

# What to Expect From the State Department's Annual Counterterrorism Report

by [Matthew Levitt \(/experts/matthew-levitt\)](#), [Katherine Bauer \(/experts/katherine-bauer\)](#), [Aaron Y. Zelin \(/experts/aaron-y-zelin\)](#)

Jul 18, 2017

Also available in

[العربية \(/ar/policy-analysis/ma-ymkn-twqh-mn-altqryr-alsnwy-lwzart-alkharjyt-alamrykyt-hwl-mkafht-alarhab\)](#)

## ABOUT THE AUTHORS



[Matthew Levitt \(/experts/matthew-levitt\)](#)

Matthew Levitt is the Fromer-Wexler Fellow and director of the Reinhard Program on Counterterrorism and Intelligence at The Washington Institute.



[Katherine Bauer \(/experts/katherine-bauer\)](#)

Katherine Bauer is the Blumenstein-Katz Family fellow at The Washington Institute and a former official at the U.S. Treasury Department.



[Aaron Y. Zelin \(/experts/aaron-y-zelin\)](#)

Aaron Y. Zelin is the Richard Borow Fellow at the Washington Institute for Near East Policy where his research focuses on Sunni Arab jihadi groups in North Africa and Syria as well as the trend of foreign fighting and online jihadism.



Brief Analysis

---

**Areas of focus will likely include a damaged but still dangerous Islamic State, a regrouping al-Qaeda, and the wide network fielded by Iran and its proxy Hezbollah.**

**T**he U.S. Department of State is expected on July 19 to release its annual counterterrorism report, which will look back at the global terrorist threat and the response of the international community in 2016. If past reports are any indication, this year's report will include sections on terrorist incidents around the world, how individual countries have responded to these threats, and thematic sections on terrorist safe havens, countering terrorist financing, and countering violent extremism. 2016 was a watershed year in counterterrorism, coming on the heels of a tremendous uptick in acts of international terrorism by the Islamic State (IS) in Europe in particular. As a result, counter-ISIS coalition efforts threatened the so-called Islamic State's ability to "remain and expand." Al-Qaeda had a

mixed record in 2016 but demonstrated that it remained a potent long-term threat. Meanwhile, Iran and its proxies - often referred to as the Iran Threat Network -- were especially active over the course of 2016.

## Islamic State Under Pressure Remains a Threat

In 2016, the counter-ISIS coalition built considerable momentum in the fight against the group's "core" in Iraq and Syria. Following its peak in 2014, IS lost more than half the territory it had previously controlled in Iraq and 30 percent of its holdings in Syria. Throughout the second half of 2016, coalition forces worked in Iraq to isolate Mosul. In Syria, U.S.-backed fighters retook Manbij in late summer, which, coupled with Turkish efforts to secure its border, cut off a key transit point for goods and fighters to the Islamic State's de facto capital in Raqqa. The jihadist group's financial situation also deteriorated, in part as a consequence of airstrikes on cash depots, wellheads, and oil convoys that began in late 2015. Perhaps the greatest impact on the Islamic State's bottom line came from territorial losses, which meant fewer local resources -- including people -- to exploit.

As foreign fighters found it increasingly difficult to travel to Iraq and Syria, former IS spokesman Abu Muhammad al-Adnani, who was killed in August 2016, called on them to conduct attacks wherever they were. In the United States, Europe, and Turkey, 2016 saw an increase in both directed and inspired IS attacks, including Omar Mateen's mass shooting at Orlando's Pulse nightclub in June after he had pledged allegiance to IS, the Brussels airport and metro bombings in March and vehicle attacks in Nice and Berlin in July and December, and the IS-directed attack at Istanbul's Reina nightclub in December.

Under pressure in Iraq and Syria, IS also increased activity in its various "provinces." After a six-month battle, IS fighters were pushed out of their last territorial claim in Sirte, Libya, dispelling concerns that Libya could serve as a fallback option after the group's future ejection from Iraq and Syria. In Egypt, a series of attacks outside the Sinai Peninsula, where the Islamic State's Wilayat Sinai (Sinai province) had primarily operated, raised the concern that IS was turning its attention to the Egyptian mainland. The most deadly was the December 11 attack on a Coptic church in Cairo, which killed more than twenty-five. IS also increased its activity in Southeast Asia, claiming attacks in Indonesia, Malaysia, and the Philippines, including the Jakarta bombing in January 2016, the Movida bar bombing near Kuala Lumpur in July 2016, and the September 2016 Davao City market bombing.

## Al-Qaeda's Mixed Record

Given the heavy international focus on the Islamic State, al-Qaeda (AQ) sought in 2016 to remain relevant, build up its capabilities, and take advantage of increasing IS territorial losses in Iraq, Libya, and Syria. While AQ experienced definite successes in 2016, especially in terms of regional terrorist attacks, it also endured setbacks in places such as Syria and Yemen.

AQ regional branches, in particular, demonstrated their continued ability to conduct deadly terrorist attacks. For example, on January 15, al-Qaeda in the Islamic Maghreb (AQIM) attacked the Splendid Hotel in Ouagadougou, Burkina Faso, taking hostages and ultimately killing at least thirty and wounding some fifty-six. A couple of months later, at the Etoile du Sud tourist resort in Grand-Bassam, Cote d'Ivoire, AQIM militants killed nineteen and injured thirty-three in a shooting attack. In Somalia, al-Shabab unsuccessfully attempted to blow up Daallo Airlines Flight 159 after it took off from Aden Adde International Airport in Mogadishu on February 2. This incident reminded officials of the need for sensitive aviation security, a reality reinforced in 2017 with warnings from the Department of Homeland Security about the potential for ever more sophisticated AQ- and IS-made bombs to penetrate airport security. Even in peripheral areas such as Bangladesh, AQ conducted a number of assassinations against so-called Muslim apostates and Westerners, deeds carried out by its Indian Subcontinent branch, known as AQIS.

Elsewhere, AQ branches in Syria and Yemen -- although remaining relevant and dangerous -- suffered disappointments. In Yemen, in April 2016, AQAP lost the port city of al-Mukalla after controlling it for about a year. In

late July, AQ's Syria branch, Jabhat al-Nusra (JN), merged with other smaller jihadist factions to create Jabhat Fatah al-Sham (JFS), which claimed to no longer have external ties to AQ. Whereas some analysts viewed such rhetoric as disinformation intended to mask continued AQ links, further controversy emerged regarding the perceived dilution of AQ ideology and methodology when in January 2017 a second merger resulted in the creation of Hayat Tahrir al-Sham (HTS). Namely, the move has spawned a rift between former JN sharia official Sami al-Uraydi and Sheikh Abu Muhammad al-Maqdisi, with the latter questioning whether the new formation can still truly be seen as part of the global jihadist milieu.

Such examples show how 2016 was a mixed year for al-Qaeda. Even so, the growing misfortunes of the Islamic State opened up future opportunities for AQ in shifting conflicts in Afghanistan, Mali, Somalia, Syria, and Yemen.

## **The Iran Threat Network Post-JCPOA**

**J**anuary 16, 2016, was Implementation Day for the Joint Comprehensive Plan of Action (JCPOA), as the Iran nuclear deal is known. Although the agreement did not cover Iran's terrorist or other malign regional activities, U.S. officials insisted they would hold Iran accountable for such actions. As then secretary of state John Kerry pledged on January 21, "If we catch them funding terrorism, they're going to have a problem with the United States Congress and with other people, obviously." And yet, in the year since the deal was signed, Iran and its proxies' threatening behavior has not diminished.

Testifying before Congress in February 2016, then director of national intelligence James Clapper stated that "the Islamic Republic of Iran presents an enduring threat to U.S. national interests because of its support to regional terrorist and militant groups and the Assad regime, as well as its development of advanced military capabilities." More specifically, he added, "Iran -- the foremost state sponsor of terrorism -- continues to exert its influence in regional crises in the Middle East through the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF), its terrorist partner Lebanese Hezbollah, and proxy groups. It also provides military and economic aid to its allies in the region. Iran and Hezbollah remain a continuing terrorist threat to U.S. interests and partners worldwide." A month later, CENTCOM chief Gen. Joseph Votel testified that Iran had become "more aggressive in the days since the agreement."

The Gulf states have convicted a number of individuals allegedly affiliated with Hezbollah. In January 2016, a Kuwaiti court sentenced a Kuwaiti and an Iranian national to death for spying on behalf of Iran and Hezbollah. In June, a court in Abu Dhabi found the wife of a "prominent Emirati" guilty of spying for Hezbollah.

One Gulf country where Iran and its proxies have become more aggressive is Bahrain. In December 2016, just days before several accused terrorists broke out of a Bahraini prison, a group of men armed with AK-47s fled security forces after being dropped off in Bahrain by boat. Their escape car was traced to an address where authorities found detonators and other bomb-making equipment. A boat registered to the address carried a GPS device indicating numerous trips into Iranian waters, stretching back to February 2015.

In March 2016, French authorities seized another Iranian boat bound for Yemen, on which they found "several hundred AK-47 assault rifles, machine guns and anti-tank weapons." A few days later, the U.S. Navy halted an Iranian arms shipment en route to Yemen and seized "thousands of weapons, AK-47 rifles, and rocket-propelled grenade launchers." That month, the Gulf Cooperation Council designated Hezbollah as a terrorist organization over the "hostile actions of the militia who recruit the young people (of the Gulf) for terrorist acts." The Arab League and the Organisation of Islamic Cooperation followed suit within weeks.

Alongside their activities in Yemen, Iran and its proxies continued to pose a significant terrorist threat in the Levant. Although Iran and Hamas have argued at times over the latter's refusal to support the Assad regime in Syria, they rekindled their broken relationship in 2016. According to a report issued by the Congressional Research Service,

"Iran has apparently sought to rebuild the relationship with Hamas by providing missile technology that Hamas used to construct its own rockets, and by helping it rebuild tunnels destroyed in the [2014] conflict with Israel."

Meanwhile, Hamas continued to plot terrorist attacks. In December 2016, the Israel Security Agency, or Shin Bet, foiled a Hamas plot to carry out a series of shootings and suicide bombings targeting Israelis. Despite its rapprochement with Hamas, Iran continued its sponsorship of al-Sabirin, another proxy militant group in Gaza. Led by a former Palestinian Islamic Jihad commander, al-Sabirin reportedly receives \$10 million a year from Tehran.

Lebanese Hezbollah remains Iran's primary terrorist proxy. In June 2016, the group's secretary-general, Hassan Nasrallah, bluntly declared that "Hezbollah gets its money and arms from Iran, and as long as Iran has money, so does Hezbollah." Since the JCPOA was signed, the U.S.-designated terrorist organization has engaged in numerous criminal, espionage, and terrorist plots.

In January 2016, Israeli authorities arrested five Palestinians for planning an attack "organized and funded by Hezbollah." According to Israeli officials, the leader of this West Bank cell was recruited by Nasrallah's son Jawad. Hezbollah trained and directed the group to surveil Israeli targets, giving the men \$5,000 to carry out suicide bombings and other attacks. Based on these and other cases, a senior Israeli official warned in February 2016 that Iran was "building an international terror network" of cells with access to weapons, intelligence, and operatives to conduct attacks in the West. The following month, Hezbollah smuggled a bagful of explosives into northern Israel for use in a terrorist attack. As of June 2017, according to Israeli officials, Iran had also been working for the last year to "set up independent production facilities for precise weaponry in Lebanon and Yemen."

Despite the multilayered threat it poses, Hezbollah was dealt several major blows in 2016. In February, the U.S. Drug Enforcement Administration (DEA) announced that it had uncovered a major Hezbollah drug trafficking and money laundering network during a multinational investigation. In particular, the DEA named the "Business Affairs Component" of Hezbollah's External Security Organization (ESO) as a main benefactor of a network that collected and transported "millions of euros in drug proceeds," which in turn were used to purchase weapons for Hezbollah fighters in Syria. Arrests were made in the United States and in Europe and South America, severely disrupting Hezbollah's global fundraising, procurement, and logistics operations. Then, in May, Hezbollah lost its most prominent military figure, Mustafa Badreddine, who was killed in a Damascus explosion while acting as head of both Hezbollah's ESO and its forces in Syria. He thus became the most senior Hezbollah official killed since "chief of staff" Imad Mughniyah met his end in 2008.

In May, a U.S. drone strike killed Afghan Taliban leader Mullah Akhtar Mohammad Mansour about two hundred miles from the Iran-Pakistan border. U.S. authorities had tracked him visiting family in Iran and conducted the strike as he returned to Pakistan. Afterward, Taliban spokesman Zabihullah Mujahid stated that Mansour had been on one of his several "unofficial trips" to Iran because of "ongoing battle obligations."

## Conclusion

Looking back at 2016, the 2017 *Country Reports* will have much to consider -- from the directed and inspired Islamic State plots and the threat of returning foreign terrorist fighters to the stubborn resilience of al-Qaeda and the ongoing terrorist threats posed by Iran and its proxies. These terrorist networks, which are often in direct conflict with one another, differ in many ways. The report will also focus on the functional themes that cut across ideology and geography, such as: (1) how terrorist groups raise, move, store, and access funding and what more can be done to combat terrorist financing; (2) best practices for countering violent extremist ideologies of various types, including the violent sectarianism that fueled the Mideast conflict in 2016 and still does today; and (3) the need for further steps to deny terrorist groups access to safe havens in loosely or undergoverned spaces. In all these areas, much work remains to be done.

Matthew Levitt is the Fromer-Wexler Fellow and director of the Stein Program on Counterterrorism and Intelligence at The Washington Institute. Katherine Bauer is the Institute's Blumenstein-Katz Family Fellow. Both are former Treasury Department officials. Aaron Y. Zelin is the Richard Borow Fellow at the Institute and founder of the website [Jihadology.net](http://Jihadology.net). ❖

---

## RECOMMENDED

---



BRIEF ANALYSIS

### [Bennett's Bahrain Visit Further Invigorates Israel-Gulf Diplomacy](#)

Feb 14, 2022

◆  
Simon Henderson

(/policy-analysis/bennetts-bahrain-visit-further-invigorates-israel-gulf-diplomacy)



BRIEF ANALYSIS

### [Libya's Renewed Legitimacy Crisis](#)

Feb 14, 2022

◆  
Ben Fishman

(/policy-analysis/libyas-renewed-legitimacy-crisis)



BRIEF ANALYSIS

### [The UAE Formally Ceases to be a Tax-Free Haven](#)

Feb 14, 2022

◆

Sana Quadri,  
Hamdullah Baycar

(/policy-analysis/uae-formally-ceases-be-tax-free-haven)

## TOPICS

Military & Security (/policy-analysis/military-security)

Terrorism (/policy-analysis/terrorism)

U.S. Policy (/policy-analysis/us-policy)

## REGIONS & COUNTRIES

Iran (/policy-analysis/iran)

Iraq (/policy-analysis/iraq)

Gulf States (/policy-analysis/gulf-states)

Syria (/policy-analysis/syria)