

Foreign Fighters and Their Economic Impact: A Case Study of Syria and al Qaeda in Iraq (AQI)

Dr. Matthew Levitt¹



The Foreign Fighter Problem

Conference of the [Foreign Policy Research Institute](#)

The National Press Club

Washington, DC

14 July 2009

¹ Dr. Levitt is a senior fellow and director of the Stein Program on Counterterrorism and Intelligence at The Washington Institute for Near Policy and an adjunct professor at Johns Hopkins University's School of Advanced International Studies (SAIS). This article draws on the author's testimony in the civil case Gates V Syria, U.S. District Court for the District of Columbia, Civil Action No 06-1500 (RMC), September 2008, as well as on the author's interviews and research for a study co-authored with Michael Jacobson entitled "The Money Trail: Finding, Following and Freezing Terrorist Finances (Washington DC: The Washington Institute for Near East Policy, 2008). It also draws on the Sinjar documents made public by the Combating Terrorism Center at West Point, where the author is an adjunct fellow. Julie Lascar, a research intern at The Washington Institute, was an invaluable partner providing research support and editing drafts of this article. Special thanks to the several experts and practitioners who reviewed drafts of this paper.

“The purpose of the U.S. military team going to Damascus is to urge Syria to do more to prevent foreign fighters from coming here.”

~ Iraqi Foreign Minister Hoshyar Zebari, June 17, 2009²

I. Introduction

Running an insurgency is an expensive endeavor. Financing and resourcing insurgent activities, from procuring weapons and executing attacks to buying the support of local populations and bribing corrupt officials, requires extensive fundraising and facilitation networks that often involve group members, criminal syndicates, corrupt officials, and independent operators such as local smugglers. Along these lines, a report of the Financial Action Task Force (FATF), an international body focused on anti-money laundering and combating terror finance, found that while financing any singular attack may be relatively inexpensive compared to the damage incurred, “maintaining a terrorist network, or a specific cell, to provide for recruitment, planning, and procurement between attacks represents a significant drain on resources. A significant infrastructure is required to sustain international terrorist networks and promote their goals over time.” Creating and maintaining such support and facilitation networks, FATF concluded, requires significant funds.³

FATF’s findings are certainly the case in Syria, where terrorist and insurgent groups have established sophisticated networks to facilitate the movement of foreign fighters from around the world into Iraq. These networks are especially important since foreign fighters facilitated through Syria have been responsible for the most spectacular attacks on Iraqis and coalition forces. Given the priority that Iraq and Syria both play in the Obama administration’s efforts to stabilize the Middle East, as well as the wealth of information now available on Syrian-based foreign fighter facilitation networks, this paper focuses its attention on the case study of Syria, foreign fighters in the Iraqi insurgency, and their economic impact.

Foreign fighters’ use of third party countries for training, fundraising, and transit is not merely an operational phenomenon, but an economic one as well. There are both direct and indirect economic consequences – both positive and negative – that result from the existence and operation of foreign fighter networks in Syria, for example. These consequences impact Syria and the Syrian government, various elements of the Syrian populace, from the political, social, and religious elites to the locals living in towns along the Syrian-Iraqi border, Iraq as the foreign fighter destination, and other countries in the region as well. Developing realistic strategies to contend with foreign fighter networks operating in third party countries is contingent upon first developing a holistic comprehension of the phenomenon, including an understanding of the economic impact

II. AQI Network in Syria: Facilitating Foreign Fighters and Operations

² Patrick Cockburn, “US Troops Ask Syria To Thwart Al-Qa’ida Offensive,” *The Independent* (UK), June 17, 2009.

³ “Terrorism Financing,” Financial Action Task Force, February 28, 2008, available online at <http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf>

Al Qaeda in Iraq (AQI) has long benefited from a network of associates in Syria, used to facilitate travel to Iraq. In a 2003 Italian investigation of foreign fighter recruiters operating out of Italy, the Italian prosecutors noted that "Syria has functioned as a hub for an al Qaida network."⁴ Transcripts of operatives' conversations "paint a detailed picture of overseers in Syria coordinating the movement of recruits and money" between cells in Europe and Ansar al-Islam training camps in northern Iraq.⁵ The cell's leaders in Syria facilitated the recruits' travel and provided their funding, while the European members gave false travel documents to recruits and fugitives and monitored their travel. Some of the recruits traveling to the Ansar camps stayed at the Ragdan Hotel in Aleppo for some time and later stopped in Damascus. Indeed, the Italian investigation revealed that Zarqawi's operatives in Europe acted on the instructions of his lieutenants in and around Damascus and Aleppo, including Muhammad Majid (also known as Mullah Fuad and described as the "gatekeeper in Syria for volunteers intent on reaching Iraq"), and two men referred to as "Abdullah," and "Abderrazak." For example, in one conversation, an operative assured a comrade that sending money via Fuad was safe, saying, "I have sent so many transfers to Mullah Fuad and they always got there, no problem."⁶ In another conversation, a senior operative assured his subordinate about funding, stating, "Don't ever worry about money, because Saudi Arabia's money is your money."⁷

AQI has also long received significant financial and operational assistance from its support network in Syria. In 2005, the U.S. Treasury Department designated Sulayman Khalid Darwish, who was operating out of Syria, a Specially Designated Global Terrorist (SDGT), for fundraising and recruiting for Zarqawi's network and al Qaeda. Described as a member of the Zarqawi organization's Advisory (Shura) Council and "one of the most prominent members of the Zarqawi Network in Syria," Darwish prepared forged documents, recruited and dispatched terrorists, and raised funds for the Zarqawi network.⁸

Evidence of this network's continued presence in Syria followed in December 2007. On December 6, 2007, the U.S. Treasury Department designated seven individuals, based out of Syria, for providing financial and operational support to the Iraqi insurgency. One individual was a member of AQI and the remaining six were former regime officials representing the Iraqi wing of the Syrian Ba'ath Party. In a press release, Undersecretary of the Treasury Stuart Levey insisted, "Syria must take action to deny safe haven to those supporting violence from within its borders."⁹

In addition to targeting Coalition forces in Iraq, Syrian networks also targeted entities worldwide. When authorities linked the al-Tawhid terrorist cell, apprehended in Germany in

⁴ Sebastian Rotella, "A Road to Ansar Began in Italy: Wiretaps are Said to Show how al Qaeda Sought to Create in Northern Iraq a Substitute for Training Camps in Afghanistan," *The Los Angeles Times*, April 28, 2003.

⁵ Ibid.

⁶ Sebastian Rotella, "Probe Links Syria, Terror Network: Italian Investigation Finds the Country Was A Hub for Shuttling Money and Recruits to Iraq," *The Los Angeles Times*, April 16, 2003.

⁷ Sebastian Rotella, "A Road to Ansar Began in Italy: Wiretaps are Said to Show how al Qaeda Sought to Create in Northern Iraq a Substitute for Training Camps in Afghanistan," *The Los Angeles Times*, April 28, 2003.

⁸ Treasury Press Release, "Treasury Designates Individual Financially Fueling Iraqi Insurgency, al Qaeda," January 25, 2005, available online at <http://www.treas.gov/press/releases/js2206.htm>

⁹ U.S. Treasury Press Release, "Treasury Designates Individuals with Ties to Al Qaida, Former Regime," December 6, 2007, available online at <http://www.ustreas.gov/press/releases/hp721.htm>

April 2002, with Abu Qatada in Britain, Zarqawi reportedly controlled its activities. Eight men from the cell were arrested, and raids yielded hundreds of forged passports from Iran, Iraq, Jordan, and Denmark among other countries. According to German prosecutors, the group facilitated the escape of terrorist fugitives from Afghanistan to Europe and planned to attack U.S. and Israeli interests in Germany.¹⁰ According to the 2002 annual report of the Office for the Protection of the Constitution (OPC), Germany's domestic intelligence service, Zarqawi also "commanded a *mujahidin* network in the Federal Republic of Germany, among other countries."¹¹ Members of Zarqawi's German cell included Mohamed Abu Dhess, Shadi Abadallah, Aschraf Al-Dagma, Djamel Moustafa and Ismail Shalabi.¹²

While in Syria, Zarqawi reportedly planned and facilitated the October 2002 assassination of Lawrence Foley, a U.S. Agency for International Development official in Amman.¹³ Jordanian prime minister Abu Ragheb Ali announced that the Libyan and Jordanian suspects, arrested in December in connection with the attack, received funding and instructions from Zarqawi and had intended to conduct further attacks against "foreign embassies, Jordanian officials, and some diplomatic personnel, especially Americans and Israelis. According to the Jordanian indictment, Zarqawi's group had been planning to target "American and Jewish interests as well as Jordanian security forces since 1997."¹⁴ The captured assassin, Salem Said Bin Sewid, confessed that Zarqawi provided funding and weapons for the assassination.¹⁵ The indictment also noted that Zarqawi not only infiltrated into Jordanian territory before the attack—presumably from Syria—to select eleven recruits for the attack, but he also provided "\$60,000, as well as machine guns, silences, tear gas, gloves and a vehicle to use for terrorist operations."¹⁶ After the attack, "an associate of the assassin left Jordan to go to Iraq to obtain weapons and explosives for further operations" at a time when a Zarqawi-run network was operating in Baghdad.¹⁷ The operatives were trained in Syria, supplied with weapons, and instructed to return to Jordan and identify a target for the attack.¹⁸

In addition to Zarqawi's targeting of foreign diplomats, he planned to execute, what would have been considered a terror attack of immense magnitude had it not been foiled, against Jordanians..

¹⁰ Philipp Jaklin and Hugh Williamson, "Terror Suspects Detained in Germany," *Financial Times*, April 24, 2002; Edmund L. Andrews, "German Officials Find More Terrorist Groups, and Some Disturbing Parallels," *The New York Times*, April 26, 2002.

¹¹ "Annual Report of the Office for the Protection of the Constitution, 2002," available online at http://www.verfassungsschutz.de/news/vsb2002_engl.pdf

¹² "Treasury Designates Six Al-Qaeda Terrorists," US Department of the Treasury press release (JS-757), September 24, 2003. Available online: <http://www.treasury.gov/press/releases/js757.htm>

¹³ Secretary of State Colin Powell, Remarks to the United Nations Security Council, February 5, 2003, available online at www.state.gov/secretary/rm/2003/17300.htm, and "Treasury Designates Six Al-Qaeda Terrorists," US Department of the Treasury press release (JS-757), September 24, 2003, available online at <http://www.treasury.gov/press/releases/js757.htm>

¹⁴ Rana Husayni, "Foley Terror Trial Postponed for Appointment of New Council," *The Jordan Times*, July 1, 2003.

¹⁵ Secretary of State Colin Powell, Remarks to the United Nations Security Council, February 5, 2003, available online at www.state.gov/secretary/rm/2003/17300.htm

¹⁶ Rana Husayni, "Foley Terror Trial Postponed for Appointment of New Council," *The Jordan Times*, July 1, 2003.

¹⁷ Secretary of State Colin Powell, Remarks to the United Nations Security Council, February 5, 2003, available online at www.state.gov/secretary/rm/2003/17300.htm

¹⁸ Alon Ben-David, "Jordanian indictment reveals operations of Jund al-Shams terror network," *Jane's*, June 16, 2003, available online at http://www.janes.com/security/international_security/news/jtic/jtic030616_1_n.shtml

In April 2004, Jordanian officials announced that they had thwarted a major plot organized by Zarqawi to attack various locations in Amman, targeting Jordanians and Americans. The fact that this plot targeted Jordanians was especially shocking. While previous plots had targeted faceless foreigners, this particular plot involved a Jordanian national targeting his own people. According to the confession of Azmi Al Jayousi, a Jordanian of Palestinian origin who was the cell's leader, he and several other Jordanians and Syrians were personally recruited by Zarqawi. The cell's targets included the Jordanian General Intelligence Department (GID) Headquarters, the Prime Ministry, and the U.S. Embassy in Amman.¹⁹ Jordanian authorities maintain that the twenty tons of explosives intended for the multiple coordinated attacks contained more than ninety-two chemicals, and would have resulted not only in a large explosion, but also a chemical cloud.²⁰ Based on an analysis of the explosives that were confiscated, Jordanian experts maintain that the bomb had the potential to injure 160,000 people.²¹

Whether this was a potential chemical attack or an extremely potent conventional explosive is secondary to the fact that the Jordanian nationals were supported by facilitators and planners in Syria and produced a powerful explosive device that they intended to deploy against fellow Jordanians. For example, Haithem Omar Ibrahim, was a Syrian member of the Jordanian Zarqawi network who entered Jordan via Iraq and arranged safe houses for the plotters, where they lived for several months while preparing the planned mega attack.²² During this time, the cell manufactured twenty tons of explosives and organized the logistics of the attacks. Throughout this period, Jayousi remained in contact with Zarqawi through messengers, most of whom traveled between Jordan and Iraq through Syria. One of Zarqawi's most prominent Syrian aides, Suleiman Khaled Darwish, supervised this communications channel, arranging for couriers to deliver messages, forged passports, and identity cards.²³ Jordanian intelligence further discovered that Zarqawi's network would often send couriers with messages written in invisible ink on paper currency carried in their wallets.²⁴ Passing messages on bills of small denominations raised no alarms since anyone passing through the border would be expected to have a small amount of cash on their person. Zarqawi also used these couriers to send large amounts of money – presumed to have been raised in Europe and the Gulf –to fund the operation. According to Jayousi, Zarqawi “started sending me money through messengers, payments of ten and fifteen thousand, until I had a total of about \$170 thousand, I bought a large quantity of the material with that money.”²⁵

III. Benefits of Foreign Fighter Networks

Benefits to the Insurgent Group (AQI)

¹⁹ Full text of confession – Al Qaeda plans terrorist attack in Chemical Weapons Against Jordan. April 27, 2004, available online at <http://www.imra.org.il/story.php3?id=20579>

²⁰ Author interview with Jordanian official, November 11, 2004.

²¹ Author interview with Jordanian official, November 11, 2004.

²² Full text of confession – Al Qaeda plans terrorist attack in Chemical Weapons Against Jordan. April 27, 2004, available online at, <http://www.imra.org.il/story.php3?id=20579>

²³ Full text of confession – Al Qaeda plans terrorist attack in Chemical Weapons Against Jordan. April 27, 2004, available online at, <http://www.imra.org.il/story.php3?id=20579>

²⁴ Author interview with Jordanian official, July 7, 2004.

²⁵ Full text of confession – Al Qaeda plans terrorist attack in Chemical Weapons Against Jordan. April 27, 2004, available online at, <http://www.imra.org.il/story.php3?id=20579>

The benefits of facilitation networks for terrorist and insurgent groups are clear: without such support networks the particular groups cannot function. They are essential elements of groups' efforts to finance and resource their expensive activities. As Major General Raymond T. Odierno, the commander of the Army's 4th Infantry Division noted in late 2004, "When we first got here, we believed it was about \$100 to conduct an attack against coalition forces, and \$500 if you're successful. We now believe it's somewhere between \$1,000 and \$2,000 if you conduct an attack, and \$3,000 to \$5,000 if you're successful."²⁶ Still, it is not the cost of any individual attack, but rather the larger infrastructure costs that drive insurgent expenses. A Senior Intelligence Officer from the Defense Intelligence Agency explained in 2005,

We believe terrorist and insurgent expenses are moderate and pose little significant restraints to armed groups in Iraq. In particular, arms and munitions costs are minimal—leaving us to judge that the bulk of the money likely goes toward international and local travel, food and lodging of fighters and families of dead fighters bribery and pay-offs of governmental officials, families and clans; and possibly into the personal coffers of critical middle-men and prominent terrorist or insurgent leaders.²⁷

Insurgents in Iraq primarily raise funds through major donors, criminal activities, former regime elements (FRE), and facilitation networks. For the purposes of this paper, we will focus on the latter two, which are interrelated. Documents seized in a September 2007 raid on a suspected AQI safe house in Sinjar, in Western Iraq, revealed that in the 2006-2007 timeframe, the group was heavily dependent on donations, much of which came from AQI leaders, foreign fighters, as well as local Iraqis.²⁸ Among the foreign fighters who contributed to AQI, Saudi fighters were the most prolific, contributing significantly larger amounts than the other foreign fighters, with an average contribution of \$1088. Additionally, of the twenty-three fighters who contributed more than \$1000, twenty-two were Saudi.²⁹

FREs, who escaped Iraq for Syria, relied on smuggling networks, established during the Hussein regime, in their funding of the Iraqi insurgency. These smuggling networks had served as tools used by the Iraqi regime to evade U.N. sanctions and U.N Oil for Food trade limitations. According to a 2003 United Nations Office on Drugs and Crime (UNDOC) report, "Theft of oil and copper and trafficking in these products is currently a major problem. The evolving nature of organized crime in Iraq is based on sophisticated smuggling networks, many established under the previous regime to circumvent U.N. sanctions."³⁰

²⁶ Bonner and Brinkley, "Latest Attacks Underscore Differing Intelligence Estimates of Strength of Foreign Guerrillas." *New York Times*. October 28, 2003.

²⁷ Caleb Temple, Testimony before the House Armed Services Subcommittee on Terrorism, Unconventional Threats, and Capabilities, July 28, 2005.

²⁸ Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 68. Available online at, http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

²⁹ Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 70. Available online at, http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

³⁰ "Organized Crime to Be a Growing Problem in Iraq," UNODC Fact-Finding Mission Report, United Nations Information Service, August 27, 2003, available online at, <http://www.unis.unvienna.org/unis/pressrels/2003/cp445.html>; see also Daniel Glaser, Testimony before the House

While some facilitators are ideologically driven members of the group or like-minded followers, others are traditional criminal smugglers who do not differentiate between the smuggling of foodstuffs or the smuggling of foreign fighters across the Syrian-Iraqi border. As West Point's review of the Sinjar documents concluded, "Large groups of people—such as foreign fighters—cross the border in remote locations, often using the same tracks and trails as the livestock smugglers. In fact, the same ring of smuggling guides will often move both livestock and human beings."³¹ This untidy mix of insurgents, terrorists, professional smugglers, and corrupt government officials provides multiple opportunities for financial gain for all parties involved.

A review of AQI records seized in Iraq, conducted by the Combating Terrorism Center at West Point, found that a robust facilitation network in Syria has helped foreign fighters travel in to Iraq. According to these seized documents, AQI has relied on at least ninety-five different Syrian "coordinators" to provide such services. Illustrating a sense of how well organized this system was, the coordinators appeared to specialize in working with prospective foreign fighters and suicide bombers from specific locales. For example, one Syrian coordinator worked primarily with Saudi clients.³²

The trafficking system along the border area is generally specialized and is dominated by local, independent smuggler networks. As material seized in Sinjar province in Iraq reveals,

In Syria, the trafficking system is organized into independent rings of smugglers, generally transportation specialists who operate within a given territory and pay an established tribute to one of several officials with authority in that area. For example, in the border districts of Dayr al Zayr province, which includes the city of Abu Kamel, the officials would include the local representative of the provincial governor, the head of the city administration, the local army commander, and the head of military intelligence for the province.³³

In February of 2008, the Treasury Department underscored the findings in the Sinjar documents, designating four members of a key terrorist facilitation and finance network operating out of Syria for supporting AQI. Treasury reported that the "Abu Ghadiyah" network, named for its leader, Badran Turki Hishan al Mazidih (Abu Ghadiyah), controls the flow of much of the money, weapons, personnel, and other material through Syria into Iraq for AQI. According to the Treasury Department, the network "obtained false passports for foreign terrorists, provided passports, weapons, guides, safe houses, and allowances to foreign terrorists in Syria and those preparing to cross the border into Iraq." Indeed, Badran reportedly received several hundred thousand dollars from his cousin, another member of the Abu Ghadiyah financial and logistical

Financial Services Subcommittee on Oversight and Investigations and the House Armed Services Subcommittee on Terrorism, July 28, 2005.

³¹ Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 87, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

³² Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 70, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

³³ Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 88, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

facilitation network, with which he supported insurgent activity targeting the U.S. military and facilitated the travel of AQI foreign fighters.³⁴

Another prime example of the kind of benefits AQI enjoyed from having multipurpose facilitators operating out of Syria is Sa'ad al-Shammari, who took over the foreign fighter facilitation network formerly run by Abu Ghadiyah after the latter was killed in a U.S. raid across the Iraqi border into Syrian territory in October 2008. According to the Treasury Department's terrorist designation in May 2009, al-Shammari was "a senior leader of AQI's Syria-based facilitation network." Deeply involved in foreign fighter facilitation, he and others transported terrorists from Syria into Iraq. At one time he directed an AQI facilitator to recruit young North Africans for the group, and is suspected of helping to facilitate the travel of suicide operatives from the Gulf to the Levant in cooperation with Gulf-based extremist networks. Al-Shammari facilitated the transfer not only of people, but of equipment to AQI networks in Iraq as well.³⁵

Abu Ghadiyah's network, and others like it, pump money into the local economy through the purchase of food and provisions of housing for fighters moving through safe houses. The networks additionally provide business opportunities for the local, smuggling-based economy and bribes to the local officials. The Abu Ghadiyah network reportedly maintained safe houses in Damascus and Latakia as well, investing in local economies in other parts of the country far from the Iraqi border.³⁶

While AQI and its foreign fighter networks have not enjoyed state sponsorship in the classical sense, it has benefited from relationships with governments like Iran and Syria. Indeed, while active state sponsorship is increasingly rare, sometimes the greatest contribution a state can offer a terrorist or insurgent group is choosing not to act. As Dr. Daniel Byman has noted, "A border not policed, a blind eye turned to fundraising, or even the toleration of recruitment all help terrorists build their organizations, conduct operations and survive."³⁷

While Dr. Byman's statement has generally been true of Syria, in some cases, Syrian support has been more active. For example, in 2003, in the aftermath of the Foley assassination, Amman pressed Damascus to extradite the operation's alleged money-man, Shakr Absi, to stand trial in Jordan. Syria denied the Jordanian request, and Absi was later sentenced to death in absentia for his role in the attack. Syrian officials reportedly claim Absi spent two years in a Syrian prison, though press reports claim he instead ran a suicide bomber training camp in Syria at the time.³⁸

³⁴ United States Department of Treasury, "Treasury Designates Members of Abu Ghadiyah's Network Facilitates flow of terrorists, weapons, and money from Syria to al Qaida in Iraq," February 28, 2008, available online at <http://www.ustreas.gov/press/releases/hp845.htm>.

³⁵ "Treasury Designates Key al-Qa'ida in Iraq Operative," May 14, 2009, available online at <http://www.treas.gov/press/releases/tg132.htm>

³⁶ Robert H. Reid, "U.S. Raid into Syria Casts Light on Smugglers," Associated Press, October 29, 2008

³⁷ Daniel Byman, "Passive Sponsors of Terrorism," *Survival*, vol. 47, no. 4, Winter 2006-2006, Pp. 117-144.

³⁸ Testimony of David Schenker, *Gates v. Syria*, U.S. District Court for the District of Columbia, Civil Action No 06-1500 (RMC), September 2008.

In 2007 U.S. military revealed that some foreign fighters in Iraq had in fact trained at training camps in Syria.³⁹

Consider also the case of Fawzi al-Rawi. In late 2007, the Treasury Department designated al-Rawi – a leader of the Iraqi wing of the Syrian Ba’ath Party – for providing financial and material support to Zarqawi’s AQI. The extent of the Syrian role in al-Rawi’s activities is noteworthy. Al-Rawi was appointed to his position in the Syrian Ba’ath Party by Syrian President Bashar al-Asad in 2003. According to Treasury, the Iraqi wing of the Syrian Ba’ath Party “has since provided significant funding to Iraqi insurgents and al-Rawi’s direction.” Indeed, Treasury noted that al-Rawi “is supported financially by the Syrian Government, and has close ties to Syrian intelligence.”⁴⁰ With the authorization of the Syria regime, al-Rawi twice met with a former commander of Saddam’s Hussein’s Army of Muhammad in 2004 and told the commander his group would receive material aid from Syria. In 2005, al-Rawi “facilitated the provision of \$300,000 to members of AQI,” as well as providing AQI vehicle-borne improvised explosive devices, rifles, and suicide bombers, according to Treasury. In meetings with senior AQI representatives in September 2005, al-Rawi and AQI leaders discussed operational issues, including conducting attacks against the U.S. Embassy and concentrating attacks in the international zone.⁴¹

Ultimately, a truly successful insurgency can become such a successful fundraising enterprise that it can finance activities, with excess funds, beyond the immediate area of operations. Thus, in his July 2005 letter to Abu Musab al Zarqawi, al Qaeda’s second in command Ayman al Zawahiri humbly asked the leader of AQI if he could spare “a payment of approximately one hundred thousand” because “many of the lines have been cut off.”⁴² Additionally, the robust network can be used to transport fighters, money, and goods to other potential jihad locales such as Lebanon, Yemen, and Somalia.

The following year, a February 2006 *New York Times* article referenced a US intelligence community report concluding that the Iraqi Insurgency raised some \$70 million to \$200 million a year through illegal activities alone and is therefore financially self-sustaining.⁴³ Under such circumstances, not only could the Iraqi insurgency fund operations outside Iraq with excess funds, but it would also not be constrained by the possible financial costs that could be associated with facilitating the recruitment and transportation of foreign fighters as discussed below.

³⁹ “Three Major Terror Busts in Iraq -- Iran, Syria Connections Exposed, Say U.S. Officials,” ABC News, March 22, 2007, available online at http://blogs.abcnews.com/theblotter/2007/03/three_major_ter.html

⁴⁰ U.S. Treasury Press Release, “Treasury Designates Individuals with Ties to Al Qaida, Former Regime,” December 6, 2007, available online at <http://www.ustreas.gov/press/releases/hp721.htm>

⁴¹ U.S. Treasury Press Release, “Treasury Designates Individuals with Ties to Al Qaida, Former Regime,” December 6, 2007, available online at <http://www.ustreas.gov/press/releases/hp721.htm>

⁴² Globalsecurity.org, “Letter from Al-Zawahiri to al-Zarqawi,” available online at http://www.globalsecurity.org/security/library/report/2005/zawahiri-zarqawi-letter_9jul2005.htm.

⁴³ Burns, John F and Kurt Semple, “U.S. Finds Iraq Insurgency Has Funds to Sustain Itself,” *The New York Times*, February 26, 2006, available online at http://www.nytimes.com/2006/11/26/world/middleeast/26insurgency.html?_r=2&pagewanted=print&oref=slogin&oref=slogin

Benefits to the Host Country (Syria)

As an extension of foreign policy, Syria's tolerance of foreign fighter support networks – and certainly its more active support for Iraqi insurgents – was intended to further Syrian interests in Iraq and deliver other non-economic benefits. According to a Department of Defense March 2007 report to Congress entitled “Measuring Stability and Security in Iraq,” Syria has supported insurgents in Iraq for political purposes. According to the report, “Damascus also recognizes that Islamist extremists and elements of the former Iraqi regime share Syria's desire to undermine Coalition efforts in Iraq.”⁴⁴

As Anthony Cordesman has noted, Syria has undermined Iraq's political advancement “by providing both active and passive support to antigovernment and anti-coalition forces.”⁴⁵ In one case, then U.S. Ambassador to Syria Theodore Khattouf complained to Syrian authorities that for several months a foreign fighter sign-up station was located across the street from the U.S. Embassy. In response, Syrian officials “moved the signup to Damascus Fair grounds – a government owned property – where it continued its work for months more.”⁴⁶ In another case, in 2003 U.S. soldiers captured foreign fighters' Syrian passports. Syrian passports were provided in several instances to non-Syrians, and included entry permits marked “volunteer for Jihad” or “to join the Arab volunteers.”⁴⁷

That said, the huge boost to local businesses along the border with Iraq – mostly illicit, such as the smuggling of goods and persons – also benefited the Syrian regime by generating jobs and income and freeing the central government from having to invest in remote areas during difficult economic times. While supporting such networks incurred high costs for the Syrian regime, in the immediate term following the fall of the Saddam regime it may have brought significant dividends. According to Iraqi bank records, for example, Saddam himself withdrew over a billion U.S. dollars from Iraqi banks which were then smuggled out of the country in cash. “In Syria the money was managed by Saddam's half-brother, Sabawi Ibrahim al-Hassan al-Tikriti, the former head of the feared Mukhabarat” who was considered at the time by the U.S. “to be the chief financial facilitator of the insurgency in Syria.”⁴⁸

Syrian authorities have periodically cracked down on smugglers and tightened control of the borders, but to little effect. For example, the Syrian government constructed a four foot “sand

⁴⁴ “Measuring Stability and Security in Iraq,” Department of Defense Quarterly Report to Congress, March 2007, p. 17, available online at www.defenselink.mil

⁴⁵ Anthony Cordesman, “The Department of Defense Quarterly Report on Stability and Security in Iraq: The Warning Indicators,” CSIS, December 22, 2006, available online at http://www.csis.org/media/csis/pubs/061222_dodreport_iraq.pdf

⁴⁶ Testimony of David Schenker, Gates v. Syria, U.S. District Court for the District of Columbia, Civil Action No 06-1500 (RMC), September 2008.

⁴⁷ Senate Testimony of Deputy Secretary of Defense Paul Wolfowitz, Testimony as Delivered to the Senate Armed Services Committee: Helping Win the War on Terror, Washington, D.C., Tuesday, September 09, 2003, available online at <http://www.defenselink.mil/speeches/speech.aspx?speechid=527>

⁴⁸ Richard H. Shultz Jr. and Andrea J. Dew, *Insurgents, Terrorists and Militias: The Warriors of Contemporary Combat* (New York: Columbia University Press, 2006), p. 240.

berm” along the border and layed out fallen electricity poles in order to flip smugglers’ vehicles.⁴⁹ According to U.S. intelligence officer Major Adam Boyd,

For every example of cooperation from Syria, there are an equal number of incidents that are not helpful... We just captured someone who was trying to escape into Syria and found out that he’s been arrested last November on the Syrian side after we caught him with a bunch of fake passports. But he bribed his way out and managed to get back in. But, again, I don’t know I necessarily attribute that to the government as to an individual Syrian border patrol unit.⁵⁰

One reason for the lack of success, as the West Point study of AQI concluded, was the traditionally distant relationship – geographically and otherwise – between the local tribal leadership along the Syrian-Iraqi border and the national leadership back in Damascus:

The economy is dominated by illicit traffic across the border. Both [the Syrian and Iraqi] national governments have depended, economically and politically, on such traffic, which imposes limits on the ability of either country to stop cross border trafficking, police the frontier, or stop the cross border flow of militants.”⁵¹

This helps explain the complicated relationship between security forces and smugglers along the border. Whatever jobs and income these illicit networks provide are jobs and income the national government cannot provide. This buffer “saves the government in Damascus from having to invest scarce resources in a region seen as remote from the regime’s heartland.”⁵²

Benefits to the Local Population

Smuggling is indeed a lucrative business, and the foreign fighter pipeline in Syria is believed to have benefitted the local populations on both sides of the Syrian-Iraqi border in the form of jobs, increased cash flow into the local economy, purchase of supplies, staples, and rents. One assessment of the Sinjar documents, assuming all 39 Syrian smuggling contacts in the Sinjar records received an equal share of the cut from foreign fighters, concludes that each Syrian would earn more than \$3,000 over the course of the year.⁵³ Fifty-three of the ninety-three Syrian Coordinators, identified by name in the Sinjar records, were paid by the fighters they transported into Iraq. Of these, Saudi fighters alone made forty-six payments averaging \$2,535.⁵⁴

⁴⁹ “U.S. Cross-Border Raid Highlights Syria’s Role in Islamist Militancy,” *CTC Sentinel* Vol.1 Issue 12, November 2008.

⁵⁰ Phil Sands, “Syria Stops Insurgents on Iraq Border,” *The National*, November 2, 2008.

⁵¹ Bombers, Bank Accounts, and Bleedout: Al-Qai’da’s Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 85, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

⁵² Bombers, Bank Accounts, and Bleedout: Al-Qai’da’s Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 88, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

⁵³ Clint Watts. “Countering Terrorism from the Second Foreign Fighter Glut,” *Small Wars Journal* (2009), 8.

⁵⁴ “The payments ranged from \$19 to a surprising \$34,584 in the case of Adil Muhammad Abdallah Ruwayhil, a power company employee from Tabuk who spent six days in Syria before entering Iraq to conduct a suicide bombing.” Bombers, Bank Accounts, and Bleedout: Al-Qai’da’s Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 48, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

The region of Deir ez-Zour is one of Syria's poorest provinces. Under Syrian law, the state receives the profits generated from oil drilled there and therefore the local population does not directly benefit from the region's oil industry.⁵⁵ In an area that lacks other significant industry, smuggling is not only well ingrained in society, but also becomes a mainstay of the economy. Whether smuggling refugees, foreign fighters, oil, food staples or weapons, the illegal business of transferring goods and people provides for the local population. However one assesses the annual income of a foreign fighter smuggler or the amounts of bribes paid to local officials, intelligence officers, border officials, and tribal leaders, the amounts are significant enough to conclude that a trickle down effect exists in which the local population benefits from the existence of these smuggling routes.

In Iraq, AQI has filled an economic vacuum caused by sectarian tension. The political fight over control of Mosul and the Nineveh province, between the Sunnis and the Kurds, has prevented the local population from being integrated into the Iraqi economy or the Kurdish regional economy. AQI, therefore, has been able to build a base in the Nineveh province, and fill the void—thereby economically assisting the Iraqis living in these border cities.⁵⁶

IV. Costs of Foreign Fighter Networks

Costs to the Insurgent Group (AQI)

While smuggling and facilitation coordinators like Abu Ghadiyah have played an important role for AQI, they also posed difficulties the group since many of these coordinators were motivated more by money than by loyalty to the terrorist group. According to the Sinjar records, AQI experienced difficulties in funding stemming from financial disputes with Syrian coordinators. In 2006 “Shahin the administrator” reported that there was a shortage of funds in 2006 “[because] the money didn’t arrive with the suicide brothers, and the coordinating brothers in Syria kept the money.”⁵⁷ Indeed, Abu Ghadiyah himself is reported to have used AQI funds for his personal use.⁵⁸

AQI managers should not be surprised by such skimming of funds, a phenomenon with a long track record within Al Qaeda affiliated groups. Employing facilitators who may lack ideological commitment can translate into both financial losses and poor operational security. Jamal Al-Fadl, one of al Qaeda's first operatives, began embezzling funds from the group during its years in the Sudan, based on his displeasure with his salary; he stole approximately \$100,000 in all. When Bin Ladin learned of al-Fadl's actions, he ordered him to repay the money. After repaying

⁵⁵ “U.S. Cross-Border Raid Highlights Syria's Role in Islamist Militancy,” *CTC Sentinel* Vol.1 Issue 12, November 2008.

⁵⁶ “Dysfunction and Decline: Lessons Learned from Inside Al Qa’ida in Iraq,” Harmony Project, Combating Terrorism Center at West Point. Pp 24.

⁵⁷ Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 53-54, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

⁵⁸ United States Department of Treasury, “Treasury Designates Members of Abu Ghadiyah's Network; Facilitates flow of terrorists, weapons, and money from Syria to al Qaida in Iraq,” February 28, 2008, available online at <http://www.ustreas.gov/press/releases/hp845.htm>.

about \$30,000, al-Fadl fled, fearing retribution if he did not refund the full amount.⁵⁹ Al Qaeda's L'Houssaine Kertchou, on the other hand, became bitter after one of Bin Ladin's aides turned down his request for \$500 to cover the costs of his wife's cesarean section. His anger level increased when al Qaeda paid the expenses of a group of Egyptians who were sent to Yemen to renew their passports. "If I had a gun," Kherchtou later testified, "I would shoot [bin Laden] at that time."⁶⁰ Ultimately, both al-Fadl and Kertchou left al Qaeda and testified against the organization in U.S. courts.

In addition to coordinators who were not ideologically motivated, overzealous foreign fighters also pose a problem to AQI. These inexperienced foreign fighters often arrive in Iraq without sufficient training. In addition, they are unaware of the political climate in Iraq—including the presence of a large Shi'a community, leading to a lack of integration of foreign fighters into AQI's local community. According to a document captured in 2008, the problems above led AQI to reject foreign fighters coming into Iraq.⁶¹

One of the largest costs insurgent groups incur is assuming financial responsibility for the families of foreign fighters. Materials found among the Sinjar documents, for example, reveal that "the majority of the permanent manpower appears to have families requiring support."⁶² So while foreign fighters provide a variety of tangible benefits to the insurgency, the financial support required for the family of a foreign fighter is a significant cost.

Finally, insurgents traditionally seek to discredit the government they are fighting and breed dependency on the part of local populations through low intensity conflict warfare targeting local political and economic interests. Later, they may seek to control territory. Note, for example, that the Abu Ghadiyah network "planned to use rockets to attack multiple Coalition forces outposts and Iraqi police stations, in an attempt to facilitate an AQI takeover in Western Iraq," according to information released by the Treasury Department.⁶³ In both cases, insurgents have to assume a level of financial responsibility for the local economy while increasing the costs of the insurgency and also building grassroots support among local populations.⁶⁴

Costs to the Host Country (Syria)

Countries that host foreign fighter facilitation networks risk incurring both political and economic consequences. Ultimately, violent extremists tolerated and supported by the host country may turn against it and pose a threat within the country and/or to the regime itself.

⁵⁹ Fadl testimony in *US v. Usama Bin Ladin, et al*, February 7, 2001.

⁶⁰ Kherchtou testimony in *US v. Usama Bin Ladin, et al*.

⁶¹ "Dysfunction and Decline: Lessons Learned from Inside al-Qa'ida in Iraq," Combating Terrorism Center West Point. P 16-17.

⁶² Bombers, Bank Accounts, and Bleedout: Al-Qai'da's Road in and Out of Iraq. Harmony Project, Combating Terrorism Center West Point. Pp. 93, available online at http://ctc.usma.edu/harmony/pdf/Sinjar_2_July_23.pdf.

⁶³ United States Department of Treasury, "Treasury Designates Members of Abu Ghadiyah's Network; Facilitates flow of terrorists, weapons, and money from Syria to al Qaida in Iraq," February 28, 2008, available online at <http://www.ustreas.gov/press/releases/hp845.htm>.

⁶⁴ For more on this, see R.T Naylor, "The Insurgent Economy: Black Market Operations of Guerilla Organizations," *Crime, Law and Social Change*, 2004.

For example, in October 2007 Sheikh Abdel-Aziz Al-Asheikh, the Grand Mufti of in Saudi Arabia, announced a fatwa instructing Saudis not to leave the Kingdom to participate in jihad – a statement directed primarily at those considering going to Iraq, often passing through Syria. Al-Asheikh said that he decided to speak up, “after it was clear that over several years Saudis have been leaving for jihad” and that “our youth...became tools carrying out heinous acts.” Al-Asheikh also addressed potential donors, urging them to “be careful about where [their money is] spent so it does not damage Muslims.”⁶⁵ Beyond the obvious, the Grand Mufti’s statements were also notable for another reason; they implicitly acknowledged that Saudi Arabia was a source of funds for terrorism. Coming on the heels of attacks within the Kingdom by Jihadists who had fought abroad, the rare public acknowledgment that Saudis were sending funds and sometimes traveling abroad themselves to fight Jihad was telling.

Similarly, the 2006 attack on the U.S. Embassy in Damascus reportedly had a similar effect on the Syrian regime. The four men who attacked the Embassy with grenades and small arms fire killed one security guard and wounded others. Three of the gunmen were killed in the firefight and the fourth was seriously wounded. This attack, according to one U.S. official, served as a “wake-up call” for the Syrian government that fighters from Iraq were returning to Syria and could pose a security threat at home.⁶⁶

Following the October 26, 2008, U.S. cross-border raid which resulted in the killing of Abu Ghadiya, reports by western journalists claimed that the Syrian government cooperated with the U.S. in this raid. According to *The Sunday Times*, Damascus was “complicit” in raid because “Abu Ghadiya was feared by the Syrians as an agent of Islamic fundamentalism who was hostile to the secular regime in Damascus.”⁶⁷ This cooperation demonstrates Damascus’s willingness to crack down on foreign fighters when they threaten Syria’s internal security.

In addition to the security threat posed by the foreign fighters, Syria has also been targeted by sanctions for its support of foreign fighters. Syria is the longest-standing member of the U.S. State Department’s list of state sponsors of terrorism, having been so designated in 1979. As a result, Syria has long been subject to a series of sanctions, including several trade-related restrictions, such as bans on arms sales and control over exports of dual use items, as well as prohibitions on financial aid.⁶⁸ According to the 2008 State Department Country Report, released April 30, 2009, “despite acknowledged reductions in foreign fighter flows [from Syria], the scope and impact of the problem remained significant.”⁶⁹ The report continued:

Syria continued to allow former Iraqi regime elements to operate in the country. Attacks against Coalition Forces and Iraqi citizens continued to have a destabilizing effect on Iraq's internal security. Though Syrian and Iraqi leaders met throughout the year both publicly and privately to discuss border enhancements and other measures needed to combat foreign fighter flows, there

⁶⁵ “Saudi Cleric Issues Warnings Over Militants.” Reuters, October 1, 2007, available online at, <http://www.reuters.com/article/topNews/idUSL0117164820071001?feedType=RSS&feedName=topNews>

⁶⁶ Author interview with U.S. Government subject matter expert, Washington DC, February 28, 2008.

⁶⁷ Marie Colvin and Uzi Mahnaimi, “Questions Raised over Syrian Complicity in U.S. Raid,” *The Sunday Times*, November 2, 2008.

⁶⁸ State Department Website, available online at <http://www.state.gov/s/ct/c14151.htm>.

⁶⁹ “State Sponsors of Terrorism,” Country Reports on Terrorism 2008. Office of Coordinator for Counterterrorism, US State Department, April 30, 2008. Available Online at <http://www.state.gov/s/ct/rls/crt/2008/122436.htm>

were few tangible results. While Syria has taken some positive steps, the Syrian government could do more to interdict known terrorist networks and foreign fighter facilitators operating within its borders.”⁷⁰

In addition to the punitive measures associated with Syria’s status as a state sponsor, the U.S. Administration has taken other steps to try and ratchet up the economic pressure against Damascus and Tehran for their terrorist activities. In targeting Syria, the Administration has focused not only on its support for terrorism, but on a broader array of illicit activity. In terms of terrorism, the most important U.S. government action was the 2006 Treasury blacklisting of the Commercial Bank of Syria – the major player in the Syrian financial sector – for its support for terrorism, among other illicit activity.⁷¹ One reason the U.S. government listed CBS as a “primary money laundering concern” is that “Treasury investigators found that the Syrian government had paid out approximately \$580 million in claims to Syrian businesses [from Iraqi government funds in Syria] without the authorization of SOMO [Iraqi State Oil Marketing Organization], and that \$262 million remained frozen in an account at the Commercial Bank of Syria.”⁷²

In 2003 Congress passed the Syrian Accountability and Lebanese Sovereignty Restoration Act which cites, among other issues, the fact that Syria allows terrorist groups to operate within its territory and permits the flow of goods and fighters into Iraq, as reasons for sanctioning the regime. Included among the findings in the legislation are the March 2003 statement by Syrian Foreign Minister, Farouq al-Sharra, that “Syria’s interest is to see the invaders defeated in Iraq”⁷³ and the April 2003 statement by then-Secretary of Defense Donald Rumsfeld that “busloads” of Syrian fighters entered Iraq with “hundreds of thousands of dollars” and leaflets offering rewards for dead American soldiers.⁷⁴

The President also issued several executive orders directed at Syria, which have targeted the Syrian elite involved in corruption,⁷⁵ actors involved in interfering in the internal affairs of Lebanon,⁷⁶ and former Iraqi regime elements supporting the insurgency—some of whom were in Syria.⁷⁷ A number of top Syrian officials have been designated by the Administration using these authorities. In addition, in response to the Syria Accountability Act of 2003, the President

⁷⁰ “State Sponsors of Terrorism,” Country Reports on Terrorism 2008. Office of Coordinator for Counterterrorism, US State Department, April 30, 2008. Available Online at <http://www.state.gov/s/ct/rls/crt/2008/122436.htm>

⁷¹ Treasury Press Release on the Section 311 Proposed Rule against the Commercial Bank of Syria, May 11, 2004, available online at <http://www.ustreas.gov/press/releases/js1538.htm>.

⁷² Daniel Glaser, Testimony before the House Financial Services Subcommittee on Oversight and Investigations and the House Armed Services Subcommittee on Terrorism, July 28, 2005.

⁷³ Syrian Accountability and Lebanese Sovereignty Restoration Act, Section 2.31

⁷⁴ Syrian Accountability and Lebanese Sovereignty Restoration Act, Section 2.32

⁷⁵ Press Release on the designation of Rami Makhluf, February 21, 2008 available online at, <http://www.treas.gov/press/releases/hp834.htm>.

⁷⁶ Press Release on the designation of Asif Shawkat, January 18, 2006, available online at, <http://www.treas.gov/press/releases/js3080.htm>.

⁷⁷ Testimony of Treasury acting Assistant Secretary Daniel Glaser, July 28, 2005, available online at, <http://www.treas.gov/press/releases/js2658.htm>.

issued an order implementing this legislation, which restricted further trade between the two countries and prohibited Syrian aircrafts from landing in the U.S.⁷⁸

There is evidence that the Syrian Accountability Act and successive targeted financial sanctions have dissuaded U.S. and some foreign businesses from investing in Syria. According to one report, General Electric, the French power company Alstom, and Japanese-owned Mitsubishi all declined to bid on a Syrian government contract for the construction of power plants.⁷⁹ Turkcell withdrew its bid to purchase Syriatel in August 2008 after the United States sanctioned Syriatel's primary stakeholder, Rami Makluf.⁸⁰ Sanctions have also crippled Syria Air, the state airlines, by preventing the company from purchasing parts or planes for its Boeing fleet.⁸¹ Meanwhile, U.S. sanctions under the Patriot Act against the Commercial Bank of Syria have deterred private Western banks from opening branches inside Syria.⁸² As Syria's energy production levels decline, sanctions have prevented major Western energy companies from making new investments there, although other foreign companies have supplanted U.S. firms. One company, Gulfsands Petroleum, moved its principle office to London in order to circumvent U.S. sanctions against its local partner, Rami Makluf.⁸³

On the other hand, U.S. economic sanctions have had a limited impact on U.S.-Syrian bilateral trade, according to a Congressional Research Service study. U.S. commodity exports to Syria are permitted under U.S. law, and the combination of rising cereal prices and increased U.S. exports combined to increase the overall volume in trade with Syria in 2008. According to CRS, "U.S. brands manufactured outside the United States are widely available inside Syria," including GM cars manufactured in South Korea and Coca Cola products bottled in Syria.⁸⁴

Indeed, the Syrian economy has achieved a 5% average annual economic growth rate over the past five years, due primarily to high oil prices and investments from the Gulf. Nevertheless, recent downturns in sectors of the Syrian economy capitalize on the possible effect of sanctions against Syria. A three year drought has crippled Syrian agriculture—23% of the GDP, and oil production revenues have decreased 30% in the past five years. These economic woes coupled with the lack of foreign direct investments in Syria, inhibited by U.S. sanctions, will lead to further damage of the Syrian economy.⁸⁵

⁷⁸ Testimony of Washington Institute Senior Fellow David Schenker before the House Committee on International Relations, available online at, <http://www.washingtoninstitute.org/templateC07.php?CID=296>.

⁷⁹ Hugh Naylor. "Tired of Energy Ills, Syrians Doubt the West is to Blame," *New York Times*, August 15, 2007.

⁸⁰ Rami Makhluf Designated for Benefiting from Syrian Corruption," February 21, 2008, available online at, <http://www.treas.gov/press/releases/hp834.htm>; Ercan Ersoy, "Turkcell Continues Talks on Syriatel Stake," *Reuters*, April 14, 2008.

⁸¹ Andrew Tabler, "Global Economic Crisis Boosts Utility of U.S. Sanctions on Syria," Washington Institute for Near East Policy, February 26, 2009.

⁸² "Treasury Designates Commercial Bank of Syria as Financial Institution of Primary Money Laundering Concern," May 11, 2004, available online at <http://www.treas.gov/press/releases/js1538.htm>

⁸³ Jeremy M. Sharp, "Syria: Background and U.S. Relations," Congressional Research Service, March 11, 2009, p 16.

⁸⁴ Jeremy M. Sharp, "Syria: Background and U.S. Relations," Congressional Research Service, March 11, 2009. p 16-17.

⁸⁵ Andrew Tabler, "Global Economic Crisis Boosts Utility of U.S. Sanctions on Syria," Washington Institute for Near East Policy, February 26, 2009.

Costs to the Local Population

Within the territory targeted by insurgents, in this case Iraq, the local population suffers the immediate consequences of both full scale warfare and low intensity attacks targeting the local infrastructure and economy. Often, insurgents seek to gain control of territory and destroy the existing socio-economic infrastructure with the aim of replacing it with their own “socio-economic infrastructure, an economic system created exclusively to feed the armed struggle.”⁸⁶ According to one military expert,

State sponsors or groups which set up foreign fighter training facilities in these countries will have an initially positive effect on the local economy because the initial phase is like a courtship which usually starts with the building of schools, mosques, or possibly localized health care, then as the infrastructure matures the benefits for the local populace begin to recede as the true focus of the group's presence becomes apparent. While they will maintain cordial relations with locals, those [who are] not affiliated with the group or [who are not] likeminded individuals will see little to no support.⁸⁷

In terms of the cost to the local Iraqi population, it is worth noting that the Transparency International Corporation ranked Iraq as the most corrupt country in the Middle East and 129th out of 145 countries ranked.⁸⁸ In addition to corruption, criminal networks took over smuggling routes that were previously linked to local tribes -- especially when it came to smuggling oil siphoned from pipelines -- cutting into local tribes' traditional streams of revenue.⁸⁹ This smuggling amounted to a significant amount of money, considering that that Baghdadi oil ministry estimated in 2005 that approximately 10% to 30% of imported fuel was ultimately smuggled out of Iraq.⁹⁰ In 2008, the Iraq Study Group found that corruption is “debilitating.” The report cited expert estimates that “150,000 to 200,000—and perhaps as many as 500,000—barrels of oil per day are being stolen.” The consequence for local populations is clear: “Controlled prices for refined products result in shortages within Iraq, which drive consumers to the thriving black market...corruption is more responsible than insurgents for the breakdowns in the oil sector.”⁹¹

Inevitably, pressure on the Syrian regime to crack down on longstanding smuggling networks that prop up the local economy will come face-to-face with the reality that the central government lacks the will and possible the means to step in and fill this economic gap.

V. The Way Forward

⁸⁶ Loretta Napoleoni, “Money and Terrorism,” *Strategic Insights* V.3 Issue 4 (April 2004).

⁸⁷ Author interview with Department of Defense subject matter expert, June 12, 2009.

⁸⁸ Robert Looney, “Economic Consequences of Conflict: The Rise of Iraq's Informal Economy,” *Journal of Economic Issues* (2006). p 8.

⁸⁹ Author interview with US Government subject matter expert, Washington DC, February 28, 2008.

⁹⁰ Burns, John F and Kurt Semple, “U.S. Finds Iraq Insurgency Has Funds to Sustain Itself,” *The New York Times*, February 26, 2006, available online at http://www.nytimes.com/2006/11/26/world/middleeast/26insurgency.html?_r=2&pagewanted=print&oref=slogin&oref=slogin.

⁹¹ Chester Oehme III, “Terrorists, Insurgents, and Criminals—Growing Nexus? *Studies in Conflict and Terrorism* no.31 2008. p 86.

One reason AQI and other insurgents in Iraq have been so successful in Iraq is because their facilitation networks have successfully raised and transferred funds, recruited and transported fighters, and procured and moved weapons and goods – mostly through Syria. Shutting down these networks and starving the insurgency of its supply of material, funds and manpower is a critical component of any successful counterinsurgency campaign. But convincing and enabling Syria to take the necessary steps to shut down the smuggling pipelines will require something more than just economic sanctions.

The various ways in which foreign fighter and other smuggling networks impact host countries and local populations, however, suggest that there are several steps that could be taken – and some to be avoided – to successfully separate insurgents from their suppliers and supply routes.

It should be stated from the outset that, given the relatively strong return on minimal financial investment, Syrian support for insurgents and terrorists will remain an attractive option for the regime in Damascus so long as it continues to be a viable and productive means of furthering the regime's domestic and foreign policy goals. And given the financial interests of local and national officials, cracking down on established smuggling networks (and thereby threatening the regular payments that supplement officials' income) is no easy task. A multi-faceted approach to the foreign fighter facilitation network problem is therefore required, including:

- A plan to backfill the local economies with jobs and services to replace the losses sure to follow the shuttering of the smuggling economy;
- An anti-corruption and civil society campaign aimed at breaking the traditional and deeply ingrained culture of bribing people in positions of authority as the cost of doing business;
- Robust efforts to secure political stability in Iraq generally and specifically in areas controlled or largely influenced by insurgents;
- Diplomatic efforts to address the underlying policy concerns that have led Syria to support insurgents and terrorists as a means of furthering domestic and foreign policy;
- Finally, all efforts on the Syrian side of the border will have to be replicated by concurrent and parallel efforts on the Iraqi side of the border.

At the end of the day, however, political and diplomatic efforts may fall short, in which case targeted financial sanctions – focused on illicit activity, authority figures engaged in criminal or other activity threatening regional security, and corruption – present an attractive second option. Combined with regional diplomacy employing a variety of countries' efforts to cajole Damascus when possible and sanction the regime when necessary, sanctions can at least increase the costs to the regime of its continued belligerent behavior. Sanctions alone will never solve national security problems, but when used in tandem with other elements of national power in an integrated, strategic approach they can be very effective.

Were the shadow economy of smuggling enterprises to contract, the most critical and time sensitive issue would be to successfully jumpstart legitimate economic growth in its place. In the words of General Sir Frank Kiston, "The first thing that must be apparent when contemplating

the sort of action which a government facing insurgency should take, is that there can be no such thing as a purely military solution because insurgency is not primarily a military activity.”⁹²

⁹² Quoted in Bruce Hoffman. *Insurgency and Counterinsurgency in Iraq*. Santa Monica: Rand Corporation, 2004. p 39. Originally from Quoted in DGD&D 18/34/56 Army Code No 71596 (Pts 1 & 2), *Army Field Manual*, vol. V, *Operations Other Than War*, “Section B: Counter Insurgency Operations, Part 2 The Conduct of Counter Insurgency Operations,” (London: Prepared under the direction of the Chief of the General Staff, 1995), p. 3-1.