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## Attacking Hezbollah's Financial Network: Policy Options

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Chairman Royce, Ranking Member Engel, and Members of the Committee, thank you for this opportunity to appear before you today to assess efforts pursued to date to counter Hezbollah's ability to exploit the international financial system to its benefit, and to propose policy options to more effectively target Hezbollah's bottom line.

The regional and international threats posed by Hezbollah have only increased over time, underscoring the importance of denying the group the financing and resources that are critical to its ability to function. Hezbollah has experienced a series of financial setbacks, leading U.S. officials to describe the group being in the "worst financial shape in decades."<sup>1</sup> Indeed, Hezbollah has in recent months resorted to launching an online fundraising crowdsourcing campaign entitled "Equip a Mujahid Campaign" which calls for donations, large or small, payable all at once or in instalments, to equip Hezbollah fighters.<sup>2</sup> Hezbollah has also promoted a fundraising campaign on billboards and posters promoting a program through which supporters whereby supporters can avoid recruitment into Hezbollah's militia forces for a payment of about \$1,000.<sup>3</sup> These are desperate measures for a group suffering tough financial times.

And yet, Hezbollah continues to collect sufficient funds to deploy a significant militia at home and next door in Syria, to send smaller groups of operatives to Iraq and Yemen, and to operate an international terrorist network with deadly effect. To effectively counter Hezbollah's financing, the U.S. must lead an international effort to target the group's illicit financial conduct both at home in Lebanon and around the world. The idea here is not to undermine the Lebanese economy, but to protect it from exposure to the criminal and money laundering enterprises in

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<sup>1</sup> "Hezbollah in 'worst financial shape in decades,' US says," The Times of Israel, May 25, 2016, <http://www.timesofisrael.com/hezbollah-in-worst-financial-shape-in-decades-us-says/>

<sup>2</sup> "Hizbullah Launches Online Fundraising Campaign," MEMRI, February 10, 2017, <http://cijlab.memri.org/lab-projects/tracking-jihadi-terrorist-use-of-social-media/hizbullah-launches-online-fundraising-campaign/>

<sup>3</sup> "Hezbollah Asks for Support on Billboards and Posters," Al Arabiya, June 7, 2017, <https://english.alarabiya.net/en/News/middle-east/2017/06/07/Hezbollah-asks-for-support-on-billboards.html>

which Hezbollah is deeply involved. It should therefore not surprise that after Congress passed the Hezbollah International Finance Prevention Act (HIFPA), Lebanon's central bank issued a circular ordering Lebanese banks to close accounts belonging to individuals and institutions associated with Hezbollah. According to the central bank, hundreds of Hezbollah-linked accounts have since been closed.

Similarly, outreach to foreign partners regarding Hezbollah is based not only on the increasingly shared position that Hezbollah is an international terrorist group, but also on the universal position that the group is deeply involved in criminal enterprises that put national economies and the international financial system at risk. Hezbollah continues to operate in Europe even after the ban placed on parts of the group (it's military and terrorist wings) in July 2013, and is aggressively engaged in criminal enterprises in Africa and South America. Despite being designated a terrorist group by the Gulf Cooperation Council (GCC), Hezbollah reportedly began storing some of its funds outside Lebanon in response to the effect of the HIFPA legislation, including in places like Iraq and Dubai.

### *Hezbollah's Transformation*

The war in Syria has dramatically changed Hezbollah. Once limited to jockeying for political power in Lebanon and fighting Israel, the group is now a regional player engaged in conflicts far beyond its historical area of operations (Iraq and Yemen), often in cooperation with Iran. The strongest indicators of Hezbollah's transformation are structural. Since 2013, the group has added two new commands—the first on the Lebanese–Syrian border, the second within Syria itself—to its existing bases in southern and eastern Lebanon. In establishing its new presence in Syria, Hezbollah has also transferred key personnel from its traditionally paramount Southern Command, along Lebanon's border with Israel.

In addition to the traditional Lebanese Hezbollah, which has been deploying fighters to Syria since 2011, Islamic Revolutionary Guard Corps (IRGC) General Hossein Hamedani declared in May 2014 that Iran had formed "a second Hezbollah in Syria." In early 2014, several Shiite militias in Syria began to call themselves, "Hezbollah fi Suriya," or Hezbollah in Syria. Inspired by the success of Lebanese Hezbollah, Iran had begun to build a Syrian wing of the movement, to "carry out ideological as well as other regional power-projection goals."<sup>4</sup> While most of their actions so far have been limited to Syria, Hezbollah fi Suriya has made calls to unify with other Shia militia groups in Iraq as well. The Hezbollahization of these groups, in name, structure, and allegiance, signifies a major accomplishment for Tehran, allowing Iran to preserve harder-core influence and more effectively project power within and beyond Syria.<sup>5</sup>

Iranian support for Hezbollah is believed to continue at the same level it has been at for several years, but more of that money now goes to underwrite Hezbollah activities in Syria than in Lebanon. That is putting significant pressure on Hezbollah back home in Lebanon, where tensions are rising over the group's lack of support for its constituent base.<sup>6</sup> This, in turn, has led

<sup>4</sup> Philip Smyth, "How Iran Is Building Its Syrian Hezbollah," *The Washington Institute for Near East Policy*, March 8, 2016, <https://www.washingtoninstitute.org/policy-analysis/view/how-iran-is-building-its-syrian-hezbollah>

<sup>5</sup> Philip Smyth, "How Iran Is Building Its Syrian Hezbollah," *The Washington Institute for Near East Policy*, March 8, 2016, <https://www.washingtoninstitute.org/policy-analysis/view/how-iran-is-building-its-syrian-hezbollah>

<sup>6</sup> Hannin Ghadar, "Hezbollah's Women Aren't Happy" *The Washington Institute*, October 12, 2016, <http://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-women-arent-happy>

to an ideological crisis for the group because many of its fighters no longer see the war in Syria as a sacred battle.<sup>7</sup>

Even as it deepens its activities in Syria, Hezbollah continues to aid Shiite militias in Iraq, sending small numbers of skilled trainers to train Shia militias and help defend Shiite shrines there. Indeed, Hassan Nasrallah admitted on March 6, 2016 that Hezbollah had covertly dispatched Hezbollah operatives to Iraq, “In Iraq, we fought under the Iraqi command and we did not interfere in their affairs. It is an ethical, humanitarian and pan-Arab duty,” and he continued to say that some Hezbollah fighters remained in Iraq now because the Islamic State is still there.<sup>8</sup>

According to the U.S. Department of the Treasury, Hezbollah has also invested in commercial front organizations to support its operations in Iraq.<sup>9</sup> Hezbollah member Adham Tabaja, the majority owner of the Lebanon-based real estate and construction firm Al-Inmaa Group for Tourism Works, has exploited the firm’s Iraqi subsidiaries to fund Hezbollah, with the assistance of Kassem Hejeij, a Lebanese businessman tied to Hezbollah, and Husayn Ali Faour, a member of Hezbollah’s overseas terrorism unit.

And while the number of fighters Hezbollah has sent to Yemen to assist the Houthis may be small, that is certainly not a reflection of the importance with which they view the civil war there. Take for instance Khalil Harb, a former special operations commander and a close adviser to Nasrallah, oversees Hezbollah’s activities in Yemen—managing the transfer of funds to the organization within the country—and travels frequently to Tehran to coordinate Hezbollah activities with Iranian officials. Given his experience working with other terrorist organizations, his close relations with Iranian and Hezbollah leaders, and his expertise with special operations and training, appointing Harb to work in Yemen no doubt made a great deal of sense to Hezbollah.

Harb, however, is not the most senior operative dispatched to Yemen by Hezbollah. In the spring of 2015, Hezbollah sent Abu Ali Tabtabai, the senior commander formerly stationed in Syria, to upgrade the group’s training program for Yemen’s Houthi rebels, which reportedly involves schooling them in guerilla tactics. “Sending in Tabtabai [to Yemen] is a sign of a major Hezbollah investment and commitment,” an Israeli official told me. “The key question is how long someone of Tabtabai’s stature will stay.”<sup>10</sup>

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<sup>7</sup> Hanin Ghaddar, “Economic Alternatives Could Help Split Shiites From Hezbollah.” *The Washington Institute*, October 18, 2011, <http://www.washingtoninstitute.org/policy-analysis/view/economic-alternatives-could-help-split-shiites-from-hezbollah>

<sup>8</sup> “Nasrallah: Hezbollah sent fighters to Iraq,” *DailyStar Lebanon*, March 7, 2016, <https://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-07/340892-nasrallah-hezbollah-sent-fighters-to-iraq.ashx>

<sup>9</sup> “Treasury Sanctions Hizballah Front Companies and Facilitators in Lebanon And Iraq,” US Department of Treasury, June 10, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/jl0069.aspx>

<sup>10</sup> Matthew Levitt, “Waking Up the Neighbors,” *Foreign Affairs*, July 28, 2015, <https://www.foreignaffairs.com/articles/israel/2015-07-23/waking-neighbors>

Beyond Iraq and Yemen, Hezbollah cells have been uncovered in Bahrain, Kuwait and the UAE as well.<sup>11</sup>

### *Global Criminal Enterprise*

To further its operational objectives, Hezbollah relies on a worldwide network of supporters and sympathizers to provide financial, logistical, and operational support. These include both informal networks of supporters and centrally-run enterprises that effectively operate like international organized criminal organizations. The former provide small level financial or other support, as they are able. But the latter are relied upon for multi-million dollar funding schemes, for logistical support activities like setting up front and cover organizations, and to procure weapons, dual-use items, false documents, and more for the group. Of the former, few tend to be formal networks; often they are intentionally structured to be opaquely affiliated with Hezbollah as to avoid detection. But the latter, which also rely on relationships with criminal “super facilitators” who can move and launder massive amounts of money, for example, are involved in large-scale money laundering, drug smuggling, and arms sales.

Consider the arrests by the US Drug Enforcement Administration (DEA) and Europol that targeted what U.S. law enforcement now refer to as the Business Affairs Component (BAC) of Hezbollah’s terrorist wing, the Islamic Jihad Organization (also known as the External Security Organization). Engaging in drug trafficking and drug smuggling, U.S. officials report that the BAC was founded by deceased Hezbollah Senior Leader Imad Mughniyah and currently operates under the control of senior Hezbollah official Abdallah Safieddine and recently designated Specially Designated Global Terrorist (SDGT) Adham Tabaja.<sup>12</sup>

The BAC established working relationships with South American drug cartels that supplied cocaine to drug markets in both the US and Europe. The BAC would then launder the drug proceeds through the well-known Black Market Peso Exchange. In late January 2016, the DEA and Customs and Border Protection coordinated with multiple foreign counterparts to arrest top leaders of Hezbollah’s BAC, including U.S.-designated SDGT Mohamad Nouredine, who has worked directly with Hezbollah’s financial apparatus to transfer Hezbollah funds via his Lebanon-based company Trade Point International S.A.R.L. and maintained direct ties to Hezbollah commercial and terrorist elements in both Lebanon and Iraq.<sup>13</sup> United States Department of Treasury similarly targeted Nouredine and his accomplice Hamdi Zaher El Dine and their company, Trade Point International S.A.R.L.<sup>14</sup>

Hezbollah’s aggressive and ongoing procurement efforts have not been reigned in since the signing of the JCPOA, but have actually expanded in scope. These aggressive efforts span the

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<sup>11</sup> Yara Bayoumy, “Kuwait court sentences two to death for spying for Iran, Hezbollah,” Reuters, January 12, 2016, <http://www.reuters.com/article/us-kuwait-security-idUSKCN0UQ0RS20160112>; “Bahrain says it dismantled Iran-linked terror cell,” Agence France-Presse, January 6, 2016, <http://www.timesofisrael.com/bahrain-says-it-dismantled-iran-linked-terror-cell/>; Abdulla Rasheed, “Iran set up Hezbollah cell in UAE, court hears,” Gulf News, April 18, 2016, <http://gulfnews.com/news/uae/government/iran-set-up-hezbollah-cell-in-uae-court-hears-1.1715716>

<sup>12</sup> “DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme,” US Drug Enforcement Administration, February 1, 2016, <http://www.dea.gov/divisions/hq/2016/hq020116.shtml>

<sup>13</sup> “DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme,” US Drug Enforcement Administration, February 1, 2016, <http://www.dea.gov/divisions/hq/2016/hq020116.shtml>

<sup>14</sup> “Treasury Sanctions Key Hizballah Money Laundering Network,” US Department of Treasury, January 28, 2016, <https://www.treasury.gov/press-center/press-releases/Pages/jl0331.aspx>

globe, but have been especially pronounced in Europe and South America. Outside of the BAC arrests, United States Department of Treasury designated Hezbollah procurement agent Fadi Hussein Serhan, his company Vatech SARL, Hezbollah procurement agent Adel Mohamad Cherri and his company Le-Hua Electronics Field Co. Limited, and two companies owned or controlled by Specially Designated Global Terrorist and Hezbollah procurement agent Ali Zeaiter.<sup>15</sup>

Vatech SARL, run by Fadi Serhan, was designated for purchasing sensitive technology and equipment, including but not limited to UAVs on behalf of Hezbollah. Serhan sought these products from companies in the US, Europe, Asia and the Middle East. Adel Mohamad Cherri was attempting to procure a variety of electronics from China and send them to the Houthis in Yemen by using his company, Le-Hua Electronic Field Co. Ali Zeaiter's two companies, Aero Skyone Co. Limited and Labico SAL Offshore, were designated for again trying to procure UAV-related equipment through Europe and Asia.<sup>16</sup>

Investigation into Hezbollah BAC finance and facilitation networks has touched the United States as well. In October 2015, U.S. officials arrested Iman Kobeissi in Atlanta, Georgia. Kobeissi was arraigned on money laundering conspiracy charges and unlicensed firearms dealing conspiracy for laundering funds she believed to be drug money, and for arranging for the sale of thousands of firearms, including military assault rifles, machine guns, and sniper rifles, to criminal groups in Iran and Lebanon, including Hezbollah. The same day, her Hezbollah associate, Joseph Asmar, was arrested in Paris and charged with money laundering conspiracy.<sup>17</sup>

### *Hezbollah Operations in South America*

The extent of Hezbollah's drug connection was underscored once more in the wake of the U.S. Treasury narcotics kingpin designation of the Panama-based Waked Money Laundering Organization in May 2016.<sup>18</sup> The press release tied to this action mentions neither Hezbollah nor Iran, but the action reportedly proved to be particularly damaging for both Hezbollah and Iranian illicit financial conduct in the region. When this particular money laundering organization was targeted, it tied up illicit finances linked to various Iran Threat Network entities, including Hezbollah, and forced them to find other money laundering channels in the region. Much of that activity reportedly shifted to the Tri-Border Area, and to Paraguay in particular.

The Tri-Border Area remains a place where Hezbollah and other militant and criminal organizations engage in a wide array of criminal activities, including the sale of stolen and

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<sup>15</sup> "Treasury Sanctions Hizballah Procurement Agents and Their Companies," US Department of Treasury, November 5, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/j10255.aspx>

<sup>16</sup> "Treasury Sanctions Hizballah Procurement Agents and Their Companies," US Department of Treasury, November 5, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/j10255.aspx>

<sup>17</sup> "Two Hezbollah Associates Arrested On Charges Of Conspiring To Launder Narcotics Proceeds And International Arms Trafficking," US Attorney's Office Eastern District of New York, October 9, 2015, <https://www.justice.gov/usao-edny/pr/two-hezbollah-associates-arrested-charges-conspiring-launder-narcotics-proceeds-and>

<sup>18</sup> "Treasury Sanctions the Waked Money Laundering Organization," U.S. Department of the Treasury, May 5, 2016, <https://www.treasury.gov/press-center/press-releases/Pages/j10450.aspx>

counterfeit goods. Indeed, Hezbollah profits from illegal tobacco trade around the world, including in Israel, according to a report issued by the Israeli Ministry of Health.<sup>19</sup>

Fifteen years ago this month, Hezbollah operative Assad Barakat was arrested in Brazil. Today, the Barakat clan reportedly remains active in the region<sup>20</sup> and Hezbollah activities in the region have picked up pace significantly. In its 2014 annual terrorism report the State Department highlighted the financial support networks Hezbollah maintains in places like Latin America and Africa. The report concluded that Hezbollah remains, “capable of operating around the globe.”<sup>21</sup> This conclusion was underscored in November 2014 when Brazilian police reports revealed that Hezbollah helped a Brazilian prison gang, the First Capital Command (PCC), obtain weapons in exchange for the protection of prisoners of Lebanese origin detained in Brazil.<sup>22</sup> The same reports indicated that Lebanese traffickers tied to Hezbollah reportedly helped sell C4 explosives that the PCC allegedly stole in Paraguay.<sup>23</sup>

Peruvian counterterrorism police arrested a Hezbollah operative in Lima in November 2014, the result of a surveillance operation that began several months earlier. In that case, Mohammed Amadar, a Lebanese citizen, arrived in Peru in November 2013 and married a dual Peruvian-American citizen two weeks later. They soon moved to Brazil, living in Sao Paulo until they returned to Lima in July 2014. Authorities were clearly aware of Amadar at the time, because they questioned him on arrival at the airport and began watching him then. When he was arrested in October, police raided his home and found traces of TNT, detonators, and other flammable substances. A search of the garbage outside his home found chemicals used to manufacture explosives. At the time of his arrest, intelligence indicated Amadar's targets included places associated with Israelis and Jews in Peru, including areas popular with Israeli backpackers, the Israeli embassy in Lima, and Jewish community institutions.

It warrants noting that Hezbollah activity in the Southern Hemisphere often includes links to the United States. This was underscored in January 2015 when the FBI's Miami field office released a “request for information” bulletin about a dual Venezuelan-Lebanese Hezbollah operative known both for raising money for the group and meeting with Hezbollah officials in Lebanon to discuss “operational issues.”<sup>24</sup>

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<sup>19</sup> Minister of Health Report on Smoking in Israel, 2015, page 54, [http://www.health.gov.il/PublicationsFiles/smoking\\_2015.pdf](http://www.health.gov.il/PublicationsFiles/smoking_2015.pdf)

<sup>20</sup> Emanuele Ottolenghi and John Hannah, “To Combat Illegal Immigration, Trump Should Target Latin America’s Hezbollah-Narco Nexus,” *Foreign Policy*, December 23<sup>rd</sup>, 2016 <http://foreignpolicy.com/2016/12/23/to-combat-illegal-immigration-trump-should-target-latin-americas-hezbollah-nacro-nexus/>

<sup>21</sup> “Hezbollah has ties to Brazil’s Largest Criminal Gang; Group also Found Active in Peru,” Fox News Latino, November 11, 2014. <http://latino.foxnews.com/latino/news/2014/11/11/hezbollah-has-ties-to-brazil-largest-criminal-gang-group-also-found-active-in/>

<sup>22</sup> “Hezbollah has ties to Brazil’s Largest Criminal Gang; Group also Found Active in Peru,” Fox News Latino, November 11, 2014. <http://latino.foxnews.com/latino/news/2014/11/11/hezbollah-has-ties-to-brazil-largest-criminal-gang-group-also-found-active-in/>

<sup>23</sup> “Hezbollah has ties to Brazil’s Largest Criminal Gang; Group also Found Active in Peru,” Fox News Latino, November 11, 2014. <http://latino.foxnews.com/latino/news/2014/11/11/hezbollah-has-ties-to-brazil-largest-criminal-gang-group-also-found-active-in/>

<sup>24</sup> Federal Bureau of Investigation, Miami and San Diego Field Offices, “Seeking Information Ghazi Nasr al-Din,” January 29, 2015, <https://www.fbi.gov/wanted/terrorinfo/ghazi-nasr-al-din>

Hezbollah today is more invested in operations in South America than ever before. Not only are counterterrorism officials tracking Hezbollah operational plotlines there on a regular basis, but one of the most prominent operatives behind the AMIA bombing has now risen up the ranks of the organization and is personally overseeing Hezbollah operations in the region.<sup>25</sup> Salman al-Reda, whose true name is reportedly Salman Raouf Salman, was the on-the-ground coordinator of the AMIA bombing. A dual Lebanese-Colombian citizen who lived at various times in Colombia, in Buenos Aires and in the Tri-Border area, al-Reda fled the region after the bombing, before being indicted by Argentine authorities for his role in the attack. But in the years that followed, he served as an active member of Hezbollah's Islamic Jihad Organization (IJO), the group's international terrorist apparatus, also known as the External Security Organization (ESO). He was especially active in Southeast Asia and South America in the 1990s, including a flurry of operational missions in 1997 with three visits to Panama, two to Colombia, and one to Brazil.<sup>26</sup> Following Mohammad Hamdar's arrest in Peru, he identified al-Reda as the Hezbollah operative who served as his handler and with whom he met with on three different occasions in Turkey to plan the Peru operation.<sup>27</sup>

Hezbollah's ties to certain governments in Latin America have been of particular concern. Of note, the current Vice President of Venezuela, Tareck al Aissami, was designated by the U.S. Treasury Department in February 2017 under a counter narcotics authority<sup>28</sup> and is also reportedly close to Hezbollah.<sup>29</sup>

#### *Hezbollah's Foreign Relations Department*

Alongside its clandestine foreign operatives and networks, Hezbollah also maintains a more public international presence through the Foreign Relations Department (FRD) representatives it maintains around the world. Sometimes referred to as Hezbollah's External Relations department, the FRD functions overtly in Lebanon and in a semi-public fashion abroad. Previously headed by Nawaf al-Musawi, the FRD is headed today by Ali Damush who added to the U.S. list of designated terrorists in January 2017.<sup>30</sup> Some FRD personnel stationed around the world are Lebanese sent abroad to perform these functions, while others are Hezbollah supporters who live in foreign countries and willingly perform this service for the group. Most have close ties to senior Hezbollah officials, and many have some military training themselves and personal ties to ESO officials as well. Around the world, Hezbollah FRD personnel provide logistics to visiting Hezbollah delegations and build "community centers" to engender support for Hezbollah within local Shia communities and serve as a base for the group's local activities. They also raise funds, spot potential recruits, and serve as liaison officials maintaining communications not only between local supporters and Hezbollah leaders in Lebanon but also among Hezbollah operatives around the world.

<sup>25</sup> Author interview with counterterrorism officials, June 9, 2015

<sup>26</sup> Author interview with counterterrorism officials, June 9, 2015

<sup>27</sup> Author interview with counterterrorism officials, June 9, 2015

<sup>28</sup> "Treasury Sanctions Prominent Venezuelan Drug Trafficker Tareck El Aissami and His Primary Frontman Samark Lopez Bello," U.S. Department of Treasury, February 13<sup>th</sup> 2017, <https://www.treasury.gov/press-center/press-releases/Pages/as0005.aspx>

<sup>29</sup> Emanuele Ottolenghi, "Meet Venezuela's New VP, fan of Iran and Hezbollah," The Hill, January 3, 2017, <http://thehill.com/blogs/pundits-blog/international/314283-meet-venezuelas-new-vp-a-hezbollah-fan>

<sup>30</sup> "State Department Terrorist Designations of Ali Damush and Mustafa Mughniyeh," U.S. Department of State, January 9, 2017, <https://www.state.gov/j/ct/rls/other/des/266748.htm>

FRD officials have long been active in South America and elsewhere around the world. In Africa, FRD official Ali Ahmed Chehade has coordinated travel for Hezbollah members and actively assists Abd al Menhem Qubaysi, who, according to U.S. government information, serves as a personal representative of Hezbollah leader Hassan Nasrallah in West Africa.<sup>31</sup> Qubaysi has also hosted senior Hezbollah officials visiting the Ivory Coast and elsewhere in Africa. His activities included speaking at Hezbollah events and opening an official Hezbollah foundation in the Ivory Coast which is used “to recruit new members for Hezbollah military ranks in Lebanon.”<sup>32</sup> Such activities have drawn the attention of officials in Africa, where the regional body of the Financial Action Task Force (FATF) noted Chehade’s FRD activities in a report on terrorist financing in West Africa.<sup>33</sup> Elsewhere in Africa, the duties of FRD operatives Fouzi Fawaz and Abdallah Tahini included organizing Hezbollah delegations’ visits to Nigeria.<sup>34</sup>

Hezbollah criminal enterprises run deep in Africa, as evidenced most recently by the arrest in Morocco, extradition, and indictment in Washington, D.C., of Hezbollah financier Kassim Tajideen.<sup>35</sup>

### *Iranian State Sponsorship*

Of course, Hezbollah continues to enjoy significant financial and other support from Tehran. Beyond training, weapons and other kinds of support, Iran provides Hezbollah massive amounts of money, as exposed most recently in the February 2017 Treasury Department designation of Hasan Dehghan Ebrahimi, a Lebanon-based IRGC-Qods Force official. According to The Treasury Department, “Ebrahimi has facilitated cash transfers to Hezbollah worth millions of dollars,” some of which was sent and laundered through the U.S.-designated Hezbollah construction firm al Wa’ad Company. Ebrahimi and some of his employees raised money and transferred and laundered funds through a network of Lebanon-based companies with ties across the region.<sup>36</sup>

### *Policy Options*

There are several concrete steps that could be taken to strengthen current efforts to counter Hezbollah’s ability to exploit the international financial system to its benefit:

<sup>31</sup> “Treasury Sanctions Hizballah Operatives in West Africa,” U.S. Department of Treasury, June 11, 2013, <http://www.treasury.gov/press-center/press-releases/Pages/j11980.aspx>

<sup>32</sup> “Treasury Target Hizballah Network in Africa,” U.S. Department of the Treasury, May 27, 2009, <http://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>

<sup>33</sup> “Terrorist Financing in West Africa,” Financial Action Task Force, Inter Governmental Action Group Against Money Laundering in West Africa, October 2013, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/tf-west-africa.html>

<sup>34</sup> “Treasury Targets Africa- Based Hizballah Support Network,” U.S. Department of the Treasury, February 26<sup>th</sup>, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/j19982.aspx>

<sup>35</sup> “Lebanese Businessman Tied to Hizballah Arrested For Violating IEEPA and Defrauding the U.S. Government,” United States Department of Justice, March 24, 2017, <https://www.justice.gov/usao-dc/pr/lebanese-businessman-tied-hizballah-arrested-violating-ieepa-and-defrauding-us-government>

<sup>36</sup> “Treasury Sanctions Supporters of Iran’s Ballistic Missile Program and Iran’s Islamic Revolutionary Guard Corps – Qods Force,” US Department of the Treasury, February 3, 2017, <https://www.treasury.gov/press-center/press-releases/Pages/as0004.aspx>



1. **Designate additional Hezbollah entities, as appropriate.** HIFPA proscribes doing business with designated Hezbollah entities, so the more Hezbollah entities included in Treasury and State department lists the more impactful the HIFPA legislation will be. While Lebanese regulatory authorities intervened to prevent so-called over-compliance with the U.S. law by local banks and forestall further confrontation with Hezbollah, additional U.S. designations of Hezbollah businessmen and businesses would give Lebanese banks cover to protect the Lebanese financial system from further abuse. This should include, but not be limited to, entities operating in Lebanon. Consider, for example, the list of Lebanese businesses designated along with Lebanon-based IRGC Qods Force operative Hasan Dehghan Ebrahimi in February 2017.<sup>37</sup>

Targeting Hezbollah's criminal enterprises in South America, Africa and Europe would be important as well. Additionally, whenever possible, note the Hezbollah connections to Treasury or other actions taken under authorities other than support for terrorism, as in the case of the counter-narcotics action taken against the Waked Money Laundering Organization, so that these can be covered by HIFPA as well.

Finally, consider follow on actions to existing designations, where appropriate. For example, Ebrahimi was providing Hezbollah funds through Hezbollah's al Waad construction firm, which was designated in 2009.<sup>38</sup> Similarly, Hezbollah's "Equip a Mujahid" social media fundraising campaign was launched by Hezbollah's Islamic Resistance Support Organization (IRSO), which was designated in 2006.<sup>39</sup> In fact, the Treasury Department revealed at the time that IRSO was raising funds for Hezbollah around the world using terms like "equipping a mujahid project."<sup>40</sup>

2. **Target key Hezbollah criminal support networks.** Hezbollah's Foreign Relations Department has taken on a variety of criminal and operational functions over the past few years and targeting its operatives and front organizations would deal a significant blow to the group.<sup>41</sup> Similarly, Hezbollah increasingly relies on the services provided by "super facilitators" who may not be Hezbollah members themselves but provide the group specialized services that are mission-critical for Hezbollah's criminal enterprises. Targeting these super facilitators would also be an effective way of undermining the group's ability to access and abuse the international financial system.<sup>42</sup> The arrest,

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<sup>37</sup> "Treasury Sanctions Supporters of Iran's Ballistic Missile Program and Iran's Islamic Revolutionary Guard Corps –Qods Force," US Department of the Treasury, February 3, 2017, <https://www.treasury.gov/press-center/press-releases/Pages/as0004.aspx>

<sup>38</sup> "Treasury Targets Hizballah Construction Company, US Department of the Treasury, January 6, 2009, <https://www.treasury.gov/press-center/press-releases/Pages/hp1341.aspx>

<sup>39</sup> "Treasury Designated Key Hezbollah Fundraising Organization," US Department of the Treasury, August 29, 2006, <https://www.treasury.gov/press-center/press-releases/Pages/hp73.aspx>

<sup>40</sup> English translation of IRSO donation form including in Treasury's IRSO designation <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/0829translationofreceipts.pdf>

<sup>41</sup> Matthew Levitt, "Hezbollah's 'Diplomats' Go Operational," The Washington Institute, December 2nd, 2016, <http://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-diplomats-go-operational>

<sup>42</sup> Matthew Levitt, "Hezbollah's Criminal Networks: Useful Idiots, Henchmen, and Organized Criminal Facilitators," The Washington Institute, October 2016, <http://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-criminal-networks-useful-idiots-henchmen-and-organized-criminal>

extradition and forthcoming prosecution of designated Hezbollah financier Kassim Tajideen indicates a newfound willingness to target individuals or organizations that play key roles in Hezbollah's criminal support networks, and stands in stark contrast to the failure to secure the extradition of other arrested Hezbollah supporters around the world, such as the case of Ali Fayyad who was arrested in the Czech Republic but later released to Lebanon.

3. **Apply secondary sanctions under HIFPA to a financial institution banking Hezbollah or its associates outside the Middle East**, such as in Africa or Latin America. This would serve as a powerful reminder of HIFPA's global reach and minimize the impact on Lebanon's financial sector. Consider a financial institution like Balboa Bank & Trust, which was designated by the Treasury Department in the context of the action taken against the Waked Money Laundering Organization.<sup>43</sup>
4. **Revisit the question of designating Hezbollah as a Transnational Criminal Organization.** The outing of Hezbollah's Business Affairs Component resulted from a series of DEA cases run under the rubric of "Project Cassandra," which targeted "a global Hezbollah network responsible for the movement of large quantities of cocaine in the United States and Europe." But there are many other recent cases in which transnational organized criminal activities were carried out by people with formal, even senior ties to Hezbollah. Hezbollah's status as a transnational criminal organization (TCO) should be revisited.<sup>44</sup>
5. **Resume sanctioning Iran for state sponsorship of Hezbollah (and other) terrorism.** Hezbollah continues to receive significant funding and resources from Iran. Without undermining the Iran Deal, which is limited to nuclear development and proliferation, more vigorous action could be taken against entities such as the IRGC Qods Force, Mahan Air, and a host of other Iranian entities involved in Tehran's support for terrorism. The designation of Hasan Dehghan Ebrahimi in February 2017 was a move in the right direction.
6. **Enhance interagency coordination and cooperation against the Iran Threat Network (ITN).** All of the policy options laid out here require close interagency coordination and cooperation. In the past, that has been in short supply when it comes to dealing with Iran, Hezbollah and Tehran's other proxies. Today, organized Shia militias closely tied to Iran are operating in Iraq and Syria. These include Shia militants not only from Iraq and Lebanon, but from Pakistan, Afghanistan, the Gulf, and Africa. Designations and other interagency actions targeting ITN actors allied with Hezbollah would go a long way toward undermining some of Hezbollah's key allies. The ITN threat is growing, not shrinking, and demands maximum coordination between the intelligence community, law enforcement, regulatory bodies and policy departments and agencies. One positive sign in this regard is the use of convening bodies such as the

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<sup>43</sup> "Treasury Sanctions the Waked Money Laundering Organization," U.S. Department of the Treasury, May 5<sup>th</sup>, 2016, <https://www.treasury.gov/press-center/press-releases/Pages/jl0450.aspx>

<sup>44</sup> Matthew Levitt, "Hezbollah's Transnational Organized Crime," The Washington Institute, April 21<sup>st</sup>, 2016, <http://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-transnational-organized-crime>

Global Counterterrorism Forum (GCTF) and the Law Enforcement Coordination Group (LECG) to address best practices for countering Hezbollah's terrorist, criminal and other illicit activities.<sup>45</sup>

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<sup>45</sup> Matthew Levitt, "America May Have Unlocked a Key to Fighting Terrorism—and It Doesn't Involve Drones," The Washington Institute, January 8<sup>th</sup>, 2016, <http://www.washingtoninstitute.org/policy-analysis/view/america-may-have-unlocked-a-key-to-fighting-terrorism-and-it-doesnt-involve>; and "Treasury Hosts Meeting of the Law Enforcement Coordination Group Focused on Countering Hizballah's Terrorist Activities," U.S. Department of the Treasury, May 8<sup>th</sup>, 2017, <https://www.treasury.gov/press-center/press-releases/Pages/sm0075.aspx>