

Shutting Hizballah's 'Construction Jihad'

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Brief Analysis

On February 20, the U.S. Department of the Treasury designated Jihad al-Bina, Hizballah's construction company in Lebanon, effectively shutting the terrorist group's firm out of the international financial system. While the designation will not take effect at the United Nations -- sanctions under UN Security Council Resolution 1267 only target elements associated with al-Qaeda or the Taliban, to the exclusion of any other terrorist groups -- international lenders and donors, including financial institutions, NGOs, and governments, are unlikely to want to assume the reputational risk of working to rebuild Lebanon in partnership with Hizballah instead of the Lebanese government. Moreover -- and contrary to conventional wisdom -- the designation presents a rare public diplomacy opportunity in the battle of ideas in the war on terror.

Background

In July, Hizballah dragged Lebanon into a war with Israel that proved devastating for Israeli and Lebanese civilians alike and left much of Beirut in shambles. In the aftermath of Hizballah's costly military adventure, the United States pledged hundreds of millions of dollars to support Lebanon's reconstruction, including \$230 million pledged in August 2006 and an additional \$770 million pledged last month. But Hizballah, ever adept at building grassroots support by providing free and heavily discounted social services, has been doing much the same with significant financial support from Iran. Indeed, according to the U.S. government, Iran provides hundreds of millions of dollars per year to Hizballah, is the group's main source of weapons, and uses its Islamic Revolutionary Guards Corps (IRGC) to train Hizballah operatives in Lebanon and Iran.

'Construction for the Sake of the Holy Struggle'

Offering insight into the firm's business philosophy, Jihad al-Bina is also referred to as "Construction for the Sake of the Holy Struggle," a loose translation of its Arabic name. Said to be modeled after a similar firm established in Iran after the Islamic revolution, it should not surprise that Jihad al-Bina selects projects "based on political considerations that serve the overall objectives of Hizballah," according to a 1999 UN report by the Economic and Social Commission for Western Asia. According to the Treasury Department, "Jihad al-Bina receives direct funding from Iran, is run by Hizballah members, and is overseen by Hizballah's Shura Council, at the head of which sits Hizballah Secretary General Hassan Nasrallah."

In 1993, a senior Hizballah official noted that Jihad al-Bina had only a \$1.8 million budget, though he added, "We are promised more from Iran and concerned individual financiers." By November 2006, Hizballah officials were quoted as having some \$450 million earmarked just for operations south of the Litani River. Though it was a small-time operation hardly worthy of concern in the early 1990s, today Jihad al-Bina is one of Lebanon's most significant construction firms, funded and controlled by Iran.

Flush with money from Iran and operating under the guidance of senior Hizballah leadership, Jihad al-Bina has followed up on the July war with an accelerated reconstruction campaign aimed at building grassroots support for Hizballah. According to information made public by the Treasury Department, after the 2006 war with Israel, "Hizballah used Jihad al-Bina to raise funds for the terrorist organization and to bolster the group's standing by providing construction services in Southern Lebanon."

But Jihad al-Bina not only functions in a manner intended to maximize grassroots support for Hizballah, it also facilitates the group's less magnanimous activities. It should be no surprise, for example, that Jihad al-Bina has used deceptive means to seek funding for projects from international development organizations. According to the Treasury Department, "In cases when intended solicitation targets were thought to object to the group's relationship with Hizballah and the Iranian government, the organization employed deceptive practices, applying in the name of proxies not publicly linked to Hizballah." Indeed, Hizballah operatives have mastered the art of denial and deception, learned at the hands of IRGC trainers, to further a variety of illicit activities from terror financing to arms smuggling. Consider a few examples:

- In September 2006 the Treasury designated two Hizballah controlled financial institutions, Bayt al-Mal and the Yousser Company for Finance and Investment, which served as a bank, creditor and investment arm for Hizballah and secured loans and financed business deals for Hizballah companies.
- In November 2006, the Italian press, filing stories on the new Italian commander for the UN Interim Force in Lebanon, reported that a ship said to be carrying refrigerators to Lebanon was impounded in Cyprus after it was found to contain eighteen trucks with mobile anti-aircraft radars and other vehicle-mounted monitoring equipment.
- In December 2006, the Treasury Department designated nine members of a Hizballah financing network in the tri-border area (TBA) of South America, including Sobhi Mahmoud Fayad. Fayad was described as "a senior TBA Hizballah official who served as a liaison between the Iranian embassy and the Hizballah community in the TBA. . . . Fayad received military training in Lebanon and Iran and was involved in illicit activities involving drugs and counterfeit U.S. dollars."

A Public Diplomacy Opportunity

There are sure to be those -- including some in the intelligence and policymaking communities -- who will complain that any entity engaged in the reconstruction of Lebanon, even one operating as an arm of Hizballah, should not be subjected to targeted financial measures. Rebuilding Lebanon, the argument is sure to go, should be of paramount concern at this delicate point in Lebanese internal politics. Others are sure to oppose any action targeting a Lebanese political party, even if that party also maintains an independent, extralegal militia and an international terrorist arm.

But while these arguments miss the point, the designation of Jihad al-Bina offers a rare opportunity to engage in what amounts to a critical component of the battle of ideas as it affects the campaign to disrupt terrorist financing. Indeed, it should not go unnoticed that while the U.S. government is designating one reconstruction company that is engaged in activities of both an overt humanitarian and covert illicit nature, it is also allocating significant funding for reconstruction efforts that come with no strings attached. As undersecretary of the treasury Stuart Levey explained, "At the same time that we are targeting Hizballah's construction company, the U.S. Government is also working to ensure that legitimate reconstruction efforts, led by the Lebanese Government, succeed."

To the credit of the interagency bureaucracy responsible for terrorism designations, the government press release announcing this designation highlighted the public diplomacy facet of this action. The purpose of the humanitarian reconstruction and security assistance pledged last summer and the additional funds pledged at last month's Lebanon Donors' Conference in Paris, the press release notes, is "to help all the Lebanese people rebuild their lives and country, while strengthening Lebanon's sovereign, democratic government and helping to ensure lasting peace."

That is a public diplomacy message that resonates in a region worried about the growing strength of a radical "Shia crescent." Conservative regimes like Egypt and Saudi Arabia expressed public opposition to Hizballah's actions when the war with Israel began, and it remains an obvious if unstated consensus that Hizballah -- with Iranian support -- should not be allowed first to drag Lebanon into a devastating war and then take credit for rebuilding the country it nearly destroyed.

Whether targeting an Islamist NGO financing al-Qaeda or a "reconstruction company" financing Hizballah, the decision to subject a person or entity to targeted financial measures should be taken solely on the merits of the case at hand. At times such action may engender charges of targeting Muslim charities or social service organizations simply because they are Muslim, but that should not prevent authorities from taking action against bad actors. To the contrary, these cases -- always based on sound evidence and interagency consensus -- are public diplomacy opportunities. Preventing Jihad al-Bina from furthering Hizballah's cause while working hard to fund and facilitate Lebanon's reconstruction is a textbook example of how to leverage these two critical components of the war on terror.

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