

Forum: Advisory Panel on the Arabian Peninsula

Issue: Combatting the funding network behind non-state actors in the region

Student Officer: İlke Biçeroğlu

Position: President Chair

Introduction

The issue of the presence of non-state actors in the Arabian Peninsula has been a significant crisis in the area for decades, especially after the Arab Spring and the uprisings. Since then, the non-state actors who took part in the downfall of autocratic regimes have been actively operating, causing chaos and disrupting the order in the Arabian Peninsula.

In recent years, groups such as Hamas and Al-Qaeda have evolved from resistance movements into powerful military and political entities. The financial support from external sources that manipulate the chaos in the area for their own interests has been a critical factor in the rising of the issue. The financial network behind these groups are often sourced by illicit activities, such as money laundering, smuggling, and illegal taxation. The uncontrolled flow of financial resources to these non-state actors has worsened the political instability of the area.

Combatting this funding network behind non-state actors is critical for the peace and stability of the Arabian Peninsula. Several states have already started to take measures to solve the issue by implementing stronger Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) frameworks and utilizing UN-founded platforms. However, the situation keeps growing day by day, and it is vital to address the situation and the risks accordingly to prevent further instability in the region.

Definition of Key Terms

Non-State Actor: An individual or organization that has significant political influence but is not allied to any particular country or state

Money Laundering: The concealment of the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses

Hawala: A popular and informal value transfer system based on the performance and honour of a huge network of money brokers

Funding network: A system where multiple entities combine financial resources to support a specific project, cause, or initiative

Sanction: A threatened penalty for disobeying a law or rule

Smuggling: The illegal movement of goods into or out of a country

Terrorist Financing: The means and methods used by terrorist organizations to finance their activities

Anti-Money Laundering (AML): A set of policies and practices to ensure that financial institutions and other regulated entities prevent, detect, and report financial crime and especially money laundering activities

Counter-Terrorist Financing (CTF): Efforts and measures taken to disrupt the flow of financial resources that support terrorist activities

General Overview

During the Cold War, the United States of America (USA) and the USSR supported armed groups in the region, especially financially. Since the Gulf countries provided financial support to groups that suited their interests, the Arabian Peninsula region began to have difficulty coping with the growing armed groups. The rebellions in Yemen, Oman, and Saudi Arabia grew with foreign financing. After the Cold War, the rebellions in Yemen, Oman and Saudi Arabia continued to be supported with foreign financing. During that period, those returning from Afghanistan due to the Afghanistan war strengthened radical groups in the region. The Hawala system and charities were used to finance terrorism.

Al Qaeda was born in response to the US military presence in Saudi Arabia. Al Qaeda is a radical Islamist terrorist organization with a global jihadist ideology founded by Osama bin Laden in 1988. Private donors and some charities in the Gulf visibly provided financing to Al Qaeda. Training camps were established in Sudan, Afghanistan, and Yemen.

Since the USA and Europe have taken strict control of the banking systems in the region, groups that have experienced great difficulties, especially in cash flow, have started to lose their power in the region when they lost the support of many aid organizations, especially in the Gulf countries that provided them with financial support. However, the uncontrolled freedom seen in Yemen, Syria and Iraq after 2011 has supported non-state factors in the region to create a new financing network through illegal means. ISIS collects money through oil smuggling, ransom, and money laundering methods, while individual donors in the Gulf countries provide financing to ideological groups. The banking system restrictions applied in the region increased the tendency towards cryptocurrencies after 2015, and money collection and transfers via the Darknet became widespread.

Non-state actors including Hamas, Hezbollah, and the Houthis have historical roots in decades of political instability, sectarian conflict, and foreign intervention that have led these groups to gain influence and expand their impact areas. These groups, backed by Iran, initially emerged as resistance movements but have, over time, transformed into military and political entities that terrorize financial network establishments in the Arabian Peninsula.

As these actors developed their manipulations over the financial networks, they have become a cornerstone in regional proxy wars, using Iranian funding, smuggling operations, and local taxation to sustain their operations. Today, their influence remains widespread, and the ongoing conflicts in Gaza, Lebanon, and Yemen are adding to the financial instability in the Arabian Peninsula. Despite international sanctions and diplomatic efforts to restrict their financial flows, these groups have adapted by diversifying their revenue streams and using geopolitical rivalries to their advantage. Diversifying their revenue streams has provided external actors with resilience, making dismantling their funding networks a complex challenge and contributing to the persistent instability in the region today.

Currently, following the Israeli-Palestinian conflict, Hamas has become a dominant force in Gaza. Despite its military operations aimed at weakening Israel's infrastructure, Hamas continues to receive significant support from Iran, maintaining the group as an important part of the "Axis of Resistance." In this struggle, Hamas benefits from Iranian financial aid, diaspora donations, and revenue from smuggling goods through tunnels connecting Gaza to Egypt. It also taxes local businesses and residents in the area to sustain its military operations and governance efforts in Gaza. Hezbollah, on the other hand, has maintained its political and central power in Lebanon while expanding its operations in Syria. As Lebanon faces a severe economic crisis, Hezbollah relies on Iranian financial and logistical support to stay afloat. Hezbollah receives its financial support primarily from Iran, and from illicit trade and taxes in areas it controls. Hezbollah also relies on financial support from supporters both in Lebanon and abroad to maintain its central authority. The Houthis, who control much of northern Yemen, have increased their attacks using Iranian-supplied drones and ballistic missiles against Saudi Arabia and UAE targets. These attacks jeopardize regional stability and disrupt global oil shipments in the Red Sea. The Houthis' financial support and funding is also critical to their ability to wage war on the Saudi-backed Yemeni government. They also rely on Iranian support for this financial support through illegal means, including smuggling, extortion, and illegal taxation of local people, while also relying on Iranian support for arms shipments and military advisors.

Efforts to combat non-state actor financing have intensified both regionally and internationally in recent years. First, the United States and its allies have imposed sanctions on Iranian entities, Hezbollah-affiliated businesses, and entities that finance Hamas and the Houthis. These sanctions aim to disrupt the monopolized manipulation of financial flows and to impose restrictions and security

frameworks on access to international banking systems. In addition, regional and global intelligence agencies have increased cooperation to monitor and disrupt illicit financial networks. These agencies have developed strategies around money laundering, smuggling routes, and front companies that are under the control of non-state actors. There has also been an increase in the number of peace agreements, such as ceasefires in Yemen, to reduce the influence of non-state actors. However, these efforts have often been undermined by renewed hostilities and the continued flow of Iranian support for these groups, and have failed to show any benefit to the ongoing conflict.

Despite the unsuccessful attempts of peaceful efforts to combat the funding network behind non-state actors in the region, there are numerous challenges that remain. Non-state actor groups such as Hamas, Hezbollah, and the Houthis have adapted to sanctions and other financial restrictions and have managed to counterbalance the financial cuts. However, when funding is cut, these groups reduce the impact of sanctions with illegal alternatives, such as increasing local taxation in areas they control and expanding illicit trade networks. These groups further expand their illegal control arms to maintain control of their status.

Iran's strategic role in non-state actors as proxies complicates international efforts to restrict their influence and interactions, as Iran's ability to support and fund groups such as Hamas, Hezbollah, and the Houthis is crucial to its geopolitical power and balancing of its rivals, especially Saudi Arabia, Israel, and the United States. Iran's strong infrastructure and treasury to back these groups make their power sustainable.

People in areas under the control of non-state actors are harmed by any aid cuts. For example, cutting off financial aid to Gaza could harm ordinary Palestinians by negatively impacting Hamas' military aid and security in the conflict zone. That is, since the governance and needs of that region are in the hands of these groups, who hold political power, any restrictions or sanctions could have a major impact on people's well-being and lead to humanitarian crises. Efforts to disrupt financial networks must therefore be carefully calibrated to avoid humanitarian crises.

Major Parties Involved and Their Views

United States of America (USA):

Since the beginning of the issue, the USA's presence in the area has been disturbing some states due to the allegations that they have been supporting armed groups in the region. The USA has been playing a significant role in the Arabian Peninsula in terms of military presence, and as a response to that, armed groups like Al Qaeda were established, further complicating the situation. They have been conducting airstrikes against Al-Qaeda and ISIS to disrupt their operations, but their actions are mostly to secure their own interests.

However, although the USA has caused some disturbance in the area, they are a key actor in

combating the issue at hand. The USA's presence has also been useful for counterterrorism efforts since they have been working with their allies to disrupt the financing networks for terrorist organizations by imposing sanctions. They have also been helping Saudi Arabia protect against Iranian threats and support their regional stability. In fact, the USA and Saudi Arabia have established a Terrorist Financing Targeting Center (TFTC) to combat the issue. The TFTC, co-chaired by Saudi Arabia and the US, targets the terrorist financing networks including those associated with Al-Qaeda, Hezbollah, and the Taliban. The USA's commitment to work towards combating financing networks is evident, however, with the question of their true intentions, their presence in the area is still a source of conflict for some parties.

Saudi Arabia:

According to the Saudi government, Saudi Arabia is the main target of many terrorist groups because it is the birthplace of Islam and home to the Two Holy Mosques. Especially with the rising of Al-Qaeda, the terrorist attacks have been even more problematic. With their work toward addressing this issue, Saudi Arabia has become one of the leading nations in combating terrorism and terrorist financing with the help of its allies.

As the largest economy in the Gulf and the closest ally of the USA in the area, Saudi Arabia has been working closely with the USA throughout this issue. Saudi Arabia has been working to decrease Iranian influence and maintain regional stability. With their presence in the TFTC, they have been able to combat Al-Qaeda and Iranian-backed groups. Saudi Arabia views Iran as one of the greatest threats in the context of combating financing networks behind non-state actors, and therefore are in rivalry with Iran, countering their impact in the region.

Saudi Arabia has taken significant steps for their anti-money laundering (AML) and counter-terrorism financing (CTF) frameworks. They have established AML laws in alignment with the Financial Action Task Force (FATF), and are committed to FATF standards, ensuring that AML and CTF measures are implemented with global best practices.

United Arab Emirates (UAE):

The United Arab Emirates (UAE) plays a pivotal role in disrupting the funding networks associated with non-state actors across the Arabian Peninsula. The UAE is very much invested in ensuring stability in the region, as it faces both physical and internal security challenges from groups such as ISIS and Al-Qaeda. The UAE is a major economic and political force in the Gulf, and has invested to ensure its anti-money laundering (AML) and combating the financing of terrorism (CFT) frameworks are strong.

As part of this, the UAE has engaged with global actors such as the UNODC, and FATF to combat terrorist financing. Together, they have developed programs such as the goAML platform which creates new ways for financial institutions to report suspicious transactions; these transactions

are used to thwart terrorist financing. This platform has direct value to the UAE as it follows international standards and provides a better detection and blocking mechanism to disrupt terrorist financing. The UAE's commitment to multilayer approaches also has complications, as it must integrate its domestic policies with international collaborations, and it often finds its diplomatic relationships complicated due to its military involvement in Yemen and regional conflicts.

Yemen:

Since 2014, Yemen has been embroiled in a prolonged civil war and is one of the most challenging actors in the context of financing terrorism in the region. The civil war became existential when the Houthi insurgents, affiliated with Iran, faced the Yemeni government, which was supported by a Saudi-led coalition. Within this war, there is also an environment in which financing can sustain terrorist groups. Either side has had access to illicit financial networks, smuggling, or external support, in which case their funding would not be limited to support in the actual civil war. For example, there might be a rhetorical reliance on sponsorship, financial aid, training, and military resources from Iran to their Houthi supporters, while the Yemeni government had access to Saudi support based on their efforts. Yemen's terrain complicates the effort to combat financing terrorism with a relevant divided governance structure.

There are weak government institutions within the country, but broadened terrorist groups or non-state actors such as Al-Qaeda in the Arabian Peninsula (AQAP) and the Islamic State of Iraq and Syria (ISIS) control or inhibit governance over territory in Yemen. International efforts have also been constrained by political division, which cannot sufficiently coordinate with government institutions perceived as corrupt. Additionally, Yemen's dependence on international humanitarian aid has left Yemen susceptible to its misuse of armed groups to fund their operations as it relates to the global effort to combat terrorism financing.

Timeline of Events

Date	Event
Cold War Era (1947–1991)	The USA and USSR fund armed groups in the Arabian Peninsula to support their geopolitical interests. Gulf states also provide financial backing to groups aligned with their agendas.
1980s	Mujahideen fighters returning from Afghanistan strengthen radical groups in the region, fueling extremism.
1988	Al-Qaeda is founded by Osama bin Laden, with financial backing from Gulf-based charities and private donors.
1990s	Al-Qaeda establishes training camps in Sudan, Afghanistan, and Yemen, using informal

	financial networks like Hawala to fund its operations.
2001 (Post-9/11)	The USA and allies impose banking restrictions and sanctions on terrorist financing, weakening cash flow to groups like Al-Qaeda. Increased military interventions and intelligence operations target non-state actors.
2011 Onward	Instability caused by the Arab Spring allows new non-state actors, such as ISIS, to establish revenue streams through oil smuggling, ransom payments, and money laundering.
2015-Present	Banking restrictions push terrorist groups to adopt cryptocurrencies and the Darknet for financial transactions. Hamas, Hezbollah, and the Houthis diversify revenue sources, including smuggling, taxation, and Iranian state support.
Recent Developments (2023-2025)	<ul style="list-style-type: none"> - Increased US sanctions on Iran and financial networks linked to Hamas and Hezbollah. - Continued escalation in Yemen, Lebanon, and Gaza, with non-state actors sustaining operations through illicit trade and external backing. - Saudi-led initiatives and the UAE's goAML platform aim to improve financial transparency, but challenges persist.

UN Involvement

The most important sanctions of the UN in Combating the Funding network behind non-state actors in the Arabian Peninsula were implemented by the UN Security Council. The UN Security Council implements asset freezes, travel bans, and arms embargoes in order to reduce financial support for terrorism. The 1267/1989/2253 ISIL (DEAŞ) & Al Qaeda Sanctions Committee aims to identify individuals and groups that support terrorism and prevent financial access. However, these solutions found by the UN Security Council are not implemented by every country due to the difficulties experienced.

The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. It aims to prevent these illegal activities and the harm they cause to society and determines this harm scale in addition to the work they do. Member states are expected to tightly supervise their financial institutions, monitor illicit money transfers and provide transparent reporting. FATF works hand in hand with the UN in detecting money laundering and financial support.

UNOCT provides technical support to member states to strengthen their financial control systems and develop financial intelligence units (FIUs). The aim is to enable states to detect illicit

financial flows more quickly and to strengthen international cooperation. However, in some countries, these programs are not effective enough due to political and economic reasons.

The UN works with regional organizations such as the Gulf Cooperation Council (GCC), the Arab League, and the EU to find solutions to this problem that are in line with the wishes and ideas of the people in the region. It aims to solve the Financing of Non-State Actors worldwide by breaking down illicit financial ties through cooperation with international police organizations such as Interpol and Europol.

Relevant UN Documents

International Convention for the Suppression of the Financing of Terrorism (9 December 1999, A/RES/54/109)

United Nations Security Council Resolution 1456 (20 January 2003, S/RES/1456)

United Nations Security Council Resolution 2195 (19 December 2014, S/RES/2195)

Arab Convention on Combating Money Laundering and the Financing of Terrorism (2003)

United Nations Security Council Resolution 2253 (17 December 2015, S/RES/2253)

United Nations Security Council Resolution 1373 (28 September 2001, S/RES/1373)

Evaluation of Previous Attempts to Resolve the Issue

Earlier efforts to counter the financial networks behind non-state actors in the Arabian Peninsula have produced considerable obstacles to meaningful traction and overall success. While international sanctions and asset freezes have impacted the capacity of organizations, such as Al-Qaeda and ISIS, funding mechanisms remain subject to often-inconsistent enforcement, particularly in under-governed areas. This is particularly true in other states impacted by regional conflict, including Yemen and Syria, that will face political instability and/or a range of non-state actors that mitigate any full application of these sanctions and independent measures.

Furthermore, there has been some success with the U.S.-led cooperative initiatives directed at regional powers like Saudi Arabia with programs like the Terrorist Financing Targeting Center (TFTC). However, there are geopolitical factors, especially the risky relationship between Saudi Arabia and Iran, that have impeded the broader framework of regional cooperation and, in many instances, led to competing and inconsistent priorities that diminish the initiatives' ultimate effects. UN and regional organizations have done some necessary work to promote efforts based on standards of international cooperation, but initiatives in conflict-affected states like Yemen remain largely unproductive efforts because of instability and fragmentation.

Likewise, while similar technological solutions such as the UAE's goAML platform have the potential to increase tracking of illicit financial flows, issues such as data overload and insufficient expertise arise as barriers to broadened implementation in the region. Additionally, calls for comprehensive systems of financial intelligence that leverage blockchain and artificial intelligence will have substantial barriers to address, given states' concerns around sovereignty, privacy, and what states can fully commit to.

In general, despite many initiatives and international efforts, the situation's complexity, as well as political dynamics, lack of enforcement, and more, means forward motion in addressing terrorist financing in the Arabian Peninsula is quite difficult to achieve.

Possible Solutions

Several states in the Arabian Peninsula have been working to combat the issue for a while. The UAE has come up with strategies to combat the funding network behind non-state actors for their 2024-2027 plan, which are to strengthen their anti-money laundering (AML) and combating the financing of terrorism (CFT) frameworks. With the help of the United Nations Office on Drugs and Crime (UNODC), the UAE has utilized the goAML platform to enable financial institutions to report suspicious transactions that may indicate money laundering or terrorist financing. The usage of the goAML platform could be expanded through the Arabian Peninsula in order to prevent and detect cases of money laundering, and would be a safe strategy since the platform is aligned with UN standards. This would ensure standardized reporting and enhance cooperation between the states. However, while the goAML system has its advantages, the possible challenges that the platform could bring, such as data overload and insufficient user expertise, should not be overlooked.

Another solution would be to implement a comprehensive financial intelligence and surveillance system to track the money transactions made. The creation of such a system would significantly enhance the process of detection of illicit financial transactions by utilizing technologies like artificial intelligence and blockchain. One concern that may arise is how this system could possibly go against national sovereignty. To address this concern, the system can be designed with decentralized governance, allowing each state to maintain control over its own data and set region-specific measures. This could be achieved through the implementation of blockchain strategies like zero-knowledge proofs to verify the safety of transactions without exposing sensitive data.

Furthermore, another approach to dismantling the financial networks that support non-state actors operating in the Arabian Peninsula could be through targeted sanctions. Targeted sanctions can significantly diminish the ability of terrorist organizations to perform operational, planning, and financial activities by freezing assets, blocking financial transactions, and restricting the ability of individuals connected to terrorist financing from earning income or conducting business on a global scale, without causing a high level of collateral damage to civilians. Successful implementation and enforcement of sanctions requires multilateral cooperation among organizations such as the Financial

Action Task Force (FATF), Interpol, and financial institutions willing to work with international coalitions that monitor and can intervene to disrupt transactions in real-time of illicit or terrorist-related transactions. Domestic police and government efforts can push compliance even more by encouraging partner nation lead agencies and regulatory organizations to impose penalties or sanctions on regional actors or financial companies engaging with financial entities involved in terrorist financing, thus reducing the effectiveness of the non-state actor's influence or financial networks.

Even now, money laundering remains an important mechanism for non-state actors to move money across borders while masking the circumstances for illicit activity. For this type of flow, non-state actors frequently rely on shell corporations, cryptocurrencies, and informal money transfer mechanisms to establish minimal financial paper trails. Governments can use financial tracking technology, forensic accounting, and artificial intelligence, for example, to identify suspicious transactions and funds transfers respectively to victims of criminal activity. Cyber operations targeting the dark web, unauthorized cryptocurrencies, and online crowdfunding will further disrupt illicit financial networks. Modernizing regulatory frameworks and fostering real-time information sharing between countries can fill regulatory gaps that limit law enforcement and intelligence responses, decreasing the cash flow to these organizations and subsequently lowering their ability to operate.

Notes from the Chair

The unique nature of the Advisory Panel necessitates delegates to give necessary concessions in order to pass anything in the house, as such delegates are reminded to write their clauses keeping in mind that they will most likely have to go through thorough lobbying to actually be passed in the house.

Bibliography

United Arab Emirates Unveils National Strategy for Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing for 2024-27.

<https://www.mofa.gov.ae/en/mediahub/news/2024/9/5/5-9-2024-uae-uae>. Accessed 23 Mar. 2025.

AMLYZE. "goAML: A Critical Tool in Global AML Compliance." *AMLYZE*, 19 Dec. 2024, <https://amlyze.com/goaml/>.

"goAML (Anti-Money-Laundering System)." *United Nations: Office on Drugs and Crime*, <https://www.unodc.org/unodc/en/global-it-products/goaml.html>. Accessed 23 Mar. 2025.

Lucinity. "AML Surveillance: AI's Impact on Compliance & Risk - Transform FinCrime

Operations & Investigations with AI.” *Lucinity*, 11 Apr. 2024,
<https://lucinity.com/blog/the-future-of-aml-surveillance-the-role-of-ai-in-anti-money-laundering-compliance-and-risk-mitigation>.

“Institute for the Study of War.” *Institute for the Study of War*,
<https://www.understandingwar.org/backgrounder/iran-update-march-20-2025>.
Accessed 23 Mar. 2025.

Al-Muslimi, Farea. “New US Attacks on the Houthis Will Not Bring Iran to the Negotiating Table – but Could Provoke Worse Violence.” *Chatham House – International Affairs Think Tank*, 18 Mar. 2025,
<https://www.chathamhouse.org/2025/03/new-us-attacks-houthis-will-not-bring-iran-negotiating-table-could-provoke-worse-violence>.

The United States and the Middle East: Interests, Risks, ...,
[www.tobinproject.org/sites/tobinproject.org/files/assets/Byman & Moller - The United States and the Middle East_0.pdf](http://www.tobinproject.org/sites/tobinproject.org/files/assets/Byman%20&%20Moller%20-%20The%20United%20States%20and%20the%20Middle%20East_0.pdf). Accessed 23 Mar. 2025.

“Security Council - Counter-Terrorism Committee (CTC).” *Counter-Terrorism Committee Executive Directorate (CTED)*, <https://www.un.org/securitycouncil/ctc/>. Accessed 23 Mar. 2025.

Report on Counterterrorism,
www.saudiembassy.net/sites/default/files/Report%20on%20Counterterrorism.pdf.
Accessed 23 Mar. 2025.

Overview of Anti-Money Laundering Laws in Saudi Arabia.
<https://www.tookitaki.com/compliance-hub/overview-of-anti-money-laundering-laws-in-saudi-arabia>. Accessed 23 Mar. 2025.

“الصفحة الرئيسية.” وحدة مكافحة غسل الأموال وتمويل الإرهاب، <https://amlu.gov.jo/Default/Ar>. Accessed 23 Mar. 2025.

Contributors to Wikimedia projects. “Terrorist Financing Convention.” *Wikipedia*, 26 Dec. 2024, https://en.wikipedia.org/wiki/Terrorist_Financing_Convention?utm_source.