

A New Era of US Financial War against Hezbollah

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The United States of America started using new ways in order to combat the threat of terrorism especially after September 11, 2001. From this viewpoint, US has developed and enhanced tools in order to deal with what it sees as terrorist organizations. Instead of conventional warfare, the US developed a new type of warfare that goes after the source of funds of a terrorist organization or a rogue state. This warfare was developed to help the US in combating states like North Korea and Iran in addition to terrorist labeled organizations like Al Qaeda and Hezbollah. There are several examples of the efficiency of these sanctions when they were applied. Al Qaeda, North Korea and Iran have all been targeted in some form of terror finance and anti-laundry laws and sanctions. When these laws were applied, North Korea and Iran were pressured into negotiating with the US and group like Al Qaeda whose influence stretched from Libya, Iraq and several other countries have seen their power diminished mainly due to these financial sanctions and only remain powerful in Yemen today. In USA's point of view, Hezbollah had been designated as a terrorist group without distinguishing between the military or political wing and it should thus be contained financially. Hezbollah's social and financial structures are being targeted by US sanctions.

Hezbollah is considered a main social component in the Lebanese society especially in the Shiite dominated areas like Southern Lebanon, Northern Beqaa, and the South Suburb of Beirut. Their activities are not only restricted to in resisting Israel and to interfering in the Syrian civil war. Moreover, Hezbollah's presences stretches from South East Asia to South America in countries like Venezuela and Mexico. Hezbollah had paid particular attention to their social network concentrating on providing basic needs in areas that have come under the party's control due to the inability of the Lebanese government to provide citizens these needs¹. A sample of this phenomenon was the foundation of the "Jihad Al-Binna Association" (for construction and

¹ Naim Qassem, Hizballah: The Story from Within, 2005

development) that restored and rebuilt the buildings in several Lebanese areas affected by bombings caused by Israel aggression (from 1985 and as recently as July 2006)². This association is estimated to have restored around 18,000 households³. Hezbollah has provided these restoration efforts without any financial fee requested by the residents but funding of these operations came from outside government's budget⁴.

These financing operations for the party's social and military budget have been both legal and illegal in nature. Several illicit activities from drug and human trafficking to money laundering activities are main tools for terrorist financing. These sources are Hezbollah's main revenues, but if targeted properly they become their weak points. The US financial system gave its government the desired power to cause the beginning of the downfall of Hezbollah by implementing financial sanctions against their financial sources. The US congress passed on December 16, 2015 the H.R.2297 – Hezbollah International Financing Prevention Act of 2015 and designated the group as a “transnational crime organization”⁵. This law directly targets all the Hezbollah's funding and monetary activity. Hezbollah's affiliation with Iran and its close cooperation with Iranian Revolutionary Guard along with its terrorist and criminal acts had made it a target for financial sanctions. Due to sanctions on Iran and Hezbollah, the Lebanese Shiite party has become more reliant on illegal activities. One of the major revelation of a major money laundering operations were uncovered in 2011. Hezbollah relied on Lebanese banks like Lebanese Canadian Bank in order to launder millions of dollars related to drug proceeds from South America and another operations related to millions of dollars raised from used car dealings in United States⁶. All these operations were detected and stopped by the US Treasury department in order to limit the

2 Naim Qassem, *Hezbollah: The Story from Within*, 2005

3 Naim Qassem, *Hezbollah: The Story from Within*, 2005

4 Dr. Hussein Faddallah, *حزب الله والدولة في لبنان - الرؤية والمسار*, 2015

5 Hezbollah International Financing Prevention Act of 2015, <https://www.congress.gov/bill/114th-congress/house-bill/2297>, 2015

6 Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare*, 2013

funding of Hezbollah. Most recently, US Drug Enforcement Agency (DEA) along with several European counterparts have uncovered and arrested several members of Hezbollah international network of drug smuggling⁷. These members were part of an international funding and money laundering operation that assumed to be directly connected to Hezbollah. The new law, which was passed by congress at the end of 2015, has increased the pressure on Hezbollah and its funding operations in and outside of Lebanon. This bill states that it shall be U.S. policy to: (1) prevent Hezbollah's global logistics and financial network from operating in order to curtail funding of its domestic and international activities; and (2) utilize diplomatic, legislative, and executive avenues to combat Hezbollah's criminal activities in order to block that organization's ability to fund its global terrorist activities⁸. This bill will block and freeze assets of individuals or companies that directly or indirectly facilitate transactions of which the "beneficial owner" will be Hezbollah. Furthermore, it gives US government authority to work with other governments to prevent funding from reaching Hezbollah. One of the first victims of this law was Trade Point International SARL with its owner Mohammad Nouredine and his employee Hamdi Zaher El Dine. The office of Foreign Asset Control (OFAC) accused Mr. Nouredine to have used a far-reaching network across Asia, Europe and the Middle East to provide money laundering, bulk-cash shipment, black-market currency exchange and other financial services to clients that are connected to Hezbollah affiliates. He has also provided services to Adham Tabaja, and his company Al-Inmaa Engineering and Contracting, both of whom were placed under U.S. sanctions in June 2015⁹. OFAC is starting to target third parties¹⁰ related to Hezbollah in order to stop and limit their funding. This law also gives the treasury and OFAC in particular authority to freeze assets and punish financial entities such as bank who refuse to freeze

7 American War on Hezbollah: Drug Dealing Network Arrested (Alarabe, 2015)

8 Hizballah International Financing Prevention Act of 2015, Congress.gov, 2015

9 Samuel Rubenfield, U.S. Puts Sanctions on Alleged Hezbollah Money Launderers, Wall Street Journal 2016

10 Third Parties are companies that are working on the behalf of Hezbollah

Hezbollah affiliated assets. Sanctions for these entities include freezing a bank's assets and suspending their activities with the US financial system.

Hezbollah was already feeling the effect from OFAC and US Treasury actions since 2011, but on the other hand, the new law (Hezbollah International Financing Prevention Act of 2015) gave OFAC additional power in order to combat them. When the European Union placed Hezbollah's military wing on terrorist list and blocked any financial transaction towards their military wing, Secretary General of Hezbollah Hassan Nasrallah was in defiant mood. However, when the congress passed the Hezbollah International Financial Prevention Act he gave lengthy televised addresses last month, focusing on this issue trying to falsify US's accusations. He fiercely denied any role for his party in drug dealing and money laundering activities¹¹. The Lebanese government acted in order to insure that the Lebanese banking sector is not affected. Speaker of the Parliament Nabih Berri formed a parliament committee in order to travel to the US in order explain Lebanon's stance towards this law and try to limit or decrease its efficiency¹². Finance Minister Mr. Ali Hassan Khalil has pledged to visit the United States in order to get reassurances from the US's Treasury Department, World Bank, and International Monetary Fund¹³. All these sign show that the war between the West particularly US and Hezbollah has entered a new phase by not only targeting the Shiite group's military wing but also its social apparatus. Many business owners in the Shiite society has business related to this social network created by Hezbollah and for the first time it is starting to feel pressure of the US sanctions.

¹¹ Matthew Levitt, The Crackdown on Hezbollah's Financing Network, Wall Street Journal 2016

¹² Mounir Rabih, العقوبات الأميركية: بري يخوض معركة حزب الله, Almodon 2016

¹³ Mounir Rabih, العقوبات الأميركية: بري يخوض معركة حزب الله, Almodon 2016