

Following the Money

THE U.S. TREASURY DEPARTMENT HAS INCREASED ITS EFFORTS TO FIGHT INTERNATIONAL TERRORISM BY CRACKING DOWN ON THE BANKS AND FRONT COMPANIES THAT HELP FUND HIZBALLAH, HAMAS AND OTHER TERROR GROUPS

Weeks after Hizballah's war against Israel focused attention on how the terrorist army uses money to buy favor in Lebanon, the Treasury Department is stepping up efforts to choke off the financial pipelines of terrorist groups and their state sponsors.



Photo by the Associated Press

Treasury Secretary Henry Paulson has urged other nations to act against terror front groups.

The past month has seen the department take action against companies, individuals and banks accused of providing financial services to Hizballah and several Palestinian terrorist organizations.

The crackdown has had ripple effects—international financial institutions have decided to cut ties with a bank targeted by the Treasury Department, and several firms are re-assessing ties to countries such as Iran.

The United States Has Sanctioned Firms With Terrorist Connections

All of the companies recently penalized by the Treasury Department are now listed as terrorist groups.

Two Lebanese firms, Bayt al-Mal and the Yousser Company for Finance and Investment, served as Hizballah's "unofficial treasury," according to Stuart Levey, the head of the Treasury Department's Office of Terrorism and Financial Intelligence.

The department also added a charity—the Islamic Resistance Support Organization—to its terrorist list for raising money for Hizballah. Receipts issued

to donors by the group listed projects such as "contribution to the cost of a rocket" and "contribution to the cost of bullets."

The Treasury Department froze all of these entities' U.S. assets and made it illegal for Americans to deal with them.

The Treasury Department Has Helped Isolate Iran

The Treasury Department has also played a key role in American efforts to isolate Iran, whose pursuit of nuclear arms has compounded its threat to U.S. interests as the chief state sponsor of terrorist groups such as Hizballah.

"You can't have a secure financial system, you can't preserve the reputation of a financial system if you let people come in and abuse it, and abuse it for illegal activities of any kind—WMD proliferation, terrorism," Treasury Secretary Henry Paulson said. "And Iran is abusing the financial system."

The department completely closed the U.S. financial system to Bank Saderat, a major state-owned Iranian bank with 3,400 branches across the Middle East. Because of the decision, Saderat will likely be unable to process any transactions involving dollars.

Iran had used the bank to transfer \$50 million to Hizballah in recent years. It also funneled money to Palestinian terrorist groups including Hamas, the Popular Front for the Liberation of Palestine and Palestinian Islamic Jihad.

The U.S. Campaign Against Terror Finance Has Pressured Other Entities to Cut Off Terrorists

By publicizing and penalizing terrorist financial networks, the United States has also helped convince multi-national firms and other businesses to cut ties with companies linked to terrorism.

Wachovia, a major bank based in North Carolina, ended its relationship with Lebanon's Middle East and Africa Bank (MEAB) after NBC News exposed MEAB's role in collecting donations for Hizballah. Wachovia affirmed its policy of "not conducting business with any organization identified by the U.S. government as a terrorist organization or supporting terrorism."

Shortly after the Treasury Department's move against Saderat, three leading Japanese

banks announced that they would stop doing business with the Iranian bank.

Earlier this year, the Switzerland-based UBS pulled out of Iran while two other Swiss banks—HSBC and Credit Suisse—reduced their ties to Tehran.

Additionally, Treasury Department officials have recently been circling the globe to

OVER THE PAST MONTH, THE U.S. TREASURY DEPARTMENT HAS TAKEN ACTION AGAINST BUSINESSES LINKED TO HIZBALLAH, HAMAS AND OTHER PALESTINIAN TERRORIST GROUPS, AS WELL AS A MAJOR IRANIAN BANK.

press foreign governments to crack down on terrorist financing.

At a recent meeting in Singapore of the International Monetary Fund and World Bank, Paulson urged the world's leading industrialized nations to guard their banking systems against as many as 30 Iranian front companies that are transferring money to terrorist groups through financial institutions around the world.

Meanwhile, Levey and Deputy Treasury Secretary Robert Kimmitt traveled to Europe to urge cooperative efforts against terrorist exploitation of banks.

Despite Effective U.S. Action, Some Financial Avenues Remain Open to Terrorists

For all of its successes, the United States' economic war against terrorism has yet to disrupt every terrorist financial network.

For instance, the Treasury Department has yet to add to its terrorist list Jihad al-Binaa, or "Construction Jihad," which enlists support for Hizballah by distributing money in southern Lebanon.

Analysts and government officials stress that the effort to de-fund terrorist organizations is central to protecting the United States, Israel and other nations from attacks.

"If they have a hard time moving money, they'll have a hard time funding their operations," said terrorism analyst Daniel Benjamin of the Center for Strategic and International Studies. •NER•