

**FOLLOWING THE MONEY: EXAMINING CURRENT  
TERRORIST FINANCING TRENDS AND THE  
THREAT TO THE HOMELAND**

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**HEARING**

BEFORE THE

**SUBCOMMITTEE ON  
COUNTERTERRORISM  
AND INTELLIGENCE**

OF THE

**COMMITTEE ON HOMELAND SECURITY  
HOUSE OF REPRESENTATIVES**

**ONE HUNDRED FOURTEENTH CONGRESS**

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## **FOLLOWING THE MONEY: EXAMINING CURRENT TERRORIST FINANCING TRENDS AND THE THREAT TO THE HOMELAND**

**Thursday, May 12, 2016**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON HOMELAND SECURITY,  
SUBCOMMITTEE ON COUNTERTERRORISM AND INTELLIGENCE,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:06 a.m., in Room 311, Cannon House Office Building, Hon. Peter T. King [Chairman of the subcommittee] presiding.

Present: Representatives Katko, Hurd, King, Higgins, and Keating.

Mr. KING. Good morning. The Committee on Homeland Security, Subcommittee on Counterterrorism and Intelligence will come to order.

The subcommittee is meeting today to get testimony from three very distinguished experts regarding terror financing.

I would like to welcome the Ranking Member, Mr. Higgins, and express my appreciation for the witnesses who are here today. I now recognize myself for an opening statement.

In 2005, the 9/11 Commission gave the U.S. Government an A- in combating terrorist financing. As the United States built additional safeguards into the financial system to identify and disrupt the flow of funds to terrorists, we have scored some significant victories. Despite our successes, however, we cannot become complacent. Terrorist organizations have evolved, adopting new strategies and tactics, leveraging social media and encryption technology to recruit the next generation of jihadis and to plot attacks.

Recent terror attacks and plotting have demonstrated terrorist organizations can have global impact at very little costs. While the cost of financing the 9/11 attack was estimated between \$400,000 and a half-a-million dollars, AQAP's 2010 cargo bomb plot reportedly cost only \$4,200. The January Paris attacks cost only \$10,000, and the 2015 Charlie Hebdo attackers allegedly sold counterfeit sneakers and clothing to fund their activity.

As we have hardened our defenses, our enemies have adapted as well, seeking to wear down our resolve with smaller-scale, more frequent plots conducted by U.S. and European citizens who have fought on the battlefields of the Middle East and Asia or have become radicalized to take action at home.

While ISIS' ability to hold territory in Iraq and Syria has provided it with access to resources that have allowed to finance the

terror campaign internally, the success of coalition airstrikes targeting ISIS' oil production has forced the group to seek revenue through other activities, including human trafficking, taxing the local population, and robbing antiquities from world-renowned cultural and historical sites.

ISIS facilitators have also encouraged recruits to resort to petty crime to fund travel to Syria and home-grown violent extremism. The alleged head of the Brussels ring that conducted the Paris attacks, doled out cash and presents to wayward youths he recruited as thieves and prospective fighters. They were then trained to target train stations and tourists, stealing luggage, even shoplifting for their cause.

I am eager to hear from today's witnesses how terrorist groups and State sponsors of terrorism have been turning to criminal activities to develop new source of funds, evade detection, and acquire logistical expertise moving and laundering funds, as well as how supporters may be changing tactics to evade current laws and detect illicit funds moving to designated terror groups.

Hezbollah facilitators have been shown to be particularly savvy in circumventing U.S. laws on terrorist financing. The Lebanese Canadian Bank case where bank officers engaged in laundering money from Colombian drug cartels and mixing it with proceeds from used cars bought in the United States, illustrates the sophistication and motivation of Hezbollah to finance its terrorist operations, and the close ties between terrorists and criminal networks. These organizations are highly innovative and motivated, and our Government must remain nimble in the laws and authorities it provides to our intelligence and law enforcement agencies to meet this challenge.

When examined over time, several fundamental lessons emerge. First, a wide range of terrorist organizations have sought to draw upon the wealth and resources of the United States to finance their organizations and activities. Second, just as there is no one type of terrorist, there is no one type of terrorist financier or facilitator. Third, terrorist financiers and facilitators are creative and will seek to exploit vulnerabilities in our society and financial system to further their unlawful aims.

I would like to welcome our expert panel. Your input is critical to the subcommittee's understanding of the current trends in terror financing and how the U.S. Government can build stronger partnerships with the public and private sector to identify funds being diverted to terrorist organizations and disrupt and dismantle the criminal and money-laundering rings.

[The statement of Mr. King follows:]

STATEMENT OF CHAIRMAN PETER T. KING

MAY 12, 2016

In 2005, the 9/11 Commission gave the U.S. Government an "A—" in combating terrorist financing. As the United States built additional safeguards into the financial system to identify and disrupt the flow of funds to terrorists, we have scored some significant victories.

Despite our successes, however, we must not become complacent. Terrorist organizations have evolved, adopting new strategies and tactics, leveraging social media and encryption technology to recruit the next generation of jihadis, and plot attacks.

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Mr. KING. Now I am privileged to recognize the distinguished Ranking Member from upstate New York, almost Canada, Mr. Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman.

I also look forward to hearing from the witnesses who have joined us today regarding your studies and background about this very, very important issue. Hearings like this allows us to stay engaged in the fight against terrorism, engage the dangers terrorist organizations pose in regions throughout the world.

Terrorist organizations such as ISIS, Hezbollah, al-Qaeda, Hamas, to name a few, have all become very sophisticated in financing their terror activities. These financing tools span from criminal enterprises, such as ransoms, drug operations, and human trafficking, to creating charities under false pretenses too, and what may be the most surprising of all, looting and selling of antiquities to gain funds.

Terror financing is of special interest to the committee because, according to reports, in 2014 alone, ISIS obtained revenue of \$2 bil-

lion and a war chest of nearly \$250 million. This surpasses any other terrorist organization's annual earnings. It makes ISIS a financially self-sufficient organization. ISIS' second-largest form of revenue is through the illicit and black market trade of stolen antiques.

In control of a region that has over 5,000 archeological sites, ISIS has destroyed or looted and stolen artifacts that are worth millions of dollars. In the Middle East and North African region, ISIS has caused mass hysteria, wrecking temples in Syria, destroyed the Judeo-Christian tomb of Jonah, and pillaged the Mosul Museum in Iraq. Earlier this year, the United Nations Educational, Scientific, and Cultural Organization's director general declared that the deliberate destruction of cultural heritage in Syria and Iraq is, in fact, a war crime.

Finally, through the less-prominent revenue source for ISIS, kidnapping for ransom has been effectively used by other terror organizations to finance their operations. Al-Qaeda and its affiliates have reportedly received in excess of \$125 million through KFRs since 2008, much of it paid by foreign governments. Combating these terror financing operations must be among our top priorities as doing so is a key component to our efforts to counter these groups globally.

I look forward to having a productive conversation with the panelists and, hopefully, learning more about how to halt these terror financing operations.

With that, I yield back.

[The statement of Mr. Higgins follows:]

STATEMENT OF RANKING MEMBER BRIAN HIGGINS

APRIL 27, 2016

Hearings like these allow us to stay engaged in the fight against terrorism and gauge the dangers terrorist organizations pose in regions throughout the world. Terrorist organizations such as ISIL, ISIS, Hezbollah, al-Qaeda, and Hamas (to name a few) have all become very crafty in financing their terrorist, extremist operations.

These financing tools span from criminal enterprises such as ransoms, drug operations, and human trafficking to creating charities under false pretenses, to, and what may be most surprising of all, the looting and selling of antiquities to gain funds.

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This surpasses any other terrorist organization's annual earnings and makes ISIS a "financially self-sufficient" organization. ISIS' second-largest form of revenue is through the illicit, black market trade of stolen antiques.

In control of a region that has over 5,000 archaeological sites, ISIS has destroyed looted and stolen artifacts that are worth millions of dollars and a part of history.

In the Middle Eastern and Northern African region, ISIS has caused mass hysteria—wrecked temples at the ruins of Palmyra in Syria, destroyed the Judeo-Christian Tomb of Jonah, and pillaged the Mosul Museum in Iraq.

Earlier this year, the United Nations Educational, Scientific, and Cultural Organization's director-general declared the "deliberate destruction of cultural heritage" in Syria and Iraq a "war crime."

Finally, though a less-prominent revenue source for ISIL, kidnapping for ransom has been effectively used by other terrorist groups to finance their operations. Al-Qaeda and its affiliates have reportedly received in excess of \$125 million through KFR since 2008, much of it paid by foreign governments.

Combating these terror financing operations must be among our top priorities, as doing so is a key component in our efforts to counter these groups globally. I look



forward to having a productive conversation with the panelists and hopefully learning more about how to halt these terrorist financing operations.

Mr. KING. I thank the Ranking Member.

I would advise other Members of the committee that opening statements may be submitted for the record.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

During a similar Committee on Homeland Security hearing during the 112th Congress, I acknowledged that as the administration and our National efforts continue to “disrupt and dismantle the activities and traditional funding sources of terrorist groups such as al-Qaeda, it should come as no surprise that their affiliates may turn to traditional criminal activities to fund ideologically-based violence.”

As we meet today, the same holds true. Currently, the United Nations Security Council Sanctions List includes over 600 individuals and almost 400 organizations.

As our international partners continue to share and coordinate threat and financial information and nations continue to impose economic sanctions, this game of whack-a-mole will continue as state-sponsored terrorist groups will seek other sources of financing.

Terrorists organizations like al-Qaeda, the Islamic State, and Boko Haram are being forced to be more innovative with their financing schemes. Terrorist organizations are increasingly being linked to transnational organized crimes like drug trafficking, illicit trading of firearms, extortion, kidnapping, human trafficking, smuggling of migrants, trafficking in natural resources, fraudulent medicine sales, and cyber crime.

It is no shock that the financial structures of terrorist organizations are analogous to criminal organizations. Both groups utilize various financing patterns to raise and store funds.

Similarly and due to the criminal nature of terrorist organizations, their use of alternative financing apparatuses can make tracking their financial operations especially difficult.

A 2009 analysis and accumulation of data from various studies suggests that transnational criminal proceeds are likely to amount to some 3.6% of global GDP, equivalent to about US\$2.1 trillion.

According to the United Nations Office on Drugs and Crime, the largest income for transnational organized crime comes from illicit drugs. The most recent figure from the United Nations states that illicit drugs account for 20% of all crime-related proceeds.

Since the September 11 attacks, there has been a renewed Federal focus on terrorist organizations.

In the 15 years that have followed, the U.S. Government has made it a top National security priority to disrupt the financial support networks for terrorists and terrorist organizations.

Most significantly, in 2004, the Department of Treasury created the Office of Intelligence and Analysis to regularly review intelligence information. As a member of the intelligence community, the Treasury Office of Intelligence and Analysis creates financial data and trends, based on intelligence information pertaining to terrorist financing abuse of charitable organizations and corporations.

Intelligence information within this office is gathered and disseminated by and to various agents, including the Department of Homeland Security’s Office of Intelligence and Analysis and the Federal Bureau of Investigations.

Information sharing is the key to maintaining the flow of information and ultimately tracking the dollars that are gained through transnational crimes, cultural crimes, and charitable contributions.

These dollars keep terrorist organizations operational. These are the dollars they use to recruit, train, and equip their members so that they will in turn carry out violent terrorist acts.

The duty of disruption and prevention still rests with the entire international community, not in the United States alone. In a world that grows more connected daily, it is important for other countries to make countering terrorism within their financial sectors a top international security priority.

Terrorist organizations are becoming more fluid and diverse in the acquisition and laundering of money; consequently, our policy responses and counter efforts must be thoughtful and nimble.

I look forward to hearing recommendations from our witnesses today regarding the best practices and considerations we can undertake to end the cycle of funding that these organizations use to survive.

Mr. KING. We are pleased to have a distinguished panel of witnesses before us today on this vital topic. Our first witness will be Dr. Louise Shelley. She's the founder and director of the Terrorism, Transnational Crime and Corruption Center at George Mason University. She is an internationally-recognized expert on the relationship among terrorism, organized crime, and corruption. She is a published author on these vital topics and has received numerous awards and fellowships. She received her undergraduate cum laude from Cornell University, and an MA in criminology from the University of Pennsylvania and holds a Ph.D. in sociology from the University of Pennsylvania.

Dr. Shelley, you are recognized. Thank you for being here today. We really appreciate it.

**STATEMENT OF LOUISE SHELLEY, DIRECTOR, TERRORISM,  
TRANSNATIONAL CRIME AND CORRUPTIONS CENTER,  
GEORGE MASON UNIVERSITY**

Ms. SHELLEY. Thank you very much, Chairman King, Ranking Member Higgins, and Members of the subcommittee for inviting me.

I have submitted a statement, and so I will supplement it with some of the insights that I have had since I submitted it. I also will highlight a few important points.

The last few weeks, I have spent traveling in Europe speaking with top specialists and advisers on terrorist finance and their homeland security. In fact, I joke that this is a life unlike what most academics have, especially American women, academics. From these conversations, I have a real concern that, especially in Francophone Europe where the attacks have occurred, that is in France and Belgium, there is not real appreciation of the relationship of crime and terrorism.

Despite the fact that, as was mentioned in the opening statements, these terrorist attacks have been funded by petty crime, there is a failure to appreciate the importance of this. What we are finding is that it is the same network that has been involved in all of these terrorist attacks, but is disbursed among France, Belgium, the United Kingdom, and Germany, and maybe elsewhere. They are heavily funded by crime, and these acts are committed primarily by radicalized criminals. Yet there is not a strategy in Europe to deal with this problem.

This is not just a problem for the Europeans, it is a problem for us, because we have Americans traveling in Europe; we have businesses operating internationally in Europe; we have military operations overseas, and yet we are having our allies failing to see this problem with the severity that it is and the consequences that it has and the types of policing and intelligence responses that one needs to this new hybrid threat.

Second, my research that I continue to do under my Carnegie Corporation Fellowship points out the centrality of the problem of illicit trade to terrorist financing. This is a massive problem. It is

8 to 15 percent of the global economy, and, therefore, it is very possible to hide the illicit in the large-scale illicit flows.

Yesterday, the research center that I direct had an event on the Panama Papers with the manager of the Panama Papers and the former head of the tax authority in Colombia, who provided detailed analyses of how much of this illicit money from Colombia, from the drug trade that is run by both criminals and terrorists, wound up in Panama using the mechanisms of trade-based money laundering and hiding illicit trade in larger-scale trade.

So this is a very clear example that we had yesterday of how this problem of trade-based money laundering is supporting terrorism, not just in the Middle East, but on our back door, and paid for by the drug payments that come from the United States and move back to Colombia.

So, therefore, I think we need to pay much more attention to the role of illicit trade. I am glad that we are having a presentation on antiquities on this panel, because that is one form of illicit trade that is used to fund terrorism and intersects with many other forms of illicit trade, as Ms. Lehr and I discussed before the opening of the hearing.

But this illicit trade does not exist in a vacuum. It is supported by banks; it is supported by law firms; it is supported by professional services that write contracts, that develop contracts, and help mask the illicit trade. This is one thing that the Panama Papers has also revealed, is that there are a lot of high-level facilitators. Even though there are not many people mentioned in the Panama Papers that are American, many of the facilitators are based in the United States. Therefore, we need to be paying much more attention to the members of the legitimate community that are either inadvertently or sometimes knowingly facilitating illicit trade. We have seen this in recent revelations of Deutsche Bank, we have seen it with HSBC, and this continues to remain a problem.

I also want to mention three foci areas of illicit trade that I think of as relatively new that are not being paid enough attention to. For example, there is now a large illicit trade in gold, some of this coming out of Colombia. One of the things that we see with terrorist groups is they have enormous flexibility and ability to switch between one area of illicit activity and another. So the revenues for the FARC in Colombia are now estimated to be greater from the illicit gold trade than from the narcotics trade.

The second type of new trade I wanted to discuss is that of the kidney trade. For quite a number of years, there has been a trade in Egypt in which wealthy foreigners come and are operated on in hospitals obtaining kidneys that they cannot legitimately obtain in the United States or Western Europe. Now there is a new source of providers of these kidneys, according to research with kidney donors and purchasers, is that migrants from the crisis in Iraq and Syria want to pay smugglers, but they don't have the money to pay the smugglers. So there are facilitators in Turkey working among the refugee communities that find individuals ready to sell their kidneys, who will then travel to Egypt, sell their kidneys, and pay the smugglers.

What makes this a problem of terrorist finance is that it appears that this trade has become so lucrative that groups like al-Nusrah are intimidating the doctors who have traditionally performed this trade and are taking many of the profits out of this trade. But what has changed is that the purchasers of the kidneys are no longer bringing suitcases of dollars to Egypt but are putting the money through wire transfers, transfers to travel agencies into bank accounts in Western Europe, France, the United Kingdom, and Germany, which gives them a new funding source to draw on in western banking centers but does not require transfers from the Middle East.

The last area that I want to bring up as a new area of concern is what I call a problem of possibly dual-use crime, which is the growing trade of illicit pesticides, something that has really emerged on the international markets in the last 7, 8 years.

I was recently on this European trip at a meeting of the OECD on illicit trade, and one of the Polish specialists was talking about the confiscation of huge amounts of these dangerous pesticides in northeast Europe. Europol is now estimating that 25 percent of the pesticides used in northeast in Europe are illegal. The general figure is 10 percent in Europe, and it is about a third of the market in a major food exporter like India. It is also a problem in China.

So we are looking at something that is both a health hazard, as we are an importer of food. We also have some of these illegal pesticides entering into our markets but not in as large a scale as elsewhere, but there is also the possibility that as this phenomenon increases, it can be used by terrorists to introduce dangerous chemicals and harm health. So this is something that I believe deserves more attention.

So what do I recommend that we do? We are still not focusing sufficiently on illicit trade as a source of terrorist financing, despite the fact that trade is an essential element of the Middle East economy and is, as I have just mentioned, has been revealed as being a central part of financing in the trade that we have in Colombia and Latin America. We need to focus on new emerging areas and not just the kinds of trade that we have been thinking about before.

As I talked about before, we need to be expanding our efforts in the United States to be focusing on the relationship of crime and terrorism and how these phenomena are linked. In our attachés that work for homeland security, we need to be developing this greater appreciation of this phenomena through our insights and lessons learned. This needs to especially be done with our European colleagues who have faced such major terrorist challenges lately and have not yet reoriented their policing or their intelligence to focus on this threat in a new way.

Because so much of this illicit trade is connected to the business world, we need to establish much more of public-private partnerships with companies that are aware of this illicit trade, with shipping companies, transport companies, and others. Much of this trade is going on in the dark Web.

There is research that is going on today on the internet, the deep Web, and the dark Web, but not enough that I think is accessible

on the interaction of the crime and the terrorist funding that goes on between the dark Web and the deep Web.

We had a seminar on this at our research center about 6 weeks ago. We had 120 people in the room, many of them from law enforcement, many of them that work in homeland security, and there is a desperate need for information and insights on how to understand and focus on this problem. We must continue to address the money laundering that is contributing to the illicit trade and also deriving from the illicit trade. We must work much more on the beneficial ownership between valuable properties, shell corporations, and understand the challenges we face in not having more transparency in our financial system.

Thank you.

[The prepared statement of Ms. Shelley follows:]

PREPARED STATEMENT OF LOUISE SHELLEY

MAY 12, 2016

The growing linkages between crime and terrorism observed in the past 4 decades are not merely a result of globalization or the need to assure a more diversified revenue flow for terrorist groups. Rather, this change represents a profound evolution in organized crime and terrorism, as well as their relationship to the state. The terrorist attacks in France and Belgium provide strong proof that the associations of crime and terrorism are very present as most of the identified terrorists have criminal backgrounds. The heavy recruitment of criminals by ISIS as terrorists is hardly surprising as the antecedents of ISIS lie in its founder, the criminal, Al-Zarqawi who became a terrorist.<sup>1</sup>

What is of particular concern to U.S. homeland security is that many of our European allies fail to see this threat as one of crime and terrorism. Having just recently returned from a European trip during which I had many meetings over several weeks with highly-placed members of the Francophone security community as well as officials from other European states, it is clear that many in policy positions in the European security community fail to appreciate this important evolution. The exception may be the Italians who have observed these links between crime and terrorism for over 3 decades as publicly expressed by Italy's current anti-mafia prosecutor and a predecessor who is now President of the Italian Senate.<sup>2</sup> But for many other countries in Continental Europe, there is not a recognition of the problem that terrorists increasingly use crime to support their activities<sup>3</sup> and that ISIS, in particular, focuses on recruiting low-level criminals into its ranks.

The crimes used by the criminal-terrorists are not large-scale crimes but low-level narcotics trafficking, small-scale fraudulent bank loans and illicit trade that are being used to support their activity.<sup>4</sup> The funding patterns identified in the first French attack of the Kouachi Brothers and Koulibaly continue because it is the same network that continues to attack—one that is dispersed among France, Belgium, the United Kingdom, and Germany. There have been very few wire transfers identified emanating from the Middle East to these overseas members of the ISIS network. The European terrorist cells are heavily home-funded through crime.

Prisons and relationships established in prison are key to recruitment and network enhancement. This was first evident in the investigations that followed the Madrid subway bombing in 2004<sup>5</sup> and has remained true with the most recent terrorist

<sup>1</sup>See Joby Warrick, *Black Flags: The Rise of ISIS*, (New York: Knopf/Doubleday, 2015).

<sup>2</sup>Franco Roberti remarks at Dialoghi sulle mafie, Seconda edizione Assessorato alla cultura del Comune di Napoli-Università Suor Orsola Benincasa Napoli, S. Domenico Maggiore 16–17–18–19 marzo 2016; Pietro Grasso, Il rapporto tra traffici illeciti e terrorismo, November 16, 2015, Italian Senate, <http://www.radioradicale.it/scheda/458928/il-rapporto-tra-traffici-illeciti-e-terrorismo>.

<sup>3</sup>This is a particular problem in France despite the recent attacks and the biographies of the terrorist attackers.

<sup>4</sup>Marie-Christine Dupuis-Danon, "Pour lutter contre l'argent de la terreur, traitons vraiment la question de l'économie souterraine et des traffics," April 27, 2016, [http://www.lemonde.fr/idees/article/2016/04/27/pour-briser-les-ressources-du-terrorisme-luttons-contre-l-economie-souterraine\\_4909282\\_3232.html#wj1kZiCU4mGeEFED.99](http://www.lemonde.fr/idees/article/2016/04/27/pour-briser-les-ressources-du-terrorisme-luttons-contre-l-economie-souterraine_4909282_3232.html#wj1kZiCU4mGeEFED.99).

<sup>5</sup>Shelley, 38–39.

attacks in France and Belgium where bonds among criminals were made in prison and individuals once incarcerated together have gone on to commit terrorist attacks with their former fellow inmates.<sup>6</sup>

We need to expect that patterns established in one place may be replicated in another. Therefore, we may see patterns identified in Europe manifesting themselves in the United States. Therefore, we need to focus more on prisons and their role in terrorist recruitment and financing.

The attacks in France and Belgium in 2015 and 2016, committed primarily by radicalized criminals, are evidence that these countries failed to respond to the new hybrid of criminals and terrorists—terrorists who have criminal pasts and continue to support themselves and their terrorist acts through criminal activity.<sup>7</sup> Law enforcement and security bodies are not organized to reflect this new reality nor are there plans to reorient their focus to address this threat. This nearly assures that there will be future terrorist attacks in Western Europe. This will be very politically destabilizing for our allies but may have even more direct consequences for us. Americans, American businesses and installations may be victims of these attacks. The failure to respond to the new hybrid threat by European governments also has other consequences for our security. Many of these hybrid criminal-terrorists have European passports. Therefore, the new hybrid terrorists can enter our country more easily as they have more mobility than other potential terrorists who need visas to enter the United States.

#### HIDING THE ILLICIT IN THE ILLICIT: SIZE OF ILLICIT TRADE

My present research on my Carnegie Council Fellowship continues to see the problem of illicit trade as a key funding source for terrorism. The size of illicit trade is growing in almost all identified categories. Therefore, while there is a contraction in much global trade and a decline of export of natural commodities with the Chinese economic slowdown, a similar shrinking in illicit trade has not been identified. Unfortunately no multinational body, no NGO, nor any group of trade specialists have reported the contraction of any form of illicit trade that they are analyzing.

Reliable estimates of recent years indicate that illicit trade represents at least 10% of global trade with other estimates ranging between 8 and 15%.<sup>8</sup> These ranges were calculated before the Syrian conflict escalated, the ascendancy of ISIS and the generation of hundreds of millions from the sale of smuggled oil. Nor do they reflect the massive growth of illegal migration facilitated by human smugglers who have netted approximately \$3–6 billion from this trade to Europe in 2015 alone.<sup>9</sup>

The OECD has estimated that illicit trade in counterfeits represents 5 percent of the economies of the developed world.<sup>10</sup> This figure underestimates the problem in the developed world because illicit goods produced within Europe such as synthetic drugs and illicit whites (legally produced cigarettes intended to be sold without payment of taxes) are widely distributed and traded among European countries but are not counted in this figure.<sup>11</sup> The OECD figure for illicit trade in the developing world is half that of the developed world.<sup>12</sup> But this is counterintuitive and the data used to derive this result is problematic and leads to a dramatic understatement of the problem. The calculation is based on customs data from a relatively limited number of countries and OECD did not take into account the very high levels of corruption in customs' agencies in the developing world that choose not to seize goods or deliberately fail to report on illegal trade to government officials as the customs personnel are benefiting directly from this trade.<sup>13</sup>

<sup>6</sup>Steven Mufson, "How Belgian Prisons became a Breeding Ground for Islamic Extremism," March 27, 2016, [https://www.washingtonpost.com/world/europe/how-belgian-prisons-became-a-breeding-ground-for-islamic-extremism/2016/03/27/ac437fd8-f39b-11e5-a2a3-d4e9697917d1\\_-story.html](https://www.washingtonpost.com/world/europe/how-belgian-prisons-became-a-breeding-ground-for-islamic-extremism/2016/03/27/ac437fd8-f39b-11e5-a2a3-d4e9697917d1_-story.html).

<sup>7</sup>Dupuis-Danon.

<sup>8</sup>David Luna, "The Destructive Impact of Illicit Trade and the Illegal Economy on Economic Growth, Sustainable Development, and Global Security," <http://www.state.gov/j/inl/rls/rm/199808.htm>.

<sup>9</sup>Europol, *Migrant Smuggling in Europe*, 2016, p.13, [migrant\\_smuggling\\_-\\_europol\\_report\\_2016.pdf](#).

<sup>10</sup>OECD and EUIPO, *Trade in Counterfeit and Pirated Goods Mapping the Economic Impact* (Paris: OECD, 2016).

<sup>11</sup>Illustrative of this are the illegal cigarettes factories in Eastern Europe that produce cigarettes that are distributed within Europe. Their share of illicit trade is not reflected in the OECD report because it occurs within the trade bloc but causes the loss of hundreds of millions if not billions in lost tax revenues.

<sup>12</sup>OECD and EUIPO.

<sup>13</sup>Ibid.

The counterfeit figure is only 1 important component of the totality of illicit trade. It does not count the equally or more common trade in narcotics that as much as 3 decades ago was estimated to represent 5 to 7 percent of world trade, a percentage that has not declined in recent decades as new drugs have entered the global market and new regions have become significant consumers of illegal drugs. There are many more aspects of the illegal economy including such clearly illegal activity as trafficking in humans, arms, and many forms of cyber crime consist of illegal trade in credit cards, identities, and child pornography. Many of these crimes converge, enhancing their impact and enriching the key facilitators. Then there is also the illegal trade in some products that might be legally traded as timber, fish, and gold but are exploited and traded illegally.

Illicit trade and commerce is facilitated by enormous illicit and dubious financial flows to offshore locales such as has been recently confirmed by the Panama Papers.<sup>14</sup> The anonymity of shell companies and the possibility to disguise the origin of funds makes it possible for criminals, terrorists, the corrupt, and the rich seeking to hide their wealth to all converge in the same locale.

Therefore, with such a large quantity of illicit trade and money in the world it is easy for terrorists to hide their activity within this massive movement of goods and funds. Therefore, we need to pay more attention to the trade and the trade-documents which may help reveal anomalies in this movement.

We also need to focus on legitimate banks that can help facilitate the storing and transport of money for terrorists. Recent investigations reveal that legitimate large banks such as Deutsche Bank, in violation of international regulations, receive funds that are associated with terrorists and criminals as this helps increase profits. Officials at Deutsche Bank, in a significant number of suspicious files examined by auditors, revealed that officials were told to avoid warning signs or not to commit due diligence on what should be suspicious clients.<sup>15</sup>

This illicit movement of funds and sales is increasingly being conducted within the dark web. The dark web figures in the illicit kidney trade, mentioned below, because those seeking a kidney transplant establish contact with facilitators through closed networks on the web. The dark web also helps facilitate drug and arms sales, in particular, as buyers and sellers often interact in private groups that thrive in the dark web.

### THREE FOCI AREAS

Within this illicit trade there are 3 areas that deserve more attention because they have been associated with terrorist financing or might in the future. These are: Illicit gold trade, illicit kidney trade, and illicit pesticide trade. These categories are also associated with significant environmental and/or health harms. These new areas reveal that illicit actors also shift between diverse forms of illicit trade to optimize profits and reduce risk.

#### *Gold Trade*

The FARC, a major Colombian terrorist organization that survived for decades in the illicit drug trade has now acquired a new illegal revenue source with less risk and higher profits. Over 85% of the gold mined in Colombia is mined illegally,<sup>16</sup> meaning this large economic sector is a lightly-regulated market, providing the criminals and terrorists opportunities to exploit production. FARC's revenues from the illegal gold trade now<sup>17</sup> exceed those from the drug market. The terrorist group has taken the practices it has learned in one area and applied them to another. Therefore, illicit gold mining and trade is accompanied by intimidation, violence, and extortion as well as exploitation of indigenous populations.

#### *Kidney Trade*

Egypt has had doctors performing kidney transplants for individuals from foreign countries who cannot acquire kidneys in their home countries. The nature of the business has changed as the cost of kidney transplants has increased in Egypt and profit-margins have increased. Long-term research undertaken by Professor Camp-

<sup>14</sup> GFI data on size of flows—<http://www.gfintegrity.org/issue/illicit-financial-flows/>, Panama Papers, <https://panamapapers.icij.org/> as a subset of this.

<sup>15</sup> James Shotter and Caroline Binham, "Deutsche Bank warned on crime curbs: UK Watchdog finds 'systemic' weakness in laundering controls," *Financial Times*, May 2, 2016, p. 13. James Shotter and Caroline Binham "Deutsche Bank still plagued by legal uncertainty in wake of FCA warning," *Financial Times*, May 2, 2016, p. 15.

<sup>16</sup> <http://www.worldpoliticsreview.com/articles/17770/colombia-s-informal-gold-miners-feel-the-heat-from-all-sides>.

<sup>17</sup> Global Initiative, "Organized Crime and Illegally Mined Gold in Latin America," 2016, <http://www.globalinitiative.net/organized-crime-and-illegally-mined-gold-in-latin-america/>.

bell Fraser in the Middle East and Asia suggests that there are new opportunistic participants in this trade. Turkish middlemen procure refugees who are seek to pay smugglers to move family members to Europe. As the business has grown, groups such as al-Nusra have moved in, forcing the doctors, who once were the prime recipients of the profits, to work under their control. Payments made by Europeans seeking these operations now remain in European banking accounts, possibly giving the terrorists involved in this trade access to significant sums in Europe as the profits of this trade can reach \$40,000 an operation.<sup>18</sup>

#### *Illicit Pesticide Trade*

The problem of the growing use of illicit pesticides is a generally growing problem and a threat to our security. But the threat may be compounded because it is an ever-escalating part of illicit trade. The threat comes from both the importation of food that has been grown in places where these illegal and dangerous pesticides are used but also the importation of deadly pesticides into the United States. This could be what I have referred to as a dual-use crime in my book *Dirty Entanglements: Corruption, Crime and Terrorism*. It makes money for illicit actors and also causes serious harm to purchasers.<sup>19</sup> The threat is accelerating as illegal pesticides now represent one-third of the market among key food exporters such as India.<sup>20</sup> These dangerous chemicals are used in 10 percent of Europe with usage in Northeastern Europe at 25%.<sup>21</sup> Large-scale seizures have occurred in Poland recently.<sup>22</sup> Some of these pesticides are so deadly that they destroy all crops and damage the soil.

#### RECOMMENDATIONS

1. Attach more attention to the analysis and policing of illicit trade as this remains an underpoliced area of criminal activity. This is important for the different agencies of Homeland Security that have such great jurisdictional authority over trade entering and exiting the United States.
2. Focus on new emergent forms of illicit trade such as organ trade, illicit pesticide trade, and natural resources. Continue to focus on underpoliced areas of criminal activity that continue to contribute significantly to terrorism such as counterfeiting, antiquities and illicit cigarette trade,<sup>23</sup> and trade-based money laundering.
3. Expand the combined policing and counter-terrorism efforts developed in New York and Los Angeles to other locales both domestically and internationally. There should be best practices developed on combating hybrid threats and the relationship of crime and terrorism. This should be done both in the United States and also with counterparts in Europe, Asia and Africa, and Latin America.
4. Work with our allies in Europe to help them understand the relationships between crime and terrorism that we are detecting. Bilateral and multi-lateral engagement should be expanded.
5. Establish public-private partnerships to get more insights from the business community on the anomalies they see and the emerging patterns that they are identifying in illicit trade.
6. Support research that can help us understand trends in terrorist financing in the real and the virtual world. We need to understand more of how the different levels of the cyber world—the internet, the deep web, and the dark web interact in the world of threat finance. We need to continue to understand cyber currencies and their enabling role.
7. We must continue to address the money-laundering contributing to illicit trade. The targeting of illicit flows into real estate in New York and Miami needs to be expanded to other jurisdictions, and made permanent. We must implement the policies being developed to identify the beneficial ownership behind valuable properties and shell corporations.

<sup>18</sup> Professor Campbell Fraser, “Human Organ Trafficking: Understanding the Changing Role of Social Media and Dark Web Technologies 2010–2015,” January 21, 2016, <http://tracc.gmu.edu/events/previously-hosted-events/>.

<sup>19</sup> Louise Shelley, *Dirty Entanglements: Corruption, Crime and Terrorism* (Cambridge and New York: Cambridge University Press), pp. 36, 201.

<sup>20</sup> “Federation of Indian Chamber of Commerce and Industry (FICCI) and Tata Strategic Management Group. Study on sub-standard, spurious/counterfeit pesticides in India: 2015 Report, New Delhi: FICCI.2015.

<sup>21</sup> UNICRI “Illegal Pesticides, Organized Crime and Supply Chain Integrity,” 2016, p. 42. [http://www.unicri.it/in\\_focus/files/The\\_problem\\_of\\_illicit\\_pesticides\\_low\\_res1.pdf](http://www.unicri.it/in_focus/files/The_problem_of_illicit_pesticides_low_res1.pdf).

<sup>22</sup> Presentation at OECD Task Force on Illicit Trade, Paris, April 18–19, 2016.

<sup>23</sup> The Global Illicit Trade in Tobacco: A Threat to National Security 2016, <http://www.state.gov/documents/organization/250513.pdf>.



Mr. KING. Thank you very much, Dr. Shelley.

Our next witness is Dr. Jonathan Schanzer. He is the vice president for research at the Foundation for the Defense of Democracies. He has been a leading scholar on terror finance and other counter-terrorism issues for decades, serving multiple think tanks as an analyst at the Department of Treasury. He earned his Ph.D. from King's College in London and has published a number of books on terrorism and Middle East-based terror groups.

Dr. Schanzer, you are recognized. Thank you. Thank you for being here today.

**STATEMENT OF JONATHAN SCHANZER, VICE PRESIDENT FOR RESEARCH, FOUNDATION FOR THE DEFENSE OF DEMOCRACIES**

Mr. SCHANZER. Chairman King, Ranking Member Higgins, and distinguished Members of the subcommittee, on behalf of Foundation for Defense of Democracies, thank you for inviting me to testify.

As a former terrorism finance analyst at the U.S. Department of Treasury, I commend you for keeping an eye on this crucial aspect of our National security. I will focus my comments today on recent FDD research which tracked a U.S.-based network of former employees and donors from 3 domestic organizations that provided material and financial support to the terrorist organization Hamas, but who now work or fundraise for an Illinois-based organization called American Muslims for Palestine, or AMP. The 3 now-defunct organizations are Holy Land Foundation for Relief and Development, KindHearts for Charitable Development, and the Islamic Association for Palestine.

Let's address Holy Land first. This is an organization that gave \$12 million to Hamas over 10 years, and 5 of their leaders are now in jail in the United States. When I testified last month before the House Foreign Affairs Committee, I discussed 3 AMP figures who had previously worked for or on behalf of the Holy Land Foundation. Today, I will discuss a fourth figure named Kifah Mustapha.

Kifah Mustapha was the head of the Holy Land Foundation's office in Illinois. Today, he gives speeches at AMP fundraisers and makes promotional videos for the organization. Mr. Mustapha also works for the Mosque Foundation, a nonprofit that gave money to the Holy Land Foundation before it was shut down. Today, it gives money to AMP.

Now let's look at the overlap with KindHearts. Abdelbasset Hamayel, who is officially the registered agent for AMP, was the Wisconsin and Illinois representative for KindHearts, a group that the Treasury called the progeny of the Holy Land Foundation. Treasury blocked the assets of KindHearts, and it was ultimately dissolved.

Mr. Chairman, we have also learned that AMP's founder and president, Hatem Bazian, was 1 of 2 featured speakers at a 2004 KindHearts fundraising dinner in California. Incidentally, the other speaker at this dinner was Mohammed el-Mezain, who is currently in jail for his role in the Holy Land Foundation and for providing financial support to Hamas. Bazian, I should note, also spoke in England at an event in 2014 sponsored by the Hamas

charity known as Interpal, which was designated for terrorism by the U.S. Treasury in 2003. Interpal belonged to an umbrella organization known as Union of Good, which was also designated by the Treasury for terrorism in 2008.

Finally, there are multiple connections between AMP and the Islamic Association for Palestine, or IAP. This was a group found civilly liable in Federal court for supporting Hamas. One interesting figure here is Osama Abuirshaid, who ran IAP's newspaper. He is currently the National coordinator and policy director for AMP.

In late April, Abuirshaid took what he called a surprise trip to Doha, Qatar, where he posted pictures of himself on social media with Ayman Jarwan. Jarwan was in prison in the United States and ultimately deported for his role in a fraudulent charity that violated Iraq sanctions, laundered money, and sent funds to 2 charities designated for funding al-Qaeda. The exact nature of this meeting between Jarwan and Abuirshaid is unclear.

My written testimony today, along with the one I submitted to Congress last month, describes AMP's other troubling connections to now-defunct organizations implicated in terrorism finance. I encourage you to read them both. When you do, please note how AMP operates on university campuses across the country by coordinating and funding the efforts of an activist network known as Students for Justice in Palestine.

To conclude, our open-source research did not indicate that AMP or any of these individuals are currently involved in any illegal activity. However, because they are a tax-advantaged organization, the past activities of those who work for or on behalf of AMP should at least merit greater transparency and scrutiny. The IRS might consider studying the British model for charity oversight.

In the United Kingdom, the Charity Commission monitors the charitable sector for organizations that are run by extremists. This does not stop individuals from exercising their right to free speech, according to the laws of their country, but the commission has ensured in the most egregious abuses of the system that they don't receive tax breaks. The goal, according to the commission's website, is to, "Ensure that the public can support charities with confidence."

Finally, there is a broader question, one raised today by Eli Lake of Bloomberg News, and that is, is the Treasury Department still tracking individuals previously involved in terror financing activities here in the United States? If so, this subcommittee has the power to ask why, who should be leading this effort, and whether more resources should be devoted to the problem.

Once again, on behalf of Foundation for Defense of Democracies, thank you for inviting me to testify. I look forward to your questions about this network and other terrorism finance trends that FDD has been tracking.

[The prepared statement of Mr. Schanzer follows:]

PREPARED STATEMENT OF JONATHAN SCHANZER

MAY 12, 2016

Chairman King, Ranking Member Higgins, and distinguished Members of this subcommittee, on behalf of the Foundation for Defense of Democracies, thank you for inviting me to testify today. As a former terrorism finance analyst at the U.S.

Department of the Treasury, I commend you for keeping a focus on this crucial aspect of our National security.

This testimony is based on FDD's most recent findings about a network of former employees and donors from organizations that provided material and financial support to the terrorist organization Hamas, but who now work for or on behalf of an Illinois-based organization called American Muslims for Palestine (AMP). My testimony today should be of particular interest to this subcommittee. It builds on findings I submitted to Congress last month, while highlighting new areas of concern.<sup>1</sup>

#### AMERICAN MUSLIMS FOR PALESTINE

American Muslims for Palestine's mission, according to its website, is "all about educating people about Palestine."<sup>2</sup> FDD has determined that the group is a leading orchestrator of the so-called Boycott, Divestment, and Sanctions (BDS) campaign, which can be best described as a concerted campaign to delegitimize and wage economic warfare against the state of Israel.

AMP states that it has existed for more than a decade, first as a "strictly volunteer organization" beginning in 2005, before opening its National headquarters in Palos Hills, Illinois in 2008.<sup>3</sup> Registered as a corporation in California in 2006, the organization now has an office in the Washington, DC area that engages in lobbying on Capitol Hill.<sup>4</sup> Based on available records, AMP is not a Federal,<sup>5</sup> 501c3, tax-exempt organization.<sup>6</sup> Rather, it is a corporate nonprofit, which means that it does not file IRS 990 forms that would make its finances more transparent. AMP instead receives tax-exempt funds through its fiscal sponsor, Americans for Justice in Palestine Educational Foundation (AJP), which is a 501c3.<sup>7</sup> AMP and AJP share offices and officers,<sup>8</sup> yet they remain legally distinct entities.

At its 2014 annual conference, AMP invited participants to "come and navigate the fine line between legal activism and material support for terrorism."<sup>9</sup> This is quite apt. Several individuals now working for or on behalf of AMP once worked for or on behalf of the Holy Land Foundation for Relief and Development (HLF), the Islamic Association for Palestine (IAP), and/or KindHearts for Charitable Development. All 3 organizations were implicated by the Federal Government for financing Hamas between 2001 and 2011. Moreover, several of AMP's donors were involved in organizations implicated in funding the designated terrorist groups Hamas, Palestinian Islamic Jihad, and even al-Qaeda.

#### KINDHEARTS, INTERPAL, AND THE HOLY LAND FOUNDATION

I would first like to direct your attention to the past activities of AMP's founder and president, Hatem Bazian. In December 2014, Bazian spoke at an event<sup>10</sup> sponsored by a UK-based charity called Interpal (also known as the Palestinian Relief

<sup>1</sup>Jonathan Schanzer, "Israel Imperiled: Threats to the Jewish State," *Joint Hearing before the House Foreign Affairs Committee, Subcommittee on Terrorism, Nonproliferation and Trade & Subcommittee on the Middle East and North Africa*, April 19, 2016 (<http://docs.house.gov/meetings/FA/FA18/20160419/104817/HHRG-114-FA18-Wstate-SchanzerJ-20160419.pdf>).

<sup>2</sup>"What is AMP?" *American Muslims for Palestine*, accessed May 9, 2016 (<http://www.ampal.org/index.php/about-amp/amp-faq/212-what-is-amp>).

<sup>3</sup>"When was AMP formed?" *American Muslims for Palestine*, accessed May 9, 2016 (<http://www.ampal.org/index.php/about-amp/amp-faq/214-when-was-amp-formed>).

<sup>4</sup>Email to Subscribers, "New DC-area office open! AMP welcomes new legislative coordinator!" *American Muslims for Palestine*, March 3, 2016. The organization is not located at the address registered in Washington, DC.

<sup>5</sup>Illinois Secretary of State Business Services, Corporate Filing, "American Muslims for Palestine Inc.," File Number 66688003, accessed May 9, 2016 (<http://www.ilsos.gov/corporatellc/CorporateLlcController>).

<sup>6</sup>Internal Revenue Service, "Exemption Requirements—501(c)(3) Organizations," accessed May 9, 2016 ([https://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501\(c\)\(3\)-Organizations](https://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501(c)(3)-Organizations)).

<sup>7</sup>"Are donations to AMP tax exempt?" *American Muslims for Palestine*, accessed May 9, 2016 (<http://www.ampal.org/index.php/about-amp/amp-faq/219-are-donations-to-amp-tax-exempt>).

<sup>8</sup>Internal Revenue Service, Form 990: Return of Organization Exempt from Income Tax, "AJP Educational Foundation Inc.," 2014, accessed via GuideStar (<http://www.guidestar.org/FinDocuments/2014/271/365/2014-271365284-0ba3397f-9.pdf>).

<sup>9</sup>Shane Harris, "Pro-Palestinian Group Lectured On Skirting Terror Laws," *The Daily Beast*, December 5, 2014 (<http://www.thedailybeast.com/articles/2014/12/05/pro-palestinian-group-lectured-on-skirting-terror-laws.html>).

<sup>10</sup>@sidali\_1, "http://istanddrhatem.eventbrite.co.uk come with pockets full at a free event and show your support for Palestine," *Twitter*, December 2, 2014 ([https://twitter.com/sidali\\_1/status/539916046917197824](https://twitter.com/sidali_1/status/539916046917197824)).

and Development Fund).<sup>11</sup> The U.S. Treasury designated Interpal as a terrorist entity in 2003 for providing money to Hamas and Hamas's global financing network.<sup>12</sup> Interpal was a branch of Hamas's international fundraising organ, the Union of Good, itself designated by the U.S. Department of the Treasury in 2008.<sup>13</sup>

It is also worth noting that Bazian was 1 of 2 featured speakers at a 2004 KindHearts fundraising dinner in California.<sup>14</sup> The other speaker at this dinner was Mohammed el-Mezain. Mezain is currently serving time in prison for his role in the Holy Land Foundation and for providing financial support to Hamas.<sup>15</sup> HLF was designated as a terrorist entity by the U.S. Treasury in December 2001.<sup>16</sup> From 1995 to 2001, according to Federal court documents, "HLF sent approximately \$12.4 million outside of the United States with the intent to willfully contribute funds, goods, and services to Hamas."<sup>17</sup> Mezain also served as a consultant for KindHearts.<sup>18</sup> The Treasury Department in 2006 used a mechanism known as a Block Pending Investigation (BPI), which required that the Government freeze the assets of KindHearts, stating that the organization was the "progeny" of HLF, and that it provided "support for terrorism behind the façade of charitable giving."<sup>19</sup>

Bazian is not the only AMP figure with KindHearts connections. There is also AMP's registered agent, Abdelbasset Hamayel.<sup>20</sup> Hamayel appears to have served as KindHearts' Illinois representative.<sup>21</sup> Indeed, one graphic design firm posted Hamayel's business card on its website, identifying him as KindHeart's "Illinois and Wisconsin Representative."<sup>22</sup> Additionally, a KindHeart's poster for a 2004 fundraiser lists Abaset@Kind-Hearts.org as the point of contact.<sup>23</sup>

#### THE ISLAMIC ASSOCIATION FOR PALESTINE AND HELP THE NEEDY

I would also like to discuss Osama Abuirshaid, who AMP identifies as its "National Coordinator"<sup>24</sup> and "National Policy Director."<sup>25</sup> In August 2015, the United States Citizenship and Immigration Services deemed that Abuirshaid was currently

<sup>11</sup>@sidali 1, "Last call for free tickets as Dr Hatem Bazian has arrived in Glasgow.," *Twitter*, December 15, 2014 ([https://twitter.com/sidali\\_1/status/544484525892317184](https://twitter.com/sidali_1/status/544484525892317184)).

<sup>12</sup>U.S. Department of the Treasury, Press Release, "U.S. Designates Five Charities Funding Hamas and Six Senior Hamas Leaders as Terrorist Entities," August 22, 2003 (<http://www.treasury.gov/press-center/press-releases/Pages/js672.aspx>).

<sup>13</sup>U.S. Department of the Treasury, Press Release, "Treasury Designates the Union of Good," November 12, 2008 (<https://www.treasury.gov/press-center/press-releases/Pages/hp1267.aspx>).

<sup>14</sup>Flier, "KindHearts San Diego Fundraising Dinner for Palestine," *Sakkal Design Graphic Design and Illustrations*, June 18, 2004 ([http://www.sakkal.com/Graphics/logos/kindheart/benefit/kindheart\\_san\\_diego\\_flyer.html](http://www.sakkal.com/Graphics/logos/kindheart/benefit/kindheart_san_diego_flyer.html)).

<sup>15</sup>U.S. Department of Justice, Press Release, "Federal Judge Hands Downs Sentences in Holy Land Foundation Case," May 27, 2016 (<https://www.justice.gov/opa/pr/federal-judge-hands-downs-sentences-holy-land-foundation-case>).

<sup>16</sup>U.S. Department of the Treasury, "Protecting Charitable Organizations—E," accessed May 9, 2016 ([http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities\\_execorder\\_13224-e.aspx](http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-e.aspx)).

<sup>17</sup>*United States of America v. Mohammad El-Mezain, et al.*, Appeal, 09–10560 (Court of Appeals Fifth Circuit, December 7, 2011), page 9 (<http://www.ca5.uscourts.gov/opinions%5Cpub%5C09/09-10560-CR0.wpd.pdf>).

<sup>18</sup>U.S. Department of the Treasury, Press Release, "Treasury Freezes Assets of Organization Tied to Hamas," February 19, 2006 (<https://www.treasury.gov/press-center/press-releases/Pages/js4058.aspx>).

<sup>19</sup>U.S. Department of the Treasury, Press Release, "Treasury Freezes Assets of Organization Tied to Hamas," February 19, 2006 (<http://www.treasury.gov/press-center/press-releases/Pages/js4058.aspx>).

<sup>20</sup>Illinois Secretary of State Business Services, Corporate Filing, "American Muslims for Palestine, Inc.," File Number 66688003, accessed April 15, 2016 (<http://www.ilsos.gov/corporatellc/CorporateLlcController>).

<sup>21</sup>Steven Emerson, "Money Laundering and Terror Financing Issues in the Middle East," Senate Committee on Banking, Housing, and Urban Affairs, July 13, 2005 ([http://www.banking.senate.gov/public/\\_cache/files/d2b01fcf-a768-45d3-9d9d-436f93ee5f9e/33A699F-F535D59925B69836A6E068FD0.emerson.pdf](http://www.banking.senate.gov/public/_cache/files/d2b01fcf-a768-45d3-9d9d-436f93ee5f9e/33A699F-F535D59925B69836A6E068FD0.emerson.pdf)).

<sup>22</sup>"KindHearts Business Cards with Names," *Sakkal Design Graphic Design and Illustrations*, accessed April 15, 2016 ([http://www.sakkal.com/Graphics/logos/kindheart/kindhearts\\_bc03.html](http://www.sakkal.com/Graphics/logos/kindheart/kindhearts_bc03.html)).

<sup>23</sup>Flier, "Annual Fund Raising Dinner for Palestine & KindHearts' Annual Contest," KindHearts Charitable Humanitarian Development, April 23, 2005, accessed via WayBack Machine (<http://web.archive.org/web/20050515004402/http://www.kind-hearts.org/upcoming-%20event/set%204%20prinout.pdf>).

<sup>24</sup>Press Release, "Latest bus ad causes stir in DC," *American Muslims for Palestine*, February 24, 2015 (<http://www.ampalestine.org/index.php/newsroom/press-releases/627-new-bus-ad-takes-on-israel-us-relationship-on-eve-of-netanyahu-s-address-to-congress>).

<sup>25</sup>Press Release, "AMP condemns attack on Al Aqsa; youth," *American Muslims for Palestine*, September 16, 2015 (<http://www.ampalestine.org/index.php/newsroom/statements/666-amp-condemns-attack-on-al-aqsa-youth>).

“ineligible for naturalization” because he failed to properly disclose his connections with the Islamic Association for Palestine (IAP).<sup>26</sup> IAP was found civilly liable in a Federal district court for supporting Hamas.<sup>27</sup> The defendants appealed, but a Federal appeals court upheld the judgment in 2008.<sup>28</sup>

Shortly after my April 19 testimony, Abuirshaid announced on Facebook that he was taking a “surprise trip” to Doha, Qatar.<sup>29</sup> While there, Abuirshaid met and even posted pictures with a man named Ayman Jarwan on Facebook.<sup>30</sup> Jarwan was the executive director of a fraudulent unregistered charity known as Help the Needy, which illegally sent funds to Iraq in violation of U.S. sanctions and also sent funds to charities designated by the U.S. Treasury for funding al-Qaeda.<sup>31</sup> Jarwan was sentenced to 18 months in a Federal prison for conspiring to violate the International Emergency Economic Powers Act (IEEPA).<sup>32</sup> He appears to have served 15 months before being deported to Jordan.<sup>33</sup> The exact nature of this meeting between Jarwan and Abuirshaid is unclear.

Abuirshaid is 1 of 4 AMP figures to have worked for or on behalf of IAP. There is Sufian Nabhan, an AMP board member<sup>34</sup> who was IAP’s former Michigan representative.<sup>35</sup> There is also the aforementioned Abdelbasset Hamayel, who served as IAP’s secretary general.<sup>36</sup> Today, he is AMP’s registered agent in Chicago.<sup>37</sup> And finally, there is Rafeeq Jaber, the former president of IAP.<sup>38</sup> AMP’s tax-exempt arm, the AJP Educational Foundation, listed him as its tax preparer in its most recent public filing.<sup>39</sup> He has been identified in the Palestinian press as the “spiritual father” of AMP’s coalitions with other Muslim-American organizations,<sup>40</sup> and he signed a September 2015 petition as a representative of AMP.<sup>41</sup> His financial services business is currently listed at the same office building where IAP was located before it shut down.<sup>42</sup>

<sup>26</sup> *Abuirshaid v. Johnson et al*, No. 1:2015cv01113 (Virginia Eastern District Court, August 31, 2015) (<https://dockets.justia.com/docket/virginia/vaecdce/1:2015cv01113/327963>).

<sup>27</sup> Laurie Cohen, “3 Islamic fundraisers held liable in terror death,” *Chicago Tribune*, November 11, 2004 ([http://articles.chicagotribune.com/2004-11-11/news/0411110231\\_1\\_david-boim-magistrate-judge-arlander-keys-joyce-boim](http://articles.chicagotribune.com/2004-11-11/news/0411110231_1_david-boim-magistrate-judge-arlander-keys-joyce-boim)).

<sup>28</sup> “Anti-Terrorism Judgment Upheld Against U.S. Charities,” *Anti-Defamation League*, December 18, 2008 ([http://archive.adl.org/main\\_terrorism/boim\\_upheld.html#.VLg28y5RLGA](http://archive.adl.org/main_terrorism/boim_upheld.html#.VLg28y5RLGA)).

<sup>29</sup> Osama Abuirshaid, Facebook, April 28, 2016 (<https://www.facebook.com/osama.abuirshaid.7/posts/1089811474428955?pnref=story>).

<sup>30</sup> Osama Abuirshaid, Facebook, April 28, 2016 (<https://www.facebook.com/osama.abuirshaid.7/posts/1090156511061118?pnref=story>).

<sup>31</sup> William Kates, “Gov’t: Suspect Hid Illegal Charity Role,” *Associated Press*, March 9, 2003 (<http://www.freerepublic.com/focus/news/860489/posts>).

<sup>32</sup> U.S. Department of Justice, Press Release, “Indictments Allege Illegal Financial Transfers to Iraq; Visa Fraud Involving Assistance to Groups that Advocate Violence,” February 26, 2003 ([https://www.justice.gov/archive/opa/pr/2003/February/03\\_crm\\_119.htm](https://www.justice.gov/archive/opa/pr/2003/February/03_crm_119.htm)).

<sup>33</sup> Katherine Hughes, “Muslim Charity and the Case of Dr. Rafil Dhafir,” *Guild Practitioner*, accessed May 9, 2016 (<http://www.dhafirtrial.net/2007/11/24/denial-of-due-process-to-muslims-disgraces-us-all/>).

<sup>34</sup> “AMP National Board,” *American Muslims for Palestine*, accessed May 9, 2016 (<http://www.ampal.org/index.php/about-amp/amp-national-board>).

<sup>35</sup> “IAP Contact Information,” *Islamic Association for Palestine*, April 7, 2003, accessed via Wayback Machine (<http://web.archive.org/web/20030407164156/http://www.iap.org/contactus.htm>).

<sup>36</sup> “IAP Contact Information,” *Islamic Association for Palestine*, April 7, 2003, accessed via Wayback Machine (<http://web.archive.org/web/20030407164156/http://www.iap.org/contactus.htm>).

<sup>37</sup> Illinois Secretary of State Business Services, Corporate Filing, “American Muslims for Palestine Inc.,” File Number 66688003, accessed May 9, 2016 (<http://www.ilsos.gov/corporatellc/CorporateLlcController>).

<sup>38</sup> “IAP Contact Information,” *Islamic Association for Palestine*, April 7, 2003, accessed via Wayback Machine (<http://web.archive.org/web/20030407164156/http://www.iap.org/contactus.htm>).

<sup>39</sup> Internal Revenue Service, Form 990: Return of Organization Exempt from Income Tax, “AJP Educational Foundation Inc.,” 2014, accessed via GuideStar (<http://www.guidestar.org/FinDocuments/2014/271/365/2014-271365284-0ba3397f-9.pdf>).

<sup>40</sup> “[Sic] (Hundreds of Thousands in the Streets of American Cities in Support of Gaza),” *Ma’an News Agency* (Palestinian Territories), August 11, 2014 (<http://maannews.net/Content.aspx?id=719809>).

<sup>41</sup> “Petition to ISNA Leadership to do more for Syria,” *Change.org*, September 3, 2015 (<https://www.change.org/p/isna-leadership-president-secretary-gen-and-majlis-ash-shura-petition-to-isna-leadership-to-do-more-for-syria>).

<sup>42</sup> “Jaber Financial Services INC,” Cortera, accessed May 9, 2016 (<http://start.cortera.com/company/research/k5m5qyr4s/jaber-financial-services-inc/>); “IAP Contact Information,” *Islamic Association for Palestine*, April 7, 2003, accessed via Wayback Machine (<http://web.archive.org/web/20030407164156/http://www.iap.org/contactus.htm>).

## ADDITIONAL LINKS TO THE HOLY LAND FOUNDATION

I would next like to bring to the attention of this subcommittee information about Kifah Mustapha who films promotional videos for AMP.<sup>43</sup> He is also a regular speaker at AMP events, including AMP's 2014 and 2015 annual national conferences.<sup>44</sup> Troublingly, AMP is giving him this prominent platform even though he was the registered agent in Illinois for the Holy Land Foundation.<sup>45</sup> As the registered agent, Mustapha described his role as "soliciting money for the various programs HLF held" in Illinois and in other States.<sup>46</sup>

Mustapha is not the only AMP figure to have worked for or on behalf of the Holy Land Foundation. He joins Hossein Khatib, a board member for AMP,<sup>47</sup> who was previously a Holy Land Foundation regional director.<sup>48</sup> There is also Jamal Said, who is a regular keynote speaker at AMP fundraisers,<sup>49</sup> and who raised money for HLF as the director of the Mosque Foundation, a 501c3 organization that donated money to the HLF.<sup>50</sup> I should note that Mustapha was the associate director of the Mosque Foundation from 2002 to 2014.<sup>51</sup> Like Said, Mustapha was an unindicted co-conspirator<sup>52</sup> in the Holy Land Foundation trial.<sup>53</sup>

Interestingly, in December 2009, Mustapha joined the Illinois State Police as part of its volunteer chaplain program. A few months later, he was fired after the Illinois police "watched a video seized from Mustapha's office on which they say Mustapha chants terrorist lyrics and children are seen with guns," which was filmed when Mustapha was younger.<sup>54</sup> Mustapha filed a lawsuit, claiming discrimination based on his political views and national origin, but it was dismissed in 2013 after a Federal court found the police were well within their rights to conclude that Mustapha's past statements and associations made him an inappropriate candidate to be a police chaplain.<sup>55</sup>

There is also Salah Sarsour, an AMP board member,<sup>56</sup> fundraiser,<sup>57</sup> and 2015 conference chairman.<sup>58</sup> A 2001 FBI memo describes how Sarsour's brother, after being arrested by Israel in 1998, told Israeli officials about his brother's "involve-

<sup>43</sup> AMP-Chicago, *Facebook*, November 21, 2015 (<https://www.facebook.com/ampalestinechicago/posts/909912559098044>).

<sup>44</sup> Conference Program, *American Muslims for Palestine*, November 2015; Conference Program, *American Muslims for Palestine*, November 2014.

<sup>45</sup> *Boim v. Quranic Literacy Institute*, Memorandum Opinion and Order, 127 F. Supp. 2d 1002 (Northern District of Illinois, January 10, 2001) (<http://law.justia.com/cases/federal/district-courts/FSupp2/127/1002/2512250/>).

<sup>46</sup> *Boim vs. Quranic Literacy Institute*, Deposition of Kifah Mustapha, 00-C-2905 (Northern District of Illinois, March 2, 2004).

<sup>47</sup> "AMP National Board," *American Muslims for Palestine*, accessed April 15, 2016 (<http://www.ampalestine.org/index.php/about-amp/amp-national-board>).

<sup>48</sup> "Hussein Khatib," *LinkedIn*, accessed January 12, 2015 ([https://www.linkedin.com/profile/view?id=100176222&authType=NAME\\_SEARCH&authToken=6PVm&locale=en\\_US&srchid=3641870051421096965128&srchindex=4&srchtotol=20&trk=vsrp\\_people\\_res\\_name&trkInfo=VSRPsearchId%3A3641870051421096965128%2CVSRPtargetId%3A100176222%2CVSRPcmpt%3Aprimary](https://www.linkedin.com/profile/view?id=100176222&authType=NAME_SEARCH&authToken=6PVm&locale=en_US&srchid=3641870051421096965128&srchindex=4&srchtotol=20&trk=vsrp_people_res_name&trkInfo=VSRPsearchId%3A3641870051421096965128%2CVSRPtargetId%3A100176222%2CVSRPcmpt%3Aprimary)).

<sup>49</sup> AMP-Chicago, "AMP Annual Fundraising Dinner," *Facebook*, March 19, 2014 (<https://www.facebook.com/ampalestinechicago/photos/gm.1407041112890451/597477577008212/?type=3&theater>); AMP-Chicago, *Facebook*, April 18, 2015, (<https://www.facebook.com/events/1568230430114028/>); AMP-Chicago, *Facebook*, March 5, 2016 (<https://www.facebook.com/events/1693121294239623/>).

<sup>50</sup> Joel Mowbray, "Reign of the Radicals," *The Wall Street Journal*, January 27, 2006 (<http://www.wsj.com/articles/SB113832728441457779>).

<sup>51</sup> "Kifah Mustapha," *LinkedIn*, accessed May, 6, 2016 (<https://www.linkedin.com/in/kifahmustapha>).

<sup>52</sup> Chuck Goudie, "I-Team Report: Pillar of the State Police," *ABC*, March 9, 2010 (<http://abc7chicago.com/archive/7309866/>).

<sup>53</sup> Andrea Elliott, "White House Quietly Courts Muslims in US," *The New York Times*, April 18, 2010 (<http://www.nytimes.com/2010/04/19/us/politics/19muslim.html>).

<sup>54</sup> Chuck Goudie, "Rebuke for Well-Known Muslim Cleric," *ABC*, March 12, 2013 (<http://abc7chicago.com/archive/9024968/>).

<sup>55</sup> *Kifah Mustapha v. Jonathon E. Monken, Patrick Keen, and Illinois State Police*, Memorandum Opinion and Order, 1:10-cv-05473 (Northern District of Illinois, June 25, 2013).

<sup>56</sup> "AMP National Board," *American Muslims for Palestine*, accessed May 9, 2016 (<http://www.ampalestine.org/index.php/about-amp/amp-national-board>).

<sup>57</sup> "Sponsor the Conference," *American Muslims for Palestine*, accessed May 9, 2016 (<https://web.archive.org/web/20160323162120/http://conference.ampalestine.org/index.php/sponsorship>).

<sup>58</sup> Email to Subscribers, "A letter from AMP Conference Chairman Salah Sarsour," *American Muslims for Palestine*, December 1, 2014.

ment with Hamas and fundraising activities of HLFDR [Holy Land Foundation for Relief and Development].”<sup>59</sup>

#### MIDDLE EAST FINANCIAL SERVICES

Finally, I would like to discuss Middle East Financial Services (MEFS), which is a Bridgeview, Illinois-based business<sup>60</sup> that provides financial support to AMP.<sup>61</sup> One of MEFS’s employees, Sana’a Abed Daoud,<sup>62</sup> is a board member of AMP.<sup>63</sup> Her relationship to the owners is unclear, but they share a last name.<sup>64</sup>

MEFS has never been charged with being complicit in terrorism financing, and we do not have evidence that it has been engaged in illicit activities, but its services have been used by some who have. Indeed, MEFS was used in 2002 to wire money to Palestinian Islamic Jihad (PIJ), which the State Department designated as a terrorist group in 1997.

Salah Daoud, a former MEFS employee and former IAP board member, testified in court in 2005 about how one of IAP’s volunteers, Hatem Fariz, used MEFS over several months to send approximately \$60,000 to PIJ.<sup>65</sup> Daoud testified in exchange for immunity.<sup>66</sup> Fariz was sentenced to 37 months in a U.S. prison for “conspiracy to make or receive contributions of funds, goods, or services to or for the benefit of a Specially Designated Terrorist.”<sup>67</sup>

#### RECOMMENDATIONS AND CONCLUSIONS

Mr. Chairman, FDD has not seen any evidence that AMP is engaged in any illicit activity. But we remain deeply concerned that individuals connected to entities that were previously implicated in terrorism finance can so easily regroup with such scant oversight. That is why, in my April 19 testimony, I stated that the IRS needs to pay more attention to the prior histories of Section 501 entities and their officers or directors.

It should be required that nonprofits disclose in their IRS 990 and 1023 forms the roles of its leaders (board members and executives) in organizations that earned Treasury or State Department designations, Treasury actions like Block Pending Investigations (BPI), or litigation in which their organization was found liable for material support for terrorism. This is a transparency issue at its core.

The IRS might consider studying the British model for charity oversight. In the United Kingdom, the Charity Commission monitors the charitable sector for organizations that are run by extremists.<sup>68</sup> This oversight has not stopped individuals from exercising their right to free speech according to the laws of their country. But the Commission has ensured that, in the most egregious cases, if there are any organizations that have abused the system, they do not receive tax breaks. The goal, according to the Commission’s website, is “to ensure that the public can support

<sup>59</sup>FBI Memo to the U.S. Department of the Treasury, “Holy Land Foundation For Relief And Development International Emergency Economic Powers Act,” November 1, 2001 ([http://www.copleydc.net/cns\\_links/terrorism/fbi%20report.pdf](http://www.copleydc.net/cns_links/terrorism/fbi%20report.pdf)).

<sup>60</sup>“Contact Information,” *Middle East Financial Services*, accessed May 9, 2016 (<http://mefs.us/>).

<sup>61</sup>Conference Program, *American Muslims for Palestine*, November 2014, page 29; Conference Program, *American Muslims for Palestine*, November 2015, page 6.

<sup>62</sup>Sana’a Abed Daoud, *Facebook*, April 28, 2016 (<https://www.facebook.com/sanaa.a.daoud?fref=ts>).

<sup>63</sup>“AMP National Board,” *American Muslims for Palestine*, accessed May 9, 2016 (<http://www.ampal.org/index.php/about-amp/amp-national-board>).

<sup>64</sup>Illinois Secretary of State Business Services, Corporate Filing, “Middle East Financial Services Incorporated,” File Number 60642273, accessed May 9, 2016 (<http://www.ilsos.gov/corporatellc/CorporateLlcController>).

<sup>65</sup>“Witness says Al-Arian co-defendant sent \$60,000 to the Middle East,” *Associated Press*, June 30, 2005 ([http://www.mywebtimes.com/news/illinois\\_ap/witness-says-al-arian-co-defendant-sent-to-the-middle/article\\_9533c078-b9c2-522e-9d6e-48fd41be15c3.html](http://www.mywebtimes.com/news/illinois_ap/witness-says-al-arian-co-defendant-sent-to-the-middle/article_9533c078-b9c2-522e-9d6e-48fd41be15c3.html)); *United States v. Sami Amin Al-Arian et al.*, Transcript of Proceedings, 8:03–CR–77–T–30TBM, (Middle District of Florida Tampa Division, June 29, 2005).

<sup>66</sup>“Witness says Al-Arian co-defendant sent \$60,000 to the Middle East,” *Associated Press*, June 30, 2005 ([http://www.mywebtimes.com/news/illinois\\_ap/witness-says-al-arian-co-defendant-sent-to-the-middle/article\\_9533c078-b9c2-522e-9d6e-48fd41be15c3.html](http://www.mywebtimes.com/news/illinois_ap/witness-says-al-arian-co-defendant-sent-to-the-middle/article_9533c078-b9c2-522e-9d6e-48fd41be15c3.html)).

<sup>67</sup>Meg Laughlin, “Al-Arian associate gets prison,” *Tampa Bay Times*, July 26, 2006 ([http://www.sptimes.com/2006/07/26/Tampabay/Al\\_Arian\\_associate\\_ge.shtml](http://www.sptimes.com/2006/07/26/Tampabay/Al_Arian_associate_ge.shtml)).

<sup>68</sup>Andrew Gilligan, “Extremists to be purged from charity boards under new law,” *The Telegraph (UK)*, September 19, 2015 (<http://www.telegraph.co.uk/news/uknews/terrorism-in-the-uk/11877560/Extremists-to-be-purged-from-charity-boards-under-new-law.html>).

charities with confidence.”<sup>69</sup> Again, we do not conclude that AMP’s activities would warrant any regulatory sanctions, but we do believe that Americans have a right to know what we have uncovered.

Finally, there is a broader question this subcommittee may wish to ask the Federal Government: Does the Treasury Department still issue designations of U.S.-based charities like Holy Land Foundation or KindHearts? After 8 high-profile terrorist designations of domestic charities between 2001 and 2009,<sup>70</sup> the pace has slowed to a crawl. This subcommittee has the power to ask why, who should be leading this effort, and whether more resources should be devoted to the problem.

On behalf of the Foundation for Defense of Democracies, thank you again for inviting me to testify.

Mr. KING. Thank you, Doctor, very much for your testimony.

Our next witness is Deborah Lehr. She is the chairman of the Antiquities Coalition, an organization which she launched to work with governments across the Middle East to fight against antiquities trafficking and its use in financing terrorism. She is also CEO and founding partner of Basilinna—did I pronounce that correctly? Okay.—a strategic consulting firm focused on China and the Middle East. She serves as a senior fellow at the Paulson Institute, a not-for-profit chaired by former Treasury Secretary, Hank Paulson.

Ms. Lehr also serves on a number of prestigious board and advisory councils, including National Geographic and the board of the Archeological Institute of America.

Ms. Lehr, thank you for being here today, and we look forward to your testimony. You are recognized.

#### **STATEMENT OF DEBORAH LEHR, CHAIRMAN AND FOUNDER, THE ANTIQUITIES COALITION**

Ms. LEHR. Thank you, Chairman King, Ranking Member Higgins. We really appreciate the opportunity to testify before the subcommittee this morning. The Antiquities Coalition commends the subcommittee for its focus on the cutting off of financing for terrorist organizations, particularly for antiquities trafficking.

Culture has very clearly become a weapon of war and a fundraising tool for violent extremist organizations across the Middle East and northern Africa. Certainly, antiquities looting has been happening ever since there was buried treasure, but not since World War II has it happened on this scale. Millions of archeological sites, historic and religious sites are being threatened by organized plunder by ISIL. These attacks are more than a destruction of heritage. They are the eradication of its shared history, the elimination of economic opportunity. They are a crime of war. They are precursors to genocide and they fund terrorism.

The Abu Sayyaf raid by U.S. special forces confirmed how the extremist group has institutionalized the trafficking and destruction of antiquities. It has created its own ministry of antiquities and it

<sup>69</sup>UK Charity Commission, “What we do,” accessed May 9, 2016 (<https://www.gov.uk/government/organisations/charity-commission>).

<sup>70</sup>Holy Land Foundation (2001), Benevolence International Foundation (2002), Global Relief Foundation (2002), Islamic American Relief Agency (2004), Al-Haramain Islamic Foundation (2004), Goodwill Charitable Organization (2007), Tamil Rehabilitation Organization (2007), and Tamil Foundation (2009). U.S. Department of the Treasury, “Designated Charities and Potential Fundraising Front Organizations for FTOs (listed by affiliation and designation date),” April 5, 2016 (<https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-fto.aspx>).



uses the sales of permits to promote antiquities looting and illicit excavations.

ISIL is making significant profits from this. Our records that were seized show that in just a 3-month period, they had raised \$1.25 million or annualized \$5 million. While not on the scale of oil revenues, as was indicated by the Ranking Member earlier, if you think about what the costs are to fund some of these terrorist activities, that money goes a really long way, particularly when you think there is a virtual limitless supply of these antiquities across the MENA region.

ISIL use these priceless antiquities as just a commodity to be plucked from the ground for profit. The organized looting and trafficking of antiquities, or as we call it cultural racketeering, is a criminal industry that spans the globe. All countries with a past worth protecting are now at risk, but countries in crisis are most vulnerable, particularly during times of war.

Nowhere has heritage suffered more than in Syria and Iraq. The list of destruction and plundering is long: Palmyra, the Muslim Museum, Nineveh, and hundreds of others, including historical sites that are meaningful to the foundations of Islam, Christianity, and Judaism.

What is the size of this illegal trade? It is very difficult to determine the size of a legitimate antiquities market, let alone the illicit. So my organization has sponsored research by the University of Chicago to calculate, for the first time ever, the size of the losses in Iraq and Syria through algorithms that could be applied for other countries. We had commissioned Dr. Sarah Parcak, who was this year's TED Prize winner to do the same in Egypt, where she calculated that over a 3-year period the losses were potentially as high as \$3 billion.

Yet what we do know are what are the declared trade figures of the imports into the United States of HTF tariff line 97, which is for antiques over 100 years old.

The United States accounts for 43 percent of the global art market. We are the largest in the world. Last year, our No. 1 import from Syria, accounting for 40 percent of our total imports, were antiquities. Even though overall imports from Syria have dropped precipitously from \$430 million in 2010 to \$12.4 million last year, the rate of antiquities has continued to increase—rate of antiquities imports has continued to increase. All of these antiquities came through one port, the customs port of New York. For Iraq, after oil, antiquities are the largest import from that country.

Since the Arab Spring in 2011, we have seen, from 5 countries in the MENA area, an average increase overall in antiquities of 90 percent. For Turkey, it's been up by 80 percent; Egypt, 55; Syria, 134; Iraq, 492; and Lebanon, 58. Why Turkey and Lebanon? Because they are the major transshipment points for antiquities coming out of Iraq and Syria.

So there is much that can be done. In April, the Antiquities Coalition released a task force report with recommendations to promote very practical solutions to this growing crisis and to serve as an on-going resource for policymakers. It was recommendations for the U.S. Government, international institutions, and the art mar-

ket, and just one in a series of reports that we hope to release, particularly the next one focused on what source countries can do.

In addition, we fully support the recommendations in H.R. 2285 focused on ICE and CBP. These organizations are on the front line of our war against cultural racketeering and protecting our own market.

But other considerations for this subcommittee to think about: One is there needs to be an overall coordinator within the United States Government. We believe that that person should be at the National Security Council, that they should be able to coordinate through all the institutions of the U.S. Government and work with subcommittees like this one. The focus of law enforcement should be on criminal prosecutions, not just on seizing the antiquities and repatriating them. The trade should be restricted to designated ports. This has been done in the case of wildlife. There is no reason it can't be done in the case of antiquities.

One of the things that the earlier legislation promotes, and we strongly support, is as the majority of antiquities are coming in through New York, there is a big difference between the quality of the seizures that are happening in Newark, which has done a tremendous amount of work and the authorities there are highly trained, and JFK. We think an additional focus on just some practical aspects of training at JFK could go a long way toward stopping the United States becoming the principal designation, particularly since most of the art market is based in New York City.

Raising awareness at ports of entry, just having Border Patrol work at various ports of entry to recognize that the import of these antiquities is illegal. The Department of Homeland Security could be supportive of what we hope will be a more active role in the State Department in negotiating cultural MOUs with countries in crisis. These cultural MOUs serve as the legal basis to give ICE the ability to close the market to antiquities coming into our country. There is not a single one of them with any country in the Middle East at the moment.

The legislation that was passed recently that stops the import of antiquities into Syria builds on what was done with Iraq, but both of those have been legislated. We need to see them with Egypt, with some of the transshipment countries, and others to really help protect our own market from being a source of terrorist financing.

It is important we stop American dollars from funding conflict in crime through cultural racketeering. This is a problem that didn't start with ISIL and it is not going to end with it. So it is necessary to create a framework for combating the illicit trade and antiquities globally.

I thank the subcommittee for your work, and I thank you for the opportunity to testify before you today. I am happy to answer any questions. Thank you.

[The statement of Ms. Lehr follows:]

PREPARED STATEMENT OF DEBORAH LEHR

MAY 12, 2016

It is an honor to appear before the House Committee on Homeland Security's Subcommittee on Counterterrorism and Intelligence at the hearing on "Following the Money: Examining the Current Terrorist Financing Trends and the Threat to the

Homeland.” We commend the committee for its focus on cutting off all aspects of financing for terrorist organizations, including from antiquities trafficking.

Culture is increasingly a weapon of war and a fundraising tool for violent extremist organizations, especially in the Middle East and North Africa (MENA). Millions of archeological, historic, and religious sites in this region—including the Cradle of Civilization—are threatened by organized plunder or destruction from armed conflict by terrorist organizations such as ISIL, the al-Nusrah Front, and other al-Qaeda affiliates. The sheer number of sites provides a consistent source of revenue for the foreseeable future.

Not since the Nazis have we seen more calculated and wide-spread attacks on heritage, which as witnessed in World War II, are an inseparable part of broader attacks against ethnic and religious minorities.

These terrorist acts against culture—whether bombing ancient temples in Palmyra, plundering the Mosul Museum, or burning libraries with historic texts in Mali—land violent extremists on the front page of international newspapers and generate attention in social media. The propaganda value of this publicity cannot be overstated. These attacks strike at the economies of the countries targeted, intimidate local populations, and eradicate their past and ours—all while bringing in millions of dollars to fund additional violence.

Certainly, antiquities looting has occurred since there was buried treasure. ISIL is not the first terrorist organization to benefit from it: We have much evidence of organized involvement by al-Qaeda and the Taliban going back to the turn of the millennium. But ISIL and its sympathizers have taken it to a new level.

They are intentionally targeting the symbols of our cultures—the very foundations of our history—as a means to destroy our spirit. ISIL’s use of culture as a weapon strikes at the values we cherish: The freedom of expression and religion. They are trafficking these plundered antiquities, which have become with oil and kidnapping a critical source of funding, to arm their deadly cause.

The problem is wide-spread across the MENA region. Many of the attacks on heritage are targeted at its economy, which is reliant on cultural tourism. A slowing economy threatens political stability, a point not lost on ISIL.

In Egypt, earlier this year, a bomb was disarmed at the Pyramids. Just last summer, a suicide bomber detonated his explosive device outside of the Temple of Karnak in Luxor. The bombing of the airliner from Sharm el-Sheikh was carrying Russian tourists, who were Egypt’s single largest source of tourism revenues.

In Tunisia, ISIL targeted the Bardo Museum—killing 21 foreign tourists and injuring many more. Cultural heritage tourism, a top source of revenue for the country, has declined precipitously since then which has placed a heavy burden on the economy.

In Mali, Yemen, and Libya, historic libraries have been raided, artifacts pillaged, and ancient structures razed, along with Shiite and Sufi places of worship.

Nowhere has heritage suffered more than Syria and Iraq. The list of destruction is long: Palmyra, Mosul, Nineveh, and hundreds of others from throughout millennia of history, culture, and religion, including historical sites meaningful to the foundations of Islam, Christianity, and Judaism. Priceless treasures from these sites have been stolen, unceremoniously ripped from the ground, losing all sense of history and context, perhaps never to be seen again.

Sometimes, in our work, we are confronted with what we believe to be a false dichotomy: The supposed choice between saving lives or “saving stones.” The director of National Museum of Iraq answered this question eloquently when he explained: “Yes, they’re just statues, but for us, they’re living things. We came from them, we are part of them. That is our culture and our belief.”

These attacks are so much more than the destruction of heritage. They are the eradication of a shared history. They are the elimination of economic opportunity. They are precursors to genocide. They are a crime of war. It is the use of our shared heritage and culture to fund their terrorist activities.

The Abu Sayyaf raid was the confirmation of these linkages between the promotion of illicit digging and trafficking of antiquities for profit and its financing of international terrorism.

The raid in May 2015 by U.S. Special Operations Forces on the compound of the ISIL leader Abu Sayyaf, the group’s director of financial operations and proclaimed “Emir of Oil and Gas,” uncovered a treasure trove of documents that exposed the illicit trade of antiquities in detail. These records confirmed that ISIL’s antiquities operations are far more systematic than the opportunistic grave robbing that has taken part in the region for centuries. It also confirmed that ISIL is making significant profits from them.

ISIL’s use of cultural racketeering is industrial, methodical, and strictly controlled from the highest levels of the organization’s leadership. The recovered papers re-

vealed that Abu Sayyaf headed ISIL's Diwan Al-Rikaz or Ministry of Resources. This office includes an entire antiquities department, itself subdivided by geography and specialization. Bureaus have been carved out for administration, exploration and identification of new sites, investigation of known sites, excavation, and marketing and sale of antiquities.

By placing the antiquities departments under the Diwan Al-Rikaz, ISIL clearly views cultural heritage as a resource to be exploited like oil and gas. It has created an institutionalized and legalized form of plunder.

Under their established system, ISIL issues permits to loot and sell antiquities, subject to a traditional 20% *khums* tax, a religious levy on spoils of war. Receipts for these transactions, signed by Sayyaf or other top officials in the Diwan, were discovered in the raid.

Just 3 months of these receipts indicated total sales worth \$1.25 million, or \$5 million on an annualized basis. Counterterrorism experts tell us that attacks such as the one in Paris cost approximately \$30,000 to finance. While not on the scale of oil revenues, sales of these illicit treasures can still fund a significant number of terrorist attacks globally. Especially when there is a virtual endless number of archaeological sites yet to be excavated in the region.

Moreover, a cache of antiquities was found in the compound, awaiting sale beyond the group's borders. Most of these were small and easily transportable, but photos found on a computer showed larger items that had already been sold. Some of these recovered antiquities came from the Mosul Museum with their museum inventory numbers still intact. This is definite proof that while ISIL was destroying artifacts on camera at the Mosul Museum in February 2015, as part of their propaganda efforts, behind the scenes they were plundering and trafficking them for profit.

The organized looting and trafficking of antiquities, or cultural racketeering, is a criminal industry that spans the globe. All countries with a past worth protecting are at risk, but countries in crisis are most vulnerable, especially during times of war.

The United States has the opportunity and responsibility to play a leadership role in the fight against cultural racketeering and deal an effective blow against the overall illicit market. The United States is the largest art market, accounting for 43% of the global trade, and leads world demand for antiquities.

So what can be done?

There is much that can be accomplished—both by individuals and institutions.

I launched the Antiquities Coalition—and we emphasize the Coalition aspect of our name in bringing together a broad range of interests in fighting this crime—to focus on practical, viable solutions to cultural racketeering.

Last spring, we united 10 governments in the MENA region, Foreign and Antiquities Ministries, to issue the *Cairo Declaration*, which is an action plan to protect the region's heritage. This year, we will bring 14 MENA countries and the Arab League together in Jordan, to explore how to implement the commitments in the *Cairo Declaration*. It will also include the first meeting of a MENA-wide task force, where governments designate a principal coordinator for their country to work with in their own governments on this important initiative.

During the U.N. General Assembly meetings in New York last fall, the Antiquities Coalition convened foreign ministers, ambassadors, and leaders in the archaeological, law enforcement, and museum communities for the first time to explore solutions. Our #CultureUnderThreat Task Force was created as a result of these discussions. The Antiquities Coalition will convene this high-level group again in New York this September to continue the momentum for the necessary political will to win this fight. Our goal is to support individual countries in their efforts to better protect their own heritage. Most importantly—we focus on action—and implementing what we have recommended.

In April, the Antiquities Coalition released a task force report, along with the Middle East Institute and the Asia Society, *#CultureUnderThreat: Recommendations for the U.S. Government*, to promote solutions to this growing crisis and serve as an on-going resource for policy makers.

The report puts forward a series of recommendations for the U.S. Government, the international community, and the global art market. It also details the importance of halting antiquities looting and trafficking as part of the fight against violent extremism and organized crime. Cultural crimes are linked to security threats such as money laundering, transnational organized crime, and international terrorist financing.

We fully support the recommendations in H.R. 2285, *The Prevent Trafficking in Cultural Property Act*, for Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). These organizations are on the front lines of our

war against cultural racketeering, and essential to preventing the United States from being a major source of terrorist financing, especially from looted antiquities.

In addition, we congratulate each Member of the committee for passage of H.R. 1493, *The Protect and Preserve International Cultural Property Act*, which will ensure that the United States is in compliance with U.N. Security Resolution 2199. H.R. 1493 will restrict imports of Syrian antiquities so that the United States market will no longer be a destination of choice for conflict antiquities.

Additional recommendations that the committee could consider include our calls to:

- Develop a coordinated whole-of-Government strategy in conjunction with the Executive branch. A point person at the National Security Council should be appointed who can coordinate with relevant agencies including ICE and CBP, as well as with Congress, including this critical committee, to ensure that policies to halt antiquities as well as other illicit sources of financing for terrorism and organized crime are cut off.
- Shift the focus of law enforcement to dismantling criminal networks through more criminal prosecutions instead of primarily seizing and repatriating antiquities.
- Restrict the import and export of cultural property to designated ports in order to more effectively monitor the antiquities trade. This step has already been taken to better oversee the wildlife trade.
- The Department of Homeland Security could also further raise awareness at ports of entry about not importing conflict antiquities.
- U.S. Customs and Border Patrol should work with the World Customs Organization (WCO) to join and further develop ARCHEO, a web-based application that allows real-time communication between government authorities and international experts to prevent antiquities trafficking.
- The Department of Homeland Security could support State Department efforts to negotiate cultural memoranda of understandings with countries in crisis. These agreements provide the legal basis for closing the U.S. market to illicit antiquities from signatory countries.

These steps are important not only to combat financing to ISIL—but also to other violent extremist organizations such as the al-Nusrah Front, al-Qaeda, and the Taliban, as well as armed insurgents and organized criminals operating in countries in crisis. We must stop American dollars from funding conflict and crime through cultural racketeering. This is not a problem that started with ISIL, and it will not end with ISIL, even if they were to be defeated tomorrow. So we must work together to create a framework for combating the illicit trade in antiquities globally.

I thank the committee for the work that you are already doing to combat this illicit and dangerous trade, and thank you for the opportunity to testify before you today. I am happy to answer any questions.

## Culture in Conflict: Where can ISIS get \$1 Million?



TERROR GROUPS SUCH AS ISIS AND THE AL NUSRA FRONT ARE FUNDING THEIR MARCH OF DESTRUCTION THROUGH THE LOOTING AND TRAFFICKING OF ANTIQUITIES

ANTIQUITIES SPANNING 10,000 YEARS OF HISTORY ARE AT RISK FROM THIS CULTURAL RACKETEERING



ONE OF THESE MASTERPIECES FROM THE CRADLE OF CIVILIZATION CAN BRING AS MUCH AS \$1 Million ON THE INTERNATIONAL ANTIQUITIES MARKET

### What ISIS can buy with \$1 Million

\$1,000,000

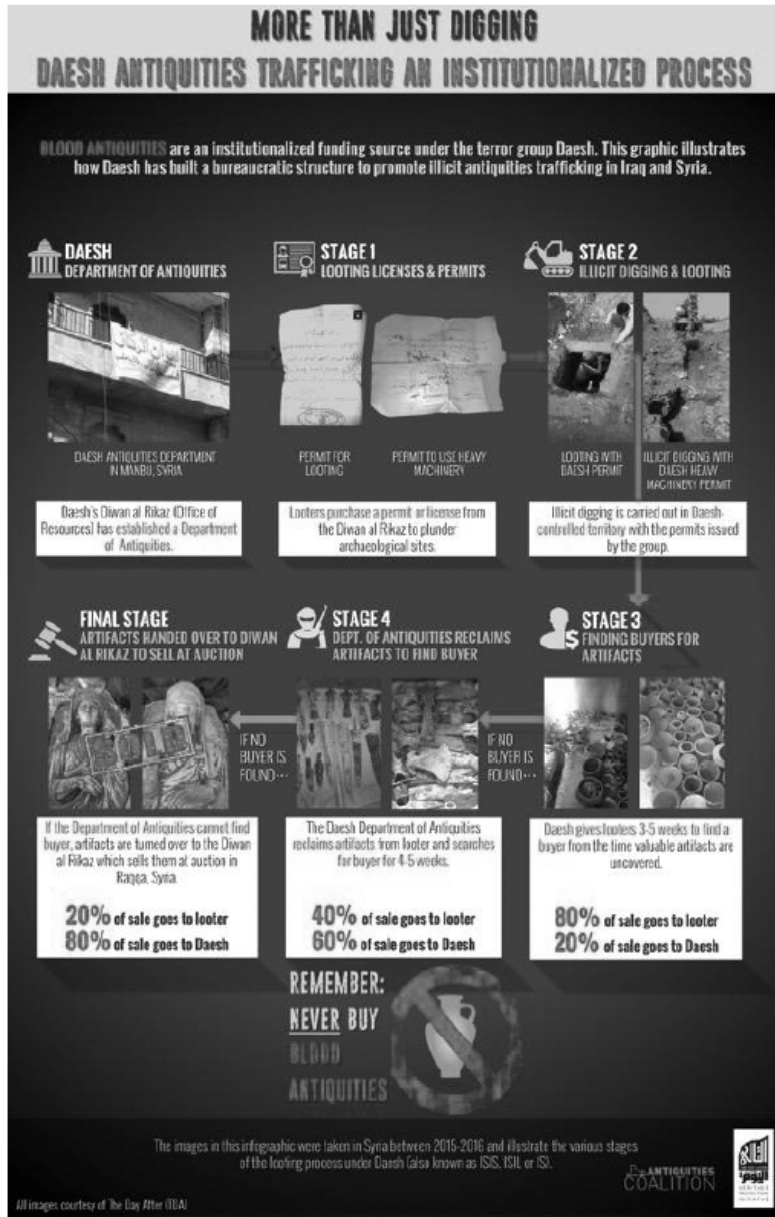
CAN FUND THOUSANDS OF WEAPONS AND AMMUNITION FOR TERRORIST GROUPS IN SYRIA AND IRAQ AT CURRENT BLACK MARKET PRICES IN THE REGION

11,667 AK-47s		
and		
2.5 million Bullets		
OR		
1,250 Rocket Launchers		
and		
5,000 Mortars		

#COMBATLOOTING

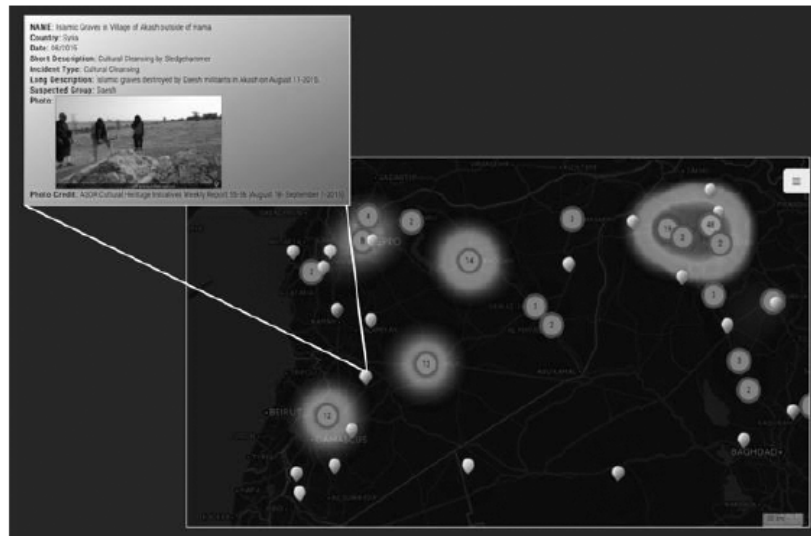
\*Weapons pricing data from Terror Asymmetries Project on Strategy, Tactics and Radical Ideologies, Hudson NY  
 \*Antiquities pictured are images from the ICOM Emergency Red List of Syrian Antiquities and red List of Iraqi Antiquities  
 \*Terror groups may only receive a portion of the final end value of an auctioned artifact.

**ANTIQUITIES COALITION**









Mr. KING. Thank you, Ms. Lehr.

I thank all of you for appearing today. Just so you know, all of your written statements will be submitted for the record.

I recognize myself.

Dr. Shelley, in your testimony, you make a reference to the NYPD and Los Angeles Police Department, success they have had in disrupting terror activities and how that can be applied to other law enforcement. Do you have anything in specific—anything specifically you want to say in that that other departments should be looking at that is being done by New York and Los Angeles?

Ms. SHELLEY. I think one of the successes that explains—or one of the reasons that explains their successes is the ability to help organize the diverse Federal agencies that are working in these locales and to cooperate with local law enforcement. So that is one very important part, that there needs to be much more local-Federal cooperation.

Second, New York has very top analysts on counterterrorism with wide experience that are helping their intelligence and their analytical community. So they are doing things that are site-specific. Just as Ms. Lehr was talking about the particularities of the New York market, there are things that you need to focus on and understand vulnerabilities in your community.

Also, there is an importance of coordinating the counterterrorism policing and the counter-crime policing, because these 2 intersect in many ways that are not high-level transnational crime. So it becomes very much the activities of local police that help detect something that could be overlooked by Federal law enforcement, but the 2 of them informing each other makes for much more successful policing.

Mr. KING. Thank you, Doctor.

Dr. Schanzer, you mentioned in your written testimony that the Treasury Department has not made a domestic designation of a charity for supporting terrorism for 2009. Now, does that mean that illegal fundraising has stopped, or has there been a shift in U.S. policy? Any comment you can make on that, I appreciate it.

Mr. SCHANZER. Sure. Mr. Chairman, in short, the reason for this halt is still unclear. I think on the one hand, we can certainly say that the environment has become a restrictive one for charities that would like to fundraise on American soil. The successes that we have had, certainly since the first few years after 9/11, may have served as a deterrent for those who would want to fundraise for terrorists on American soil.

On the other hand, I find it very hard to believe that there is not one single charity operating here in the United States and actively fundraising for a terrorist organization, whether it would be Hamas, Hezbollah, al-Qaeda, or the Islamic State. So I do wonder whether this is a political decision that has been made by the White House, whether it has been a bureaucratic one made by the Treasury Department as the office of terrorism and financial intelligence has shifted its priorities. So it may be that the FBI is focused on this squarely.

The issue that I would raise, though, is whether the FBI has enough manpower and has enough at its disposal in order to counter this challenge. In other words, we know that the FBI is squarely focused on trying to defend the homeland day in and day out, but they are looking at threats from ISIS or from lone-wolf terrorists or from al-Qaeda, and they may be less inclined to go after some of what they might deem as small fries, smaller charities that are fundraising for organizations that may not pose a direct threat to the homeland.

So I think there are some interesting bureaucratic questions to ask the Federal Government right now, to ask the White House, and it could be the function of this subcommittee to do so.

Mr. KING. Thank you. You also mentioned in connection between the U.S.-based BDS movement and the PLO. Anything you can add to that?

Mr. SCHANZER. Absolutely. The research that we submitted to the House Foreign Affairs Committee 3 weeks ago indicated that there is an unregistered charity operating in the Chicago area, which is also where this other charity, AMP, is operating right now. That this smaller charity, this unregistered charity, has been—that one of its members, one of its leaders, has been a fighter for the Popular Front for the Liberation of Palestine, has a function within the PLO as one of their notaries in the Chicago area. Also, members of this organization have gone to meet with Mahmoud Abbas, the chairman and president of the Palestinian Authority, as well as his prime minister, Rami Hamdallah.

The extent to which the PLO may or may not be funding the BDS movement, we just don't know at this point. But certainly that node that we found in Chicago may offer some indication.

Mr. KING. Thank you.

I recognize the Ranking Member.

Mr. HIGGINS. Thank you, Mr. Chairman.

Just on the issue of ransoms. The United States and Britain has an explicit policy not to pay ransoms. My question is: Do they do that? Do they pay ransoms through proxies?

Dr. Shelley, any thoughts on that?

Ms. SHELLEY. I think that there is a decline on the kidnapping of Americans because there is less likelihood of paying ransoms. I am afraid that in some cases, some people may use proxies, but I have no definitive proof of that.

Mr. HIGGINS. But if the other European countries beyond Great Britain are—have a policy of paying ransoms, and the incidences of hostage-taking disproportionately from folks from those countries, are those European countries now reconsidering their policies of paying ransom?

Ms. SHELLEY. I have not heard that there is a major reconsideration of this. This is part of the problem of what I was discussing earlier, of the Europeans failing to connect the dots between the crime problem and the terrorism problem and the money that funds terrorism.

Mr. HIGGINS. Yes, please.

Mr. SCHANZER. Just a quick note, Mr. Ranking Member. That I think that there is maybe an interesting angle to look at when we talk about proxies or cutouts involved in ransom.

I look at the case of Bowe Bergdahl as being extremely instructive that the Qataris served as an intermediary on behalf of the Taliban to secure the release of Bowe Bergdahl in exchange for other Guantanamo Bay prisoners. This is something that the Qataris have been doing. This is an interesting country that is, on the one hand, it is an ally of the United States, on the other hand, it is working on behalf of some of our enemies. So it would be instructive to take a look at the case of Qatar in the role of kidnapping and the release of people who have been held hostage.

Mr. HIGGINS. So are you arguing that a prisoner exchange would constitute a paying of ransom in a way?

Mr. SCHANZER. Certainly.

Mr. HIGGINS. Okay. Interesting. Okay.

Just the other issue. Generally, with respect to ISIS, what is the current trend in terms of, you know, where their financing is coming from, from the largest component to the smallest component? Has that changed at all?

For all the panelists.

Ms. SHELLEY. There has been, certainly, a diminution in the amount of money obtained from oil, but there has been an increase in the amount of money obtained from forcing refugees so that their property is being confiscated. There has been a taxing of the migrant flows. There has been a movement into taxing the Captagon, on the drugs that move within the Middle East, especially to Saudi Arabia. So that there are other areas of growth that have compensated for this.

What is very interesting is that there is a very different basis of funding for ISIS in the Middle East than ISIS in Europe. Almost all of ISIS in Europe is locally crime funded from small-scale petty crimes. There have been, as I mentioned in my testimony, very few examples of financial transfers from the Middle East to fund the terrorism attacks or the travel of terrorists to the Middle East. So we are looking at 2 very different funding sources for European-based terrorism versus Middle East terrorism.

Mr. SCHANZER. Mr. Ranking Member, we had Assistant Secretary Danny Glaser from the Treasury Department at FDD yesterday and gave a very interesting presentation. He did mention that we have seen a precipitous decline in ISIS finance, which we certainly welcome as good news.

I think some of that has to do with the simple fact that the price of oil has dropped since ISIS' formation. Also, we have seen the bombing of cash depots, which has certainly dealt a blow to the organization.

But I would note that the primary source of funding, from my perspective, for ISIS has been through taxing, plunder, and pillaging. So what this means is that the ability of ISIS to raise funds for itself is inextricably tied to the territory that it controls.

So when one talks about defeating ISIS finance, a lot of the time we hear in the U.S. Government that we can sort-of separate out the battle against the flow of finance from the overall battle of trying to degrade or defeat ISIL, as the administration calls it. I actually see that it is one and the same. That if we are able to deprive them of this territory, then we will be able to deprive them of the ability to tax their own people or to plunder the territory that they have captured. So this is an incredibly important issue to note as we talk about a strategy for ISIL moving forward.

Mr. HIGGINS. My time is up.

Mr. Chairman, I ask for unanimous consent that this report from the Antiquities Coalition be submitted for the record.

Mr. KING. Absolutely. Without objection.\*

Mr. HIGGINS. Thank you.

Mr. KING. Okay. The gentleman from New York, the Chairman of the Transportation Security Subcommittee, Mr. Katko.

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\*The information follows has been retained in committee files and is available at <http://taskforce.theantiquitiescoalition.org/>.

Mr. KATKO. Thank you, Mr. Chairman.

Ms. Lehr, I want to focus some of my questions on you for a moment, if I may. I don't think you can underestimate the importance of the antiquities black market. Before I came to Congress, I was a Federal prosecutor. Remarkably, we had one such case in our district in Syracuse, New York. It happened because we found thousands upon thousands of tablets that had ended up at Cornell University. They ended up there through an antiquities dealer in New York City. Going through that case, it was remarkable to me to see how difficult it was to do any sort of a criminal prosecution and how difficult it was just to go through the process of repatriating these assets back to Iraq.

The tablets were stolen. They were all small tablets, about 4,000 years old, that really chronicled Iraq's history. I don't know how you put a value on that. But I know that this dealer in New York City paid a substantial amount of money to get those. He kept some there and some were donated to Cornell. They all ultimately have been back.

But, you know, I saw—I want to talk to you more about that. Because I think, you know, what ISIS has done in Palmyra and these other places, we don't know what they have done with those antiquities. But I do know there is a voracious appetite for them on the international market.

So with that in mind, and that as a backdrop, I want to ask you a couple of questions. What can we do to tweak the laws from a criminal standpoint to try and use these—to better prosecute—better investigate and prosecute these antiquities laws? Also, probe with you after that a little bit more about why you think it is necessary to have someone on the National Security Council involved on this as opposed to the Department of Justice.

Ms. LEHR. Well, thank you for raising I think what are some of the critical issues, because it is very hard to try these cases. I think there are several different reasons for it.

One, there is a lack of understanding sometimes about the antiquities issues, and they aren't seen as a priority, even though it is one of the top global crimes. There aren't dedicated resources at the Department of Justice or dedicated prosecutors like there are in wildlife, that if you even had one dedicated antiquities prosecutor at DOJ who local prosecutors could call—

Mr. KATKO. See, that was my thought. When somebody from the Department of Justice that became a specialist on this and really understood it—

Ms. LEHR. Right.

Mr. KATKO [continuing]. Once you understand the law, it is really not that hard to make a case like any other case. Garnering the proof is the thing. But I think having someone at the Department of Justice specifically designated for that is probably a pretty good idea.

Ms. LEHR. That is right. Just a month ago it was antiquities week in New York—Asia week. Sorry. Dealers from around the world came to sell antiquities there. Every single day for 10 days, there were raids on antiquities dealers and on auction houses, not a single person is going to jail. Some poor old Japanese man, dealer, was caught and he went to Rikers for one week, and then he

cut and deal and went back. They seized his antiquities and that was the worst that happened.

So it really is an issue. So all that work takes place. These are being sold for millions and millions of dollars. They raised over, I think, close to \$400 million in that time, and there are no prosecutions. So——

Mr. KATKO. You think about the \$400 million, like Mr. King noted earlier, the Paris attacks were, what, \$10,000 total?

Ms. LEHR. Yeah.

Mr. KATKO. So you can do a lot of damage with \$400 million.

Ms. LEHR. Exactly. The reason I said the National Security Council, and maybe I am biased because I used to work there, but there needs to be coordination overall in the Government.

Currently, the top position in the U.S. Government is an assistant secretary in culture and diplomacy at the State Department. When we are dealing with terrorist issues and financing and many of these others, I just don't think it is capable as obviously, they are there, that that is the right seat in looking at cultural diplomacy. There needs to be somebody who is centralized, who can coordinate with DOJ, with ICE, with others, with Treasury to make sure that we are collecting the kind of information that we need and these things are being investigated.

The other point, just if I can say——

Mr. KATKO. Sure.

Ms. LEHR [continuing]. One last thing on the art market, it is largely unregulated. So in many ways for these auction houses, who I think Christie's makes about \$7 billion annually, Sotheby's makes very similar, in many ways these seizures are just the price of doing business.

Mr. KATKO. Right.

Ms. LEHR. So it is not necessarily in their interest to do the kind of due diligence that we would expect to see to track it back to terrorists.

Mr. KATKO. When you say Sotheby's makes \$7 billion a year, around there, is that just the commissions they earn on the things they are selling?

Ms. LEHR. Yes.

Mr. KATKO. Okay. So obviously——

Ms. LEHR. Those are their annual revenue.

Mr. KATKO. The amount of revenue they are generating through those sales is exponentially more than that, obviously. Right.

So, yeah, I mean, I think that—I am trying to think of the best legal means. Do you have any suggestions as to what the best legal means would be to create this position or positions at the Department of Justice? Because I think it is something that needs to be done.

Ms. LEHR. I think there could be a precedent with what has been done with wildlife, and they have appointed somebody who is the top prosecutor, I understand, who comes with a background in wildlife crimes. There is an art unit—arts crime unit at the FBI, but they are not investigators. So I think really the position needs to be a DOJ with somebody with a criminal prosecution background.

Mr. KATKO. Okay. All right. Well, thank you very much. My time has pretty much expired, so thank you.

Mr. KING. Thank you, Mr. Katko.

The gentleman from as Massachusetts, Mr. Keating.

Mr. KEATING. Thank you, Mr. Chairman. I might comment that I am just days back from traveling through northern Africa in particular, and I must tell you that our efforts at striking and targeting oil reserves and the revenues they are getting from there has really been effective and is being extended, actually, because of its effectiveness. So I have seen how we have been successful in that regard.

I also am aware that, you know, in Syria and Iraq how the area is shrinking and that will affect taxation. But we are going to see more of an emphasis because of this effectiveness, I think, on ransoming and on antiquities because of the way we are shrinking the other alternatives, I believe.

So I want to thank Ms. Lehr, for the work that you have done with the #CultureUnderThreat Task Force and the Antiquities Coalition. It is important work in many respects. But I would ask you to talk about what we can do to have more bilateral agreements with other countries. Because, again, as we begin—and we have a lot of work still to do. As we begin putting up barriers here, they will seek other venues. So how can we work, in your opinion, to extend those agreements?

Ms. LEHR. Great. Thank you also for the excellent work that you are doing. We are very supportive of the legislation that you are proposing.

These cultural MOUs are really very important because they do provide the legal basis to stop the import of antiquities into our country, and we have approached it in 2 ways. No. 1, to encourage the State Department—well, 3. Encourage the State Department to look at these as part of their diplomatic efforts in the Middle East. No. 2, to work with the countries in question to help them understand what they can be doing, because it is not just the United States, it is all the major markets that we can do this with. No. 3, we are talking to the Arab league to get them to consider requesting an MOU on behalf of all of its members so that we could do it at once.

The United States is the leader on this issue. If we proceed with this, we will see very quickly that the Europeans will do something similar. So if we can close our market, we can use these agreements to close the European market and the Japanese market. We at least have made a major step forward in cutting off these sources, which is the largest markets.

The only other one out there, which is the second-largest market is China, and we have to start to think about how to work with them because soon, if they decide they want to start buying these antiquities, that is going to be a big problem.

Mr. KEATING. I do think we are going to have to look at northern Africa as well, because they are sourcing that as they are getting more pressure in Syria and Iraq as well.

Just another question that I had in terms of the way the organizations, the terrorist organizations are trying to deal monetarily with things. The Society of World-wide International Financial

Telecommunications, SWIFT, I wanted to see—you know, there is a little tension, as you might have known, with our E.U. allies in terms of privacy issues and dealing with that.

If we are changing that to adapt to their concerns too, how can that limit our effectiveness? So could you comment on what is going on, our privacy concerns of our allies in Europe and how that is affecting our ability to deal with it from a financial standpoint?

Mr. SCHANZER. Mr. Keating, I am happy to answer that from maybe 1 or 2 angles. As you are likely aware, at one point the U.S. Treasury was mining the SWIFT database through a subpoena system. This is now made public, but this is something that was first—it first made news when I was at the Treasury Department that the Treasury was subpoenaing—issuing subpoenas to the SWIFT system, and then they were able to look at the actual data that was being transferred by suspected terrorists. I am unclear as to whether that continues to this day, and it may have something to do with the specific concerns that our European allies have voiced over this.

We have also seen SWIFT at the center of a controversy with regard to Iran. The SWIFT consortium had agreed to block the Iranians from the SWIFT system, making it virtually impossible for 17 different Iranian banks to move money electronically around the world, and this was an incredibly effective method to halt terror finance coming out of Iran. We—pursuant to the deal just signed over the last summer, the Joint Comprehensive Plan of Action, we have now allowed Iran back onto this system. So this is going to make the countering of Iranian terrorism finance that much more difficult.

So my sense here is that we have, I think, growing disagreements over the financial data that can be used by the U.S. Government to counter terrorism finance coming from SWIFT. I don't know how they plan on moving forward with their cooperation with the United States, but my sense is that it is a steady backslide. Perhaps engaging with the SWIFT consortium on a one-to-one basis could be very useful.

Mr. KEATING. Mr. Chairman, if I could just have unanimous consent to indicate I will have a written question on the matter of virtual currency. Because, as we know, the terrorists in the Paris attack, the night before, paid for their hotel with prepaid, you know, type of currency, if you want to call it currency. So that is another issue we are going to have to look at carefully.

So I will do that in writing, Mr. Chairman, so I don't extend my time here. I yield back.

Mr. KING. Without objection. The gentleman from Massachusetts always get what he wants anyway so—

The gentleman from Texas, Mr. Hurd, the Chairman of the Information Technology Subcommittee, House Committee on Oversight and Government Reform.

Mr. Hurd.

Ms. SHELLEY. Can I say something on that?

Mr. KING. Surely.

Ms. SHELLEY. I say that one of the topics I heard discussed extensively at the meetings I was at in Europe among Europeans was the issue of how much the prepaid credit cards, the SWIFT, are



held by corporations, and yet it is governments that are trying to combat the terrorism. This is forcing a lot of consideration of this issue in Europe.

I think—and this is why I was pointing out in my testimony that I think the Europeans, as they are facing this issue of the evidence of the linkage between crime and terrorism, with just the example that you gave, are doing a serious thinking. As they are worrying that they are not doing enough to prevent the next terrorist attack, I think there is an area of flexibility and engagement that is open now that was not open previously.

Mr. KING. Thank you.

Mr. Hurd.

Mr. HURD. Chairman King, Ranking Member Higgins, I want to thank you all for this, putting on this hearing. It is one of the more illuminating hearings I have been to this year.

My first question is to Ms. Lehr. Can you—you mentioned that organized plunder by ISIS, you said it is generating \$1 million a year or \$5 million a year?

Ms. LEHR. In the raid on the Abu Sayyaf compound by our special forces, and he was essentially the CFO, they set up a ministry of the antiquities, and they were selling permits to promote digging as well as they take taxes. We have an info graph we submitted—

Mr. HURD. Yeah, I saw.

Ms. LEHR [continuing]. Into the record to show the process. Receipts for 3 months were \$1.5 million.

Mr. HURD. Wow. Okay. That is helpful.

Can you mention or answer briefly what is UNESCO's role in all of this?

Ms. LEHR. UNESCO's responsibility is obviously over culture. They have raised awareness significantly and highlighted the linkages between cultural genocide as a precursor to genocide and promoting this as a crime of war under the Hague Convention. Their actual ability to go in and help protect sites and other activities like that is very limited. I think that that is an opportunity, if the United States were to consider participation again in UNESCO, to really take a leadership role.

Mr. HURD. Thank you.

Terrorists are becoming increasingly tech savvy. There is evidence that cyber attacks and cyber theft are becoming tools in their arsenal. Dr. Schanzer, this may be most appropriate for you. Are there any instances that you know where terrorist groups have engaged in ransomware? Are they trying to take people's data and hold it hostage for a reward?

Dr. Shelley, if you have any input on that.

Mr. SCHANZER. Congressman Hurd, I have actually not seen anything specifically related to that. What we have seen is what we call cyber-enabled economic warfare, which is, I would say, is a growing trend where state sponsors of terrorism are trying to capture that information and perhaps use it for political means.

I don't know if you can call it terrorism, per se, but certainly the capturing of the SF-86 information of U.S. Government officials by what we believe is the Chinese certainly qualifies as cyber-enabled

economic warfare, to my mind. The hack of Sony by North Korean hackers, this also, I think, qualifies.

It is a new realm. I think it is more difficult to characterize, but certainly something to watch.

Mr. HURD. Thank you. I think I would—that is an area that we need to explore a little bit more.

One point to Ms. Lehr. One of the other values of having someone sitting at NSC on this is to drive collection within the intelligence community. I spent 9½ years as an undercover officer in the CIA and, you know, I was chasing hawala dealers and folks like that to try to, you know, understand, to follow the money and collect that. If we—if I would have had some of this information on some of these folks that are organized in, you know, illegal antiquities dealing, those guys are probably less covert than, you know, al-Qaeda. I think that is another value of having an entity within the NSC to ensure this is part of the NIPF, the National Intelligence Priority Framework, to drive collection in order to stop this funding stream to terrorists.

My last question is probably best directed to Dr. Shelley. Many of our Gulf partners were seeing the money coming from the Gulf into organizations in Syria and Iraq. What can be done to help our Gulf partners solve this problem that is happening within their own borders?

Ms. SHELLEY. That is a very difficult question. In part, some of our Gulf partners have to be aware that this money is being moved and are not—consciously not doing something about it. So this is—this is a problem. So I can't say that there is government complicity, but there is also not an attempt to suppress it.

I think part of what I said in my testimony is that much more needs to be explained about the linkages between the crime, the money movement, and the terrorism, and how it comes back to bite you. That is something that many people don't understand. I think the Saudis are beginning to understand this much better, but there are other parts of the Gulf that need to be helped along in this area as well.

Mr. HURD. On that, the deputy crown prince of Saudi Arabia is leading a coalition of 39 Islamic countries that are focusing on the narrative, encountering the narrative of extremism, and I think this is a topic that can be integrated into their efforts. You know, the fact that it is being led by our Sunni partners is important, but this is an area where we can support them.

Ms. SHELLEY. It is also very interesting that within the context of the United Nations, the Saudis are being very involved in looking at the crime terror linkage as well and trying to bring other countries to be aware of this.

Mr. HURD. I really appreciate you all being here today.

Mr. Chairman, I yield back.

Mr. KING. Thank you, Mr. Hurd. The gentleman yields back.

Ranking Member, do you have any further questions?

Mr. HIGGINS. No.

Mr. KING. All right. Thank you.

So I want to thank the witnesses for your testimony today. It has been extremely valuable. I want to thank the Members for their questions. The Members of this subcommittee may have some addi-

tional questions to the witnesses, and I would ask you to respond to those in writing, if you would. We appreciate it.

So pursuant to Committee Rule VII(e), the hearing record will be held open for 10 days.

Without objection, the subcommittee stands adjourned.

[Whereupon, at 11:13 a.m., the subcommittee was adjourned.]



## APPENDIX

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### QUESTIONS FROM RANKING MEMBER WILLIAM R. KEATING FOR LOUISE SHELLEY

*Question 1a.* The Islamic State has proven adept at using the internet for its propaganda and recruitment, as well for conducting operations. For example, the terrorists involved in the Paris attack used prepaid cards to rent hotel rooms before the night of the attack.

How prevalent are anonymous payments, prepaid instruments, and virtual currencies like Bitcoin, at financing terrorism?

*Question 1b.* Is this an area that the United States' current financial intelligence units and terror financing units are equipped to handle?

Answer. The European-based terrorists have relied more on more simple forms of financing such as pre-paid cards and transfers through underground banking that enhance their anonymity. But they have made use of the internet to order weapons. Therefore, it is highly possible that they have or will use virtual currencies in the future to buy commodities that they need.

The European terrorists have not shown the sophistication that has been shown by individuals affiliated with ISIS central in Iraq and Syria. Therefore, it is likely that the technical capacity shown by terrorists based in the Middle East will permit them to rely more on virtual currency in the future.

The rapidly changing and evolving forms of virtual currencies should remain a priority for financial intelligence and terrorist financing units because so much of terrorist financing is linked to trade. Therefore, any payment system that can help facilitate the anonymity of trade is deserving of significant attention.

### QUESTIONS FROM RANKING MEMBER WILLIAM R. KEATING FOR JONATHAN SCHANZER

*Question 1a.* The Islamic State has proven adept at using the internet for its propaganda and recruitment, as well for conducting operations. For example, the terrorists involved in the Paris attack used prepaid cards to rent hotel rooms before the night of the attack.

How prevalent are anonymous payments, prepaid instruments, and virtual currencies like Bitcoin, at financing terrorism?

Answer. Alternative payment platforms enabled by advances in financial technology (Fintech) have become increasingly prevalent. But as my colleague Yaya Fanusie notes, the extent to which such tools are currently facilitating terrorism is unclear as only a handful of cases of terrorist fundraising on these platforms has been made public.

Prepaid cards' anonymity, ease-of-use, and global availability make it difficult for financial authorities to identify significant illicit use. The Brussels attackers used prepaid cards to purchase walkie-talkies for their operation last March, according to Belgium's finance minister. In France, where the Paris attackers last November used roughly 30,000 euros on prepaid cards to pay for cars and housing in the run-up to the attack, identification is not required for loading up to 2,500 euros.

The key risk lies in cards that allow users to reload without identity checks. Indeed, new forms of on-line and mobile payment services, some of which allow for anonymous transactions, have become more common in terrorist financing in recent years. For example, U.S. law enforcement reported that some individuals have used the on-line and mobile payment system CashU for illicit transactions. A FATF report points out that millennials—who use on-line and mobile payments more than older adults—make up the half of customers in terrorism financing suspicious transaction reports.

Using social media, supporters of jihadist groups have exploited mobile platforms like Kik, WhatsApp, and Telegram as a way to facilitate fundraising. Some apps use end-to-end encryption, making them even more attractive to terrorists looking to operate clandestinely.

The growth in mobile payments also reflects the expansion of mobile-based solutions in other parts of the world, particularly in Africa and Asia, which lack access to conventional banking services. Financial intelligence experts point out that illicit actors can exploit mobile payment systems for money laundering by directing the transfer of funds through multiple, seemingly unaffiliated accounts.

As for terrorists exploiting bitcoin, the possibility is certainly there but law enforcement and financial authorities have not confirmed these reports. Worryingly, in 2014, a U.S.-based Islamic State supporter posted on-line a manual he authored explaining how to use bitcoin to fund the group. One reason bitcoin has not become the currency of choice could stem from the fact that cryptocurrencies are not fully anonymous. Indeed, cryptocurrency platforms leave an open trail of transactions encoded in software which can be tracked through financial forensics. In addition, virtual currencies have minimal circulation within the international financial system.

One final platform to watch is peer-to-peer on-line lending. One of the San Bernardino attackers accessed a loan for \$28,500 from the on-line lending site Prosper weeks before the December 2015 attack. These platforms provide users with funds quicker than conventional bank loans or credit card companies.

*Question 1b.* Is this an area that the United States' current financial intelligence units and terror financing units are equipped to handle?

Answer. The U.S. Government's current financial intelligence apparatus appears sufficiently aware of the terror finance risks posed by these emerging technologies, but it might not be fully equipped to investigate the coming rise in Fintech-related terror finance cases. For example, FinCen in 2013 provided overall guidance on how virtual currencies would be treated under U.S. regulatory and compliance infrastructure. However, the rate of change in new financing platforms, led in part by small start-ups and highly technical software innovation, is difficult even for the broader financial sector to keep pace. And the public sector traditionally falls behind the market.

Moreover, there is likely to be a gap between the monitoring FinCen requires on customer transactions and the level of transaction analysis small Fintech firms can do, especially for products with no verified customer identification. Finally, this problem is bigger than FinCen's jurisdiction. Outside the United States, suspicious transaction analysis may be particularly difficult for firms in the growing mobile payment industry.

