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JANUARY 15, 2015

SANCTIONS INTELLIGENCE UPDATE

COMMERICAL OPERATIONS IN TURKEY:
ASSESSING EXPOSURE TO ISLAMIC
STATE, AL QAIDA, AND OTHER ARMED
GROUPS IN IRAQ AND SYRIA

OVERVIEW

A review of **Islamic State** and **al Qaida**-related activity in Iraq and Syria provides insights on cities, banks, and business sectors in Turkey at greater risk of exposure to illicit commercial and financial transactions. **Islamic State** and other armed groups that control or profit from oil fields and oil trade in Syria and Iraq generate revenue from sales to Turkey-based consumers and middlemen, according to government and media reports. Turkey has also been identified as a transit point for foreign fighters and as a fundraising hub for relief operations that have been associated with **al Qaida**.

ISLAMIC STATE-RELATED OIL TRADE

Turkey has been identified as a primary export market for oil trade in which **Islamic State** maintains a financial interest.

- As of late 2014, up to 30,000 barrels per day of **Islamic State**-related oil was smuggled into Turkey, according to analyst estimates. In mid-June, a Turkish lawmaker estimated the daily quantity of **Islamic State**-related oil smuggled to Turkey amounted to 3.5% of Turkey's consumption.
- **Islamic State** reportedly earned up to \$45 dollars per barrel sold in Turkey, or roughly 50% discount to oil spot prices. **Islamic State** generates multiple streams of revenue from cross-border oil smuggling including sales profits, middlemen fees, and transit taxes imposed at checkpoints.
- Middlemen have brokered weekly supply contracts for thousands of barrels of **Islamic State**-related oil sold to Turkish companies, according to a *BuzzFeed* investigation from the Syrian-Turkish border.

Illicit fuel exports to Turkey have been purchased by smugglers in cash on the Turkish side of the border and then distributed from the border areas by smuggling networks into the interior of Turkey, according to regional reports.



Smugglers transport diesel fuel from Syria into Turkey. Source: Reuters



"To disrupt the market in oil derived from **ISIL**-controlled fields, we will target for financial sanctions anyone who trades in **ISIL's** stolen oil... The middlemen, traders, refiners, transport companies, and anyone else that handles **ISIL's** oil should know that we are hard at work identifying them, and that we have tools at hand to stop them..."

US Treasury Under Secretary for Terrorism and Financial Intelligence, David S. Cohen

- Trucks are the primary conduits for transporting **Islamic State**-related oil to other parts of Turkey for resale or refining.
- Oil has been transported as far as a 10-hour drive from the border into Turkey and sold for as much as twice the original purchase price, according to media reporting.

Islamic State-related oil smuggling appears concentrated in a number of key provinces and border cities in Turkey, according to a review of available public reporting. Banks that maintain operations in these areas could be at increased risk of exposure to this illicit smuggling activity.

- Turkey's Hatay province has served as the main transit point for **Islamic State**-related oil smuggling operations, according to public reporting. The border crossings close to the Turkish



Map of Turkish-Syrian border, including Turkey's Hatay province, reportedly the main transit point for **Islamic State**-related oil smuggling operations. As of September 2014, the Turkish government increased surveillance at Syrian border crossings, according to reports.

cities of Reyhanli and Antakya have been singled out.

- Pipes have been laid at the border for oil smuggling into the Turkish cities of Kilis, Urfa, and Gaziantep, according to accounts from the border.
- A number of Turkish banks with international correspondents maintain branch operations close to areas identified as oil smuggling hubs.

Turkey-based buyers of **Islamic State**-related oil are reported to include factories, gas stations, and refineries.

- Factory owners in Turkey buy smuggled product because it is sold at below market prices compared to oil purchased in the legitimate economy, according to first hand accounts in media reporting.
- Turkish gas stations have taken advantage of the inflow of illegal, below-market fuel, according to a number of reports. As of August 2014, the Turkish government

US-led airstrikes have diminished **Islamic State's** capacity to produce oil, according to US assessments. Revenue estimates are still significant, however, despite reduced output and below-market pricing. The image below shows an **Islamic State**-controlled oil refinery and gas station targeted by U.S.-led air strikes near the Turkish border.



targeted over 230 gas stations for dealing in smuggled **Islamic State**-related oil.

- Turkey-based smugglers have facilitated the sale of **Islamic State**-related oil to a refinery in Turkey, according to a Middle East analyst at Chatham House. In a September 2014 interview, a Lebanese military official was cited in a Tunisian publication stating that a refinery either owned or administered by the Turkish government had purchased **Islamic State**-related oil.
- Smuggled oil benefits middlemen, consumers, and "a powerful Turkish elite," according to a Western diplomat speaking to the *New York Times* in September 2014.



Source: The Guardian

Militants travel to the Syria-Turkey border in the Hatay province of Turkey. According to a UN Security Council report, at least 15,000 foreign fighters have travelled to Iraq and Syria in recent years.

LOGISTICS AND SUPPORT ACTIVITIES

In September 2014, the US government designated a number of **Islamic State** and **al Qaida**-affiliated facilitators active in Turkey. Operatives associated with **Islamic State**, **al Qaida**, and other armed groups have run logistics activities from Turkish border areas — servicing battlefronts in Syria and Iraq, according to a body of public reporting. Banks in certain border cities may be at increased risk of exposure to supporters of **Islamic State**, **al Qaida**, and other armed groups, who seek to access or move funds at local bank branches or ATMs.

- **Islamic State** fighters treated Reyhanli, a Turkish city near the Syrian border, as a “shopping mall” for consumer goods and equipment, according to August 2014 reporting from the *Washington Post*. Other hubs for transit in the south may include the Turkish cities Akckale, Antakya, Kilis, Gaziantep, Oncupinar, and Hacipasa, according to a variety of reports.
- Belgian citizens fighting alongside rebels in Syria were found to be



UN Security Council Resolution 2178 (2014): “Member States shall...prevent and suppress the recruiting, organizing, transporting or equipping of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training, and the financing of their travel and of their activities...”

accessing their European accounts through banks in Turkish border cities, according to a late 2013 investigation by European authorities.

- A number of Turkish banks with international correspondents maintain branch operations in these strategic border cities.

In September 2014, the UN Security Council adopted a foreign fighter resolution demanding that countries take aggressive action to stop the flow of foreign fighters. As of late 2014, the Turkish government reports that it has increased surveillance of travelers at airports, bus stations, and border crossings as part of disruption efforts targeting foreign fighters.

- A late September 2014 *Guardian* dispatch from the border area of Hacipasa noted a much less permissive environment for those seeking to cross into Turkey from Syria. Other relevant media reporting affirms that border controls have tightened, although smuggling activity persists.



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FUNDRAISING AND RELIEF OPERATIONS

Relief organizations and fundraising campaigns operating out of Turkey have been tied to supporters of **al Qaeda** and other armed groups. A number of these organizations openly list their Turkish bank account information on social media and websites. A number of the listed banks maintain correspondents with banks in the US and Europe.

- A Syria-based charity with a number of international branches, including in Turkey, has endorsed the Islamic Front—a coalition of armed Islamist militias in Syria. In August 2013, the charity sponsored a youth event that was co-sponsored by a number of organizations including a media group affiliated with **Jabhat al-Nusra** and a public services organization that had been tied to **Islamic State**. Donation requests for the organization list a bank account with a Turkish bank.



Banner for a youth event sponsored by a Syria-based charity with offices and bank accounts in Turkey.

Fundraising material distributed by a charity in Turkey lists bank account details as well as WhatsApp numbers accepting donations for Syria.



IHH, a Turkish charity, operates in 120 countries, maintaining a 2013 budget nearing \$100 million, according to its website.

The Camstoll Group advises on sanctions, illicit finance, national security, and regulatory matters. Our research intensive approach for financial institutions, multinationals and governments is designed to generate insights and options for complex policy, regulatory or competitive challenges.

- In June 2014, a Syria-based charitable association disseminated a fundraising video acknowledging financial support from a Kuwait-based NGO and a Kuwaiti cleric – both of which have been designated by the UN and US for aiding **al Qaeda**. The charitable association lists an account at a Turkish bank in its fundraising appeals.
- In January 2014, Turkish counterterrorism police raided six offices of the Turkish relief organization IHH on suspected **al Qaeda** links. The raid was part of a broader internal political dispute in Turkey. In June 2010, a supermajority of US Senators called for the President to designate IHH as a supporter of global terrorism. The donation page on the IHH website lists bank accounts with five Turkish banks.

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