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Hezbollah's International Financing Operation: From Economic Resistance to Criminal Endeavor

Analysis Paper

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Executive Summary

- Hezbollah has been heavily reliant on Iran's generosity, to fund its operation, with Tehran's aid estimated at around USD 700 million in 2008.
- The organization has nonetheless increasingly diversified its revenue base, getting involved in drug trade, counterfeiting operations, arms trade and money laundry operations, in the US, the Caribbean, Europe, and Africa.
- Hezbollah has also been involved in licit ventures such as construction and various trading businesses in Africa.
- In Lebanon and Israel, Hezbollah has mostly relied on dealing drugs to extort information from Israeli military or recruit new agents. However in recent years, more and more Hezbollah members has been involved in drug and other illicit trade scandals, as well as racketeering schemes, the organization having difficulty in cracking down on corruption.

Introduction

Originally, a southern Lebanese group focused on fighting the Israeli occupation (1982 to 2000), Hezbollah has morphed into a powerful paramilitary force with military activities throughout the Middle East region. Today, the Iran-backed militant group is firmly entrenched at all levels of the Lebanese political system including the government (the ministerial cabinet, i.e. *majlis al wozara*), the various state institutions, and the parliament. Hezbollah's growing local and regional influence can be attributed to the astuteness of its leadership, its military prowess, and its substantial financial resources, including a yearly budget allocated by Iran.

The Israeli army estimated in 2018 that Hezbollah received between USD 700 million - 1 billion per year from Tehran.⁽¹⁾ Sources within Hezbollah who spoke to the author added that the group has been diversifying its revenue stream through both licit and illicit funding. In recent years, drug and money laundering scandals have been linked to Hezbollah in South America, the United States, Europe, and Africa. In Lebanon, media reports and interviews with Hezbollah members have pointed to the involvement of figures in and close to the organization in drug and money laundering scheme scandals and in the grey economy.

Locally, much ambiguity surrounds the debate around Hezbollah's involvement in the drug trade for several reasons including but not only because of widespread support the organization enjoys within its community. First, according to interviews conducted by the author in Lebanon, Hezbollah is mostly known to have directly dealt in drugs schemes with members of the Israeli military in exchange for information, also called "drug-for-intelligence".⁽²⁾ Second, with the exception of a few situations, Hezbollah has been indirectly linked to illicit activity, via its supporters and donors. Another reason for the ambiguity is that in South America, radical Islamists whether affiliated with the Palestinian Jihad, Iran, and Hezbollah are often bundled together without clear distinction. Finally, Hezbollah members directly involved with illicit

⁽¹⁾Top general sees increased Iran spending on foreign wars, Dan Williams, Reuters, January second 2018:

<http://bit.ly/2WPcD7z>
<https://reut.rs/2XMMm63>

⁽²⁾ Israel soldier among arrested 'Hezbollah spies', BBC, 20 June 2010, <https://www.bbc.com/news/10462662>

activity in Lebanon often use the coverage provided by their status in the organization to operate as free business agents, which highlights Hezbollah's growing internal corruption.⁽³⁾

Taking all of these nuances into consideration, this paper will examine Hezbollah's various revenue streams. In a first section, the paper looks into Hezbollah's sprawling structure and its relationship with Iran. The second section will look at Hezbollah's international illicit activity. The final section will focus on the organization's illicit activity in Lebanon and Syria. This paper relied primarily on interviews conducted by the author with current and former Hezbollah members as well as experts and individuals close to Hezbollah in Lebanon.

I. Hezbollah's Structure and Financial Relationship with Iran

In the late 1970's, when southern Lebanon was engulfed in a war against Israel, a Shiite group known as The Amal Movement rose to power. The group, founded by Sayed Musa Sadr, supported the Palestinian struggle against Israel. In 1982, the organization split after its new leader Nabih Berry – now incumbent speaker of the Lebanese Parliament – decided not to fight Israel's advance into Lebanon. This decision was contested by the Amal party's Islamic branch, which defected as a result. The latter faction was trained by Iranian Revolutionary Guard Corp (IRGC) forces, which had been sent to Lebanon to stop the progress of the Israeli Defense Forces (IDF).⁽⁴⁾ With the support of Iran, a politico-military command structure bringing Islamists and former Amal cadres together and an ideological platform known as the 'Manifesto of the Nine' were forged for the nascent resistance, marking the foundation of Hezbollah.⁽⁵⁾ The platform called for jihad against Israel, emphasized Islam as the movement's doctrine, and declared the signatories' adherence to the Iranian *wilayat al-faqih* ideology.

Iran realized that in order to protect its military gains in Lebanon, it had to capture the hearts and minds of its proxy's popular base. With Iran's assistance, Hezbollah built an extensive network of social services in Lebanon.⁽⁶⁾ According to a report by the Middle East Policy Council (MEPC), Hezbollah developed a highly organized system of health and social service organizations under the umbrella of its Social Unit, Education Unit, and Islamic Health Unit. According to the MEPC, Hezbollah's Social Unit includes four organizations: the Jihad Construction Foundation (*Jihad al-Binaa*), the Martyrs' Foundation, the Foundation for the Wounded, and the Khomeini Support Committee. In the early 2000's, the Jihad Construction Foundation delivered water to about 45 percent of the residents of Beirut's southern suburbs and led reconstruction efforts in the southern suburbs after the 2006 war with Israel. In an interview with the author, Annahar columnist and Hezbollah expert Brahim Beyram estimated that Iran provided Hezbollah with \$200-300 million a year. However in 2017, the IDF assessed that Hezbollah was receiving around \$830 million per year from Iran,⁽⁷⁾ with the expansion of the Lebanese Hezbollah operations into Syria, where over 7,000 fighters were at the time

⁽³⁾ Interview with Hezbollah commander, by author, Dahieg, February 2018.

⁽⁴⁾ Nicholas Blanford, *Warriors of God: Hezbollah's Thirty Year Struggle against Israel* (2011).

⁽⁵⁾ Marc Devore, *Exploring the Iran-Hezbollah Relationship: A Case Study of How State Sponsorship Affects Terrorist Group Decision-Making*, *Perspective on terrorism*, Vol 6, No 4-5 (2012), <http://www.terrorismanalysts.com/pt/index.php/pot/article/view/218/html>

⁽⁶⁾ Shawn Teresa Flanigan, Mounah Abdel-Samad, *Hezbollah's Social Jihad: Nonprofits as Resistance Organizations*, volume 16 Middle East Policy Council.

⁽⁷⁾ Ahronheim Anna, *Iran pays \$830 million to Hezbollah*, September 15 2017, Jerusalem Post , <https://www.jpost.com/Middle-East/Iran-News/Iran-pays-830-million-to-Hezbollah-505166>

intermittently deployed. A figure that is believed to have dropped significantly with winding down of the conflict.

A source close to Hezbollah's fighters told the author that "besides being financed by Iran, Hezbollah has diversified its money stream and is trying to be more autonomous financially." This could explain growing accusations against Hezbollah about its involvement in illicit activities. According to Dr. David Asher, a senior fellow at the Foundation for the Defense of Democracies (FDD),⁽⁸⁾ Hezbollah's drugs-for-intelligence program has evolved into a massive drugs-for-profit initiative. "Hezbollah, partnered with Latin American cartels and paramilitary partners, is now one of the largest exporters of narcotics from South and Central America to West Africa into Europe and is perhaps the world's largest money laundering organization," said Asher in a 2017 congressional testimony in front of the House Foreign Affairs Committee.⁽⁹⁾

II. Hezbollah's International Illicit Activities

Hezbollah relies on a sprawling global network of members engaged in various illicit activities. Much of this effort is focused in Latin America. Hezbollah's illicit activity in South America appears to be focused on two main areas. Through supporters within its popular Shiite base in keys areas such as the tri-border area (TBA) of Paraguay, Brazil, and Argentina, as well as in Colombia and Venezuela. "Hezbollah's drug trafficking operations in Latin America are spread over a number of places. The TBA is one; Colombia is another; there also important centers of trade that are used for money laundering purposes and smuggling, such as free trade zones there," said Dr. Emanuele Ottolenghi, a senior fellow at FDD, working on the Iran program.⁽¹⁰⁾ In addition, Hezbollah's activities have also expanded to other countries and regions such as the U.S. and Europe.

1. The Tri-Border Area

In 2004, Assad Barakat was described by the U.S. Department of the Treasury as "one of the most prominent and influential members" of Hezbollah, according to a paper by Matt Levitt, an expert on terrorism and security at the Washington Institute For Near East policies.⁽¹¹⁾ Barakat's import-export store at the Galeria Page shopping center in Paraguay was reportedly used for various nefarious activities ranging from counterfeit currency operations to drug running. Levitt's paper described the 2006 arrest of Farouk Omairi by the Brazilian Federal Police in Operation 'Camel,' for providing travel support to cocaine smugglers. Omairi was believed to be acting as regional coordinator for Hezbollah and was involved in trafficking narcotics between South America, Europe, and the Middle East.

Paraguay has reportedly arrested Moussa Ali Hamdan in 2010 for providing material support to Hezbollah by selling counterfeit goods, money, and passports.⁽¹²⁾ In 2013, Wassim Fadel

⁽⁸⁾ <https://www.cnas.org/people/david-asher>

⁽⁹⁾ Asher David, Attacking Hezbollah, financial networks , June 8 2017, <https://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-AsherD-20170608.PDF>

⁽¹⁰⁾ Interview with Emanuel Ottolenghi by the author, June 2018.

⁽¹¹⁾ Levitt Matt, Hezbollah narco-terrorism, September 2012, IHS Defense, https://www.washingtoninstitute.org/uploads/Levitt20120900_1.pdf and <https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>

⁽¹²⁾ Spetjens Peter, Paraguay: Is Israel's latest 'best friend' also a Hezbollah haven?, may 21 2018, Middle East Eye (MEE)

was arrested in Ciudad del Este, Paraguay after he had used a 21-year-old Paraguayan girl as a “drug mule” to smuggle narcotics to Europe. The girl was caught with 1.1 kilos of cocaine in her stomach. According to a statement by Paraguayan police published by MEE, Fadel reportedly transferred the money he made from both narco-trafficking and the pirating of CDs and DVDs into bank accounts owned by people connected to Hezbollah located in Turkey and Syria. In May 2018, Foreign Policy reported that Paraguayan authorities raided Unique SA, a currency exchange house in Ciudad del Este, Paraguay, and arrested its owner Nader Farhat for his role in an alleged \$1.3 million drug money laundering scheme.⁽¹³⁾ “Farhat is alleged to be a member of the Business Affairs Component, the branch of Hezbollah’s External Security Organization in charge of running overseas illicit finance and drug trafficking operations,” said the article.

2. Venezuela

In 2008, the U.S. Department of Treasury sanctioned Hezbollah supporter Ghazi Nasr al-Din, a former Chargé d' Affaires at the Venezuelan Embassy in Damascus.⁽¹⁴⁾ Hezbollah maintained a friendly and close relationship with the Venezuelan government led by Hugo Chavez, which evolved “into a tight ideological and business partnership,” according to an article published by Now Lebanon.⁽¹⁵⁾ The same article, quoting Lebanese Hezbollah expert Kassem Kassir, underlined that “a number of students and young men went [to Venezuela] to participate in festivals, conferences and workshops. There were some consultants of Chavez who came to Beirut and visited Hezbollah officials.”

According to U.S. authorities, Venezuela acts as a safe heaven and a source of funding for Hezbollah members and supporters. In 2015, ABC International reported that Nasr al-Din maintained a close relationship with Tarek Aissami,⁽¹⁶⁾ former vice president of Venezuela who was accused by the U.S. of facilitating drug shipments out of Venezuela and of drug trafficking, and together they attended a meeting with members of the Cartel of the Suns, a powerful network of Venezuela traffickers. In 2009, Nasr al-Din was also linked to the transportation of 400 kilos of cocaine from Venezuela to Lebanon via Damascus, transported by Conviasa, the Venezuelan flag carrier.

“Spanish investigative journalist, Antonio Salas who covered extensively the subject, has emphasized that a group of Hezbollah members linked to the Nasr al-Din group have engaged in drug trafficking under protection of Aissami. These people enjoyed a special (privileged) relation with the state,” underlined expert Douglas Farah, in an interview with the author.⁽¹⁷⁾

3. Colombia

⁽¹³⁾Ottolonghi Emanuele, Lebanon is protecting Hezbollah’s cocaine trade in Latin America, June 15 2018, Foreign policy, <https://foreignpolicy.com/2018/06/15/lebanon-is-protecting-hezbollahs-cocaine-and-cash-trade-in-latin-america/>

⁽¹⁴⁾Treasury Targets Hezbollah in Venezuela, June 2008, US Department of treasury, <https://www.treasury.gov/press-center/press-releases/Pages/hp1036.aspx>

⁽¹⁵⁾ https://now.mmedia.me/lb/en/reports/features/how_much_does_venezuela_matter_to_hezbollah

⁽¹⁶⁾Blasco Emily, El FBI investiga la conexión entre el narcoestado venezolano y Hizbolá, January 31 2015, ABC, <https://www.abc.es/internacional/20150130/abci-venezuela-droga-201501302321.html>

⁽¹⁷⁾ Douglas Farah is a national security consultant and analyst, the president of IBI Consultants, and a Senior Fellow at the International Assessment and Strategy Center.

In 2008, U.S. and Colombian investigators dismantled an international cocaine smuggling and money laundering ring that allegedly used part of its profits to finance Hezbollah.⁽¹⁸⁾ At the heart of the case was a kingpin in Bogota, Colombia, named Chekry Harb, who went by the alias "Taliban." According to the LA Times, Harb's group paid Hezbollah 12 percent of its profits, much of it in cash. "Harb brags about his uncle in the court documents being a senior member of Hezbollah," said Ottolonghi to the author.

In December 2011, U.S. authorities accused Lebanese drug kingpin Aymen Jomaa, operating out of Medellin, Colombia, of allegedly helping to smuggle large amounts of cocaine into the U.S. and laundering more than \$250 million for the Mexican drug cartel Los Zetas.⁽¹⁹⁾ Aymen Jomaa worked with at least nine other people and 19 entities to smuggle cocaine out of Colombia, then launder the drug-related proceeds from Mexico, Europe, West Africa, and Colombia through a Lebanese bank. Sometimes part of that money was sent to Mexico City in cash shipments to be delivered to Los Zetas. The U.S. investigation also linked a money-laundering scheme to Elissa and Ayash Exchange,⁽²⁰⁾ and to the Lebanese Canadian Bank, which were sanctioned under the USA Patriot Act 311. "The link between Aymen Jomaa and Hezbollah was made because the money was directly traced back to Hezbollah controlled accounts although Jomaa was known mostly to be a supporter of the militant group," said Farah. "Jomaa laundered on average 200 million dollars a month for drug cartels. Based on a number of other cases, we know that Hezbollah facilitators take 15-20 percent share a year. That means that the Jomaa operation alone would generate more than 400 million a year alone for this organization," said Ottolonghi in an interview with the author.

Investigators believe that some of the drug profits money was laundered through a used car trade-based scheme from the United States to West Africa. According to a report by the U.S. Department of the treasury,⁽²¹⁾ figures close to Hezbollah were believed to be involved with a drug merchandise and money laundering operation where products were transported across the Togo and Ghana borders on their way from Benin to the airport in Accra, and the cash was then shipped by Middle East Airlines to Lebanon. Hezbollah affiliates deposit bulk cash into the financial exchange houses with the money then routed through the Lebanese Canadian Bank and other financial institutions and subsequently wire transferred to the United States so the used-car businesses can purchase vehicles. The vehicles were then shipped to West Africa for resale, said the report.

4. The Caribbean

In 2009, 17 people were reportedly arrested in Curacao for alleged involvement in a drug trafficking ring with connections to Hezbollah.⁽²²⁾ The police underlined that some of the proceeds, funneled through informal Middle Eastern banks, went toward supporting groups

⁽¹⁸⁾Chris Kraul and Sebastian Rotella, Drug probe finds Hezbollah link, October 22 2008, LA Times, <http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>

⁽¹⁹⁾ Longmire Sylvia, DEA Arrests Hezbollah Members For Allegedly Laundering Cartel Money, February 5 2016, Homeland Security <https://inhomelandsecurity.com/dea-arrests-hezbollah-members-allegedly-laundering-cartel-money/> and <https://www.treasury.gov/press-center/press-releases/pages/tg1035.aspx>

⁽²⁰⁾ "Attacking Hezbollah's financial network: policy options" June 8, 2017 statement of Derek S. Maltz, United States House of Representatives House Committee on Foreign Affairs.

⁽²¹⁾ Finding that the Lebanese Canadian Bank SAL is a Financial Institution of Primary Money Laundering Concern, Department of the Treasury, <https://www.fincen.gov/sites/default/files/shared/LCBNoticeofFinding.pdf>

⁽²²⁾ <https://www.theguardian.com/world/2009/apr/29/curacao-caribbean-drug-ring-hezbollah>

linked to Hezbollah in Lebanon. "We have been able to establish that this group has relations with international criminal organizations that have connections with the Hezbollah," prosecutor Ludmila Vicente said to the Guardian. The amount confiscated by the police was significant and included two shipments of cocaine totaling 2,000 kilograms (4,400 pounds). The traffickers used cargo ships and speedboats to import the drugs from Colombia and Venezuela for shipment to Africa and beyond to Europe, according to Curacao authorities.

5. The United States

According to a report by Matthew Levitt, in 2009 the U.S. Immigration and Customs Enforcement agency revealed a series of Hezbollah criminal schemes in the U.S., which ranged from stolen laptops, passports, and gaming consoles to selling stolen and counterfeit currency, procuring weapons, and a wide range of other types of material support.⁽²³⁾ "In those cases, senior Hezbollah officials from both the organization's public and covert branches played hands-on roles in the planning and execution of many of the criminal schemes," said Levitt. In July 2015, Lebanese National Ali Hassan Mansour, was arrested pursuant to a provisional arrest warrant issued in the Southern District of Florida by French authorities through diplomatic channels.⁽²⁴⁾ Mansour, a money launderer based in Beirut, was charged with multiple counts of money laundering over the course of a narcotics conspiracy. The report labeled Mansour as being a key money launderer and drug trafficker for Hezbollah's External Security Office, and Business Affairs Component (BAC) global illicit network.

In 2017, another Lebanese man accused of trying to use his ties to Hezbollah to further a scheme to launder drug money pleaded guilty in New York.⁽²⁵⁾ Joseph Asmar worked with Lebanese businesswoman Iman Kobeissi, who had boasted she could use her Hezbollah connections to provide security for drug shipments. Kobeissi, who had been arrested earlier, had admitted she had friends in Hezbollah who wanted to purchase cocaine, weapons, and ammunition, according to the complaint.⁽²⁶⁾ Kobeissi said her associates in Africa could provide security for plane loads of cocaine heading to the U.S. and other countries. She was also accused by prosecutors of having laundered hundreds of thousands of dollars in illegal drug money through transactions in European and Lebanese banks. "The Iman Kobeissi case is one of the cases that have directly linked senior Hezbollah leadership to drug trafficking activities," said Ottolenghi.

6. Europe

In January 2016, 'Operation Cedar' raids targeted Hezbollah operations in France, Germany, Italy, and Belgium, led by local law enforcement and supported by the U.S. Drug Enforcement Administration.⁽²⁷⁾ These raids resulted in the arrest of over a dozen individuals involved in

⁽²³⁾ Levitt, Matt, Hezbollah's Criminal Networks: Useful Idiots, Henchmen, and Organized Criminal Facilitators, October 2016, National Defense University <https://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-criminal-networks-useful-idiots-henchmen-and-organized-criminal>

⁽²⁴⁾ Asher David, Tracking Hezbollah's Financial Network, June 8 2017, <https://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-AsherD-20170608.PDF>

⁽²⁵⁾ Stemple Jonathan, U.S. says Hezbollah associate pleads guilty to money laundering conspiracy, June 27, 2017, Reuters, <https://www.reuters.com/article/usa-crime-hezbollah-ashmar/u-s-says-hezbollah-associate-pleads-guilty-to-money-laundering-conspiracy-idUSL1N1S1K2>

⁽²⁶⁾ Ya libnan, 2 Lebanese charged with laundering money for Hezbollah, October 10, 2015 <http://yalibnan.com/2015/10/10/2-lebanese-charged-with-laundering-money-for-hezbollah/>

⁽²⁷⁾ Asher David, Tracking Hezbollah's Financial Network, <https://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-AsherD-20170608.PDF>

international criminal activities such as drug trafficking and drug proceed money laundering. During the raids, several millions in assets and cash were seized that were believed to be linked to drug proceeds that were collected by money launderers throughout Europe. ”These actions specifically targeted Lebanese Hezbollah criminal operations in Europe,” said Asher at the time.⁽²⁸⁾ For Ottolenghi, Operation Cedar is another case that directly tied Hezbollah leadership to illegal activities.⁽²⁹⁾ “Europe is a booming market for cocaine. Hezbollah taps that market by facilitating multi-ton shipments of cocaine from Latin America into Europe. Hezbollah operatives are involved in laundering its revenues there on behalf of local criminal syndicates,” he noted.

These prominent cases linked to Hezbollah’s illicit activity, and others not described here, demonstrate that networks linked to the Lebanese militant group were clearly operating at an international level. Project Cassandra, which was unveiled last year in 2017 by Politico magazine,⁽³⁰⁾ was launched in 2008 by the U.S. Federal Bureau of Investigation (FBI) to target Hezbollah’s illicit funding streams. The project showed that cocaine shipments – some traveling from Latin America to West Africa and on to Europe and the Middle East, and others through Venezuela and Mexico to the U.S. – were all connected to a line of dirty money, laundered through used car schemes that were shipped to Africa. The FBI believed at the time that the Hezbollah network was collecting \$1 billion a year from drug and weapons trafficking, money laundering, and other criminal activities.

III. Hezbollah’s Legalized Financing

Hezbollah does not rely on illicit trade alone for financing, as the organization also has revenue from legitimate businesses in Lebanon and Africa. “Part of Hezbollah’s attempt to diversify its revenue stream is the organization’s licit enterprises. Hezbollah uses front figures to operate legitimate businesses mostly involved in construction, car dealing as well as gas stations in Lebanon, and trading activities in Africa,” said a source close to the party to the author.

In recent years, Hezbollah-linked businesses have been targeted by U.S. law enforcement organizations for money laundering activity. In 2018, the U.S. Treasury designated six individuals and seven entities pursuant to Executive Order (E.O.) 13224,⁽³¹⁾ which targets terrorists and those providing support to terrorists or acts of terrorism. Specifically, they designated Lebanon-based Jihad Muhammad Qansu, Ali Muhammad Qansu, Issam Ahmad Saad, and Nabil Mahmoud Assaf, and Iraq-based Abdul Latif Saad and Muhammad Badr-Al-Din for acting for or on behalf of Hezbollah member and financier Adham Tabaja or his company, Al-Inmaa Engineering and Contracting. The U.S. also designated Sierra Leone-based Blue Lagoon Group LTD and Kanso Fishing Agency Limited, Ghana-based Star Trade Ghana Limited, Liberia-based Dolphin Trading Company Limited (DTC), Sky Trade Company, and Golden Fish Liberia LTD, and Lebanon-based Golden Fish S.A.L. (Offshore) for being owned or controlled by Ali Muhammad Qansu. Adham Tabaja had already been

⁽²⁸⁾ Asher David, Tracking Hezbollah’s Financial Network, <https://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-AsherD-20170608.PDF>

⁽²⁹⁾ Interview with Emani Ottolenghi, by the author June 2018

⁽³⁰⁾ The secret backstory of how Obama let Hezbollah off the hook, December 2017, Politico, <https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>

⁽³¹⁾ <https://home.treasury.gov/news/press-releases/sm0278>

previously sanctioned in 2015, along with Kassem Hijaj and Husein Ali Faoud.⁽³²⁾ “The DEA has identified Adham Tabaja as one Hezbollah’s most senior member within the organization’s Business Component Affairs,” said Ottolenghi. Tabaja is also known to be a majority owner of the Lebanon-based real estate development and construction firm Al-Inmaa Group for Tourism Works. The company’s subsidiaries include Al-Inmaa Engineering and Contracting, which operates in Lebanon and Iraq, as well as Lebanon-based Al-Inmaa for Entertainment and Leisure Projects. In 2018, Tabaja is believed to have used the Iraqi branches of Al-Inmaa Engineering and Contracting to obtain oil and construction development contracts in Iraq. Kassem Hijaj was also accused of investing in infrastructure that Hezbollah uses in both Lebanon and Iraq.

Another man, Husayn Ali Faour, was accused of being a member of Hezbollah’s Islamic Jihad, which is believed to be the unit responsible for carrying out the group’s overseas terrorist activities.⁽³³⁾ Faour managed the Lebanon-based Car Care Center, a front company used to supply Hezbollah’s vehicle needs. Faour worked with Tabaja to secure and manage construction, oil, and other projects in Iraq for Al-Inmaa Engineering and Contracting. A new wave of sanctions in 2019, targeted Hassan Tabaja, the brother of Adham and Wael Bazzi for facilitating Hezbollah financial operations.⁽³⁴⁾

A source close to Hezbollah members told the author that in addition to car, trading, and construction activity, the organization is also involved in the diamond and gold trade in Africa. The expert Douglas Farah concurs, adding that Africa was a good collection point for Hezbollah, whose activity ranges from blood diamond trade to Europe, especially to Antwerp, in Belgium.

Diamond and trade are not the only business Hezbollah members are involved in. In 2012, Reuters reported that the Democratic Republic of Congo had awarded forestry concessions to the Trans-M company, which was subject to sanctions by the U.S. for being a front company used by Hezbollah.⁽³⁵⁾ Reuters explained that the concessions covered a 25-year lease for hundreds of thousands of hectares of rainforest in the central African country. “The concessions are capable of generating hundreds of millions of dollars in revenues over 25 years, if fully exploited,” forestry experts told Reuters. Trans-M was controlled by businessman Ahmed Tajideen, known to also be the owner of Congo Futur, a company that manages sawmills and is accused by the U.S. government of being a front for Hezbollah.

IV. The Debate Around Hezbollah’s Criminal Enterprises and its Illicit Lebanese and Syrian Activities

Allegations of Hezbollah’s illicit activity schemes have been denounced by many Hezbollah members as well as by Lebanese experts privy to the organization’s internal workings.

⁽³²⁾ Wilson Center, US sanctions target Businesses close to Hezbollah, June 10, 2015 <https://www.wilsoncenter.org/article/us-sanctions-target-businesses-linked-to-hezbollah>

⁽³³⁾ Treasury Sanctions Hezbollah Front Companies and Facilitators in Lebanon And Iraq, Treasury Department, October 2015

⁽³⁴⁾ US issues new Hezbollah-related sanctions, April 24 2019, Al-Jazeera, <https://www.aljazeera.com/news/2019/04/issues-hezbollah-related-sanctions-190424175927380.html>

⁽³⁵⁾ Mahatani Dino, Exclusive: Congo under scrutiny over Hezbollah business links, March 16 2012, Reuters <https://www.reuters.com/article/us-congo-democratic-hezbollah/exclusive-congo-under-scrutiny-over-hezbollah-business-links-idUSBRE82F0TT20120316>

“Members of Hezbollah are known to be honorable and dedicated to the cause, this has made the success of the organization since its inception,” said Ahmad, a Hezbollah fighter who spoke to the author on the condition of anonymity. Despite the amount of attention they received in the press, several cases, such as that of Chekry Harb, are in many ways circumstantial. Harb was accused of cooperating with Hezbollah and having family relations with some of its members. A nephew of a Hezbollah operative, Harb donated large amounts to the organization. In the cases of Hamdan and Fadel there was little hard evidence of a clear link with Hezbollah. “While some people arrested in South America were directly linked to Hezbollah, many individuals involved in illicit activities are actually either sympathetic to Hezbollah or were intimidated by them into giving them donations,” said Farah. In addition, Farah underlines that in South America, no distinction is made between Iranian and Hezbollah operators, which adds to the general confusion.

Nonetheless, other cases such as Kobeissi, Farhat, Barakat, and Omairi, show a clear and direct connection between Hezbollah members and criminal entrepreneurs. In the above mentioned cases, even when the organization was not directly responsible for the illicit trade, it facilitated it and covered it. In addition, Hezbollah knowingly received money from shady business figures or drug dealers sympathetic to its cause.

For Annahar's columnist and Hezbollah expert, Ibrahim Bayram, the U.S. accusations against Hezbollah and its supposed involvement in the drug trade are farfetched and political in nature. “There is a clear American agenda against Hezbollah and these drug trade allegations are there to support it,” said Bayram.⁽³⁶⁾

However, at the local level in Lebanon, Hezbollah members appear to be directly involved in criminal enterprises including drug dealing, racketeering, production of counterfeited money and medication, both with or without the knowledge of the top leadership. “Hezbollah's direct dealing with drugs is solely for political and security reasons. Most drug deals are connected to the drug-for-intelligence and information scheme it has run with members of the Israeli army,” said Hassan, a Hezbollah fighter who spoke on condition of anonymity.

Since its creation, Hezbollah has been using drug dealers, to pursue the organization's intelligence and military objectives.⁽³⁷⁾ Hezbollah was known to employ drug dealers for advancing its political interests, taking advantage of its control over Lebanon's Bekaa Valley, which is known for its lucrative poppy and hashish production to infiltrate the Israeli military. The organization gave drug dealers political protection as long as they provided the organization with information on Israel. Over the years, a number of Israeli military officers have been charged with drug smuggling or dealing from Lebanon and providing information to Hezbollah.⁽³⁸⁾ Hezbollah has also relied on drug dealers to recruit agents among Israeli Arabs.

According to Hezbollah fighters interviewed by the author, Hezbollah's involvement in the drug trade in Lebanon is no longer driven solely by political or military interests. Sources

⁽³⁶⁾ Interview with Ibrahim Beyram, Beirut, March 2018.

⁽³⁷⁾ Melman, Yossi, Hezbollah's drug trail, October 7 2016, the Jerusalem Post <https://www.jpost.com/Israel-News/Analysis-Hezbollahs-drug-trail-469616>

⁽³⁸⁾ Israel soldier among arrested Hezbollah spies, June 2010, BBC, <https://www.bbc.com/news/10462662>

explain that today, some Hezbollah commanders are tapping into the lucrative drug market for their own personal benefit. This has happened as the organization's clout has grown in recent years, with its consolidation of power in Lebanon in 2006, and its entry into the Syrian war in 2011. The author could not confirm or invalidate these allegations.

"Hezbollah turns a blind eye to the drug plantations around its training camps, and drug dealers provides it with significant contributions from their proceeds," said a source close to the organization's members, on the condition of anonymity. The Lebanese army has long been instructed not to approach spots where Hezbollah is known to host its training camps in the Bekaa, which is the hub of Lebanon's drug production. One Hezbollah commander hailing from the Bekaa told the author that some members of the organization were involved in abetting dealers involved in the transfer of cocaine into Lebanon to be smuggled into Syria, an accusation the author could not confirm independently. According to a source involved in the drug trade, cocaine is smuggled into Lebanon where it is processed and sent to Syria, and from there to the Gulf.

Machines used in the production of the drug captagon are smuggled into Lebanon illegally via the port of Beirut where Hezbollah is influential. "Hezbollah commanders also facilitate through their control of Lebanese borders with Syria their export of drugs such as captagon," added the Bekaa commander interviewed by the author and asked to remain anonymous. Lebanon is a large exporter of captagon, sent through the Beirut port or across the Syrian border, with the goal of reaching Gulf countries, explained a source close to the drug dealing networks on the condition of anonymity.

Hezbollah fighters, who spoke to the author for this report, accused the organization's commanders of covering up illicit business dealings. "Hezbollah's leadership is often aware of the dealings but has seem reluctant to reign on them because of the high military or political status many commanders have acquired within the organization, especially after the war against Israel in 2006 and currently in Syria," complained one fighter. It is important to understand why Hezbollah is not doing anything about its members' illicit activity and rampant corruption, because of its reliance on these commanders for its external operations.

In addition to the drug trade, members of Hezbollah are also involved in the production of counterfeited money in the Lebanese suburb of Dahieh, explained the Bekaa Hezbollah commander in an interview by the author. The counterfeit bills are in turn traded via an international network, which is why Lebanon is known to be a producer of counterfeited money. In 2016, the New York Post reported that a large money-counterfeiting ring was busted when a Lebanese man was arrested for allegedly selling hundreds of thousands of dollars in counterfeit U.S. currency to a global network of clients in Iran, Malaysia, and elsewhere.⁽³⁹⁾ According to the Post, between 2012 and 2014, Louay Ibrahim Hussein and other members of the ring sold more than \$620,000 in high-quality fake \$100 bills and €150,000 in fake Euros to undercover agents. Hussein had allegedly claimed to undercover agents that he had access to as much as \$800 million in high-quality counterfeit currency.

⁽³⁹⁾ Eustaseuwich Lia, Lebanon man accused of selling counterfeited money abroad, July 26, 2016, New York Post, <https://nypost.com/2016/07/26/lebanese-man-accused-of-selling-counterfeit-us-currency-abroad/>

Other illicit dealings by Hezbollah members are connected to Iranian aid to Lebanon. One fighter also speaking on condition of anonymity explained that since 2006, food aid given by Iran to Hezbollah, often ended up being sold on the Lebanese market instead of being distributed free. In 2013, a warrant was issued against the brother of the Lebanese Minister of State for Administrative Reform, Mohammad Fneish Abdul Latif Fneish, in connection to a case of illegally imported medications.⁽⁴⁰⁾ “The brother of another Hezbollah minister has also been accused of running a Captagon production facility in Dahieh, every one of us is aware of the issue,” said the Hezbollah commander hailing from the Bekaa and who spoke on condition of anonymity. The author could not independently confirm the accusations.

The Syria war has been another financial boon for Hezbollah commanders, said a Hezbollah fighter speaking on condition of anonymity to the author. “A lot of the weapons seized from Syrian ‘terrorists’ or from ISIS is not given to the Syrian army but sold on the black market (in Lebanon), which has contributed for the decline of weapons prices such as Kalashnikov, PKC and B7 on the Lebanese market,” said a source close to Hezbollah fighters. The Syrian war has flooded the region with weapons being smuggled into the country. In 2016, a team of reporters from the Balkan Investigative Reporting Network (BIRN) and the Organised Crime and Corruption Reporting Project (OCCRP) uncovered discreet sale of more than €1 billion worth of weapons in the past four years to Middle Eastern countries that were known to ship arms to Syria.⁽⁴¹⁾ Thousands of assault rifles such as AK-47s, mortar shells, rocket launchers, anti-tank weapons, and heavy machine guns were being routed through an arms pipeline from the Balkans to the Arabian Peninsula and countries bordering Syria.

“There might have one or two accusations of corruption with the war in Syria but these are exceptional and individual cases linked to the conflict there. Hezbollah has very strict rules about anything seized in war theaters and even during battle we were forced to do a detailed inventory of what we seized, and we are obliged to report any mismanagement,” said one Hezbollah commander, commenting on Hezbollah’s alleged illicit activity.

Sources close to Hezbollah admit that its members have been promised lucrative infrastructure contracts in Syria, specifically in Homs and Aleppo. Sometimes, Hezbollah members sponsor Lebanese businessmen getting these contracts in return for a cut of the profits. “The same scenario is taking place in areas under Hezbollah control such as Dahieh. Hezbollah commanders are involved in the parallel economy of providing electricity, satellite connection and water, leaving the government with failing services,” said the source close to the fighters.

Conclusion

Despite the circumstantial nature of the evidence in some cases, Hezbollah’s involvement in large international criminal enterprises is difficult to dismiss. Reports and investigations all point to Hezbollah’s direct or indirect involvement in illicit activity at the international level. At the local level, the organization’s growing clout and the rampant climate of corruption

⁽⁴⁰⁾ <http://www.naharnet.com/stories/en/72039>

⁽⁴¹⁾ <https://www.theguardian.com/world/2016/jul/27/weapons-flowing-eastern-europe-middle-east-revealed-arms-trade-syria>

prevailing in Lebanon have been conducive to the increasing involvement of Hezbollah-linked figures in illicit activity.

Although Western accusation of Hezbollah's corruption and involvement in criminal activity do not appear to have much influence over the organization's popular base of support, stronger sanctions are taking a toll, forcing the organization to try to make cuts in its budget or attempt to outsource some services to Lebanese government ministries. There are anecdotal reports of members of Hezbollah's popular base complaining of cuts in aid to the families of martyrs and challenges faced by Hezbollah members in accessing the organization's health services. With de-escalation agreement in effect in Syria, Hezbollah has been able to bring back a large number of its fighters, thus limiting its military expenditures. The organization's members have also been slapped by a number of U.S. sanctions. "This nonetheless does not affect Hezbollah which does not resort to the official financial system," said Bayram. However, sanctions have impacted Hezbollah's capability to launder its money via front individuals and companies. A U.S. based financial consultant working on countering money laundering activities told the author that U.S. correspondent banks are forcing Lebanese banks to closely monitor and close accounts suspected of laundering money for Hezbollah, with dozens of accounts terminated as a result. A high-level source in a Lebanese public financial institution explained that the Lebanese Central Bank has applied strict measures to prevent Hezbollah's use of the banking sector. "The use of Hezbollah in construction, car rental, luxury store as fronts is nonetheless a possibility," says the official.

Besides the challenge posed by increased sanctions, Hezbollah is faced with a growing conundrum linked to corruption. The organization's promise to focus on fighting corruption in the Bekaa Valley during the electoral campaign prior to the May parliamentary elections is an indirect admission of the poor state of affairs when it comes to governance issues and deep dissatisfaction of its popular base. Corruption among Hezbollah members is not the only grievance of Shiites, whose complaints focus more on Lebanon's general state of affairs. Hezbollah previously claimed that it focused only on its resistance activities and Lebanon's military defense, but with its participation in successive national governments since 2008, this argument no longer holds. Furthermore, deteriorating economic conditions are challenging Hezbollah, with sources within Hezbollah reporting a growing dissatisfaction due to severe pay cuts. It seems that financial sanctions, led to a decline in the organization's revenues, coupled with increased corruption scandals and an extended truce period with Hezbollah's nemesis Israel, could prove more detrimental to the group on the longer run.



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