

Iran and Israel's Undeclared War at Sea (Part 1): IRGC-Hezbollah Financing Schemes

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Brief Analysis

Recent maritime escalation between the two countries stems mainly from Iranian efforts to fund Hezbollah, underscoring the financial interdependency between the Lebanese militia, Tehran, and the Syrian regime.

With news of tit-for-tat attacks against their respective shipping interests making headlines recently, Israel and Iran appear to be in the midst of a gray-zone maritime conflict. Yet the oil smuggling operation at the heart of the crisis is not about large-scale Iranian sanctions evasion, but rather about securing funds for the Islamic Revolutionary Guard Corps and its foreign proxies, mainly Hezbollah. When U.S. actions exposed previous financing schemes based in Iraq, the IRGC turned to oil smuggling further afield as an effective trade-based illicit financing scheme, allowing the organization to fund and arm Hezbollah while also benefiting the Assad regime in Syria. Part 1 of this PolicyWatch series analyzes how these schemes work and how the United States and Israel have sought to counter them; [Part 2 assesses the military aspects \(https://www.washingtoninstitute.org/policy-analysis/iran-and-israels-undeclared-war-sea-part-2-potential-military-escalation\)](https://www.washingtoninstitute.org/policy-analysis/iran-and-israels-undeclared-war-sea-part-2-potential-military-escalation) of the ongoing, undeclared war at sea.

The Need for New Financing Pathways

For years, the Israeli navy has been intercepting cargo ships carrying weapons for Iran-backed militant groups such as Hamas and Hezbollah. In 2017, Israel significantly increased the tempo of such activity as part of its wider “[campaign between the wars \(https://www.washingtoninstitute.org/policy-analysis/campaign-between-wars-how-israel-rethought-its-strategy-counter-irans-malign\)](https://www.washingtoninstitute.org/policy-analysis/campaign-between-wars-how-israel-rethought-its-strategy-counter-irans-malign),” a gray-zone military effort that has sought to disrupt Tehran’s buildup in Syria without igniting a regional war. From 2017 through summer 2020, Israeli forces reportedly carried out around 1,000 airstrikes there, and these operations have continued ever since, complicating

the IRGC's efforts to send funds and weapons to Hezbollah via flights from Tehran to Damascus.

Iran also developed plans to finance the group through **[banks \(https://home.treasury.gov/news/press-releases/sm0385\)](https://home.treasury.gov/news/press-releases/sm0385)** and **[businesses \(https://www.treasury.gov/press-center/press-releases/pages/jl0069.aspx\)](https://www.treasury.gov/press-center/press-releases/pages/jl0069.aspx)** operating in Iraq. In May 2018, the U.S. Treasury Department took a major step toward disrupting these plans by designating Iranian Central Bank governor Valiollah Seif and another official within the institution. The CEO of Iraq's al-Bilad Islamic Bank was designated as well, along with senior Hezbollah official Muhammad Qasir. According to Treasury officials, Qasir served as "a critical conduit" for IRGC-Qods Force payments to Hezbollah. Once the Iraqi banking pipeline was exposed, they shifted to a trade-based financing scheme involving Iranian oil.

Hezbollah's Role in the Oil Smuggling Network

In September 2019, a **[Treasury report noted \(https://home.treasury.gov/news/press-releases/sm767\)](https://home.treasury.gov/news/press-releases/sm767)** that Iran had moved oil "worth hundreds of millions of dollars or more" through an illicit shipping network over the previous year. The IRGC-QF and Hezbollah directed the network, which benefits both organizations as well as the Assad regime. It is this network that reportedly spurred Israel's maritime disruption campaign.

In November 2018, six months after taking action against Iran's Central Bank and Iraq's al-Bilad Islamic Bank, the Treasury Department **[exposed \(https://home.treasury.gov/news/press-releases/sm553\)](https://home.treasury.gov/news/press-releases/sm553)** a **[convoluted \(https://home.treasury.gov/sites/default/files/136/alchwiki-network.png\)](https://home.treasury.gov/sites/default/files/136/alchwiki-network.png)** Iranian financing scheme involving **[Qasir and other Hezbollah members \(https://www.washingtoninstitute.org/policy-analysis/hezbollahs-procurement-channels-leveraging-criminal-networks-and-partnering-iran\)](https://www.washingtoninstitute.org/policy-analysis/hezbollahs-procurement-channels-leveraging-criminal-networks-and-partnering-iran)**. Working with Iranian operatives, Russian companies, and the Central Bank of Syria, the Hezbollah officials facilitated the shipment of millions of barrels of Iranian oil to the Assad regime. The regime then facilitated the transfer of hundreds of millions of dollars to the IRGC-QF, which in turn sent funds onward to Hezbollah and Hamas. In a **[letter \(https://home.treasury.gov/sites/default/files/136/alchwiki-letter.png\)](https://home.treasury.gov/sites/default/files/136/alchwiki-letter.png)** to a senior official at the Central Bank of Iran, Qasir (identified as "Mr. Fadi" in the document) and a Syrian associate confirmed receipt of \$63 million.

According to the Treasury Department, Qasir also heads Unit 108, "the Hezbollah unit responsible for facilitating the transfer of weapons, technology, and other support from Syria to Lebanon." In February 2019, he appeared as a **[note-taker \(https://ctc.usma.edu/wp-content/uploads/2019/03/Levitt-March-image-3.png\)](https://ctc.usma.edu/wp-content/uploads/2019/03/Levitt-March-image-3.png)** in photographs and video clips of President Bashar al-Assad's secret visit to Tehran for meetings with Iranian president Hassan Rouhani and Supreme Leader Ali Khamenei.

Qasir was reportedly hand-picked for that visit by the late IRGC-QF commander Qasem Soleimani, whose own role in the smuggling effort was reportedly extensive prior to his death last year. According to Iranian media remarks by Vice President Eshaq Jahangiri, Soleimani was personally responsible for selling an undisclosed quantity of crude oil under the direction of the Supreme National Security Council, often using "innovative" and "high risk" methods. At one point, Jahangiri claimed, Soleimani was the sole conduit for the sale of Iranian oil.

Soleimani managed this scheme with help from Qasir, who in turn relied on a coterie of Hezbollah operatives. One such operative was **[Muhammad Qasim al-Bazzal \(https://2017-2021.state.gov/rewards-for-justice-up-to-10-million-reward-offer-for-information-on-hizballahs-financial-networks-muhammad-qasir-muhammad-qasim-al-bazzal-and-ali-qasir/index.html\)](https://2017-2021.state.gov/rewards-for-justice-up-to-10-million-reward-offer-for-information-on-hizballahs-financial-networks-muhammad-qasir-muhammad-qasim-al-bazzal-and-ali-qasir/index.html)**, who used a **[network of companies \(https://rewardsforjustice.net/english/lebanese_hizballah_financial_network.html\)](https://rewardsforjustice.net/english/lebanese_hizballah_financial_network.html)**—including the Talaqi Group, Hokoul S.A.L. Offshore, Nagham al-Hayat, Tawafuk, and ALUMIX—to "finance, coordinate, and obscure" illicit oil shipments.

In September 2019, the Treasury Department targeted multiple components of this oil smuggling network, including the Talaqi Group. Qasir, Bazzal, and their companies featured prominently in the exposed network, along with Ali

Qasir, Muhammad's nephew. Based in Tehran, Ali Qasir served as both a Hezbollah representative to Iran and as managing director of the Talaqi Group. In these capacities, he assigned vessels "to deliver shipments for the terrorist network based on the IRGC-QF's guidance," according to [U.S. government documents \(https://ge.usembassy.gov/this-week-in-iran-policy-5/\)](#). For example, he played a central role in the 2019 *Adrian Darya 1* tanker episode, working with others to fund and facilitate this illicit Iranian oil shipment to Syria amid Western objections. He also represented the Lebanon-based Hokoul S.A.L. Offshore in negotiations over its supply of Iranian crude to Syria.

Ultimately, this sprawling network of Hezbollah operatives and front companies was overseen by former Iranian minister of petroleum and IRGC-QF official Rostam Ghasemi, who also heads the Iranian-Syrian Economic Relations Development Committee. In addition to the operatives discussed above, Ghasemi also relied on his son Morteza to finalize illicit oil contracts, including some that they attempted to pass off as originating from Iraq rather than Iran. In October 2020, the U.S. Rewards for Justice program posted a \$10 million bounty for information on the network.

Conclusion

For years, Hezbollah has been actively involved in helping the IRGC-QF and its international network of merchants circumvent sanctions and ship oil products directly from Iran to Syria. Thus, Israel's efforts to disrupt such shipments should come as no surprise—especially after mid-2018, when these deliveries became Tehran's primary means of financing Hezbollah, and in some cases included arms as well.

To be sure, Israel's maritime efforts are not nearly as extensive as its aerial campaign in Syria, which has substantially diminished Iran's ability to send Hezbollah weapons overland via Abu Kamal. The naval effort appears to be aimed at hindering, not crippling, Iranian oil shipments, perhaps due to the vulnerability of Israel's own shipping lanes through the Arabian Sea. Still, its maritime actions have caused delays that deprive the Syrian regime of gasoline imports and prevent hard cash, weapons, and missile production equipment from reaching Hezbollah. More than anything else, these incidents underscore the growing financial interdependency between Iran, Syria, and Hezbollah.

Matthew Levitt is the Fromer-Wexler Fellow and director of the Reinhard Program on Counterterrorism and Intelligence at The Washington Institute, and creator of its interactive map and timeline project [Lebanese Hezbollah Select Worldwide Activities \(https://www.washingtoninstitute.org/hezbollahinteractivemap/\)](#). ❖

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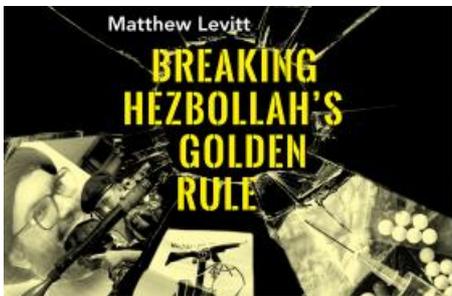
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