Qatari activities. Qatar supports a range of jihadi actors across the Middle East. This is something that

⁸³ David Cohen, “Confronting New Threats in Terrorist Financing,” *Remarks before the Center for a New American Security*, March 4, 2014. (www.treasury.gov/press-center/press-releases/Pages/jl2308.aspx)

⁸⁴ David Andrew Weinberg, “New Kuwaiti Justice Minister Has Deep Extremist Ties,” *The National Interest*, January 16, 2014. (<http://nationalinterest.org/commentary/new-kuwaiti-justice-minister-has-deep-extremist-ties-9719>)

⁸⁵ David Andrew Weinberg, “Controversial Kuwaiti Minister Offers to Step Down,” *FDD Policy Brief*, March 30, 2014. (<http://www.defenddemocracy.org/media-hit/david-weinberg-controversial-kuwaiti-minister-offers-to-step-down/#sthash.WAGapTL5.dpuf>)

⁸⁶ “Kuwait Releases Detained Cleric Suspected of Financing Militants,” *Reuters*, August 21, 2014. (<http://www.reuters.com/article/2014/08/21/us-syria-crisis-kuwait-cleric-idUSKBN0GL1X120140821>)

⁸⁷ Elizabeth Dickinson, “Playing with Fire: Why Private Gulf Financing for Syria’s Extremist Rebels Risks Igniting Sectarian Conflict at Home,” *Brookings Institution*, December 2013, page 9. ([http://www.brookings.edu/~media/research/files/papers/2013/12/06%20private%20gulf%20financing%20syria%20extremist%20rebels%20sectarian%20conflict%20dickinson/private%20gulf%20financing%20syria%20extremist%20rebels%20sectarian%20conflict%20dickinson/private%20gulf%20financing%20syria%20extremist%20rebels%20sectarian%20conflict%20dickinson.pdf](http://www.brookings.edu/~media/research/files/papers/2013/12/06%20private%20gulf%20financing%20syria%20extremist%20rebels%20sectarian%20conflict%20dickinson/private%20gulf%20financing%20syria%20extremist%20rebels%20sectarian%20conflict%20dickinson.pdf))

⁸⁸ Joseph Braude, “The Muslim Brotherhood’s More Frightening Offshoot: While More and More Islamists Despair of Political Participation, the Ummah Party is Training Fighters for a Widespread Jihadist Campaign,” *The Atlantic*, July 15, 2013. (http://www.theatlantic.com/international/archive/2013/07/the-muslim-brotherhoods-more-frightening-offshoot/277786/?single_page=true); Joby Warrick, “Private Donations Give Edge to Islamists in Syria, Officials Say,” *The Washington Post*, September 21, 2013. (http://www.washingtonpost.com/world/national-security/private-donations-give-edge-to-islamists-in-syria-officials-say/2013/09/21/a6c783d2-2207-11e3-a358-1144dee636dd_story.html)

has been noted by a number of legislators. In December of last year, for example, Representatives Peter Roskam and Brad Sherman penned a bipartisan letter to Treasury Secretary Jack Lew, expressing their deep concern and calling for additional sanctions against terror financiers operating with impunity from Qatari territory.⁸⁹ That same month, 24 members of the House Foreign Affairs Committee signed a letter to the Secretary suggesting that Qatar and Turkey be subject to U.S. sanctions if their governments keep turning a blind eye to terror finance.⁹⁰

The Qataris are incredibly candid—almost shameless—about their support for the terrorist group Hamas. Last year, Treasury’s Undersecretary bluntly noted, “Qatar, a longtime U.S. ally, has for many years openly financed Hamas.”⁹¹ Famously, in October 2012, Qatar’s emir pledged \$400 million to Hamas projects during a high-profile visit to Gaza.⁹² His was (and is still) the only visit by a world leader to Gaza since Hamas took it over by force in 2007.

After Hamas and Fatah reached a reconciliation agreement in May 2014, Qatar pledged an additional \$60 million to help Hamas pay salaries to its Gaza employees.⁹³ In July, Doha tried to transfer the funds via Jordan’s Arab Bank. Currently battling a lawsuit on charges of facilitating financial transactions for Hamas, Arab Bank declined to process the payment, reportedly as a result of U.S. pressure.⁹⁴

Qatar is the home base of Hamas leader Khaled Meshal, who is believed to have holdings of \$2 billion or more, according to both Israeli and Arab media sources.⁹⁵ Companies registered under the names of Meshal’s wife, Amal al-Burini, and one of their daughters, are reportedly involved in real estate development projects, including a large shopping mall in Qatar.⁹⁶

⁸⁹ Rep. Peter Roskam & Rep. Brad Sherman, “Letter to Secretary of the Treasury Jack Lew,” December 10, 2014. (http://roskam.house.gov/sites/roskam.house.gov/files/RoskamSherman_Letter%20to%20SecLew%20re%20Qatar.pdf)

⁹⁰ “Ros-Lehtinen, Deutch, Poe, and Sherman Lead Bipartisan Letter to Treasury Department Seeking Action Against Hamas Supporters In Turkey and Qatar,” *Congresswoman Ileana Ros-Lehtinen*, December 9, 2014. (<http://ros-lehtinen.house.gov/press-release/ros-lehtinen-deutch-poe-and-sherman-lead-bipartisan-letter-treasury-department-seeking>)

⁹¹ David Cohen, “Confronting New Threats in Terrorist Financing,” *Remarks before the Center for a New American Security*, March 4, 2014. (www.treasury.gov/press-center/press-releases/Pages/j12308.aspx)

⁹² Jodi Rudoren, “Qatar’s Emir Visits Gaza, Pledging \$400 Million To Hamas,” *The New York Times*, October 23, 2012. (http://www.nytimes.com/2012/10/24/world/middleeast/pledging-400-million-qatari-emir-makes-historic-visit-to-gaza-strip.html?_r=0)

⁹³ Patrick Goodenough, “U.S. Selling \$11B In Weaponry To Gulf State That Supports Hamas, Syrian Jihadists,” *CNS News*, July 16, 2014. (<http://www.cnsnews.com/news/article/patrick-goodenough/us-selling-11b-weaponry-gulf-state-supports-hamas-syrian-jihadists>)

⁹⁴ Elhanan Miller, “US Blocked Qatari Funds Intended For Hamas Employees,” *The Times of Israel* (Israel), July 15, 2014. (<http://www.timesofisrael.com/us-blocked-qatari-funds-intended-for-hamas-employees/>)

⁹⁵ “הטייקונים של חמאס: האלד משעל שווה 2-5 מיליארד דולר, סגנו אבו-מרזוק שווה 2-3 מיליארד דולר,” *Globes* (Israel), July 24, 2014. (<http://www.globes.co.il/news/article.aspx?did=1000957870>); “حماس: هنية يملك اربعة مليارات.. ومشعل “, *Ra’i al-Youm* (United Kingdom), July 26, 2014. (<http://www.raialyoum.com/?p=127306>)

⁹⁶ “Hamas Leaders Worth Millions of Dollars From Allegedly Skimming Donations and Extortion: Is Anyone Surprised?” *Inquisitr*, July 18, 2014. (<http://www.inquisitr.com/1359383/hamas-leaders-worth-millions-of-dollars-from-allegedly-skimming-donations-and-extortion-is-anyone-surprised-update/>)

Izzat al-Rishq, a prominent figure from the Hamas Politburo, is based in Qatar.⁹⁷ Qatar is also believed to be hosting Talal Ibrahim Abd al-Rahman Sharim, a member of the Qassam Brigades who likely played a recent role in financing Hamas cells in the West Bank.⁹⁸ In late December, Doha briefly detained two other Hamas financiers but then inexplicably chose to let them go.⁹⁹

Hossam Badran, a Hamas Politburo spokesman, is also based in Qatar.¹⁰⁰ He is accused of directing a terrorist cell in the West Bank and transferring funds for explosives. There is also the Qatar-based operative Hisham Hejaz, who reportedly provided arms and directed a West Bank Hamas operative to carry out shootings and kidnappings against Israelis.¹⁰¹

Finally, as part of the 2011 deal for the freedom of kidnapped Israeli soldier Gilad Shalit, 15 Hamas members released from Israeli jail were deported to Qatar.¹⁰² The BBC reported in 2012 that, “all the exiles’ costs in Doha are being paid by the Qatari government.”¹⁰³

Qatar is equally accepting of JN, the al-Qaeda affiliate group fighting in Syria. Qatar has welcomed JN figures to Doha, and Qatari officials have continued to meet with the group’s leader, Abu Muhammed al-Jolani, according to sources cited by Reuters.¹⁰⁴ If the group drops its formal ties with al-Qaeda, Qatar has reportedly promised additional funding, despite the fact that JN is one of the more radical groups on the battlefield in Syria today and remains blacklisted for terrorism by both Washington and the United Nations.¹⁰⁵

In one very strange episode, the cousin of Qatar’s foreign minister was arrested in Lebanon for providing assistance to a financier of global terrorism, now known to have provided seed funding

⁹⁷ “ Hamas Backs Qatar Minister’s ‘Courage’ in Israel Spat,” *Agence France Presse* (France), February 9, 2015. (<http://www.dailymail.co.uk/wires/afp/article-2946091/Hamas-backs-Qatar-ministers-courage-Israel-spat.html>)

⁹⁸ Yonah Jeremy Bob, “Shin Bet Busts Palestinian Footballer For Meeting With Hamas Terrorist in Qatar,” *The Jerusalem Post* (Israel), June 11, 2014. (<http://www.jpost.com/Sports/Palestinian-soccer-player-admits-to-meeting-with-Hamas-operative-while-in-Qatar-356003>)

⁹⁹ Taylor Luck, “In Hamas Leader’s Exit from Qatar, Signs of Growing Saudi-Egyptian Influence,” *Christian Science Monitor*, January 26, 2015. (<http://www.csmonitor.com/World/Middle-East/2015/0126/In-Hamas-leader-s-exit-from-Qatar-signs-of-growing-Saudi-Egyptian-influence>)

¹⁰⁰ “Mideast Divisions Cloud Gaza Cease-Fire Efforts,” *Mashable*, July 19, 2014, (<http://mashable.com/2014/07/19/gaza-cease-fire-efforts/>); Maram Hussein, “All Options Are On The Table: Hamas Official,” *Qatar Tribune* (Qatar), August 6, 2014. (<http://www.qatar-tribune.com/viewnews.aspx?n=0927F2AB-E7B6-414F-BB5F-5F893B63DF98&d=20140806>)

¹⁰¹ David Barnett, “ Hamas Terrorist in Qatar Helps Hebron Terror Cell Plan Kidnappings,” *The Long War Journal*, January 31, 2013. (<http://www.longwarjournal.org/archives/2013/01/israeli-authorities-uncover-ha.php>); “Security Forces Capture Hamas Terrorist: Baker Saad, a Hamas Operative, Had Planned to Carry Out Terror Attacks Involving Shooting and Kidnapping Israelis,” *IDF Website*, June 3, 2013. (<http://www.idf.il/1283-19091-EN/Dover.aspx>)

¹⁰² “مبعودو صفقة تبادل حركة حماس وإسرائيل,” *Wafa* (Palestinian Territories), January 10, 2011. (<http://www.wafainfo.ps/atemplate.aspx?id=9155>)

¹⁰³ Michael Buchanan, “Freed Palestinian Prisoners Adapt to Qatar Exile,” *BBC* (U.K.), February 1, 2012. (<http://www.bbc.com/news/world-middle-east-16638652>)

¹⁰⁴ Mariam Karouny, “Syria’s Nusra Front May Leave Qaeda to Form New Entity,” *Reuters*, March 4, 2014. (<http://uk.reuters.com/article/2015/03/04/uk-mideast-crisis-nusra-insight-idUKKBN0M00G620150304>)

¹⁰⁵ Jay Solomon and Nour Malas, “Qatar’s Ties to Militants Strain Alliance,” *The Wall Street Journal*, February 23, 2015. (<http://www.wsj.com/articles/qatars-ties-to-militants-strain-alliance-1424748601>); Mariam Karouny, “Syria’s Nusra Front May Leave Qaeda to Form New Entity,” *Reuters*, March 4, 2014. (<http://uk.reuters.com/article/2015/03/04/uk-mideast-crisis-nusra-insight-idUKKBN0M00G620150304>)

to JN. Although he was later found guilty of terror finance by a Lebanese court, he was not present at the trial because Doha reportedly used heavy diplomatic pressure to release him from Lebanese custody. He remains a free man in Qatar today, where he has continued to fundraise for campaigns and use social media to spread propaganda for several of al-Qaeda's various branches.¹⁰⁶

In December 2009, the State Department listed Qatari cooperation on terror finance among "the worst in the region," noting that, "Al-Qaida, the Taliban, UN 1267-listed LeT [Lashkar-e-Taiba], and other terrorist groups exploit Qatar as a fundraising locale."¹⁰⁷ Two of the more prominent names to have come out of Qatar include Abdulrahman al-Nuaymi and Khalifa al-Subaiy. Nuaymi was sanctioned by the United States, European Union, and United Nations for financing numerous branches of al-Qaeda to the tune of over \$2 million per month. Reports indicate that he was an old friend of the emir and the longtime president of a state-funded think tank, the Arab Center for Research and Policy Studies, also known as the Doha Institute, which recently opened a U.S. branch.¹⁰⁸

Subaiy, for his part, was designated by the United States in 2008 for providing funds to 9/11 planner Khaled Sheikh Mohammed and other senior al-Qaeda operatives in Pakistan. Qatar chose to let him out of detention without filing lasting charges, promising to keep him "under control." Yet, Treasury revealed last year that in 2012 Subaiy had resumed sending hundreds of millions of dollars to al-Qaeda's core leadership in Pakistan.¹⁰⁹

Finally, the Qataris this January embraced former al-Qaeda sleeper agent Ali al-Marri as a returning hero, even throwing a dance party for him with people waving swords. Marri apparently received a phone call upon his return from the country's prime minister. Doha also previously failed to report on the cross-border movements of Ali's brother Jarallah, whose Guantanamo files suggest he was involved in terror finance.¹¹⁰

A Note About Egypt

Mr. Chairman, it is important to briefly note here that all of the countries analyzed to this point, apart from Iran, are widely regarded in this town as allies of the United States. But it is clear from our review of their terror finance track records that their policies suggest otherwise.

Egypt, meanwhile, has been doing more to combat Hamas finance than anyone might have expected, and this is happening despite the fact that the U.S.-Egypt relationship has been under considerable strain since President Abdel Fattah al-Sisi took power.

¹⁰⁶ Andrew Gilligan, "Minister's Family Ties to Terror," *The Telegraph* (U.K.), November 1, 2014.

(<http://www.telegraph.co.uk/news/worldnews/middleeast/qatar/11203140/Ministers-family-ties-to-terror.html>)

¹⁰⁷ "US Fears on Taliban Cash Revealed," *Al-Jazeera* (Qatar), December 6, 2010.

(<http://www.aljazeera.com/news/middleeast/2010/12/20101251936167112.html>)

¹⁰⁸ David Andrew Weinberg, "Qatar Terror Finance. Part I: Negligence," *Foundation for Defense of Democracies, Center on Sanctions and Illicit Finance*, December 2014. (<http://www.defenddemocracy.org/media-hit/qatar-and-terror-finance-part-1/>)

¹⁰⁹ Ibid.

¹¹⁰ David Andrew Weinberg, "Former al Qaeda Operative Freed, Sent Home to Qatar," *The Long War Journal*, January 20, 2015. (http://www.longwarjournal.org/archives/2015/01/former_al_qaeda_oper.php)

Subterranean tunnels connecting the Hamas-controlled Gaza Strip to Egypt's Sinai Peninsula have, for the last decade, been central to Hamas' ability to smuggle cash into Gaza, and to generate funds from taxing the Gaza population. The tunnels were first created as a means to smuggle rockets and other weapons into the coastal enclave, but after Israel imposed a blockade as a result of Hamas' takeover in 2007, the tunnels became a key artery for the importation of a wide range of goods. According to one estimate, Hamas, as Gaza's de facto rulers, collects as much as \$365 million in taxes each year from the tunnel trade.¹¹¹

To operate these tunnels, Hamas required cooperation from Egypt. While the tunnels yielded significant gains for Hamas under Hosni Mubarak, after Mohammed Morsi came to power in 2012, the financial benefits increased significantly. According to one report, the Hamas budget doubled from \$428 million in 2009 to \$897 million in 2013.¹¹²

While Hamas' system of taxation is still intact—Hamas reportedly raised taxes on Gazans after the 2014 war with Israel¹¹³—the downfall of the Muslim Brotherhood government in 2013 delivered a blow to Hamas' financial fortunes. The government of President al-Sisi has also destroyed an estimated 2,000 subterranean smuggling tunnels connecting Egypt to Gaza.¹¹⁴ The importance of the destruction of the tunnels cannot be emphasized enough. In addition to the drop in tax revenue, the crackdown has made bulk cash smuggling—the primary way Hamas' bank accounts can be replenished—exceedingly difficult.

Ala al-Rafati, the Hamas economy minister, told Reuters in 2013 that the anti-tunnel operations cost Hamas \$230 million—about one-tenth of Gaza's GDP.¹¹⁵ And that was before another estimated 900 tunnels were destroyed. It was also before Egypt began establishing a large buffer zone on the Gaza border to prevent further smuggling.¹¹⁶

In short, while Egypt still must make improvements in the areas of press freedom, human rights, and judicial independence, Cairo has done outstanding work to inhibit the flow of funds to Hamas. Egypt should be acknowledged accordingly.

Recommendations

Mr. Chairman, the road ahead will be challenging, but I offer a handful of concrete steps that can be taken to step up the fight against terrorist financing.

¹¹¹ David Lev, "IDF: Hamas Makes A Million A Day In 'Taxes' On Smuggled Goods," *Arutz Sheva* (Israel), February 11, 2013. (http://www.israelnationalnews.com/News/News.aspx/165125#.VANpC_mwJgl)

¹¹² Omar Shaban, "Hamas Budget Shows Another Tough Year Ahead for Gaza," *Al Monitor*, March 17, 2014. (<http://www.al-monitor.com/pulse/originals/2014/03/hamas-gaza-budget-economy-finance-blockade.html>)

¹¹³ "Gazans Furious After Hamas Raises Taxes," *The Tower*, December 18, 2014. (<http://www.thetower.org/1405-gazans-furious-after-hamas-raises-taxes/>)

¹¹⁴ "Egyptian Army Destroys Over 1,700 Tunnels on its Border With Gaza," *Middle East Monitor*, June 24, 2014. (<https://www.middleeastmonitor.com/news/africa/12338-egyptian-army-destroys-over-1700-tunnels-on-its-border-with-gaza>) Many more tunnels have been destroyed over the last 10 months.

¹¹⁵ Nidal al-Mughrabi, "Hamas Reeling From Egyptian Crackdown On Gaza Tunnels," *Aswat Masriya* (Egypt), July 21, 2013. (<http://en.aswatmasriya.com/news/view.aspx?id=2c404781-4e17-412e-8e03-7e2804bf7417>)

¹¹⁶ "Egypt to Deepen Buffer Zone with Gaza After Finding Longer Tunnels," *Reuters*, November 17, 2014. (<http://www.reuters.com/article/2014/11/17/us-egypt-sinai-buffer-idUSKCN0J11M920141117>)

1. Executive orders and targeted financial sanctions must continue to help the local and regional governments fight the criminal networks that benefit global financiers of terrorism. The U.S. Treasury's efforts may not lead to lightning victories, but they will nevertheless serve an important role in the naming and shaming of illicit actors. Congress should work closely with the Treasury to ensure that priorities and targets accurately reflect our national security needs. Strong bilateral and multilateral cooperation is also important to preventing these criminal networks from expanding.
2. Congressional oversight on the Iran deal and the remaining sanctions architecture after a nuclear deal is reached will be crucial to stemming the flow of Iranian illicit finance. The enforcement of existing executive orders, and the creation of new ones when appropriate, will be vital to curbing Iranian support for terrorism.¹¹⁷
3. The Gulf Arab states, despite good cooperation in some areas, must come under considerable pressure from Congress if their financial support for terrorist groups is to stop. Multiple presidential administrations have consistently failed to fully address this problem. Greater coordination with these states in the fight against Iranian proxies could be an inducement. Targeted financial sanctions against individuals and entities should be the punishment if they do not cooperate. We might even consider moving military assets out of countries where terror finance is not being addressed sufficiently.
4. Washington must challenge Turkey on its wide-ranging support for illicit actors. Economic pressure, a review of military cooperation, or even a review of its status as a NATO member could be used to alter Ankara's behavior.
5. Congress can privately threaten and then publicly seek the extradition of designated terror financiers from any host governments that refuse to file even the most basic legal charges against them. Congress can play a pivotal role in this regard by recommending or even legislating the provisions for seeking such extraditions as a standard option for U.S. policy.
6. Support for Egypt's operations to cut off the flow of finance to Hamas and other jihadist groups will be necessary to ensure that this effort continues. This should not come at the expense of efforts to encourage political reform in Egypt. But Cairo deserves credit and support for the good work it has done to date.

Conclusion

Mr. Chairman, there are many other challenges on the terrorism financing front that I did not have time to address today. If I have missed anything you wish to discuss, I am happy to answer your questions.

On behalf of the Foundation for Defense of Democracies, I thank you again for inviting me here today.

¹¹⁷ Jonathan Schanzer, "How to Keep the Financial Pressure on Iran and Its Proxies," *The Huffington Post*, April 13, 2015. (http://www.huffingtonpost.com/jonathan-schanzer/how-to-keep-the-financial-pressure-on-iran-and-its-proxies_b_7034218.html)