



U.S. Counter-Terror Financing Policy in the Middle East: The Levant as a Case Study

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ABSTRACT

This essay will examine the United States' counter-terrorist financing policy in the Middle East. The cases of Hezbollah, Hamas, and Islamic State are used to present a history of the evolution of U.S. counter-terror financing policy, as well as where it stands today, and where it is going in the future.

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* The views expressed in this publication are solely those of the author(s) and do not necessarily reflect the views of the International Institute for Counter-Terrorism (ICT).

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Introduction:

An important pillar of the United States' foreign policy is to target terrorist organizations and their ability to successfully operate and destabilize international politics. In particular, the paper will look at U.S. counter-terror policy aimed at targeting Hezbollah, Hamas, and the Islamic State¹ and their ability to finance their operations. These three unique case studies represent three very different terrorist organizations that are also governing actors. Each case study will begin with the designation of Hezbollah, Hamas, and the Islamic State as Foreign Terrorist Organizations², and examine the evolution of U.S. policy towards their financing capabilities. The paper will conclude by addressing where these policies might go in the future.

An Overview of U.S. Counter-Terror Finance Policy

The principal arm of the U.S. government working to counter radical Islamic terrorist organizations and radical Islamic ideology in the Middle East is the U.S. Department of State. The U.S. Department of State is at the forefront of the U.S. Middle Eastern policy aimed at “countering violent extremism.” Countering violent extremism, or CVE, “refers to proactive actions to counter efforts by violent extremists to radicalize, recruit, and mobilize followers to violence and to address specific factors that facilitate violent extremist recruitment and radicalization to violence”³.

In August 2011, the Obama Administration announced its official CVE policy, aimed at “empowering local partners”⁴. While the CVE policy was aimed at those living in the United States, in May 2016, the U.S. Department of State and USAID announced a joint program to counter violent extremism abroad, through a “proactive international strategy recognizing immediate needs, utilizing our strengths, and demonstrating our will to comprehensively address the challenge of

¹ The Islamic State also is referred to by the names: IS, the Islamic State in Iraq and Syria, ISIS, the Islamic State in Iraq and the Levant, ISIL, and Daesh.

² According to the U.S. Department of State “Foreign Terrorist Organizations (FTOs) are foreign organizations that are designated by the Secretary of State in accordance with section 219 of the Immigration and Nationality Act (INA), as amended. FTO designations play a critical role in our fight against terrorism and are an effective means of curtailing support for terrorist activities and pressuring groups to get out of the terrorism business.” <http://www.state.gov/j/ct/rls/other/des/123085.htm>

³ See Department of State & USAID, (May 2016)

<http://www.state.gov/documents/organization/257913.pdf>

⁴ See The White House, (May 2010) Empowering Local Partners to Prevent Violent Extremism in the United States https://www.whitehouse.gov/sites/default/files/empowering_local_partners.pdf

violent extremism, including the root causes”⁵. This project built on the February 2015 White House CVE Summit⁶, which included representatives from over 60 countries, as well as the September 2015 Leaders’ Summit to Counter ISIS and Violent Extremism⁷. Furthermore, this builds on the USAID policy from 2001, where “in recognition of the importance of identifying and addressing the root causes of extremism, the Agency issued *The Development Response to Violent Extremism and Insurgency* policy”⁸.

Organizations involved in the U.S. counter-financing policy include the Department of State, the Internal Revenue Service, the Department of the Treasury, the Department of Justice, the Department of Homeland Security, financial institutional regulators, the United States Congress, as well as international bodies such as the United Nations, the International Monetary Fund (IMF), the Egmont Group, and the Financial Action Task Force (FATF).

The main international body involved in countering terrorism financing is the United Nations. U.N. Security Council Resolution 1267, adopted in 1999, established the Al-Qaeda Sanctions Committee. Today, the Al-Qaeda Sanctions Committee has been renamed the “ISIL (Da’esh) and Al-Qaeda Sanctions Committee” and targets all Al-Qaeda affiliate organizations as well as the Islamic State⁹. In 2001, the U.N., with Resolution 1373, created the Counter-Terrorism Committee (CTC), which was aimed at helping countries to develop their counter-terrorism capabilities. In 2004 this was further expanded with the creation of the Counter-Terrorism Committee Executive Directorate (CTED), where direct help was offered to member states¹⁰.

Other international bodies of which the U.S. is part of include: the FATF, the Egmont Group of financial intelligence units, and the International Monetary Fund (IMF). Together, these bodies represent international agreements to which the U.S. government is a party, and which play a role in determining its counter-financing policy.

⁵ See Department of State & USAID, (May 2016)

<http://www.state.gov/documents/organization/257913.pdf>

⁶ See The White House (February 18, 2015) FACT SHEET: The White House Summit on Countering Violent Extremism

<https://www.whitehouse.gov/the-press-office/2015/02/18/fact-sheet-white-house-summit-countering-violent-extremism>

⁷ See The White House (September 29, 2015) Leaders’ Summit on Countering ISIL and Violent Extremism

<https://www.whitehouse.gov/the-press-office/2015/09/29/leaders-summit-countering-isil-and-violent-extremism>

⁸ See USAID, Countering Violent Extremism <https://www.usaid.gov/countering-violent-extremism>

⁹ See United Nations Security Council, Sanctions List Material, ISIL (Da’esh) & Al-Qaeda Sanctions List

https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list

¹⁰ See United Nations Counter-Terrorism Committee <http://www.un.org/en/sc/ctc/aboutus.html>

Laws relating to the United States' counter-financing policy evolved out of crime and money laundering legislation, and became more focused on terrorist fundraising after the 9/11 attacks. Legislation enacted in the 1970s, such as the Bank Secrecy Act (1970)¹¹ and the International Emergency Economic Powers Act (1977)¹², are still used today as a means to counter terrorist financing. Much of the legislation in the late 1980s and early 1990s targeted money laundering, including: the Money Laundering Control Act (1986)¹³, the Annunzio-Wylie Anti-Money Laundering Act (1992)¹⁴, the Money Laundering Suppression Act (1994)¹⁵, and the Money Laundering and Financial Crimes Strategy (1998)¹⁶.

After 9/11, the U.S. began to adopt more terrorism specific legislation, including Title III of the U.S. Patriot Act (2001)¹⁷ and the Intelligence Reform and Terrorism Prevention Act (2004)¹⁸. The most recent piece of legislation regarding counter-terrorism financing is the Justice Against Sponsors of Terrorism Act (2016)¹⁹. Interestingly, after the bill was passed by Congress it was vetoed by President Barack Obama on September 23, 2016, only for the U.S. Congress to vote to override the veto with a 2/3 majority on September 29, 2016, making it the first override of a presidential veto in President Obama's two terms²⁰.

The U.S. Department of State, the U.S. Department of the Treasury, and the U.S. Department of Justice work together in order to designate Foreign Terrorist Organizations. The list, which is constantly updated, gives the U.S. government powers to fight the financing of organizations deemed as terrorist organizations.

¹¹ Required banks to gather information and pass it on to federal officials, such as cash purchases of more than \$10,000. *See* Bank Secrecy Act <https://www.irs.gov/businesses/small-businesses-self-employed/bank-secrecy-act>

¹² Allowed the President to declare a 'state of national emergency' in response to any threat to the United States which has a foreign source. *See* 50 U.S. Code Chapter 35 – International Emergency Economic Powers <https://www.law.cornell.edu/uscode/text/50/chapter-35>

¹³ For the first time, criminalized money laundering. *See* Money Laundering Control Act of 1986 https://www.ffiec.gov/bsa_aml_infobase/documents/regulations/ML_Control_1986.pdf

¹⁴ *See* Annunzio-Wylie Anti-Money Laundering Act https://www.ffiec.gov/bsa_aml_infobase/documents/regulations/annunzio_wylie.pdf

¹⁵ *See* Money Laundering Suppression Act of 1994 https://www.ffiec.gov/bsa_aml_infobase/documents/regulations/ML_Suppression_1994.pdf

¹⁶ *See* Money Laundering and Financial Crimes Strategy <https://www.gpo.gov/fdsys/pkg/PLAW-105publ310/content-detail.html>

¹⁷ Made providing material support to a foreign terrorist organization an offense for money laundering prosecution, banned shell bank accounts, and required financial institutions to establish procedures to "KNOW THE CLIENT".

¹⁸ *See* Intelligence Reform and Terrorism Prevention Act https://www.nctc.gov/docs/pl108_458.pdf

¹⁹ *See* Justice Against Sponsors of Terrorism Act <https://www.congress.gov/bill/114th-congress/senate-bill/2040>

²⁰ Steinhaur, Mazzetti and Davis (September 28, 2016) "Congress Votes to Override Obama Veto on 9/11 Victims Bill", New York Times http://www.nytimes.com/2016/09/29/us/politics/senate-votes-to-override-obama-veto-on-9-11-victims-bill.html?_r=1

Hamas (since 1997), Hezbollah (since 1997), Al-Qaeda (since 1999), and the Islamic State (since 2004), are all listed as Foreign Terrorist Organizations²¹.

Further, the U.S. Department of the Treasury maintains a list of specially designated nationals. Under Executive Order 13224, individuals placed on the list are barred from accessing assets and Americans are generally prohibited from doing business with them. The Department of the Treasury also maintains a list entitled “Protecting Charitable Organizations”, by designating charities associated with terrorism²². The Department of Justice is the main body responsible for overseeing the investigation and prosecution of terror financing offenses at the federal level²³.

In addition to international regulatory bodies, laws passed by the U.S. Congress, as well as designation lists created by the U.S. Department of State and U.S. Department of the Treasury, the U.S. regulates its banking system through financial institution regulators. Financial institution regulators focus on specific aspects of the U.S. economy. For example, the Federal Reserve System, the Securities and Exchange Commission, and the national Credit Union Administration to name a few. Furthermore, each state in the U.S. has its own banking authority²⁴. These regulations and laws apply to American banks relationship with other banks in the U.S. as well as with international banks.

This paper will now look at three important case studies to see how U.S. policy addresses terrorist organizations and their financing capabilities. In analyzing the cases of Hezbollah, Hamas, and the Islamic State this paper will look at three different terrorist organizations who are also governing actors, and at all aspects of U.S. policy, from banking to crime to international regulatory bodies.

²¹ See U.S. Department of State, Foreign Terrorist Organizations List
<http://www.state.gov/j/ct/rls/other/des/123085.htm>

²² See U.S. Department of the Treasury, Protecting Charitable Organizations
https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-a.aspx

²³ See Department of the Treasury, National Terrorist Financing Risk Assessment 2015
<https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Terrorist%20Financing%20Risk%20Assessment%20%E2%80%93%2006-12-2015.pdf>

²⁴ Murphy, Edward (January 30, 2015) “Who Regulates Whom and How”, Congressional Research Services <https://www.fas.org/sgp/crs/misc/R43087.pdf>

Hezbollah:

Founded in 1982 in Lebanon, Hezbollah is a radical Shiite Muslim terrorist organization created with the support of Iran²⁵. Led by Hasan Nasrallah since 1992, Hezbollah directs most of its attacks against Israel and the United States²⁶. Hezbollah's financing capabilities stretch across the world, with active cells in the Tri-Border Area of South America, Africa²⁷, Europe²⁸, and the United States²⁹. With the rise of the Islamic State and the Syrian Civil War, Hezbollah has been pulled into the fighting in Syria, fighting alongside other Shiite actors in support of the Assad³⁰ Regime³¹.

The United States' greatest allies against Hezbollah in the Middle East are Israel and Lebanon itself. U.S. counter-terrorism and counter-ideology policy against Hezbollah is exemplified in direct operations against Hezbollah in the United States, as well as working with Israel and Lebanon to counter Hezbollah's financing abilities.

Unfortunately, Lebanon, where Hezbollah holds sway, "does not have a comprehensive counterterrorism law, but several articles of Lebanon's criminal code (1943) are used to prosecute acts of terrorism"³². Furthermore, "Implementation of these articles has at times been hindered by Lebanon's complex confessional political system ... and also by [Hezbollah] restricting access to attack sites that were within areas under its control"³³. In other words, Hezbollah's participation in the Lebanese government itself stymies U.S. counter-terrorism policy in the region.

²⁵ See U.S. Department of the Treasury, Foreign Terrorist Organizations, Chapter 8 <http://www.state.gov/documents/organization/65479.pdf> (page 197)

²⁶ See U.S. Department of the Treasury, Foreign Terrorist Organizations, Chapter 8 <http://www.state.gov/documents/organization/65479.pdf> (page 198)

²⁷ See FATF (October 2013) "Financing Terrorism in West Africa" <http://www.fatf-gafi.org/media/fatf/documents/reports/tf-in-west-africa.pdf>

²⁸ Stuster, Diana (February 2, 2016) "US Arrests Hezbollah Agents in Europe", Foreign Policy <http://foreignpolicy.com/2016/02/02/u-s-arrests-hezbollah-agents-in-europe/>

²⁹ See Bureau of Alcohol, Tobacco, Firearm and Explosives, Operation Smokescreen <https://www.atf.gov/our-history/operation-smokescreen>

³⁰ The Assad Regime is Alawite, an offshoot of Shiite Islam.

³¹ Trofimov, Yaroslav (August 18, 2016) "Hezbollah's Conundrum: Fighting Other Jihadists, Not Israel", Wall Street Journal <http://www.wsj.com/articles/hezbollahs-syria-gambit-strains-local-allegiances-1471512601>

³² See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

³³ See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

Since the 2006 Israel-Lebanon War, the U.S. has taken a number of steps to try and encourage Lebanon to counter Hezbollah's activities, both inside and outside the country. According to the Washington Institute, the U.S. has done so by, 1) Supporting the March 14 coalition, 2) giving money to both security and civilian assistance programs, and 3) designating more Hezbollah members as Specially Designated Nationals (SDN)³⁴.

However, since 1992 Hezbollah has taken part in the Lebanese government. To further add to this confounding situation, Lebanon has not had a fully functioning government for over a year. Much of the dysfunction in Lebanon has evolved out of the country's complex political system of religious balancing and the 1943 National Pact, which among other things allocated positions in government to certain members of religious groups; the Prime Minister must be a Sunni Muslim, the Speaker of Parliament a Shiite Muslim, and the President a Maronite Christian³⁵. The agreements made in the 1943 National Pact were amended by the Taif Agreement of 1989, which ended the Lebanese Civil War³⁶.

For the last two years, Lebanon has not had an elected President³⁷, further destabilizing the country and its ability to carry out counter-terror operations. This situation has recently changed, as on October 31, 2016, Michal Aoun was elected President of Lebanon³⁸. The election of President Aoun, was fully supported by Hezbollah, and as such is unlikely to change the status quo in the country.

Moreover, since Hezbollah entered the Syrian conflict in 2011, its status in the Arab world has taken a real hit. The conflict, which has heightened the Sunni-Shiite divide in the Arab world, has pitted Shiite Hezbollah against both Sunni states and Sunni jihadists. On March 2, 2016, the Gulf Cooperation Council designated Hezbollah as a terrorist organization³⁹ and on March 11, 2016 the Arab League followed suit, evidencing Sunni states breaking away from their previous tacit

³⁴ Jain, Ash (July 14, 2010) "U.S. Policy on Hizballah" The Washington Institute <http://www.washingtoninstitute.org/policy-analysis/view/u.s.-policy-on-hizballah-the-question-of-engagement>

³⁵ See International Religious Freedom Report for 2015, United Nations Bureau of Democracy, Human Rights and Labor <http://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm?year=2015&dliid=256277>

³⁶ See Taif Agreement (November 4, 1989) Permanent Mission of Lebanon to the United Nations https://www.un.int/lebanon/sites/www.un.int/files/Lebanon/the_tauf_agreement_english_version_.pdf

³⁷ See United Nations (March 17, 2016) Security Council Press Statement on Situation in Lebanon <http://www.un.org/press/en/2016/sc12287.doc.htm>

³⁸ McKernan, Bethan (October 31, 2016) "Lebanon ends more than two years of political gridlock by electing new president", The Independent <http://www.independent.co.uk/news/world/middle-east/lebanon-elections-michel-aoun-saad-hariri-nabih-berri-new-president-a7388681.html>

³⁹ Fitch, Asa and Dana Ballout (March 2, 2016) "Gulf Cooperation Council Labels Hezbollah a Terrorist Group" The Wall Street Journal <http://www.wsj.com/articles/gulf-cooperation-council-labels-hezbollah-a-terrorist-group-1456926654>

support of Hezbollah⁴⁰. Lastly, it is important to note that Lebanon has no programs to rehabilitate terrorists back into society.

Counter- Finance policy:

According to Dr. Eitan Azani, an expert of Hezbollah from the Institute for Counter-Terrorism at the IDC Herzliya, “Hezbollah relies on five main sources of funding for its operation – state sponsors (Iran and Syria), charities, criminal activity (international and local), Lebanese state sources (government and municipal budgets) and business investments in the private sector”⁴¹. One of Hezbollah’s greatest assets, is its ability to raise funds from a multitude of sources. In addition to receiving approximately \$200 million a year from Iran⁴², Hezbollah’s financing capabilities are as vast as the Lebanese diaspora and stretch across the world, with active cells in the Tri-Border Area of South America, Africa⁴³, Europe⁴⁴, and the United States⁴⁵.

The U.S. works to counter Hezbollah’s financing capabilities, both inside and outside of the United States. The U.S. Department of State’s 1997 designation of Hezbollah as a Foreign Terrorist Organization, allows for other U.S. agencies to take action and sanction individuals and entities, who are working with or sending money to Hezbollah.

Despite being designated by the U.S. Department of State as a Foreign Terrorist Organization⁴⁶, Hezbollah is not designated as a terrorist organization by the United Nations. Because Hezbollah is not designated as a terrorist organization by the United Nations, member states to the U.N. are able to interact and finance Hezbollah without fear of the consequences.

⁴⁰ Sinclair, Harriet (March 12, 2016) “Arab League designates Hezbollah as terrorist organisation, increasing regional tensions”, The Independent <http://www.independent.co.uk/news/world/middle-east/arab-league-designates-hezbollah-as-terrorist-organisation-increasing-regional-tensions-a6927591.html>

⁴¹ Interview with Dr. Eitan Azani (September 2016) The International Institute of Counter-Terrorism, The Interdisciplinary Center, Herzliya

⁴² Levitt, Matthew (February 2005) “Hezbollah Finances: Funding the Party of God”, The Washington Institute <http://www.washingtoninstitute.org/policy-analysis/view/hezbollah-finances-funding-the-party-of-god>

⁴³ See FATF (October 2013) “Financing Terrorism in West Africa” <http://www.fatf-gafi.org/media/fatf/documents/reports/tf-in-west-africa.pdf>

⁴⁴ Stuster, Diana (February 2, 2016) “US Arrests Hezbollah Agents in Europe”, Foreign Policy <http://foreignpolicy.com/2016/02/02/u-s-arrests-hezbollah-agents-in-europe/>

⁴⁵ See Bureau of Alcohol, Tobacco, Firearm and Explosives, Operation Smokescreen <https://www.atf.gov/our-history/operation-smokescreen>

⁴⁶ See U.S. Department of State, Foreign Terrorist Organizations List <http://www.state.gov/j/ct/rls/other/des/123085.htm>

Accordingly, the U.S. and Israel, both of whom designate Hezbollah as a terrorist organization, must rely on goodwill and diplomatic relations in order to stop Hezbollah from fundraising around the world. This matter is further complicated by the fact, that many of the countries who designate Hezbollah as a terrorist organization, only designate the military wing of the organization, and not the political wing. This is despite the fact that the leadership of Hezbollah acknowledges that there is no difference between the wings of the organization⁴⁷.

Countries that designate the military wing include: Australia, New Zealand, the United Kingdom, and the European Union. Countries that designate the entire Hezbollah organization as a terrorist organization include: the U.S., Israel, Bahrain, Canada, France, the Netherlands, and most recently (as of 2016) the Gulf Cooperation Council and the Arab League. Designations are of the utmost importance when trying to stop terrorism financing, as they allow for countries to ban all business relations, or even interactions, with the designated entity to take place. Furthermore, the U.S. Department of State ensures that banks, or businesses, who wish to do business in the United States financial ecosystem are not associated with designated terrorist actors or their subsidiaries.

The designation of Hezbollah as a terrorist organization by the U.S. Department of State, gives the U.S. the power to target individuals who support Hezbollah by designating them as Specially Designated Nationals. After a person is designated as a Specially Designated National, the U.S. can freeze all of their assets, as well as forbid U.S. citizens to have any interaction with them.⁴⁸ However, as the U.N. does not designate Hezbollah as a terrorist organization, the U.S. is the primary actor in suppressing Hezbollah's financing and must use its soft power in order to get other states to designate Hezbollah financiers. For example, in 2015 (before they themselves designated Hezbollah), Saudi Arabia sanctioned 14 individuals and two entities for financially supporting Hezbollah⁴⁹.

One way Hezbollah is financing its operations is through charities. For example, Hezbollah used the Goodwill Charitable Organization to fund its activities. The U.S. based branch of the Lebanese Martyrs Foundation, Goodwill Charitable Organization, was based in Dearborn, Michigan, and despite marketing itself as a charity, sent money to Hezbollah. In 2007 the U.S. Department of the Treasury

⁴⁷ Daragahi, Borzou (April 13, 2009) "Lebanon's Hezbollah savors increasing legitimacy" The LA Times <http://articles.latimes.com/2009/apr/13/world/fg-lebanon-hezbollah13>

⁴⁸ See U.S. Department of the Treasury, Specially Designated Nationals List (SDN) <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>

⁴⁹ See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

designated the Dearborn chapter, for funneling money to a designated terrorist organization⁵⁰.

According to the U.S. Department of State, “[Hezbollah] has stockpiled more than 100,000 rockets and missiles in Lebanon since the 2006 Lebanon War...[and] Iran has stated publicly that it armed [Hezbollah] with advanced long-range Iranian-manufactured missiles, in violation of U.N. Security Council Resolutions (UNSCRs) 1701 and 1747”⁵¹. Additionally, “Iran has provided hundreds of millions of dollars in support [of Hezbollah] in Lebanon and has trained thousands of its fighters at camps in Iran. These fighters have used their training in direct support of the Assad regime in Syria and, to a lesser extent, in support of operations against [ISIS] in Iraq. They have also carried out isolated attacks along the Lebanese border with Israel”⁵². The United States’ main policy aimed at countering the direct sponsorship of Hezbollah by Iran includes the U.S. Department of State’s designation of Iran as a sponsor of terrorism. This designation of Iran as a state supporter of terrorism has been in place since 1984⁵³.

Hezbollah is also very active in illegal activities to fund its operations. In particular, Hezbollah is extremely active in the drug industry, growing and manufacturing both illegal as well as pharmaceutical drugs⁵⁴. Hezbollah drug cells have been found in West Africa (2009)⁵⁵, Europe (Project Cassandra 2016)⁵⁶, the Tri-Border Area (Barakat network 2006)⁵⁷, and even the United States (Hammud network 2002)⁵⁸. Many of these cases were the result of joint efforts between the FBI, the U.S. Department of Justice, the Department of Homeland Security, the Drug

⁵⁰ See U.S. Department of the Treasury, Protecting Charitable Organizations https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-e.aspx

⁵¹ See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

⁵² See U.S. Department of State, Country Reports on Terrorism 2015, Chapter 3: State Sponsors of Terrorism Overview <http://www.state.gov/j/ct/rls/crt/2015/257520.htm>

⁵³ See U.S. Department of State, Country Reports on Terrorism 2015, Chapter 3: State Sponsors of Terrorism Overview <http://www.state.gov/j/ct/rls/crt/2015/257520.htm>

⁵⁴ Levitt, Matthew (September 2012) HIS Defense, Risk and Security Consulting http://www.washingtoninstitute.org/uploads/Levitt20120900_1.pdf

⁵⁵ See Embassy of the US in Beirut Lebanon (May 27, 2009) Treasury Targets Hizballah Network in Africa https://lebanon.usembassy.gov/latest_embassy_news/09pressreleases/treas052709.html

⁵⁶ See U.S. Drug Enforcement Administration (February 1, 2016) DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme <https://www.dea.gov/divisions/hq/2016/hq020116.shtml>

⁵⁷ See U.S. Department of the Treasury (December 6, 2006) Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay <https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>

⁵⁸ AP (June 22, 2002) “Brothers Guilty of Smuggling and Giving Aid to Hezbollah” The New York Times <http://www.nytimes.com/2002/06/22/us/brothers-guilty-of-smuggling-and-giving-aid-to-hezbollah.html>

Enforcement Administration (DEA), the Custom and Boarder Protection (CBP), the U.S. Treasury (and its bureaus), as well as in cooperation with EUROPOL, INTERPOL and EUROJUST.

Just as Hezbollah has been able to successfully infiltrate the Lebanese government, so too has Hezbollah been able to infiltrate the banking system. For example, in 2006, the U.S. Department of the Treasury sanctioned the Iranian bank, Bank Saderat, for supporting terrorism, as it was found to have transferred millions of dollars to Hezbollah.⁵⁹ The bank was cut off from the U.S. banking system, and these sanctions were replicated in other countries by those who wanted to continue to do business with U.S. banks.

Another case occurred in 2011, when the U.S. Department of the Treasury sanctioned the Lebanese Canadian Bank (LCB) due to its connection to a Hezbollah cell in the U.S. that laundered Hezbollah drug money through used car dealerships and through the LCB⁶⁰. These sanctions were made under Article III of the U.S. Patriot Act mentioned above.

The most important step the U.S. has taken to cut off Hezbollah from the international banking system was passed only last year. The “Hezbollah International Banking Prevention Act of 2015”, seeks to tighten sanctions against Hezbollah and any entity that does business with them⁶¹. Extremely important to note is that the law also targets Al-Manar, Hezbollah’s television station, in hopes of stopping the dissemination of radical ideology by the organization.

In addition to designating banks who work with or allow Hezbollah to use their accounts, the U.S. seeks to work with Lebanon itself. On June 30, 2015, Lebanon’s Central Bank increased regulations that would counter money laundering and terrorism financing. On November 13, 2015, the Lebanese Parliament endorsed three laws “intended to strengthen Lebanon’s [anti-money laundering/counter-terrorist financing] regime”.⁶²

Furthermore, Lebanon is a member of the FAFT and the Egmont Group, and has agreed to comply with new U.S. regulations on banking passed during the

⁵⁹ See U.S. Department of the Treasury (September 8, 2006) Treasury Cuts Iran's Bank Saderat Off From U.S. Financial System <https://www.treasury.gov/press-center/press-releases/Pages/hp87.aspx>

⁶⁰ See U.S. Department of the Treasury (February 10, 2011) Treasury Identifies Lebanese Canadian Bank Sal as a “Primary Money Laundering Concern” <https://www.treasury.gov/press-center/press-releases/pages/tg1057.aspx>

⁶¹ See U.S. Congress Bill H.R.2297 - Hizballah International Financing Prevention Act of 2015 <https://www.congress.gov/bill/114th-congress/house-bill/2297>

⁶² See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

International Financing Prevention Act of 2015⁶³. The FATF, for its part, has released numerous reports on Hezbollah's financing. The IMF, on the other hand, came under fire in 2009 for what many saw as engaging in conversations with Hezbollah about the future of Lebanon and monetary aid; the IMF denied these charges⁶⁴. Lebanon has also been part of the U.S. Department of States Antiterrorism Assistance Program (ATA) since 2006⁶⁵, and Lebanon's Foreign Minister attended the White House Summit in September 2015 on Countering the Islamic State and Violent Extremism.

Hammas

Founded in 1987, Hamas is a radical Sunni Muslim terrorist organization created as the Palestinian wing of the Muslim Brotherhood⁶⁶. Hamas was created as a social and religious movement by the Muslim Brotherhood in 1973, and quickly gained support among the Palestinian people by providing social services as well as an alternative to the Palestinian leadership in place. Hamas presented itself as an alternative to what many believed to be a corrupt and inefficient Palestinian leadership. In 1988, the organization formally released its charter, which outlined its jihadi platform⁶⁷. The entrance of Hamas into Palestinian politics created a secular-religious competition among the Palestinian leadership for the support of the Palestinian people⁶⁸.

This secular-religious competition can best be seen in Hamas's rivalry with Fatah, which escalated after the 2004 death of Yasser Arafat and the 2005 decision of Hamas to enter Palestinian politics. In 2006, Hamas won the Palestinian elections, and unable to come to an agreement with Fatah, broke away from the Palestinian leadership, which resulted in violent clashes between the organizations and their supporters. Today, Hamas controls the Gaza Strip as well as exercises pockets of

⁶³ See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

⁶⁴ Davis, Bob (May 27, 2009) "IMF Chief Says No Negotiations Held With Hezbollah" The Wall Street Journal <http://www.wsj.com/articles/SB124345588837259637>

⁶⁵ See U.S. Department of State, Antiterrorism Assistance Program <http://www.state.gov/m/ds/terrorism/c8583.htm>

⁶⁶ See U.S. Department of the Treasury, Foreign Terrorist Organizations, Chapter 8 <http://www.state.gov/documents/organization/65479.pdf> (page 195)

⁶⁷ Griset, Pamala and Sue Mahan, *Terrorism in Perspective* (Thousand Oaks, CA: Sage Publications, 2002).

⁶⁸ Margolin, Devorah (March 3, 2016) "A Palestinian Woman's Place in Terrorism: Organized Perpetrators or Individual Actors?", *Studies in Conflict & Terrorism*, 39:10, 912-934,

control in the West Bank⁶⁹, while Fatah leads the Palestinian National Authority in the West Bank.

The main target of Hamas remains Israel and the United States. Hamas has carried out rocket attacks, stabbing attacks, kidnappings and suicide bombings against Israeli and U.S. targets. In addition, since taking control of the Gaza Strip, Hamas has been involved in three separate conflicts with Israel, including: Operation Cast Lead (2008-2009), Operation Pillar of Defense (2012), and Operation Protective Edge (2014)⁷⁰.

Accordingly, the most important partner of the U.S. in implementing its counter-terrorism policy regarding Hamas is Israel. According to the U.S. Department of State, “Israel was a committed counterterrorism partner in 2015. Israel again faced terrorist threats from Palestinian violent extremists including Hamas”⁷¹. While the U.S. seeks to be an impartial actor in the Middle East, in many cases, U.S. policy regarding Hamas is in line with Israeli policy. This is especially so in regards to countering the financing of Hamas.

In addition, the U.S. works with Egypt to counter Hamas. Egypt’s policy regarding Hamas has developed greatly since the Arab Spring. Since the ouster of Mohamed Morsi, and President al-Sisi’s rise to power, Egypt has worked closely with the U.S. and Israel to curtail Hamas, especially in regards to their exploitation of Egyptian territory⁷². For example, Egyptian forces have blown up tunnels along the Egypt-Gaza border, as well as created a buffer zone to help decrease smuggling⁷³.

According to the U.S. Department of State, “the PA has taken significant steps to ensure that official institutions in the West Bank that fall under its control do not create or disseminate content that incites violence. While some PA leaders have made provocative and inflammatory comments, the PA has made progress in reducing official rhetoric that could be considered incitement to violence”⁷⁴. That being said, Hamas has not done the same, as its inflammatory rhetoric continues.

⁶⁹ See U.S. Department of State, Country Reports on Terrorism 2015, Chapter 6: Foreign Terrorist Organizations <https://www.state.gov/j/ct/rls/crt/2015/257523.htm>

⁷⁰ Names of the conflicts as referred to by Israel.

⁷¹ See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

⁷² Trager, Eric (July 14, 2014) “Sisi’s Egypt and the Gaza Conflict”, the Washington Institute <http://www.washingtoninstitute.org/policy-analysis/view/sisis-egypt-and-the-gaza-conflict>

⁷³ Sharp, Jeremy (February 25, 2016) “Egypt: Background and U.S. Relations” Congressional Research Services <https://www.fas.org/sgp/crs/mideast/RL33003.pdf>

⁷⁴ See U.S. Department of State, Bureau of Counter-Terrorism and Countering Violent Extremism, Chapter 2. Country Reports: Middle East and North Africa Overview <https://www.state.gov/j/ct/rls/crt/2015/257517.htm>

Furthermore, the Fatah-Hamas struggle for power has seen cooperation between the U.S. and the Fatah led Palestinian Authority against Hamas⁷⁵.

In the post-Arab Spring Middle East and with the rise of the Islamic State, Hamas has had to deal with the emergence of other jihadist groups in its territory. One such jihadist group is Ansar Bait al-Maqdis, founded in the post-Arab Spring chaos of 2011. The organization, which targets Israel and Egypt, pledged allegiance to the Islamic State in 2014, changing its name to Wilayat Sinai (the Sinai Province of Islamic State)⁷⁶. Despite what many view as collaboration between Wilayat Sinai and Hamas⁷⁷, in June 2016, Islamic State central leadership released a video calling for the toppling of Hamas's leadership in the Gaza Strip⁷⁸.

Counter- Finance policy:

Hamas's financing mostly comes from state sponsors, including Iran⁷⁹, as well as from charities and private donors from the Gulf States, Europe, and North America. The U.S. works to counter Hamas's financing capabilities, both inside and outside of the United States. The U.S. Department of State's 1997 designation of Hamas as a Foreign Terrorist Organization permits U.S. agencies to designate or sanction individuals and/or entities, who are working with or sending money to Hamas⁸⁰. However, Hamas's designation as a Foreign Terrorist Organization finds the least amount of consensus of any terrorist organization in this paper. Many argue that Hamas's policy, as well as its governance of Gaza should exclude them from such a designation. Hamas is designated as a terrorist organization by: the U.S., Israel, Canada, the E.U., and Japan. Australia and the U.K. for example, only designate the military wing of the organization.

The designation of Hamas as a Foreign Terrorist Organization by the U.S., allows any charities, entities and individuals associated with the organization to be designated for supporting terrorism as well. For instance, in 2003, the U.S.

⁷⁵ See Zanutti, Jim (March 18, 2016) "U.S. Foreign Aid to the Palestinians", Congressional Research Services <https://www.fas.org/sgp/crs/mideast/RS22967.pdf>

⁷⁶ See Gold, Zack (2016) "Wilayat Sinai: The Islamic State's Egyptian Affiliate", in Y. Schweitzer and O. Einav, eds. *The Islamic State: How Viable Is It?*, pp. 197-8. Tel Aviv: Institute for National Security Studies, 2016. <http://www.inss.org.il/uploadImages/systemFiles/IslamicStateENG5.pdf>

⁷⁷ Times of Israel Staff (July 2, 2015) "Israeli army says Hamas helping Islamic State in Sinai" Times of Israel <http://www.timesofisrael.com/idf-official-says-hamas-helping-is-in-sinai/>

⁷⁸ Reuters (June 30, 2016) "Islamic State threatens to topple Hamas in Gaza Strip in video statement" The Guardian <https://www.theguardian.com/world/2015/jun/30/islamic-state-threatens-hamas-gaza-strip>

⁷⁹ See U.S. Department of State, Country Reports on Terrorism 2015, Chapter 3: State Sponsors of Terrorism Overview <http://www.state.gov/j/ct/rls/crt/2015/257520.htm>

⁸⁰ See U.S. Department of State, Foreign Terrorist Organizations List <http://www.state.gov/j/ct/rls/other/des/123085.htm>

Department of the Treasury designated six leaders of Hamas, as well as five charities that financed the organization as supporters of terrorism⁸¹. This made it illegal to conduct transactions with these individuals and charities, and allowed for the U.S. to freeze all their assets.

On the U.S. Department of the Treasury's list titled Protecting Charitable Organizations, there are a number of Hamas linked charities that have been blacklisted by the U.S., including (but not limited to) the Al-Aqsa Fund, the al-Haramain Foundation, Holy Land Foundation, and Interpal⁸². This list is supported by Executive Order 13224.

The case of the Holy Land Foundation, and its designation as a supporter of terrorism for knowingly smuggling money to Hamas represents one of the greatest victories for the U.S. in countering Hamas's abuse of charities. Founded in 1989 as a charity, the Holy Land Foundation raised over \$13 million in 2000 alone, and was viewed as Hamas's main source of fundraising in the United States. Arrests carried out by the FBI led to the convictions of a number of key financiers as well as the shutting down of the organization⁸³. The charity was designated in 2001 under Executive Orders 13224 and 12947 as supporting Hamas⁸⁴.

The Department of the Treasury, using Executive Order 13224, also continues to designate individuals, businesses (including TV stations) and front companies for supporting Hamas. A few examples include, the 2010 designations of the Islamic National Bank (INB) of Gaza and Al-Aqsa Television⁸⁵, the 2015 designation Asyaf International Holding Group for Trading and Investment⁸⁶, and the 2016 declaration that Fathi Ahmad Mohammad Hammad was a senior member of Hamas and a Specially Designated Global Terrorist⁸⁷.

⁸¹ See U.S. Department of the Treasury (August 22, 2003) U.S. Designates Five Charities Funding Hamas and Six Senior Hamas Leaders as Terrorist Entities <https://www.treasury.gov/press-center/press-releases/Pages/js672.aspx>

⁸² See U.S. Department of the Treasury, Protecting Charitable Organizations https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-e.aspx#e

⁸³ See The Federal Bureau of Investigation (November 25, 2008) No Cash for Terror <https://archives.fbi.gov/archives/news/stories/2008/november/hlf112508>

⁸⁴ See U.S. Department of the Treasury, Protecting Charitable Organizations https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-e.aspx

⁸⁵ See U.S. Department of the Treasury (March 18, 2010) "Treasury Designates Gaza-Based Business, Television Station for Hamas Ties" <https://www.treasury.gov/press-center/press-releases/Pages/tg594.aspx>

⁸⁶ See U.S. Department of the Treasury (September 10, 2015) "Treasury Sanctions Major Hamas Leaders, Financial Facilitators and a Front Company" <https://www.treasury.gov/press-center/press-releases/Pages/jl0159.aspx>

⁸⁷ See U.S. Department of the Treasury (September 16, 2016) "State Department Terrorist Designation of Senior Hamas Official - Fathi Hammad" <http://www.state.gov/r/pa/prs/ps/2016/09/262004.htm>

Another way the U.S. counters the financing of Hamas is by allowing lawsuits filed against the organization and its supporters to go forward. For example, in 2004 a lawsuit was filed against the Arab Bank in the United States for its support of Hamas, the case was eventually settled in 2015⁸⁸.

An additional tactic that the U.S. uses to counter the financing of Hamas is by maintaining close relations with both the Palestinian Authority (PA) and Israel. Israel acts as the United States' greatest ally in countering Hamas, as it continues to carry out counter-terrorism operations against Hamas and its financing capabilities. As of 2015, the PA became a full member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF). The PA also operates a financial intelligence unit and has passed some slight improvements to its anti-money laundering legislation; however, they do not meet international standards.⁸⁹

Lastly, the U.S. works to counter the financing of Hamas by working with its allies around the world to ensure that they adopt U.S. Foreign Terrorist Organization designations, as well as working to disrupt Hamas financing cells.⁹⁰

The Islamic State:

The Islamic State, is a Sunni Islamic organization also known as Daesh, the Islamic State in Iraq and Syria (ISIS) or the Islamic State in Iraq and the Levant (ISIL). The Islamic State evolved out of Al-Qaeda in Iraq, an Al-Qaeda Central affiliate organization which was first designated by the U.S. Department of State in 2004.⁹¹ When Al-Qaeda in Iraq leader Abu Musab al-Zarqawi was killed in 2006, new leader Abu Ayyub al-Masri changed the organization's name to the Islamic State of Iraq, before the organization again changed its name in 2011 to the Islamic State of Iraq and Syria (ISIS). The organization once again changed its name in June 2014 to

⁸⁸ Raymond, Nate and Joseph Ax (August 14, 2015) "Arab Bank settles U.S. litigation over attacks by militants" Reuters <http://uk.reuters.com/article/uk-arab-bank-jo-settlement-hamas-idUKKCN0QJ21A20150814>

⁸⁹ See U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2014 International Narcotics Control Strategy Report (INCSR) <http://www.state.gov/j/inl/rls/nrcrpt/2014/vol2/222738.htm>

⁹⁰ See The Federal Bureau of Investigation (September 24, 2003) Testimony Before the House Committee on Financial Service Subcommittee on Oversight and Investigations, John S. Pistole Assistant Director, Counterterrorism Division, FBI <https://archives.fbi.gov/archives/news/testimony/the-terrorist-financing-operations-section>

⁹¹ See U.S. Department of State, Foreign Terrorist Organizations List <http://www.state.gov/j/ct/rls/other/des/123085.htm>

simply the Islamic State, when the organization declared a Caliphate in the area it controlled in Syria and Iraq, with Abu Bakr al-Baghdadi as its Caliph⁹².

The Syrian Civil War has served the Islamic State's interests, as it is a daily guessing game of who is fighting whom and who is colluding with whom. The Islamic State has exploited the confusion to further its cause, at times colluding with and at other times fighting with Al-Qaeda and its affiliates, or in some cases even cooperating with the Assad Government. For example, despite the Assad Government and the Islamic State being on opposite sides of the conflict, the Assad Government has purchased oil from the Islamic State⁹³.

The Islamic State continues to capitalize on this instability. Today, in addition to its territorial control in Syria and Iraq, the Islamic State has affiliate organizations operating in Yemen, Libya, Sinai, Saudi Arabia, Afghanistan, Pakistan, Algeria, Nigeria, Niger, Chad, Cameroon and the North Caucasus⁹⁴, highlighting its global reach.

In addition to its international nature, the Islamic State's ideology inspires aspiring terrorists around the world. One way this manifests itself is through those inspired by the organization who choose to carry out attacks in the West in the name of the organization. Another way this is demonstrated is through Foreign Fighters, who choose to leave their countries of origin in order to join the organization. In October 2015, the U.N. acknowledged that there are over 30,000 Foreign Fighters from over 100 countries active in Syria and Iraq⁹⁵. The greatest threat of these Foreign Fighters, which the international community is seeking to address, is what to do upon their return to their countries of origin.

The Islamic State is considered the world's wealthiest terrorist organization, with a budget for 2015 of \$2 billion⁹⁶. The Islamic State's "eight main sources of funding include: criminal enterprises, bank robberies, oil, looting, kidnapping for ransom, selling the bodies of those they have executed, control of important resources, and foreign/state sponsored donors"⁹⁷. The Islamic State's financing

⁹² Bradley, Matt (June 29, 2014) "ISIS Declares New Islamist Caliphate" Wall Street Journal <http://www.wsj.com/articles/isis-declares-new-islamist-caliphate-1404065263>

⁹³ Bertrand, Natasha (May 3, 2016) "Assad reportedly struck an ominous deal with ISIS to recapture Palmyra", Business Insider <http://uk.businessinsider.com/assad-isis-palmyra-2016-5>

⁹⁴ See U.S. Department of State (May 19, 2016) "Terrorist Designations of ISIL-Yemen, ISIL-Saudi Arabia, and ISIL-Libya" <http://www.state.gov/r/pa/prs/ps/2016/05/257388.htm>

⁹⁵ See UN News Center (October 6, 2015) "Foreign terrorist fighters pose 'significant and evolving' global threat, warns new UN report" <http://www.un.org/apps/news/story.asp?NewsID=52181#.WCSs0y2LSUK>

⁹⁶ Pagliery, Jose (December 11, 2015) "Inside the \$2 billion ISIS war machine" CNN Money <http://money.cnn.com/2015/12/06/news/isis-funding/>

⁹⁷ Interview with Dr. Eitan Azani (September 2016) The International Institute of Counter-Terrorism, The Interdisciplinary Center, Herzliya

policy can be broken down into three categories: criminal activities, abuse of resources within its territory (including taxation), and foreign donors.

From the rise of the Syrian Civil War in 2011, until 2014, the international community remained mostly silent. However, today, the Islamic State represents the only case study in which there is near unanimous consensus from the international community. The U.S. has taken the lead in combatting the financing of Islamic State and it has the support of not only the United Nations, but over 60 other countries as well.

Counter- Finance policy:

In May 2014, the U.S. Department of State updated the designation of Islamic State as a Foreign Terrorist Organization, linking all aliases of the organization under one designation⁹⁸. This case is different from Hamas and Hezbollah in that the United Nations also designates the Islamic State as a terrorist organization. This support by an international body allows the U.S. to further and more effectively carry out its counter-finance policy.

In addition, the formerly known Al-Qaeda Sanctions Committee, created under U.N. Resolution 1267, has been updated to be known as the ISIL (Da'esh) and Al-Qaeda Sections List⁹⁹. As such, all designations of organizations, entities and individuals associated with both organizations can be found under one roof. This means that member states to the U.N. cannot have transactions with these organizations, thus making all counter-terrorism policy more effective as it has a wider reach.

Since 2014, the U.S. has led the Global Coalition to Counter the Islamic State. This coalition focuses on: "Providing military support to our partners; Impeding the flow of Foreign Fighters; Stopping ISIL's financing and funding; Addressing humanitarian crises in the region; and Exposing ISIL's true nature"¹⁰⁰. With over 60 countries involved, and nearly 10,000 airstrikes against the organization, the U.S. and its allies are hoping to cause real damage to the Islamic State's infrastructure and disrupt its ability to finance¹⁰¹. This means targeting the Islamic State's control over infrastructure that brings the organization revenue, like oil fields. In one unique bombing attack carried out by the U.S., airstrikes targeted a building holding

⁹⁸ See U.S. Department of State (May 14, 2014) Terrorist Designations of Groups Operating in Syria <http://www.state.gov/r/pa/prs/ps/2014/05/226067.htm>

⁹⁹ See United Nations Security Council, Sanctions List Material, ISIL (Da'esh) & Al-Qaida Sanctions List https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list

¹⁰⁰ See U.S. Department of State, The Global Coalition to Counter ISIL <https://www.state.gov/s/seci/>

¹⁰¹ See U.S. Department of State, The Global Coalition to Counter ISIL <https://www.state.gov/s/seci/>

the Islamic State's cash that was used to pay its fighters¹⁰². This also means strategic efforts to stop the selling of artifacts from Syria and Iraq on the black market.

The U.S., along with Saudi Arabia and Italy, co-chair a counter-finance group, under the umbrella of the Global Coalition to Counter the Islamic State¹⁰³. Founded in March 2015, the Counter-ISIL Finance Group (CIFG) seeks to create a coalition to disrupt and stop the Islamic State's financing abilities. "The CIFG Action Plan's four key objectives are to: (1) Prevent ISIL's use of the international financial system; (2) Counter the extortion and exploitation of economic assets and resources that transit, enter, or are derived from ISIL-held territory; (3) Deny ISIL funding from abroad; (4) Prevent ISIL from providing financial or material support to foreign affiliates in an effort to expand its global ambitions"¹⁰⁴. Furthermore, NATO, of which the U.S. is a member, confirmed in July 2016 to support the counter-Islamic State measures¹⁰⁵.

Part of the American strategy means targeting foreign donors who are financing the Islamic State. For example, the U.S. Department of the Treasury has designated a number of individuals from Libya, Syria, Yemen, Tunisia, Saudi Arabia, Morocco, the U.K., Iraq, Indonesia, Pakistan, Bosnia¹⁰⁶, Kuwait¹⁰⁷ and Qatar¹⁰⁸ as supporters of terrorism for their assistance in financing the Islamic State. These wide spread sanctions aim to cut off Islamic State from its main financiers and the international banking system.

One interesting outcome to evolve from the Syrian crisis is heightened tensions with Russia. Russia's history and relationship with the Assad regime have been called into account, as have been the choices of its airstrikes, which run counter to the U.S. coalition's interests. This is because they are not bombing the Islamic State, but rather opponents of the Assad Regime¹⁰⁹.

¹⁰² Starr, Barbara (January 13, 2016) U.S. bombs 'millions' in ISIS currency holdings, CNN <http://edition.cnn.com/2016/01/11/politics/us-bombs-millions-isis-currency-supply/>

¹⁰³ See U.S. Department of State (April 13, 2016) United States, Italy, and Saudi Arabia Hold Fourth Counter-ISIL Finance Group Meeting in Rome, Italy <http://www.state.gov/e/eb/rls/prsrl/2016/255803.htm>

¹⁰⁴ See U.S. Department of State (April 12, 2016) Fact Sheet: Taking Stock of the Counter-ISIL Finance Group's Achievements in its First Year <http://www.state.gov/e/eb/rls/othr/2016/255765.htm>

¹⁰⁵ McInnis, Kathleen J. (August 24, 2016) "Coalition Contributions to Countering the Islamic State" Congressional Research Services <https://www.fas.org/sgp/crs/natsec/R44135.pdf>

¹⁰⁶ See U.S. Department of the Treasury (September 29, 2015) Treasury Sanctions Major Islamic State of Iraq and the Levant Leaders, Financial Figures, Facilitators, and Supporters <https://www.treasury.gov/press-center/press-releases/Pages/jl0188.aspx>

¹⁰⁷ See U.S. Department of the Treasury (August 6, 2014) Treasury Designates Three Key Supporters of Terrorists in Syria and Iraq <https://www.treasury.gov/press-center/press-releases/Pages/jl2605.aspx>

¹⁰⁸ See U.S. Department of the Treasury (September 24, 2014) Treasury Designates Twelve Foreign Terrorist Fighter Facilitators <https://www.treasury.gov/press-center/press-releases/Pages/jl2651.aspx>

¹⁰⁹ McInnis, Kathleen J. (August 24, 2016) "Coalition Contributions to Countering the Islamic State" Congressional Research Services <https://www.fas.org/sgp/crs/natsec/R44135.pdf>

Conclusions:

According to the National Terrorist Financing Risk Assessment 2015, the “U.S. government has developed and implemented a comprehensive interagency approach to aggressively investigate and prosecute all forms of [terrorism financing] occurring in the United States, close existing gaps in the U.S. financial system that have been used to facilitate [terrorism financing], designate financiers for economic sanctions to isolate them from the global financial system, and engage international partners and institutions to develop a secure global framework that will effectively prevent [terrorism financing] from infiltrating the global financial system.”¹¹⁰

Analysis of the three cases above bring to light three main themes in the counter-financing of governing terrorist organizations in the Middle East: their use of criminal activities, their misuse of charitable organizations, and their exploitation of infrastructure through governance. In each case, Hezbollah, Hamas, and the Islamic State each was able to successfully finance via these three channels.

Hezbollah:

Hezbollah stands at a crossroads; its fighting in Syria on behalf of the Assad Regime has isolated it in the Arab world. Once seen as an ally to many Arab States for its ability to successfully fight Israel, Hezbollah has now not only been dragged into fighting a war that is not its own, but it has caused so much friction in the Arab world that it has now been designated by the Arab League as a terrorist actor. Not only has the Arab world turned against Hezbollah, but within Lebanon itself there are growing signs of discontent over the organization’s involvement in Syria. One way this has revealed itself is the booming refugee crisis in Lebanon as a result of the Syrian Civil War. In addition to millions of displaced people, there are fears in Lebanon that Islamic State will sneak in operatives with the refugees. Furthermore, a number of attacks on the Syrian border have raised questions about Lebanese stability.

Another way this instability has manifested itself is the near two-year long break without an elected President in the Lebanese Parliament, of which members

¹¹⁰ See Department of the Treasury, National Terrorist Financing Risk Assessment 2015 <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Terrorist%20Financing%20Risk%20Assessment%20E2%80%932006-12-2015.pdf>

of Hezbollah are members. However, the government began to take baby steps away from political deadlock on October 31, 2016, when Lebanon elected its first President in almost two years, Michael Aoun.¹¹¹ The newly elected President Aoun is seen as a longtime ally of Hezbollah.

The newest legislation aimed at countering Hezbollah, the “Hezbollah International Banking Prevention Act of 2015”, has already led to interesting developments in Lebanon. Despite initial apprehension and in-fighting in Lebanon, the Central Bank of Lebanon is implementing the U.S. legislation. It seems that the fear of being outcasts from the international banking system is a greater threat to Lebanon than Hezbollah.

The next step in the U.S. policy to counter Hezbollah’s financing operations will be to strike while the iron is hot and fully implement the Hezbollah International Banking Prevention Act of 2015. This will likely be done while simultaneously pushing the international community to designate Hezbollah, in its entirety, as a terrorist organization, building on the recent designations by the Arab League and the GCC.

An international designation of Hezbollah, along with the implementation of the International Banking Prevention Act would target the organization’s exploitation of infrastructure through governance (i.e. utilizing its position in government and the banking system), as well as its misuse of charitable organizations to fundraise. If Hezbollah was internationally designated, charities run by the organization throughout the world could be shut down, significantly hurting the organization. Lastly, we will see the U.S. continue to target Hezbollah’s use of criminal activities to fund its operations.

Hammas:

Despite its last war with Israel in 2014, Hamas has begun to re-arm itself while continuing to dig tunnels into Israel. Furthermore, they have been vocal in their support of the “Stabbing Intifada” over the last year. However, Hamas is currently struggling for power in the West Bank, while at the same time having to defend its control in Gaza. Other Islamic militant groups are threatening Hamas in Gaza, including the Palestinian Islamic Jihad and Islamic State affiliates. The Islamic State itself released a video in 2015 threatening to topple Hamas’s rule of Gaza. This shows that despite the fact that both organizations are radical Sunni jihadists, there

¹¹¹ McKernan, Bethan (October 31, 2016) “Lebanon ends more than two years of political gridlock by electing new president” The Independent <http://www.independent.co.uk/news/world/middle-east/lebanon-elections-michel-aoun-saad-hariri-nabih-berri-new-president-a7388681.html>

is no love lost between the two. Perhaps this could come from recent rumors that Hamas still receives funding from Iran, something which is denied by Hamas¹¹².

I believe the next step in the U.S. policy to counter Hamas financing operations will be organizing an international coalition. The countering of Hamas cannot be fought by the U.S. and Israel alone; it needs to be an international effort. Without full designations of Hamas as a terrorist organization, they will be able to continue to receive aid from both states and private donors. Their ability to receive support from the international community will lead to a continued cycle of violence with Israel, as outlined in its charter, and with no end in sight.

U.S. policy already focuses on Hamas's misuse of charitable organizations. However, without an international designation of Hamas, some of the United States' closest allies still allow Hamas to finance via charities operating in their territory. For example, in the U.S., Interpal is a designated charity for supporting Hamas¹¹³. However, in the U.K., Interpal is not designated and is able to successfully raise funds for Hamas, even operating an online donations system¹¹⁴.

Furthermore, as Hamas is governing Gaza, they are able to exploit infrastructure under their control and donations given to charities in Gaza. For example, in 2014 Israel reported that Hamas was taking cement and other building materials transferred to the Gaza Strip by Israel for the purpose of rebuilding private homes destroyed in Operation Protective Edge, and using the materials to rebuild tunnels¹¹⁵. In another case in 2016, Israel reported that a Hamas operative was working as a charity worker for over ten years, and ensured that almost 60% of donations from the charity World Vision were diverted to Hamas¹¹⁶.

Hamas's misuse of charitable organizations, and its exploitation of infrastructure under its governance help highlight where U.S. policy might focus on in the future. Depriving Hamas of funding, and reducing its ability to collect donations from both states and donors, could weaken its position and could possibly drive them to the bargaining table for peace talks with Israel.

¹¹² Times of Israel Staff (February 8, 2016) "Iran: We still fund Hamas, because fighting Israel is our policy" Times of Israel <http://www.timesofisrael.com/iran-we-still-fund-hamas-as-fighting-israel-is-our-policy/>

¹¹³ See U.S. Department of the Treasury (August 22, 2003) U.S. Designates Five Charities Funding Hamas and Six Senior Hamas Leaders as Terrorist Entities <https://www.treasury.gov/press-center/press-releases/Pages/js672.aspx>

¹¹⁴ See Interpal <http://www.interpal.org/contact/>

¹¹⁵ Levy, Elior (December 19, 2014) "Hamas reconstructing terror tunnels using Israeli materials" Ynet News <http://www.ynetnews.com/articles/0,7340,L-4605504,00.html>

¹¹⁶ Sanchez, Raf (August 5, 2016) "British donations to Christian charity World Vision were 'used to build a Hamas military base in Gaza'", The Telegraph <http://www.telegraph.co.uk/news/2016/08/04/british-donations-to-christian-charity-world-vision-were-used-to/>

The Islamic State:

For many, the Islamic State represents the greatest threat to the international community and a principal cause of instability in the Middle East. Actors across the international community have become involved, in some cases leading to heightened tensions. For example, the rise of Islamic State has seen tensions rise between the U.S. and Russia, as well as between Hezbollah and the Sunni Arab world. And yet, despite international consensus on the threat of the Islamic State, the Islamic State is still able to function. That being said, the Islamic State has taken significant hits in recent months, as coalition forces begin to liberate formerly Islamic State controlled territory. The main lesson to be drawn from the rise of the Islamic State is that the U.S. and the international community should have acted sooner, both militarily and to counter Islamic State's financing abilities.

Once the U.S. and other international actors began to act against Islamic State's finances, they made great strides in countering the organization. However, these steps should have been taken in 2011, at the start of the Syrian Civil War, and not years later. Through the ISIL (Da'esh) and Al-Qaeda Sanctions Committee, renamed in 2015, the international community is able to successfully designate not only the leadership of the Islamic State, but also recruiters and financiers to the organization¹¹⁷. The U.N. also took this a step further in September 2015, when it unanimously decided that it was illegal for individuals or states to buy oil or antiques from the terrorist organization¹¹⁸.

International and U.S. efforts specifically target the Islamic States use of criminal activities and the exploitation of infrastructure through governance. While still in its early stages, these policies seem to be a step in the right direction.

Final Thoughts:

The U.S. and the international community are likely to learn from the lessons of the Islamic State and apply them to other cases, specifically Hezbollah and Hamas. The next step, which we are currently seeing take place, is that the U.S. is pushing the international community to designate Hamas and Hezbollah in their entirety, and not just the military wings, as terrorist organization, as this is the only way to successfully ensure that an organization is not able to fundraise. Further, U.S. policy

¹¹⁷ See United Nations (December 17, 2015) "Unanimously Adopting Resolution 2253 (2015), Security Council Expands Sanctions Framework to Include Islamic State in Iraq and Levant" United Nations Security Council <http://www.un.org/press/en/2015/sc12168.doc.htm>

¹¹⁸ See United Nations (February 12, 2015) "Unanimously Adopting Resolution 2199 (2015), Security Council Condemns Trade with Al-Qaida Associated Groups, Threatens Further Targeted Sanctions" <http://www.un.org/press/en/2015/sc11775.doc.htm>

would like to see the Islamic State model followed, whereby both the U.S. and the U.N. designate these groups as terrorist organizations.

U.S. policy is now clearly focused on increasing counter-terror finance policy. Evident from its actions, the U.S. realizes that in order to successfully counter a terrorist organization, one must cut off all finances to the organization and focus on countering the radical ideology. We will likely see in the future that U.S. efforts will continue to focus on targeting criminal activity, monitoring charities, and denying terrorists the ability to exploit and pillage the land, people, and infrastructure where they have found safe haven.