Good morning, Chairmen Ros-Lehtinen, Poe, Ranking Members Deutch and Sherman and distinguished members of the subcommittees. My name is Avi Jorisch and I serve as a Senior Fellow for Counterterrorism at the American Foreign Policy Council. I have previously served at the Treasury Department's office of Terrorism and Financial Intelligence, as a liaison to the Department of Homeland Security and as a consultant for the Department of Defense. I am honored to appear before this distinguished Committee to address a subject of great importance to our country and the world.

One of the most effective ways of countering radical Islamic organizations such as Hamas is to have an exhaustive understanding of their sources of funding in order to cut off the economic lifeblood that enable terrorist operations to function. Today, the Hamas budget is between $500 million and 1 billion annually. These funds derive principally from state sponsors such as Iran; "frenemy" states such as Qatar and Turkey; and from the heavy taxation of Hamas constituents in Gaza. To a lesser extent, the funds come from radical organizations such as Hizballah; Arab and Islamic institutions that also carry out relief and developmental projects; and private donations through various non-governmental organizations.

It is in the highest interests of the United States, as a liberal democracy, to force radical organizations to pay a political and economic price for their barbaric policies and governance, and ultimately, to close them down entirely for all time. Unfortunately, in recent years, political considerations have progressively displaced or rolled back the serious progress that had been made on draining the financial swamp in which terrorists and terror-supporting regimes operate.

As the recent hostilities in Gaza demonstrate, Hamas is a rogue regime that deliberately seeks civilian casualties on both sides as the major thrust of its military strategy. The battle being fought by Israel is part of a long-term war that other liberal societies will ultimately have to fight. Sooner or later, most democracies will face the same challenge with which Israel is struggling today: how to defend themselves from ruthless enemies who deliberately place civilians in harm's way, while also retaining the basic values upon which open societies are based. It is unlikely that the United States will avoid this challenge at home: terrorists are carefully monitoring how the world responds to the tactics employed by organizations such as Hamas in Gaza and ISIS in Iraq and Syria as part of their future planning.

The challenge, of course, is to make this new kind of war - with its deliberate effort to ensure civilian casualties on both sides - unacceptable, while protecting the values that democracies cherish. Certainly, U.S. lawmakers and policymakers have the highest responsibility to learn all they can from Israel's experience with terrorist organizations that seize power.

**Brief Background**

Hamas, an acronym for "Islamic Resistance Movement," is a militant Palestinian Sunni Islamist organization that has governed the Gaza Strip since 2007. Created in 1987, it is the Palestinian wing of the Muslim Brotherhood, and gained notoriety for multiple suicide bombings and other attacks directed against civilians - including American citizens - as well as against Israeli military and security forces. Hamas, however, has also established an extensive network of social services, hospitals, education systems, and libraries for the Arab residents of the West Bank and Gaza.
A major cause of the latest round of fighting between Israel and Hamas was the organization's economic woes and declining revenue. Traditionally, Hamas has had three sources of funding: taxation of residents of Gaza; taxation of goods entering or leaving Gaza Strip through Israel or Egypt; and financial largesse from "sugar daddy" regimes. All three sources have come under heavy fire in recent years.

Israel imposed a blockade on the Gaza Strip beginning in 2007, following Hamas' rise to power there. The blockade included most exports and imports, which hampered domestic business activity and reduced the taxes Hamas collected. Moreover, since 2007 the Gazan economy has relied on Israel's permitting a limited quantity of goods to enter and leave the Strip - legal commerce that has been supplemented by a robust smuggling business through Egypt.

When the regime of Egypt's Muslim Brotherhood under Mohammed Mursi fell in 2013, Hamas lost a second vital source of income. During his time in office, Mursi allowed goods and materiel freely to enter Gaza, which enabled Hamas to secure cash and hard goods, in addition to taxing anything that went over land or underground in tunnels. By contrast, the current Egyptian regime, headed by General Abdel Fatah el-Sisi, has shown a strong desire to remove Hamas from power. To that end, the Sisi government ordered the destruction of all tunnels and cut off Hamas economically and politically. Losing this source of income was a catastrophic fiscal blow to Hamas.

Additionally, Iran has traditionally served as one of Hamas' largest donors. In 2011, however, when Hamas began supporting Sunni jihadis fighting the Syrian regime, both the Islamic Republic and the Assad regime cut off aid. To fill that void, Hamas began relying on Qatar and Turkey.

It is revealing that, even as Hamas was negotiating the latest cease-fire with Israel, its chief demands included economic concessions such as lifting the Israeli blockade, opening border crossings to Egypt and Israel, and building an airport and seaport. Hamas sees economics as the primary means to consolidate power, while Israel views the group's demands as an attempt to continue importing weapons and thus to perpetuate a long war of attrition.

With the end of hostilities, Hamas has extracted from the cease-fire much-needed political and economic gains that will allow it to revive itself. For example, under the terms of the deal, Israel agreed to open border crossings and allow humanitarian assistance and building material to enter Gaza. Additionally, the fishing zone off the coast of Gaza has now been extended to six miles. For its part, Egypt agreed to open the Rafah crossing between Gaza and Sinai. Sami Abu Zuhri, a Hamas spokesperson gloatingly declared, "We announce the victory today after achieving our goals."[2]

**Budgets from 2009-Present**

Any analysis of Hamas' finances must focus on the organization's budget. When it seized control of the Gaza Strip in 2007, Hamas took responsibility for some million and a half Palestinians. With each passing year, it has submitted an ever-larger budget to its legislative council. Not surprisingly, these budgets have lacked transparency, accuracy, or professionalism.

Before 2007, Hamas' budget was estimated at about $4-5 billion per month. Its first budget following its 2006 electoral victory was submitted in 2009 and valued at $428 million. In 2010, it grew to $540 million; in 2011, to $630 million; and in 2012, it reached $769 million. Its 2013 budget, the last submitted, was for $897 million.

The last budget submitted projected $243 million in domestic revenue, or 27% of the total. The estimated deficit of $654 million, equaling 73% of the total, was to be covered by foreign donations. Each budget principally consists of four items: wages, operating expenses, social welfare programs and development projects.[3]

Going through the motions of passing a budget are part of an attempt by the organization to secure international recognition and prove that it is managing the Strip in a professional manner.[4]

**Domestic Revenue**

The draconian Hamas tax regime provides a window into how the organization has been able to maintain power and provide its constituents with basic government services, while funding the construction of smuggling tunnels through which goods and weapons were transferred.

It is estimated that Hamas has collected about $175 million in annual tax revenues from the tunnels,[5] which are a main source of domestic revenue collection. Prior to 2007, tunnels were built to smuggle weapons to the Palestinians. Since the imposition of the Israeli blockade, they have also been used to import food, medicine, cigarettes, building materials, cash-filled bags, and drugs. Some of the tunnels were crudely built; others were sophisticated and included rail tracks and fuel pipes.

Some of the most lucrative - and heavily taxed - items coming through the tunnels appear to have been fuel, gravel, cement, and steel.[6]

- **Fuel:** In Egypt, a liter of gasoline costs approximately 1.6 NIS (New Israeli Shekels, the currency used in Gaza), while in Israel, a liter costs 7.5 NIS. Hamas would reportedly buy its gasoline in Egypt, smuggle it into Gaza, and charge 3 NIS per liter in taxes alone. At roughly 4.5 NIS a litter, Gazans considered it to be a bargain.

- **Building Material:** According to TheMarker, an open-source financial newspaper in Israel, smugglers paid Hamas 20 NIS ($5.83) for each ton of cement, 10 NIS for every ton of gravel, and 50 NIS for every ton of steel. These materials alone reportedly netted Hamas up to 4.2 million NIS per month ($1.2 million).[7]

**State Sponsorship**

International donations to Hamas and arms for the organization have historically come from U.S.-designated state sponsors of terror, including Iran, Syria, and Sudan. But more recently, "frenemy" states such as Qatar and Turkey have stepped up their giving, thus providing an important lifeline in aiding and abetting Hamas' ability to engage in terror.
Iran/Hizballah
The Iranian government, a U.S.-designated sponsor of terrorism, has for years used state-owned banks, an array of front companies, and other deceptive techniques to evade the controls of responsible financial institutions and support radical Islamist organizations such as Hamas, Palestinian Jihad, and Hizballah. From 2006-2011, Iran served as Hamas’ single largest foreign donor, contributing some $250-$300 million annually. [8]

Historically, Iran has served as Hizballah’s primary enabler of terrorism. In addition to money, Iran has provided weapons, technical assistance, and military training to Hamas. This all-inclusive package of support strengthened the organization's military capabilities as well as enriched its government bureaucracy.

In 2011, there was a near-total rupture in the relationship, caused by Hamas’ refusal to support the Assad regime in Syria, an adherent of the Islamic Republic’s radical policy. Moreover, Assad’s Alawi sect is a loosely affiliated offshoot of Shia Islam, the dominant strain of Islamic belief in Iran. Hamas, a Sunni organization, actively supported the Sunni jihadis fighting Assad.

As a result of this rift, Hamas removed its permanent representative from its embassy in Tehran, and Iran stopped the flow of funds to Hamas and significantly reduced the flow of arms.

Traditionally, Iran has viewed Palestinian extremist organizations as an integral part of its “axis of resistance” against Israel. Both the Islamic Republic and Hizballah in Lebanon have supported Hamas and Palestinian Islamic Jihad to gain a foothold in the Gaza strip and thereby establish a strong base of support there.

Israel’s Operation Protective Edge, which began in earnest in early July 2014, has brought Hamas and Iran closer and we are now witnessing a significant re-establishment of bilateral relations. Iran’s Supreme Leader, Ali Khamenei, has once again called for arming the West Bank and Gaza, which senior Iranian officials and policy analysts on both sides of the Atlantic interpret as an operative directive to resume military aid to Hamas.

Iran’s support for radical organizations is a direct continuation of its policy to use terror as a tool against Israel and the West. In the months ahead, it is all but certain that the Islamic Revolutionary Guard Corps (IRGC) and specifically, its Qods Force, will increase contact with and support of Hamas and Palestinian Islamic Jihad.

Syria
Since Hamas’ founding in 1987 and particularly since the late 1990s, the group has received extensive moral, political, material, and to a small degree, financial support from Syria. Additionally, its top military brigade leadership received extensive military training there. Syria served as critical base for Hamas, without which the organization could not have operated effectively for many years.

Beginning in 1999, the group’s leadership began using Damascus as its primary base of operations. Until the outbreak of the Syrian civil war in 2011, the organization’s highest decision-making body, the Political Bureau, operated in Syria. Additionally, Khalid Mashaal, the political leader of Hamas, lived and operated in Damascus until he fled to Qatar in 2012.

After the outbreak of the civil war in 2011, Hamas members began leaving Syria and distancing themselves from the Assad regime. In 2012, group officials announced its support for the Syrian opposition, [9] which prompted the Syrian government to kill some Hamas leaders still in the country and to close all local Hamas offices. [10] Finally, in 2013, Hamas was reported to be training the opposition Free Syrian Army. [11]

Qatar
For years, Qatar has been attempting to raise its profile as a major regional player. Fundamentally, Qatar is interested in power. To that end, it will do business with anyone that serves their interest, be it al-Qaeda, Hamas, Israel or the United States. They have also maintained a major rivalry with Saudi Arabia and have a propensity to engage in anything that will overshadow their giant neighbor. In line with Qatar’s regional aspirations, it serves as an operational headquarters for Hamas and is home to the group’s most important leader, Khalid Mashaal.

When Hamas lost the funding and support of Syria and Iran, it turned to other Sunni regional powers, principally Qatar and Turkey. Egypt, Saudi Arabia, Israel, and other Middle Eastern states have accused the two of undermining regional security by supporting this radical organization. While it is difficult to say precisely how much financial support Qatar provides to Hamas, in October 2012, Sheikh Hamad bin Khalifa al-Thani, Qatar’s emir at the time, pledged more than $400 million.

Politically, Qatar has been indispensable to Hamas. In addition to serving as the group’s chief negotiator with Israel, Egypt, Saudi Arabia, and the United States in the recent Gaza hostilities, Doha has played a key role in strengthening the relationship between Hamas and various European countries. It has also acted as a mediator between Hamas and Jordan, arranging a meeting in January 2012 between Khalid Mashaal - who was banished from Jordan in 1999 - and Jordan’s King Abdullah II. [12]

Turkey
Turkey serves as Hamas’ other strong Sunni regional ally, second only to Qatar. It provides political support and is rumored to donate up to $300 million annually to Hamas. [13] Turkish President Recep Tayyip Erdogan has been a staunch supporter of Hamas, propping up the organization throughout the international arena. Ideologically speaking, Turkey, above and beyond Hamas’ other donors, has supported the Hamas world-view and their barbaric agenda.

Ankara also provides comfort and support to some of the organization’s most important leaders. For example, Saleh al-Arouri, a founder of Hamas’ military wing, the Izz al-Din Qassam Brigades, resides in Turkey. According to Israeli intelligence, Hamas’ Turkish office is responsible for directing, funding, and providing the organizational infrastructure for terror activity in the West Bank. The Turkish office also serves as a hub for converting European students who are members of Muslim Brotherhood associations into members of Hamas. [14]
Sudan

For years, Sudan has served as a willing way station for Iranian weapons shipped from the Islamic Republic to Hamas in Gaza. In four instances over the last five years, Israel has reportedly bombed these arms shipments and Sudanese weapons factories. In 2009, Israel struck a truck convoy with arms destined for Hamas, and in 2012, it hit an arms factory. This past March, Israel intercepted the Klos-C, a ship carrying arms for Hamas, just off Port Sudan. And in June, Israel bombed a Sudanese long-range arsenal storing missiles intended for Hamas.

Conclusions

There must be no accommodation with radical Islamic terrorist organizations. U.S. policy regarding terrorist organizations and their rogue financial supporters with Islamist agendas has, unfortunately, been inconsistent. On the one hand, President Obama has waged war against ISIS. On the other hand, he has proven himself open to working with Hamas and concomitantly negotiating with the Islamic Republic of Iran, which may well be the biggest threat of all to Israel and the West.

Hamas' strategy and ideology are almost identical to those of the Sunni ISIS and al-Qaeda, as well as of radical Shiite organizations, including Hizballah, the IRGC, and the clerical elite that governs Iran today. Each of these groups is attempting to force Western liberal democracies into a lose-lose situation by rejecting the basic norms of warfare, which are intended to protect civilian populations. Hamas fires rockets from heavily populated areas in Gaza into Israel's major cities and sends its members to engage in suicide bombing, while groups such as ISIS kidnap and behead journalists. Iran is marching towards a nuclear bomb while using terror as an operational weapon.

It appears that Israel and the region as a whole are destined to face this deadly challenge for the foreseeable future. And despite the complacency and even hostility to Israel in some democracies, sooner or later, even those far from the Middle East will confront the very danger Israel has faced this summer. Hamas, Hizballah, their patron Iran, al Qaeda, and other jihadi groups are sworn enemies of the West and of all liberal democracies. They are constantly seeking ways to undermine the strength of the free world. Forms of aggression first used against Israel have inevitably been turned against other countries: airline hijackings, suicide terrorism, and now, the use of civilians as human shields.

Ultimately, liberal democracies must realize that it is in their own interest to make it at once more difficult and more expensive for illicit actors to operate. It is time to recognize the threat posed by radical Islam and take the necessary steps to pursue those who have the motive, the opportunity and the capacity to harm us all.

Policy Recommendations

1. The US should cease all disbursement of aid the Palestinian Authority as a result of the unity government formed between Hamas and Fatah. This past June, after seven years of bitter fighting, Fatah and Hamas formed a historic unity government. Reversing years of U.S. foreign policy of not engaging in any way with a designated terrorist entity, Secretary of State John Kerry declared that the U.S. would cooperate with the technocrat government. Secretary Kerry vowed that the U.S would closely monitor its compliance with the Quartet's principles of non-violence, recognition of Israel, and acceptance of the previous agreements. As the recent Gaza hostilities demonstrate beyond a shadow of doubt, Hamas has no intention of adhering to a single one of the three aforementioned principles.

2. In light of Qatar and Turkey's relationship with Hamas, the United States should threaten to blacklist the two, both for being state sponsors of terror and for disrupting the Middle East peace process. Turkey's NATO membership and the Al Udeid US military base in Qatar have been cited as pretexts to do little to stop these countries' support of Hamas. Congress should make clear that any form of financial or material support for terrorist groups such as Hamas violates U.S. counterterrorism laws. In fact, Executive Order 12947, issued on January 23, 1995, specifically prohibits Americans from engaging in transactions with Hamas, naming it as one of several sponsors of terror and for disrupting the Middle East peace process.

3. The United States should declare unequivocally that Hamas and al-Qaeda, including its affiliates such as ISIS, are ideologically one and the same and employ similar tactics. Today's wealthiest Islamic republics - Saudi Arabia, Iran and Sudan - and their consistent funding of terror demonstrates the reason we must take the ever greater problem of radical Islam seriously. These three regimes account for the vast majority of funding, ideological support and protection for terrorist organizations and jihadis around the globe. The West defeated each of the 20th century's hostile ideologies using the full panoply of military, economic, diplomatic and ideological weapons. Today's greatest challenge - radical Islam - deserves no less serious a multi-partite attack on so dangerous a threat to the life and principles that we and our allies hold dear.

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Throughout the last four years, Hamas has been widely off the mark in its projected budget figures both for expenses accrued and actual revenue spent. For example, in 2012, projected revenue was $173 million, whereas actual revenues were $221 million. In 2013, projected expenditures were estimated at $869 million, but actual spending did not exceed $445 million. According to Omar Shaban, founder and director of PalThink for Strategic Studies, a Gaza-based "think-and-do-tank," these numbers reflect either a lack of professional experience in setting budgets or a deliberate effort to overestimate expenses in order to secure additional financial support from the international community. "Hamas Budget a Small Step Toward Transparency," AlMonitor, January 21, 2013. Available online (www.al-monitor.com/pulse/iw/originals/2013/01/hamas-budget-transparency.html).


Ibid.


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