

Money Matters

THE UNITED STATES IS TAKING AIM AT THE ECONOMIC RESOURCES OF IRAN, SYRIA AND THE TERRORISTS THEY SUPPORT

The United States has stepped up action along the financial front of its war on terrorism, working to prevent terrorists and their state sponsors from obtaining funding vital to their operations.

Under U.S. pressure, international banks and businesses are ending dealings with Iran, the top sponsor of international terrorism.

Meanwhile, banks are refusing to transfer hundreds of millions of dollars to the Hamas-led Palestinian government for fear of possible U.S. sanctions. The United States has also continued its campaign against Hizballah fund-raising, seeking to cut off the group that has killed more Americans than any terrorist organization except al-Qaeda.

U.S. Pressure Has Prompted Banks to End Business With Iran

Invoking antiterrorism and banking laws, the Treasury Department has persuaded several major European banks to curtail transactions with the Islamic Republic.

UBS and Credit Suisse banks of Switzerland, ABN Amro of the Netherlands and London-based HSBC have all taken steps to limit their activities in Iran.

Major oil and gas firms are also reassessing their business ties to the Islamic Republic, driven by concerns about the implementation of penalties authorized by the Iran-Libya Sanctions Act. Firms such as

General Electric, Halliburton and ConocoPhillips have already begun to wind down their operations in Iran.

More than a dozen U.S. states have also begun efforts to divest pension funds from firms investing in terror-sponsoring states.

The Louisiana sheriffs' public pension fund this year became one of the first in the nation to forswear investments in foreign firms that invest in Iran.

In California, State Controller Steve Westly recently asked the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), to review their holdings for investments in companies with ties to terror-sponsoring states such as Iran.

The United States Has Worked to Choke Off Money to Hamas

Fearing U.S. sanctions, banks throughout the Middle East have been unwilling to transfer funds to the Palestinian Authority (PA) since it was taken over earlier this year by the terrorist group Hamas.

Hamas has been on the United States' list of terrorist organizations since 1997, and Treasury Department regulations issued after the group's takeover of the Palestinian government make clear that the United States regards the Hamas-controlled Palestinian government as a terrorist-controlled entity.

With banks unwilling to risk fines and lawsuits for acting as conduits for terrorist funds, the PA has been forced to smuggle cash across the border between Egypt and Gaza. A senior Hamas official was recently caught smuggling \$817,000 through the Rafah crossing.

Hizballah and Its Allies Face Increased American Pressure

The United States has also taken financial action against Hizballah and its sponsors.

Since 2001, almost a dozen entities linked to Hizballah have been blacklisted by the Treasury Department. The United States is also pressing Syria to end its support for Hizballah and other terrorist groups.

In May, President Bush extended sanctions imposed on Syria under the Syria Accountability Act. The penalties include a ban on most exports to Syria and the freezing of assets belonging to individuals associated with terrorism. Citing the increased risk of additional sanctions, Marathon Oil, the largest U.S. investor in Syria, recently decided to sell its Syrian operations.

Given the effectiveness of these efforts, the United States can be expected to continue its campaign to cut off the financial pipelines that enable terrorist groups and their state sponsors to facilitate attacks against Americans. •NER•

EMPTYING THE COFFERS

MILESTONES IN THE U.S. QUEST TO CUT OFF TERRORIST FINANCIAL PIPELINES

APRIL 1996. Congress authorizes the Treasury Department to freeze terrorist groups' U.S. assets and outlaws financing foreign terrorist groups.

AUGUST 1996. Lawmakers pass the Iran-Libya Sanctions Act (ILSA), approving penalties against foreign companies investing in Iran's energy sector.

SEPTEMBER 2001. President Bush issues an Executive Order threatening to close American markets to foreign banks that assist terrorists.

JANUARY 2006. In response to American pressure, four top European banks begin curbing their activities in Iran.

FEBRUARY 2006. The Treasury Department issues guidelines barring transactions with the terrorist-led Palestinian government, prompting foreign banks to end dealings with the Palestinian Authority.

APRIL 2006. The House passes the Iran Freedom Support Act, which would tighten ILSA sanctions on Iran.