

The Terrorist Funding Disconnect with Qatar and Kuwait

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May 2, 2014

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Brief Analysis

Washington should look for small changes in Kuwait and Qatar's political and security calculus that could provide opportunities to support counter-terrorist financing measures there.

On April 30, the U.S. State Department noted that private donations from Persian Gulf countries were "a major source of funding for Sunni terrorist groups, particularly...in Syria," calling the problem one of the most important counterterrorism issues during the previous calendar year. Groups such as al-Qaeda's Syrian affiliate, Jabhat al-Nusra, and the Islamic State of Iraq and al-Sham (ISIS), previously known as al-Qaeda in Iraq, are believed to be frequent recipients of some of the hundreds of millions of dollars that wealthy citizens and others in the Gulf peninsula have been donating during the Syrian conflict.

Washington has long been frustrated with Gulf partners for not taking stronger measures to stem the flow of private money to terrorists. In recent years, Qatar and Kuwait have been singled out as terrorist financing trouble spots. The State Department's latest annual *Country Reports on Terrorism*, covering 2013, refers to "increased reports" of Kuwait-based individuals funding extremists in Syria, and to the "significant terrorist financing risk" of Qatar-based fundraisers. This diplomatic language downplays the common perception among U.S. experts that Kuwait is "the epicenter of fundraising for terrorist groups in Syria," and that Qatar is "a permissive terrorist financing environment," as articulated in a March 4 speech by David Cohen, the Treasury Department's undersecretary for terrorism and financial intelligence.

The core disconnect between Washington and these two countries on the issue of terrorist financing stems from their unique political dynamics and security calculations, which drive them both to allow some local fundraising channels for foreign extremist and other groups. These dynamics also determine the extent of Kuwaiti and Qatari cooperation with America's counter-terrorist financing agenda. Accordingly, Washington should not expect substantive changes in their approach to terrorist financing unless a shift occurs in some aspect of these basic calculations.

COOPERATION

Kuwait and Qatar are important strategic partners on a host of regional issues. In public statements, U.S. officials often point to their strong cooperation on counterterrorism issues, including terrorist financing. For example, Washington has frequently highlighted Doha's coordination with the Treasury Department in designating the Syrian International Islamic Bank in May 2012. As for Kuwait, the United States has publicly congratulated its ally on the steps it has taken over the past year to combat illicit financing.

With encouragement and pressure from Washington and other international parties, both Gulf countries have passed legislation that provides for more effective investigation and prosecution of terrorist financiers. A Kuwaiti law enacted in 2013 criminalized terrorist financing, allowed for immediate freezing of terrorist assets, and created a Financial Intelligence Unit (FIU) -- an office established in government bureaucracies across the globe as an epicenter for reports and investigations of terrorist financing and money laundering. Qatar passed its own law to counter these problems in 2010; among other things, it requires the freezing of funds belonging to UN-designated terrorist organizations.

CHALLENGES

Unfortunately, Qatar and Kuwait's implementation of this legislation has been uneven at most. The State Department's latest *Country Reports on Terrorism* describes Doha's monitoring of local contributions to foreign organizations as "inconsistent," and general enforcement and implementation of its money laundering and terrorist financing law as "lacking" and marked by "significant gaps." Meanwhile, Kuwait's FIU has not yet been operationalized. Countering the illicit aspects of private Gulf contributions to foreign organizations certainly poses logistical challenges, but these challenges do not fully account for the protracted implementation process in Kuwait and Qatar. Rather, Washington's counter-terrorist financing agenda sometimes competes and even conflicts with what its Gulf partners perceive as their own security interests, and this divide helps explain Qatar and Kuwait's delays in implementation and enforcement.

Doha's security strategy has been to support a wide range of regional and international actors in order to help shelter Qatar from an equally broad range of potential threats. This strategy has included providing generous support to Islamists, particularly the Muslim Brotherhood but also other organizations such as the Taliban. Allowing local fundraising for radical Islamist groups abroad forms part of this approach. Doha and several other Gulf governments believe that preserving organic channels of support to foreign Islamist groups also helps shield them from Islamist political activity at home. In short, obstructing these local channels would be inimical to Doha's fundamental approach to its own security.

Kuwait is more politically vibrant as well as more volatile than Qatar. A key concern there has been that tightening the noose around local fundraising for Syria-based extremist groups would invite the wrath of powerful Salafist politicians and clerics who have been at the forefront of Kuwait's private fundraising scene. Also, many among Kuwait's Sunni majority have criticized the government for not providing military support to the Syrian opposition as Saudi Arabia and Qatar have done. These complaints are voiced against a backdrop of longstanding domestic tensions -- for several years, Kuwait has been beset by dissolutions of parliament, election boycotts, public protests, and major disgruntlement with ineffective governance, and some have feared that adding strong measures against popular financiers could usher in a period of unprecedented upheaval.

At the same time, there are signs that the public appetite for financing Syrian groups may be changing in Kuwait, as local donors have become disillusioned with deadly jihadist infighting. To what extent this changes the government's calculus about taking action against terrorist financing remains to be seen.

The larger picture is that the United States and its Gulf partners sometimes seem to be on a different page when it

comes to terrorist support. During his March speech, for example, Undersecretary Cohen reminded his audience that for many years Qatar has openly financed Hamas, a U.S.-designated terrorist organization. It is difficult to imagine a broad alignment of U.S. and Gulf agendas on these issues when there is not full agreement on what constitutes a terrorist.

U.S. POLICY IMPLICATIONS

The obstacles to more robust implementation and enforcement of terrorist financing legislation in Kuwait and Qatar are significant. But even small changes in these countries' political calculations could give Washington opportunities to support positive action there. For example, Gulf governments might strengthen their resolve to close certain fundraising channels if they perceive a direct threat from Syria-based groups that are supported by local donors, or if they believe that jihadists returning home from the Syrian conflict pose a domestic threat. U.S. officials should also note the recent signs of declining Kuwaiti donor interest in Syria-based rebel groups due to jihadist infighting -- a development that gives Washington a solid opportunity to reinvigorate its push for stronger counter-terrorist financing action by a key Gulf ally.

Lori Plotkin Boghardt is a fellow in Gulf politics at The Washington Institute. ♦

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