Terrorism Finance in Turkey: A Growing Concern

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Terrorism Finance in Turkey: A Growing Concern

I. Introduction

The Financial Action Task Force, or FATF, the international body for setting the global standards to combat terrorist financing, held its plenary session in Paris in mid-February 2014. In the days before the meeting, Bloomberg reported that the Turkish lira weakened and stocks dropped resulting from concerns over a possible blacklisting. ¹ Realistically, Turkey was in little danger of joining the short FATF list of countries requiring “counter-measures” (Iran and North Korea). But the markets were jittery because of an ongoing corruption scandal in Turkey, which erupted on December 17, 2013.


In the end, the corruption charges had no impact on FATF’s ruling. Ankara was merely grey-listed by FATF, as it has been since 2007, due to deficiencies based on technical and legislative criteria. But the market’s outsized anxiety underscored the fact that, amidst the corruption scandal, a troubling picture has come into focus.

With the Syrian civil war raging just across Turkey’s eastern border, reports continue to circulate that Turkey has turned a blind eye to the flow of money and weaponry to dangerous jihadi groups, including al-Qaeda. And while Ankara has been struggling to weaken Syrian president Bashar al-Assad, a client of the Islamic Republic of Iran, Turkey was involved in a massive sanctions-busting scheme with Tehran. Now known as “gas-for-gold,” the scheme helped the Iranian regime gain some $13 billion, even as Turkey’s NATO allies sought to punish Tehran for its illicit nuclear program. Meanwhile, leaders of the Palestinian terrorist group Hamas have been meeting with Prime Minister Recep Tayyip Erdoğan in Ankara. In fact, one senior Hamas leader, Saleh Aruri, reportedly resides in Turkey, where he has been allegedly involved in the financing and logistics of Hamas operations. On top of this, in September 2013, Turkey surprised the West by entering into a controversial missile deal with a Chinese defense firm that was blacklisted for selling Iran items for its nuclear program.

Many of these reports intersect with the recent corruption scandal. The ruling Justice and Development Party (AKP) has rejected most of the allegations, blaming outsiders (notably Israel and followers of the Pennsylvania-based Islamist leader
Fethullah Gülen) for a “treacherous plot.” Rather than addressing the charges, the AKP has purged the investigators, prosecutors, and journalists involved, threatening the rule of law in Turkey. Washington, for its part, has remained on the sidelines, expressing relatively mild concern about the crackdowns on law enforcement officials and the jailing of journalists, while electing not to mention terrorism finance issues publicly.

Washington’s silence stems from fears of a fall-out with Turkey, which has been a crucial ally over the years, and is situated strategically at the intersection of Europe and the Middle East. But Turkey’s actions constitute a direct challenge to Washington’s sanctions regime. Built under two presidents, this layered and intricate sanctions infrastructure has become a crucial tool to combating illicit finance the world over. Moreover, with Iran, Hamas, and al-Qaeda in the picture, how long before elements within the U.S. government—whether the Treasury, State Department, or Congress—feel compelled to issue designations of individuals or institutions tied to terrorism in Turkey? How long before Turkey runs the risk of being viewed as a possible State Sponsor of Terrorism?

Such steps seem drastic. But should these problems continue to mount, Washington will have a more difficult time maintaining this important alliance, both because of legal obligations and public perceptions. The window to address these problems is now.

II. Iran Gas-for-Gold

Turkey Swaps Gold for Iranian Gas,” read a headline from the Wall Street Journal on November 23, 2012. The scheme was a bit more complicated than that, but not by much. Amidst global financial pressure to convince Iran’s leadership to dismantle its illicit nuclear program, Turkey’s state-owned bank, Halkbank, was executing “gas-for-gold” transactions with Iran, and helping Tehran circumvent sanctions.

It is no secret that the two countries have long-term contracts and mutual infrastructure that ensure Iran’s ability to provide approximately 44 percent of Turkey’s oil and 22 percent of its natural gas. What did not make sense, however, was Turkey’s willingness to go out of its way to help Iran, a state sponsor of terrorism, evade sanctions. Ankara had already gone on record as being steadfastly opposed to Iran obtaining nuclear weapons. And after initially defending

Iran at the United Nations in 2010, Turkey agreed in September 2011 to host an American early warning radar system, which elicited a public protest from Tehran. Moreover, Ankara and Tehran backed opposing forces in the bitterly fought war in Syria.

Yet, it soon became clear that Turkey was purchasing Iranian natural gas in Turkish lira, and transferring the proceeds to Halkbank accounts that Iranian gold traders used to buy gold in Turkey, which was subsequently shipped off to Dubai and then Iran. At the time, Turkey’s Deputy Prime Minister Ali Babacan unabashedly admitted, Turkey’s “gold exports [to Iran] end up like payments for our natural gas purchases.”

From Turkey’s perspective, there was no reason to hide it. The sale of gold may have been technically legal because the gold was going to individuals, not the government of Iran. And trade with individuals was not at the time in violation of sanctions. But one did not need to know chapter and verse of the sanctions legislation to know that the Turks were violating the spirit of the sanctions regime. When the scheme was discovered, 47 members of Congress demanded an explanation from Secretary of State John Kerry and Secretary of the Treasury Jack Lew (see Appendix 1). The Obama administration and Congress adopted new legislation in January 2013 that imposed a blanket prohibition on all gold sales to Iran.

Inexplicably, however, the administration did not make the prohibition effective immediately. The sanctions only became effective six months later, on July 1, 2013. By forestalling the imposition of the sanctions, the White House granted Turkey and Iran additional months of trading opportunities. According to a report by the Foundation for Defense of Democracies and Roubini Global Economics, “Iran’s golden loophole” allowed Iran to receive over $13 billion before gas-for-gold slowed to a trickle.

Questions remain as to whether Halkbank has also helped Iran evade sanctions by other means. In February 2012, for example, the Wall Street Journal reported that Halkbank was one of the only Turkish banks still doing business with Iran, processing “payments from third parties for Iranian goods.” Among other things, Halkbank “processed payments for Indian refiners unable to pay Tehran for imported oil through their own banking system for fear of retribution from Washington.”

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7 Asli Kandemir, “Exclusive: Turkey to Iran Gold Trade Wiped Out By New U.S. Sanction,” Reuters, February 15, 2013, [www.reuters.com/article/2013/02/15/us-iran-turkey-sanctions-idUSBRE91E0IN20130215](http://www.reuters.com/article/2013/02/15/us-iran-turkey-sanctions-idUSBRE91E0IN20130215)


ambassador to Turkey praised Halkbank for its “cooperation with Iran,” noting that the gold trade was set to resume upon the implementation of the Joint Plan of Action signed by Iran and the P5+1 in Geneva in late November.\textsuperscript{11} In January 2014, Turkish officials indicated that Halkbank would continue processing payments for Turkey’s oil and gas imports from Iran.\textsuperscript{12} and the bank’s website indicated that it still maintains a representative office in Tehran.\textsuperscript{13}

Turkey also continues to allow Bank Mellat,\textsuperscript{14} an Iranian bank sanctioned by the U.S. and EU, to operate on its soil, claiming that it is legal because the United Nations has yet to designate it.\textsuperscript{15} According to \textit{Today’s Zaman}, as recently as April 2012, other Iranian banks have also applied to operate in Turkey.\textsuperscript{16} It is unclear whether any of them are designated under U.S. or other international sanctions.

There are also currently over 2,000 Iranian companies registered in Turkey, according to Turkish media.\textsuperscript{17} While it is not known how many of these companies have ties to the Iranian government or help Tehran procure dual-use materials, some certainly do. In 2011, for example, an Iranian businessman was identified as working with two Turkish firms procuring parts for Iran’s missile program.\textsuperscript{18} The following year, a German procurement network was discovered to be using a Turkish front company to transfer material to Iran’s Arak heavy water reactor.\textsuperscript{19} More recently, in March 2013, another Iranian procurement network was discovered in Germany with fronts in Turkey.\textsuperscript{20} To be clear, Turkey was not responsible for disrupting these networks. Indeed, Turkey appears to lack a vetting mechanism for the Iranian companies operating there.

But Turkey’s problems with Iran stem from more than just a lack of proper oversight. On December 17, 2013, Turkey’s massive corruption probe alleged multiple links between the Turkish

\textsuperscript{11} “Halkbank’s ‘Smart Management Decisions’ Praised by Iranian Ambassador Bikdeli,” \textit{Today’s Zaman}, December 20, 2013, www.todayzaman.com/newsDetail_getNewsById.action?newsId=334567
\textsuperscript{12} “Halkbank To Keep Processing Iran Energy Payments for Turkey - Babacan,” Reuters, January 8, 2014, www.reuters.com/article/2014/01/08/turkey-halkbank-idUSBREK0BZ920140108
\textsuperscript{17} “Iranian-Funded Companies Top List for 10th Month,” \textit{Today’s Zaman}, November 16, 2012, www.todayzaman.com/newsDetail_getNewsById.action?newsId=298379
political elite and Iran.\(^{21}\) For example, Reza Zarrab, an Iranian-Azeri businessman, was “accused of being involved in irregular money transactions, mostly from Iran, that total some 87 billion euros,” \textit{Today’s Zaman} reported.\(^{22}\) According to Bloomberg, using his connections in Iran and Turkey, Zarrab moved “almost a metric ton of gold to Iran every day for 1 1/2 years,” which amounted to more than $28 billion.\(^{23}\) As \textit{Hurriyet} notes, Zarrab “allegedly transferred gold to Iran...with the help of his relations with a number of top politicians.”\(^{24}\) Specifically, according to Bloomberg, Zarrab gave ministers and their families “millions of dollars in cash and gifts, including a $37,000 piano and a watch costing at least $350,000 for one minister, and spoke around Istanbul with a police escort arranged by another.”\(^{25}\)

As \textit{Today’s Zaman} reported, Erdoğan had been made aware of the “suspicious relationships between some Turkish ministers and Reza Zarrab” almost a year earlier.\(^{26}\) Yet, Erdoğan publicly came to the defense of Zarrab as the probe unfolded.\(^{27}\)

Iranian billionaire Babak Zanjani is another Iranian figure whose name has appeared in the headlines. The U.S. and EU sanctioned Zanjani for helping Iran evade sanctions. In late December 2013, Iranian authorities arrested Zanjani, accusing him of failing to return $2 billion to the regime. Zanjani chairs the Sorinet Group, a holding company that includes a large cosmetics business in Turkey, among other global interests.\(^{28}\) Why authorities in Ankara allowed him to operate a business in Turkey is still unclear. He had been very clearly identified as a key figure in Iran’s sanctions-busting schemes.\(^{29}\)

It was equally unclear in January 2014 why Turkey was prepared to allow for the “re-export of two large, used U.S.-built commercial jet engines to Iran.” As Reuters reported, the U.S. Commerce Department “issued a rare emergency order aimed


\(^{27}\) “PM Praises Chief Suspect Zarrab for Contribution to Turkish Economy,” \textit{Today’s Zaman}, December 25, 2013, \url{www.todayszaman.com/newsDetail_getNewsByld.action?newsId=334929}


\(^{29}\) Thomas Erdbrink, “To This Tycoon, Iran Sanctions Were Like Gold,” \textit{New York Times}, October 4, 2013, \url{www.nytimes.com/2013/10/05/world/middleeast/to-this-tycoon-iran-sanctions-are-like-gold.html?_r=1&}
at blocking the illegal re-export” for violating U.S. sanctions.30

More broadly, Turkey’s Iran policies remain troubling and confusing. Reports in 2013 alleged that Turkey’s National Intelligence Organization (MIT) was helping Iran scuttle intelligence operations designed to set back its illicit nuclear program. According to the Wall Street Journal, MIT chief Hakan Fidan in 2010 provided Iran with “sensitive intelligence” collected by the U.S. and Israel.31 A Washington Post columnist also alleged that in early 2012 Turkey “disclosed to Iranian intelligence the identities of up to 10 Iranians who had been meeting inside Turkey with their [Israeli] Mossad case officers.”32 Ankara has dismissed these allegations as pro-Israel propaganda.

III. Jihadists in Syria

Turkey’s close financial and intelligence ties with Iran are confusing in light of the fact that Ankara is a member of NATO, whose members have been broadly committed to sanctions and rolling back Iran’s nuclear program. But these ties are also confusing in light of Ankara’s Syria policy. Indeed, Turkey stands opposed to Iran’s role in the ongoing civil war, and it has gone to great lengths to weaken the regime of Bashar al-Assad, which enjoys significant military support from Iran’s Islamic Revolutionary Guards Corp (IRGC) and the Iranian-backed Lebanese terrorist group Hezbollah. To offset these forces, mounting evidence suggests that Turkey has been directly or indirectly arming, training, and even financing Sunni jihadi groups in Syria. Notably, in February 2014, the U.S. Treasury issued a terrorist designation bluntly noting that “funding and foreign fighters” were moving through Turkey to support al-Qa’ida-affiliated elements in Syria.”33

Since March 2011, shortly after the outbreak of the civil war in Syria, Turkey’s government has supported the Syrian opposition. According to the Wall Street Journal, MIT chief Hakan Fidan has been the “driving force behind [Turkey’s] efforts to supply the rebels and topple Syrian President Bashar al-Assad.” To this end, he has directed “a secret effort to bolster rebel capabilities by allowing arms, money and logistical support to funnel into northern Syria.”

According to Hurriyet Daily News, Turkey was alleged to have “sent over 47 tons of weaponry to the Syrian rebels” over a six-month period in 2013. While the Turkish government has, at times, issued denials of such activity, few question that it has been Turkish policy to provide support to a range of rebel factions. What is not clear: which specific factions receive that support—and whether such support should be considered illicit.

To be sure, some of this activity may be a direct result of Washington’s inconsistent Syria policies. At first, Washington and Ankara appeared unified in their commitment to removing Assad from power. But when President Barack Obama declined to make good on threats of intervention after Syria crossed his “red line” by using chemical weapons on the town of Ghouta in August 2013, Ankara and Washington appeared to be on a collision course. Tensions rose further after it became clear that Washington had been engaged for months in secret dialogue with Iran; questions arose as to whether the decision not to intervene in Syria was an American concession to firm up those nascent diplomatic ties. Turkey now appears to allow a broad spectrum of anti-Assad forces, including those with radical ideologies, to operate on Turkish territory. One might argue this is Turkey’s only means to weaken Assad without U.S. assistance, but Ankara’s dealings with a range of dangerous actors remains a significant concern.

The first signs of fissure with Washington came in 2012, when the U.S. and Turkey openly disagreed on the utility of designating the jihadi faction known as the Nusra Front (Jabhat al-Nusra) as a terrorist organization. The group’s ties to al-Qaeda were well documented, but according to the Wall Street Journal, the designation was also intended to “send a message to Ankara about the

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need to more tightly control the arms flow.”

That designation came on the heels of an October 2012 U.S. Treasury designation of an al-Qaeda network in Iran that was “working to move fighters and money through Turkey to support al-Qaeda-affiliated elements in Syria.” Treasury explicitly noted that the network, headed by Muhsin al-Fadhli, leveraged an “extensive network of Kuwaiti jihadist donors to send money to Syria via Turkey.”

By 2013, the flow of jihadi personnel and finances from Turkey to Syria was rather well documented. As noted in the Wall Street Journal, in May of 2013 President Obama chided PM Erdoğan for “letting arms and fighters flow into Syria indiscriminately and sometimes to the wrong rebels, including anti-Western jihadists.”

An October 2013 report from Human Rights Watch noted, “Many foreign fighters operating in northern Syria gain access to Syria via Turkey, from which they also smuggle their weapons, obtain money and other supplies, and sometimes retreat to for medical treatment.”

That same month, the Telegraph reported that al-Qaeda recruits are “kept in safe houses in southern Turkey” prior to entering Syria to fight in the ongoing conflict.

Erdoğan denied these reports, vowing to prevent aid from flowing to jihadists in Syria. The reports, however, have not ceased. The Los Angeles Times reported in November 2013 that Syrian rebels, including “Islamist militants,” were using Turkish territory “as a transit route, logistics hub and rest stop.” The Guardian similarly observed that, “Jihadists, in particular, have taken advantage of the relatively easy passage from Turkey to Syria.”

The Washington Post further noted that Turkey had “turned a blind eye as thousands of foreign volunteers from across the Muslim world streamed through the country en route to fight alongside Syria’s rebels.” Some reports suggested that at least one Turkish NGO was involved in gun running (see below).


Turkey’s activities are now common knowledge among Western analysts who cover the conflict in Syria. For example, Barak Barfi, a research fellow at the New America Foundation who has spent weeks on Turkey’s borders, notes that “Jihadists have safe houses in border towns such as Antakya, Gaziantep, Kilis, and Reyhanli, where they screen potential recruits, meet with Persian Gulf funders and coordinate logistical aid deliveries.” He adds that, “Without Turkey’s acquiescence, these networks would dry up and jihadists would be unable to sustain such a pervasive presence in Syria.”

To be sure, some reports suggest that Turkey is trying to get the problem under control. In November 2013, Turkish Foreign Minister Ahmet Davutoğlu effectively ceded that Turkey had a problem when he noted that better intelligence could help stem the flow of jihadists into Syria. Other Turkish officials expressed similar concerns. IHS Jane’s Defence Weekly reported that Turkey was actively increasing border controls to limit the flow of fighters in and out of Syria.

By December, Today’s Zaman reported that Turkey told European nations it had deported 1,100 European citizens who travelled to Turkey to fight alongside al-Qaeda groups in Syria. But for Turkey, the problem was not only foreign fighters. In late 2013, Reuters reported that “several hundred” Turks had travelled to Syria to fight in the war. Today’s Zaman, citing Turkey’s interior ministry, put the number at 500, and added that they were fighting for the al-Qaeda affiliated Nusrat Front.

In late January 2014, an Israeli military official alleged that Syrian al-Qaeda groups were training in three separate bases in the Turkish provinces of Karaman, Osmaniye, and Sanliurfa. The Turkish foreign ministry denied the report.

50 Email correspondence, February 8, 2014.
52 “Better Intel Will Stop Militants Entering Syria: Turkey FM,” Agence France Presse, November 19, 2013, www.google.com/hostednews/afp/article/ALeqM5gq5cgSo4c19kNOGoHRvZi8mL3Q?docId=1836e0d7-9ac6-49d0-9724-b0dda5bab351
IV. Yasin al-Qadi

One could argue that Turkey has elected to look the other way on groups like the Nusrat Front because of their commitment to bring down the Assad regime. Indeed, it might be said that Turkey has few options left, now that Washington has largely abandoned the opposition, notwithstanding select efforts to bring them together diplomatically from time to time. However, this does not explain the persistent reports surrounding the Erdoğan government’s close and continuing relationship with Yasin al-Qadi.

Yasin Abdullah Ezzedine al-Qadi is a Saudi Arabian businessman who has been sanctioned by the United Nations, United States, and European Union, due to suspected financial ties to al-Qaeda, Osama bin Laden, and other terrorist entities. Al-Qadi was first designated a terrorist financier by the U.S. Department of the Treasury shortly after the September 11 attacks. In recent years, it should be noted, al-Qadi has succeeded in having sanctions against him lifted at both the United Nations and the European Union. However, it is also important to note that the U.S. Department of the Treasury maintains its sanctions, noting that it is “confident in [the] designation.”

Al-Qadi’s ties to Prime Minister Erdoğan go back more than a decade. When al-Qadi tried to fight off the 2001 decision by Turkish courts to freeze his assets, he did so with Erdoğan’s backing. These efforts were ultimately unsuccessful, however. Turkish courts upheld the decision in April 2008. Around that time, Forbes reported that al-Qadi was “close to a group of Islamic businessmen and politicians around the [Turkish] prime minister.” Erdoğan, to this day, stands by al-Qadi. He is on the record as stating, “I believe in him as I believe in myself. For Mr. Qadi to associate with a terrorist organization, or support

one, is impossible.” Erdogan, in other words, issued a direct challenge to the U.S. targeted financial sanctions system.

When the corruption scandal broke in December 2013, al-Qadi was in the eye of the storm. Turkish media reports indicated that prosecutors sought him for questioning. According to reports, the Erdogan government enabled al-Qadi to flee the country. This may not have been the first time that the Saudi businessman traveled with special privileges. The Turkish press reported that al-Qadi illegally entered Turkey at least four times between February 2012 and October 2012 without a visa or passport. Despite a cabinet decision banning al-Qadi from entering Turkey, Erdogan’s protective detail allegedly escorted him during his time in the country. During these visits, al-Qadi reportedly attended meetings with the leadership of various companies.

In the wake of the corruption scandal, attempts to learn more have been stifled by the AKP government.


V. Saleh al-Aruri

The Israeli news website Ynet reported in October 2013 that senior Hamas figure Saleh al-Aruri “operates out of Turkey, with the backing of the Turkish government.” The Ynet report has been echoed by other credible sources, including a senior Israeli intelligence official who confirmed his presence there, adding that al-Aruri is “one of the most important leaders of Hamas” and is “involved in a lot of things, including finance and logistics.”

Al-Aruri’s presence in Turkey is troubling on several levels. For one, al-Aruri may be raising funds on Turkish soil that go to support terrorism. In April 2013, the Israel Security Agency (Shabak) announced the arrest of two Palestinians, Muhammad Sawalma and Ahmed Sawalma, who were involved in smuggling money for Hamas

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from Jordan to the West Bank. During interrogation, it was learned that some of the money was being smuggled on behalf of al-Aruri.

Al-Aruri is also believed to be in charge of Hamas’ operations in the West Bank. This is particularly worrisome in light of the recent uptick in attacks in that territory. In fact, from his base in Turkey, al-Aruri continues to call for violent attacks against Israel, and his proclamations are publicized on the English website of Hamas’ military apparatus, the Izz al-Din al-Qassam Brigades. According to the Israeli daily Haaretz, al-Aruri has been helping Hamas plan terror attacks in the West Bank. In January 2014, a senior Israeli military official told Israel Hayom that Hamas’ recent West Bank operations have been “directed from Gaza via Turkey.”

Al-Aruri’s presence in Turkey is not a new development. He has been based there since 2012, after Hamas abandoned its Damascus headquarters in protest over the Assad regime’s killing of Sunni Syrians and Palestinians. Al-Aruri has not been shy about his presence, either. In March 2012, for example, he joined a Hamas delegation that took part in talks with Turkish officials, including Erdoğan. In October 2012, he traveled from Turkey to Gaza to attend the Qatari emir’s visit to the Hamas-controlled Gaza Strip. The following October, al-Aruri joined Hamas politburo chief Khaled Meshal for a high-level meeting with Erdoğan in Ankara.

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Aruri_urges_resistance_in_W_Bank_for_more_heroic_operations_against_occupation.html
80 Adel Zaoun, “Pomp and poems for Qatari emir in Gaza,” Agence France Press, October 23, 2012, www.google.com/hostednews/afp/article/ALeqM5p9dc8qpBAToqGtN7NFEwEpiUrcNg?docId=CNG.2020e0b7154246d5c2a23c570914e48.4d1
82 “Meshal and Hamas Delegation Meets With Turkish Prime Minister,” Hamas Information Office, October 8, 2013, www.hamasinfo.net/ar/default.aspx?xyz=U6Qq7k%2bcOd87MDI46m9rUxJeP0%2bi57sTppv4s%2fiUt0HKuuRV D1acVijinQQOgBfLZoCZz7IptMYlgs3uLdx0MPj7TKd8fXLm8XoPzWt4XAP3cevAhA2%2fofg5kycO34KvG18Xor E%3d
VI. Hamas Ties

The presence of Saleh al-Aruri is a symptom of broader Turkish support to the terrorist group Hamas. Ties grew particularly strong in the wake of the Arab Spring, as Turkey worked to integrate Hamas, a splinter of the Muslim Brotherhood, into what appeared to be the new regional order. Since the fall of the Egyptian Muslim Brotherhood leader Mohammed Morsi in July 2013, however, Turkey’s role as an advocate for the Islamist movement has grown complicated. But it is clear that Turkey remains committed to providing political and even financial support to Hamas.

Granted, Hamas is not designated as a terrorist organization in Turkey. Nor is it designated at the UN (the terrorism list is limited to al-Qaeda and the Taliban). Turkey is therefore technically within its rights to back the group. However, it is decidedly awkward for a NATO ally to be so outwardly supportive of Hamas in light of the group’s grisly record of violence against civilian targets since its inception in 1987. It is even more awkward in light of Turkey’s hopes to join the European Union, which designated the military wing of Hamas in 2001 and followed up with a designation of the political wing in 2003.82

The question of Turkey’s direct financial support to Hamas is an open one. In December 2011, Palestinian news sources reported that Erdoğan “instructed the Ministry of Finance to allocate $300 million to be sent to Hamas’ government in Gaza.”83 Both Turkey and Hamas denied this, but Reuters84 and the Israeli daily Haaretz85 published subsequent reports citing this financial relationship. To be sure, given its role in NATO and its alliance with Washington, it’s no wonder that Turkey would seek to keep its Hamas ties out of the public eye.

But Turkey has been rather open about the other financial and material support it provides to the Hamas government in Gaza. For example, it is undeniable that Turkey has bankrolled hospitals.86

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83 Saed Bannoura, “Turkey To Grant Hamas $300 Million,” International Middle East Media Center, December 3, 2011, www.imemc.org/article/62607
mosques, schools, and food supplies in Hamas-controlled Gaza, with additional funds that have helped Hamas rebuild its territory after its November 2012 war with Israel. More recently, in October 2013, the Turkish Foreign Ministry announced plans to provide the Gaza Strip with $850,000 to deal with energy needs.

Turkey’s political support to Hamas has been rather strident in recent years. Famously, Erdoğan clashed publicly with Israeli president Shimon Peres over Israel’s Hamas policy at Davos in 2009. More recently, Erdoğan has regularly hosted senior Hamas officials in Turkey and expressed a strong desire to make an official visit to the Gaza Strip, where he would be only the second world leader to do so since Hamas took over by force in 2007.

The United States has expressed concern that such a visit would strengthen Hamas, particularly when Secretary of State John Kerry is trying to advance peace talks between Israel and the Palestinian leadership in the West Bank.

Arguably, Erdoğan’s most strident effort in support of Hamas was his government’s backing of the ill-fated 2010 flotilla, which attempted to breach Israel’s blockade of the Gaza Strip, but led to violence on the high seas. The NGO responsible for the flotilla, the IHH, has been accused of raising funds that benefit Hamas, but it may not be alone. According to one leaked State Department cable, a PLO official warned U.S. diplomats in 2009 of a “growing number of questionable NGO conferences in support of Palestine held in Istanbul” that were being used for nefarious purposes. The U.S. embassy in Ankara claims to have “officially and unofficially raised concerns with the [Government of Turkey] that the NGO conferences are being used for Hamas fundraising.”

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VII. The İHH

The Turkish charity responsible for coordinating the aforementioned flotilla, Humanitarian Relief Foundation (İHH), has been linked to several terrorist groups over the years. The group, which denies nearly all of the charges noted below, enjoys significant support from the Turkish government.

The İHH was founded in Turkey in 1992. As analyst Michael Weiss notes, the charity was a subject of concern to the CIA as early as 1996. A declassified report titled, “International Islamic NGOs and Links to Terrorism,” noted the İHH’s connections to Islamist groups in Iran and Algeria. The report also noted that the İHH was one of fifteen NGOs sponsoring terrorist activities in Bosnia. Esad Hecimovic, a Bosnian investigative journalist, confirms that the İHH was linked to jihadist activity and the funneling of arms during the Bosnia conflict. In 1999, the government of Turkey froze the bank accounts of İHH, claiming that the “fundamentalist” charity had not complied with fundraising regulations. Specifically, the governor of Istanbul claimed the group was operating “secret bank accounts.”

In or around 2001, the İHH became part of the Union of Good, a Saudi-based umbrella organization chaired by the Qatar-based cleric Sheikh Yusuf al-Qaradawi, who was known for encouraging attacks, including suicide bombings, against Israeli civilians. On November 12, 2008, the U.S. Department of the Treasury designated the Union of Good as a terrorist entity. “The leadership of Hamas created the Union of Good in late-2000, shortly after the start of the second Intifada, in order to facilitate the transfer of funds to Hamas,” Treasury stated.

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97 Author interview with İHH officials, Istanbul, August 29, 2013.
The İHH’s contribution to the Union of Good was apparently not significant enough to warrant a designation of its own. However, following the 2010 flotilla to Gaza, the group came under increased scrutiny. The Israeli government, for example, reported that one of the İHH activists on the flotilla was involved in smuggling al-Qaeda members to the Gaza Strip.  

106 Turkish prosecutors in 2012 began investigating the president of the İHH for allegedly financing al-Qaeda.  

107 The Dutch  and German governments both issued designations of local İHH entities for their ties to Hamas (the Turkish group denied having links to these European entities). U.S. agencies also began examining whether the İHH was worthy of a terror designation.  

110 A leaked classified cable revealed the U.S. Treasury Department’s concerns over whether the İHH provided Hamas with material assistance.  

111 To date, however, no designation has been issued, and the İHH continues to operate openly in Gaza.  

After a period of relative quiet, new concerns have emerged regarding the İHH’s support for Islamist extremists in Syria. The İHH is unabashed about its ties to many Syrian rebel factions, which the charity’s Istanbul-based officials say are necessary to ensure the delivery of aid across all lines.  

113 But according to a March 2013 McClatchy report, the İHH provides aid to or through fighters in Syria, including Ahrar al Sham.  

114 This Salafist faction “frequently fights alongside both the Nusrah Front and the Islamic State of Iraq and the Levant” – both al-Qaeda affiliates.  

115 In December 2013, senior al Qaeda operative Abu Khalid al-Suri (Mohamed Bahaiah) was identified as a leading figure in Ahrar al-Sham.  

116 According to the U.S. Treasury Department, al-Suri is al-Qaeda’s representative in Syria and received at least $600,000 in 2013 from a Qatar-based al-Qaeda financier for operations in Syria.  

117
Remarkably, the İHH evaded serious scrutiny until it became part of the Turkish corruption scandal on January 1, 2014, when Turkish media alleged that the charity was transporting weaponry to jihadists in Syria.  

The İHH denied the allegations, and so did Turkey’s interior minister shortly after the reports surfaced. Two weeks later, however, Turkish anti-terror units conducted raids in six cities against people suspected of financing, arming, and fighting on behalf of al-Qaeda and other jihadist factions in Syria. Among the locations targeted was an İHH office in Kilis near the Syrian border, where at least one suspect was arrested. Another İHH employee was detained in Kayseri after the police raided his home, the Associated Press reported. İHH officials denounced the raid and denied wrongdoing.

During the January raids, Turkish authorities also arrested two suspected al-Qaeda operatives: Halis Bayancuk and Ibrahim Şen. Bayancuk, also known as Ebu Hanzala, is a theologian who reportedly plays a key role for al-Qaeda in Turkey. Bayancuk, a former member of Turkish Hezbollah, reportedly had several prior arrests, most recently in 2011. Ibrahim Şen, a former detainee at Guantanamo, was handed to Turkish authorities in 2003. He was sentenced in 2008 to 6 years in prison, but his legal appeals are ongoing. According to the U.S. Department of Defense, Şen is one of several former Guantanamo detainees that returned to terror activity upon their release.

Serbian news agencies reported in late January 2014 that İHH was under investigation in Bosnia-Herzegovina for exporting weapons to jihadists in Syria. İHH officials again denied wrongdoing.

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VIII. China Missile Defense Deal

In addition to the long list of illicit finance concerns mentioned above, on September 26, 2013, Turkey announced that it had accepted a bid from China Precision Machinery Import and Export Corp (CPMIEC) to co-produce a $4 billion Turkish Long Range Air and Missile Defense System (T-LORAMIDS). Among the factors that prompted the Turkish decision was Ankara’s ability to co-produce the system in a way that would allow Turkey to acquire the technology and bolster its self-reliance. Following the announcement, U.S. and NATO officials expressed misgivings that the deal with CPMIEC could undermine allied air defenses. “We are seriously concerned about what this means for allied missile and air defenses for us and for Turkey,” U.S. Ambassador to Turkey Francis Ricciardone said.

Of particular concern was the fact that CPMIEC has been sanctioned multiple times by the U.S. for selling prohibited missile technology to Iran. The deal does not constitute terrorism finance, but it does appear to be a direct attempt to undermine the U.S.-led sanctions against Iran.

Western officials pushed back against the CPMIEC deal, arguing that the proposed Turkey-China missile defense deal would not be compatible with existing NATO systems. NATO’s top military commander called on Turkey to reconsider the deal, while the defense firms Raytheon and Lockheed Martin were reportedly “considering ways to sweeten their offer.

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to build a Patriot missile defense system for Turkey” to replace the CPMIEC agreement.\textsuperscript{139}

Amidst the ongoing flap, Turkish Foreign Minister Ahmet Davutoğlu stated there was no “political or ideological dimension” to Turkey’s choice of a Chinese company for its missile defense deal.\textsuperscript{140} He stressed that a final decision had not been made and that a new offer from a Western nation would be considered.\textsuperscript{141}

Despite efforts to placate Washington, tensions were building. U.S. officials warned that Turkish companies could face sanctions if they were to act as a subcontractor for the CPMIEC missile defense project.\textsuperscript{142} Additionally, U.S. financial giant Merrill Lynch wrote to Turkish defense firm Aselsan, noting that if the company continued to work with China’s CPMIEC, it could no longer conduct business with the U.S.-based bank.\textsuperscript{143}

Congress also joined the fray, adopting legislation that prevents U.S. funds from being used to integrate the potential Turkey-China missile defense system into NATO’s network.\textsuperscript{144} Turkish officials acknowledge that the U.S. is trying to make the deal “financially less attractive.”\textsuperscript{145}

\section*{IX. Financial Action Task Force (FATF)}

Even before most of the above was reported, Turkey was already under fire for its failure to live up to its obligations to fight the financing of terrorism. In February 2013, Ankara was nearly blacklisted by the international body dedicated to

\begin{itemize}
\item[\textsuperscript{139} Andrea Shala-Esa, “Raytheon, Lockheed Consider Fresh Bid for Turkey Missile Defense,” Reuters, November 12, 2013, www.reuters.com/article/2013/11/13/us-usa-turkey-china-idUSBRE9AC00Y20131113
\item[\textsuperscript{141} “US Has Time to Boost Bid for Turkey Missile System: FM,” Agence France Presse, November 19, 2013, www.google.com/hostednews/afp/article/ALeqM5irdE0D67TLxoiYYWGrWiji6NeWqEA?docId=4e139962-8fdd-435a-9ef6-bd86f6e7a9a2
\item[\textsuperscript{144} Dan Lamothe, “Congress Moves to Spike China’s Missile Deal with Turkey,” Foreign Policy, December 9, 2013, http://complex.foreignpolicy.com/posts/2013/12/09/congress_moves_to_spike_chinas_missile_deal_with_turkey#sthash.pOijOZnr.jwDT5XUj.dpbt
\end{itemize}
combating terrorism finance, the Financial Action Task Force (FATF).^{146}

Ankara was first notified of its deficiencies in 2007, when a FATF team alerted the Turks that, after a “mutual evaluation,” it had not adequately criminalized terrorism finance in the country.^{147} Nor had Turkey done enough to put in place infrastructure that could help identify and freeze terrorist assets.

According to Amit Kumar, a former terror finance official at the United Nations, the expectation was that Turkey would move quickly to redress the situation.^{148} However, Turkey did little for five years. As revealed in a leaked U.S. Treasury cable, U.S. officials raised this issue directly with Turkish officials in 2011; among the challenges discussed was Turkey’s narrow definition of terrorism.^{149}

Turkey’s foot-dragging ultimately led FATF to issue a blacklist warning on October 19, 2012.^{50} Such a listing would have landed Turkey on a short list with North Korea and Iran, thereby significantly weakening its financial standing worldwide.

To the relief of Turkey’s Western allies (and no doubt, Turkish financial institutions), Ankara adopted legislation that precluded punitive action in February 2013.^{151} However, there were a number of lacunae in the new law.^{152} Turkey thus remained on the FATF’s list of jurisdictions “that have not made sufficient progress in addressing the deficiencies.” As the FATF website noted in October 2013, “concerns remain, and Turkey should take further steps to implement an adequate legal framework for identifying and freezing terrorist assets... Turkey should also continue to ensure that terrorist financing has been adequately criminalized. The FATF encourages Turkey to address the remaining strategic deficiencies and continue the process of implementing its action plan.”^{153}

_Today’s Zaman_ noted further that, “research conducted by experts from the Ministry of the Interior, the Ministry of Justice, and the Ministry of Finance has revealed that no judicial investigation into the financing of terrorism has ever been launched nor has any complaint on the


^{152} Herden Safak, “FATF Recommendations to Turkey and Draft on Preventing Terrorism Financing,” Martindale.com, October 21, 2013, [www.martindale.com/finance

issue ever been filed in Turkey.” Shortly thereafter, Turkey agreed to freeze the assets of “219 people and 63 organizations linked with al-Qaeda, and the accounts of 130 people and four organizations associated with the Taliban.” The reason Ankara could act against so many targets at once was because the Turks had not moved on these designations for years. The individuals had been designated by the UN Security Council’s “Al-Qaida Sanctions Committee,” which was established through the adoption of Resolution 1267 in 1999.

To be sure, Turkey was not alone. There are, at any given point, a number of countries out of compliance with their FATF obligations. Turkey, however, was the only NATO member to appear on this list.

This was the case, yet again, when FATF announced on February 14, 2014 that Turkey would remain a jurisdiction of concern. FATF noted the challenges “regarding Turkey’s framework for identifying and freezing terrorist assets” in accordance with United Nations security council resolutions, and encouraged, “Turkey to address these remaining strategic deficiencies and continue the process of implementing its action plan.”

X. Conclusion

The ongoing corruption probe in Turkey continues to target some of Prime Minister Erdoğan’s “most high-profile allies in business and politics.” The high-profile nature of these figures has attracted significant media attention. However, the intersection of the purported financial crimes with terrorism finance has been largely underemphasized. From the İHH, to Yasin al-Qadi, to Iranian gas-for-gold operatives, allegations of Turkish terror finance problems continue to play a role in the domestic drama.

Prime Minister Erdoğan continues to deny the charges, calling them a conspiracy against his government. His government has responded by

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sacking police officers,\textsuperscript{160} obstructing arrests,\textsuperscript{161} suppressing protests,\textsuperscript{162} and restricting the flow of information,\textsuperscript{163} which includes lodging lawsuits against journalists for libel.\textsuperscript{164}

European officials have called for Turkey to deal with the corruption probe in a transparent and judicial manner.\textsuperscript{165} They have further expressed concern over the AKP’s heavy-handed response.\textsuperscript{166} Washington has expressed similar concerns,\textsuperscript{167} but it is on-the-record as being reluctant to interfere.\textsuperscript{168} Neither the U.S. nor the EU has publicly raised concerns about Turkey’s alleged exposures to terrorism finance.

To be sure, this is an issue that is best solved by the Turkish people. After all, it is their financial system and international reputation that has been put at risk. And they are the ones who would pay the price for potential black-listings or targeted financial sanctions. Undoubtedly, a solution suggested and implemented by Turks would also feel more organic than one imposed by outside actors.

This does not leave the West without a role, however. These sensitive issues should be handled on a bilateral basis between Washington and Ankara. It would be a surprise if they were not already, in light of the proactive approach taken by the U.S. Treasury’s Office of Terrorism and Financial Intelligence when such problems arise. But that should not preclude the United States Congress or the White House from raising this issue with the Turkish leadership or other relevant international partners, with an emphasis on both the benefits of addressing the problem and the punitive measures that could result from continued noncompliance. Nor should it preclude dialogue with representatives from U.S. businesses that have invested in Turkey and have much at stake.

Given the headlines, there is now a natural window of opportunity to tackle the problem of


terrorism finance in Turkey, which appears to have compounded alarmingly in recent years. Turkish officials will likely argue that it is difficult to address these issues in the current political environment. However, if left unchecked, Turkey’s terrorism finance problems could fester further. These problems have already raised uncomfortable questions about whether Turkey currently serves as a barrier to extremism from the Middle East. Failing to answer these questions soon could endanger an alliance that Washington has valued and nurtured since the end of World War II.
The Honorable John Kerry  
Secretary of State  
U.S. Department of State  
2201 C Street, N.W.  
Washington, DC 20520

Dear Secretary Kerry and Secretary Lew:

We write to respectfully request information about the efficacy of Turkish measures to support sanctions on Iran and prevent funding of terrorist organizations. We recognize the Administration's role in seeking to persuade the Turkish government and Turkish banks to cooperate in preventing Iran from attaining nuclear weapons. Yet Iran continues its illicit nuclear program unabated, and we are increasingly concerned about recent developments between Iran and Turkey.

The U.S. and Turkey share a long history of partnership. Last year marked 60 years since Turkey joined NATO, and our militaries have conducted successful joint security operations since Turkish forces fought alongside U.S. forces in the Korean War. We recognize that it is in the national interest of both of our countries to address the threats that Iran's illicit nuclear program and international terrorism pose to the safety and security of our peoples.

Turkey's expanding economy requires a growing consumption of natural gas and oil, and we are concerned about reports on cooperation between Turkey and Iran. In March 2012, Turkey announced it would cut its buys from Iran by 10-20% and therefore received a P.L. 112-81 sanctions exemption on June 11, 2012 that was renewed on December 7, 2012 based on additional reductions of oil purchases from Iran. Though we understand that Turkey has been reducing its purchases of Iranian oil and natural gas, its state-owned bank, Halkbank, has been used as a conduit to evade sanctions. We join you in your concern that Iran has been using gold to dodge international sanctions through depositing payments in Turkey's Halkbank, which maintains five overseas branches and a Representative Office in Tehran.

Recent statements by Turkey's Economic Minister Zafer Çağlayan that "Turkish state-owned Halkbank will continue its existing transactions with Iran" pose reason for concern that Halkbank may be assisting Iran with its illicit nuclear program. This is greatly disturbing because of Halkbank's previous history as a conduit for funds to regimes under international sanctions. Between the 1990s and 2003, Halkbank was used by Iraq to skirt U.N. sanctions to pay Turkish companies for oil sector equipment, industrial equipment and raw materials, communications and transport goods, and building materials.

In light of these developments, we urge you to consider Halkbank's actions in transferring gold to Iran as a sanctionable activity. As the section of P.L. 112-239 relating to these actions will take effect in July of this year, we would like an explanation of how it may affect Halkbank and its U.S. shareholders. What is the implementation plan for these new statutory requirements?

Additionally, the Turkish Union of Chambers and Commodity Exchanges (TOBB) recently reported that 28 Iranian-funded foreign companies were established in Turkey in January 2013. This information follows a previous TOBB report published in September 2012 showing that 2,140 Iranian-funded companies were set up in 2011 and 651 Iranian-funded companies were started in the first nine months of 2012. This is a 40 percent increase since 2010, and it reveals an alarming trend. Are these...
companies operating in Turkey as fronts for Iran to continue its illicit nuclear program? What actions has Turkey taken to ensure that these suspicious Iranian firms do not assist Iran in pursuing its illicit nuclear program?

While Iran's illicit nuclear program represents the foremost national security threat to our country, we also believe that any support for international terrorist organizations poses a grave danger to the stability and security of the U.S. and our allies and partners worldwide. Specifically, we have concerns about Turkey's relationship with Hamas, a U.S.-government designated foreign terrorist organization. In December 2011, Prime Minister Recep Tayyip Erdoğan reportedly "instructed the Ministry of Finance to allocate $300 million to be sent to Hamas' government in Gaza." While Turkey denied these claims last year, we are concerned about the increasing material support that Ankara is providing for Hamas' social development activities in the Gaza Strip combined with the political support of high-level visits, most recently between Prime Minister Recep Tayyip Erdoğan and Hamas leader Khaled Meshal on February 18, 2013 in Ankara.

These actions coupled with the Financial Action Task Force's (FATF) 2007 notification that Turkey had not adequately criminalized the financing of terrorism and that it had insufficient infrastructure to help identify and freeze terrorist assets provide much reason for concern. The FATF put Turkey on a grey list together with states like Cuba and Yemen "as a jurisdiction with strategic money laundering or terror financing deficiencies." Turkey recently passed new laws to comply with the FATF standards. Have your Departments done any analysis of Turkey's new laws and do you believe they will address these concerns sufficiently?

We believe that any attempts to subvert sanctions on Iran or provide support for international terrorist organizations will greatly undermine U.S. national security interests and pose a serious danger to Turkey and our allies and partners worldwide. Cooperation with our allies is vital in these efforts. We look forward to your responses and to working with you on these important issues.

Jeff Duncan (SC-03)
Member of Congress

Dina Titus (NV-01)
Member of Congress

Peter J. Roskam (IL-06)
Member of Congress

Brad Sherman (CA-30)
Member of Congress

Randy K. Weber (TX-14)
Member of Congress

Tom Cotton (AR-04)
Member of Congress

Sincerely,
Ron DeSantis (FL-06)
Member of Congress

Lynn WESTMORELAND (GA-03)
Member of Congress

Leonard Lance (NJ-07)
Member of Congress

Bob Goodlatte (VA-06)
Member of Congress

Steve King (IA-04)
Member of Congress

Kevin Yoder (KS-03)
Member of Congress

Phil Roe (TN-01)
Member of Congress

Marlin Stutzman (IN-03)
Member of Congress

Vern Buchanan (FL-13)
Member of Congress

Matt Salmon (AZ-05)
Member of Congress

Billy Long (MO-07)
Member of Congress

Bill Huizenga (MI-02)
Member of Congress

Chris Stewart (UT-02)
Member of Congress

Steve Southerland II (FL-02)
Member of Congress

Cynthia Lummis (WY)
Member of Congress

Louie Gohmert (TX-01)
Member of Congress
Joe Pitts (PA-16)
Member of Congress

Trent Franks (AZ-08)
Member of Congress

Bill Cassidy (LA-06)
Member of Congress

Paul Broun, M.D. (GA-10)
Member of Congress

Joe Wilson (SC-02)
Member of Congress

Todd Rokita (IN-04)
Member of Congress

Marsha Blackburn (TN-07)
Member of Congress

Mike Pompeo (KS-04)
Member of Congress

Sam Johnson (TX-03)
Member of Congress

Andy Harris (MD-01)
Member of Congress

John Fleming, M.D. (LA-04)
Member of Congress

Patrick McHenry (NC-10)
Member of Congress

Gus Bilirakis (FL-12)
Member of Congress

Ileana Ros-Lehtinen (FL-27)
Member of Congress

Trey Gowdy (SC-04)
Member of Congress

Peter King (NY-02)
Member of Congress
Jack Kingston (GA-01)
Member of Congress

Scott DesJarlais, M.D. (TN-04)
Member of Congress

Frank Wolf (VA-10)
Member of Congress

Michele Bachmann (MN-06)
Member of Congress

Mike Kelly (PA-03)
Member of Congress

Randall Hultgren (IL-14)
Member of Congress

Doug LaMalfa (CA-01)
Member of Congress

Aaron Schock (IL-18)
Member of Congress

Mo Bonner (AL-01)
Member of Congress
About The Author

Jonathan Schanzer is vice president for research at Foundation for Defense of Democracies. He is a former terrorism finance analyst at the U.S. Department of the Treasury, where he took part in the designation of numerous terrorist financiers.

Dr. Schanzer has authored three books on the Middle East: State of Failure: Yasser Arafat, Mahmoud Abbas and the Unmaking of the Palestinian State (Palgrave Macmillan, 2013), Hamas vs Fatah: The Struggle for Palestine (Palgrave Macmillan, 2008), and Al-Qaeda’s Armies: Middle East Affiliate Groups and the Next Generation of Terror (Washington Institute for Near East Policy, 2004).

Dr. Schanzer publishes regularly in the U.S. print media and he makes frequent appearances on domestic and international television channels.

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About the Foundation for Defense of Democracies

The Foundation for Defense of Democracies is a non-profit, non-partisan policy institute dedicated exclusively to promoting pluralism, defending democratic values, and fighting the ideologies that drive terrorism. Founded shortly after the attacks of 9/11, FDD combines policy research, democracy and counterterrorism education, strategic communications, and investigative journalism in support of its mission.

FDD focuses its efforts where opinions are formed and decisions are made, providing cutting-edge research, investigative journalism and public education - transforming ideas into action and policy.

FDD holds events throughout the year, including the Leading Thinkers series, briefings on Capitol Hill, expert roundtables for public officials, diplomats and military officers, book releases, and panel discussions and debates within the policy community.

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