



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Finance**

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FINA • NUMBER 079 • 2nd SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Tuesday, May 5, 2015**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Tuesday, May 5, 2015

●(0845)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is meeting number 79 of the Standing Committee on Finance. Our orders of the day, pursuant to Standing Order 108(2), are that we resume our study of terrorist financing in Canada and abroad.

We have with us three witnesses in Ottawa and then two by video conference. We have, first of all, from Carleton University, Mr. Martin Rudner. We also have, from the Egmont Group of Financial Intelligence Units, Mr. Kevin Stephenson, and from the Foundation for Defense of Democracies, Mr. Yaya Fanusie. Welcome to all.

We also have, by video conference from Pittsburgh, Pennsylvania, from the RAND Corporation, Mr. Patrick Johnston.

Mr. Johnston, can you hear me okay?

**Mr. Patrick Johnston (Political Scientist, RAND Corporation):** I can, thanks.

**The Chair:** Okay. Thank you for being with us.

By video conference, from North Vancouver, British Columbia we also have Ms. Vivian Krause.

Ms. Krause, can you hear me?

**Ms. Vivian Krause (As an Individual):** Yes, thank you.

**The Chair:** Okay, thank you. Welcome to the committee.

You will each have five minutes for your opening statement, and we'll begin with Mr. Rudner, please.

**Prof. Martin Rudner (Distinguished Research Professor Emeritus, Carleton University, As an Individual):** Thank you very much.

Indeed, it's an honour and a privilege to be appearing before this committee on this highly important and relevant topic. I might begin by saying that we have a sad experience in Canada of Canadian involvement in terrorism finance dating back to the troubles and conflicts in Sri Lanka, where Canada had become the world's largest single financier of Tamil Tiger terrorism in Sri Lanka and globally, which included the murder of two prime ministers, of India and of Sri Lanka. So I think it's absolutely appropriate that Parliament and this standing committee on finance examine the issues of terrorism financing in the contemporary period precisely to prevent any possible resurrection in Canada of what happened in the past.

I'd like to begin my remarks by saying that I will be focusing on four areas of, I think, relevance to the work of this committee. One

will be the mobilization and transfer of funds from Canada to terrorist organizations globally. The second topic will be the import of funds from abroad for terrorist activities in Canada. My third topic will be emergent issues in terrorism financing, which involves Canadians and Canadian interests. Finally, if I may, I'll make some recommendations derived from the analysis that could, I hope, be of assistance to the committee in its procedures.

On the mobilisation and transfer of funds from Canada to terrorist organizations, I've identified seven areas of interest. I'll mention them here, and we can go into the details of case studies, if you wish, in the questions that follow.

There is, for example, the raising of donations and the transfer of donations to terrorist organizations through front organizations. Canadians donate money to front organizations, which transfer those funds to terrorist organizations like al Qaeda, the Islamic State, or Hezbollah.

Secondly, there's the diversion of charitable funds that are given by Canadians to charitable organizations, but those organizations are sometimes infiltrated by sympathizers of terrorist organizations, and the funds are diverted.

Thirdly, there are profits from contraband trade, where products are smuggled across state or provincial boundaries, tobacco for example, from low tax jurisdictions to higher tax jurisdictions, with the profits going to terrorist organizations.

Then there are the sales of mementoes, books, and other things that people buy, and the funds go to terrorist organizations.

There are trade-based transactions of high value, easily cashable merchandise. One example of this is the Islamic State acquiring petroleum from northern Iraq or northern Syria, exporting it through clandestine channels, and keeping the profits. And, by the way, there are examples of this in North America from Canada.

Then we have drug trafficking, sadly, and then we have financial fraud, the abuse of credit cards, for example.

On the import of funds from abroad for terrorist activities in Canada, we have a number of examples of areas of involvement. We have, for example, prepaid travel credit or debit cards that have financed Canadians to go abroad as foreign fighters or as other terrorist operatives.

●(0850)

**The Chair:** You have one minute remaining for your opening remarks.

**Prof. Martin Rudner:** Sorry, I'd better hurry.

Then we have the funding of extremist clergy in mosques and itinerant radical preachers. We have the funding of terrorist networking sleeper cells. We have the funding of activities targeting deliberate Canadian interests, mostly in oil and gas. We have emergent issues. We have cyber-theft, which targets banks. We have welfare payments to jihadists. We have the crowd sourcing of terrorist fund mobilization and we have international bank transfers of funds through the banking system, or money laundering.

On recommendations, my first would be to prioritize terrorism financing, detection, prevention, and prosecution. Second would be to enhance the investigative powers of FINTRAC, our Financial Transactions and Reports Analysis Centre of Canada, which is part of the Egmont Group, to enable it to conduct investigations and lead to proper prosecutions and prevention. Then the banking system has to be made more engaged in the prevention of terrorism financing.

Thank you very much.

**The Chair:** Thank you very much for your opening statement.

We'll go to Mr. Stephenson, please.

**Mr. Kevin Stephenson (Executive Secretary, Egmont Group of Financial Intelligence Units):** Thank you, Mr. Chair.

Good morning, everyone.

First off, I just want to highlight a special thanks to the Canadian government. There's a reason that our office and the secretariat of the Egmont Group of Financial Intelligence Units are in Toronto. It's because the Canadian government gave \$5 million back in 2006 so we could open up a secretariat in Toronto in 2007. The commitment from the Canadian government has been continuous throughout. FINTRAC has chaired one of our training working groups and also has been a vice-chair on the Egmont committee.

I'll give you a brief history about the Egmont Group. It started in 1995 with about 20 heads of FIUs sitting around the table saying, how can we share information when it comes to anti-money laundering? That was in 1995, before 9/11 when we started passing out all the TF legislation. We've grown to 147 member jurisdictions now, and we continue to grow. We are having our plenary meeting this summer, in June. We anticipate having over 140 members by then.

The major objectives of the Egmont Group are to improve the effective exchange of information upon request and spontaneously among financial intelligence units, and also to promote the development of effective FIUs globally.

One of the things that we're very proud of is the Egmont Secure Web. It's a secure network whereby FIUs—all of our 147 members—can securely share financial intelligence with each other through the network.

In terms of the importance of information exchange and international cooperation in combatting terrorism financing, there are a few things we think are highly important from the Egmont Group's perspective. It's the importance of the jurisdictions to at least meet the international standards. I believe Canada will be going through its mutual evaluation towards the end of this year. I think the IMF will be leading that evaluation.

Also, we think that the timely exchange of information in terms of terrorism financing is critical and we're going to start having discussions within the Egmont Group on how we can get closer to real time. Is real-time exchange on terrorism financing information possible? What are the resource implications? What are the capacity concerns? And how do we make it happen?

We also think that jurisdictions need to have an effective regime, and this is something that the FATF has evolved through with the changes in the methodology from 2012. The days of just being technically compliant are over. Hopefully, for example, they have what's called "immediate outcome 6" within the FATF recommendations. It talks about how financial intelligence moves through the entire regime, starting from the reporting entities—and Mr. Rudner mentioned that in terms of the banking reporting—all the way to successful prosecutions. It is no longer okay to have just one particular entity doing a good job. It has to work well throughout the whole regime. That's something we need to work on. It's very critical when it comes to terrorism financing.

What is the Egmont Group doing now in terms of terrorism financing? Actually right now there is a meeting in Washington, D. C., of some FIUs that are on a project that's dealing with ISIL and foreign terrorist fighters returning and how they're being financed in this and that. Actually, FINTRAC is playing a very active role in that particular project. I can't go into the specifics at this stage, but we anticipate the work of this project team is going to look at some of the operational information. They're sharing operational information but they're also recording the barriers, either legal or operational, that might come up and that we need to improve or look into. We anticipate that report might feed into the FATF this summer, then also feed into the G-20 report later on.

Challenges facing FIUs in combatting terrorism financing. Domestically, agencies dealing with TF have a bad habit of working in silos. That's something that has to change. Internationally, we need to improve and install mechanisms that share information almost instantaneously. That's a big challenge for FIUs. That's a big challenge for a lot of places.

●(0855)

**The Chair:** You have one minute left.

**Mr. Kevin Stephenson:** I'm almost finished.

Also, policy-makers need to properly resource the competent authorities mandated to combat terrorism financing to include FIUs. We have also recognized that there is the growing recognition that financial intelligence is a vital tool in being able to monitor and track terrorism financing. It's a big challenge because sometimes the amounts of money are very small, so it's a great challenge for the FIUs and everybody involved.

This summer, in the plenary session, we're going to have a panel conversation between a lot of competent authorities from the intel community, law enforcement, and FIUs. We will also bring in the private sector, on a separate panel, some reporting entities to give their perspective to include how they look at the TF issue.

**The Chair:** Mr. Fanusie

**Mr. Yaya Fanusie (Director of Analysis, Center on Sanctions and Illicit Finance, Foundation for Defense of Democracies):**

Good morning. Mr. Chairman, and members of the committee, thank you for giving me this opportunity to appear before you to discuss terrorist financing.

In short, terrorist attacks do not require much capital. Al Qaeda in the Arabian Peninsula once touted how its failed plot to bomb a plane over North America in 2010 cost only \$4,200. What's not captured in such estimates is the general cost of operating. This includes salaries, ground transportation, safe houses, and even paying bribes. These make up some of the fixed costs which terrorist organizations incur.

We've identified four general typologies that we see terrorist groups employing in order to meet these costs. They are controlling territories and borders, participating in crime and smuggling, tapping wealthy private donors, and also there's state sponsorship.

I'll give an overview of some of the examples and identify some vulnerabilities in these methods that we can use as opportunities for our governments to disrupt and weaken terrorists' ability to fund themselves.

First, terrorists leverage their control of borders and ports. One example is ISIS. It makes \$1 million to \$2 million per day by selling oil from the refineries it controls in Syria and Iraq. It levies taxes on goods in the territories that it controls and it actually forces local businesses to pay fees for electricity.

There's Boko Haram. Boko Haram controls parts of Nigeria and neighbouring countries. It earns money by taxing the fish trade. Al Shabaab taxes charcoal and other goods that have to travel on roads to and from Somalia's major ports. The UN estimates that al Shabaab at one point was earning \$75 million to \$100 million a year in charcoal sales alone, and charcoal was banned from being exported from Somalia.

There's an opportunity here. The local business people are affected by violent extremists and they may serve as potential allies in fighting terrorist influence.

Then there's crime and smuggling. For example, kidnapping for ransom is actually the leading method of terrorist financing after state sponsorship. One example, since 2008, al Qaeda in the Islamic Maghreb alone has received more than \$90 million from various governments around the world to release hostages.

There are, of course, the jihadist conflicts in Syria and Iraq. They've opened the flood gates for the legal trade of antiquities. It's difficult to calculate the exact amount that ISIS has received from the antiquities trade, but one source estimated that the group accrued \$36 million from stolen artifacts just in one part of Syria.

Boko Haram, as I mentioned, robs banks and steals military equipment. It threatens poor farmers just to sustain itself. It will threaten kidnapped family members, so that it can receive livestock and food.

There is the worldwide illegal wildlife trade. Going back to al Shabaab, it's used its proceeds from illegal ivory tusk trafficking to

fund terrorist attacks in Kenya. You're familiar with the Westgate mall attack, a Canadian official was killed in that attack.

There is the Lord's resistance army. They poach elephants to fund their activities. There's a vulnerability here because crime and extortion also alienates the local population creating potential allies.

Regarding hostage-taking, one U.S. official noted at the U.S. treasury department noted that al Qaeda has apparently shifted its focus from targeting Americans for kidnapping because the U.S. government does not pay ransoms. This may bode well for the Canadian government which has a similar stance.

There are also the wealthy donors. This is particularly an issue in the gulf. A considerable amount of funding still alludes financial oversight at times. This is a challenging target because many of the regimes that co-operate with our governments in military and diplomatic areas nevertheless continue to allow terrorist financiers to operate largely unabated.

Qatar and Kuwait are some areas of concern. Various jihadist fighters in Syria are receiving funds through the fundraisers who leverage social media. There is still an opportunity here because the gulf states, obviously, rely on military support from North America and that's a lever that Canada can use to pressure regimes to arrest terrorist financiers.

Finally, there is the issue of state sponsorship of global terrorism. Iran is the most active sponsor of terrorism. Tehran sends hundreds of millions of dollars annually to terrorist organizations such as Hezbollah and Hamas, and despite sharp ideological differences between Iran's leadership and al Qaeda's, Tehran has provided safe haven to even high-ranking al Qaeda members over the last 10 years and al Qaeda has used Iran as a transit point to move recruits and money.

Last year the Canadian court decided to seize \$7.1 million in Iranian assets in Canada. That was a milestone for the families of the victims of Iranian terrorism and can serve as a precedent to seize assets which are held back from companies.

● (0900)

In conclusion, as terrorists vary their means for securing funds it becomes more critical for authorities to fully address the multiple strategies they deploy.

The above typologies for terrorism finance demonstrate our enemies' adaptive nature, but each of these methods comes with vulnerabilities, which Canada can exploit.

Thank you for your time and the opportunity to testify today.

**The Chair:** Thank you very much for your presentation.

We'll now go to you, Mr. Johnston, for your five-minute opening statement.

**Mr. Patrick Johnston:** Thank you, Mr. Chairman, and members of the committee for inviting me to testify today.

As terrorist organizations have marshalled unprecedented funding for their activities recently, the need to address counterterrorist finance policy is clear. Accordingly, my remarks today will focus on the Islamic State, also known as ISIS or ISIL, a group that I've been studying extensively since 2012.

Over the last year ISIS has risen to become the richest and most threatening terrorist organization in the world, and ISIS' recruitment of hundreds of Canadian and U.S. citizens makes it a special threat to North America.

I'm going to divide my testimony into three main parts. The first will look at how ISIS raises and spends its money; the second will examine the impact of current coalition efforts against ISIS' finances; and the third will offer steps that Canada, the U.S., and coalition partners could consider to enhance the effectiveness of these efforts.

Disrupting ISIS' financing presents a special challenge for western countries because its funding sources differ from most other terrorist groups of interest to Canada and the United States since 2001. Unlike groups like al Qaeda and Hezbollah, for example, ISIS finances its operations by raising the vast majority of its revenue internally from territory that it controls. It doesn't rely on deep-pocketed donors, Islamic charities, or state sponsors, which are vulnerable to traditional counterterrorism finance instruments such as targeted sanctions. This makes ISIS both unique and a very resilient financial adversary.

How exactly does ISIS make its money? It's established a diverse set of revenue streams that include extortion, oil sales, looting of rare antiquities and other stolen goods, and tax collection. It's also raised smaller amounts of money from kidnapping for ransom, foreign donations, and money smuggled into Syria and Iraq by foreign fighters.

The coalition's biggest success so far in disrupting ISIS' finances has been in terms of its oil revenues. Last summer the group was making between \$1 million to \$3 million U.S. per day, and this is just on top of all of its other revenue streams, as well as approximately \$1.2 billion that it accumulated in existing assets.

After the coalition began a counterterrorist campaign against ISIS in September, air strikes on its oil infrastructure have helped to disrupt these revenues. The air strikes reduced ISIS' oil extraction capabilities to as little as 5% of what they were at last summer's peak rate. These production decreases coincided with the sharp decline in oil prices worldwide, so ISIS' oil revenues are now reported to have dropped from approximately \$1 million to \$3 million per day to about \$2 million per week.

This represents a significant decrease in what was previously ISIS' main revenue source, but it hasn't been enough to meaningfully degrade ISIS' ability to operate and to fund these operations. The reason why is simple: ISIS isn't a petrostate. It retains lucrative internal revenue streams from which it continues to make an estimated \$2 million to \$3 million each day.

Compared to recognized nation states, ISIS' economy is small. It would be in the bottom 10% to 15% of all countries in terms of GDP, falling somewhere between Belize and the Gambia. But as a terrorist organization ISIS remains extremely rich.

The self-proclaimed Islamic State does have grand ambitions but its operating costs are relatively modest given these ambitions. It minimizes investments in service provision, infrastructure, and materiel, and most of ISIS' spending actually goes into one or two areas, which are wages and personnel costs, and running a Sharia-governed police state essentially on the cheap.

However, ISIS has managed to increase its manpower on the cheap by attracting recruits who are more interested in its extremist ideology than the size of their paycheck. The reports on ISIS' salaries vary, but even if the high-end estimates are correct—which are about \$500 per month—ISIS' personnel costs would still be less than one-quarter of its estimated revenues, leaving ample resources for it to fund its various religious, media, and military operations.

I have a few recommendations. The first is to support new and ongoing efforts to disrupt terrorist organizations' internal revenue-generating capacity. ISIS' wealth is inextricably linked to the territory that it controls. Building a local and regional security force capacity is going to be necessary in order to reclaim the territory that ISIS uses to fund itself.

The second is to find and to seize existing ISIS financial reserves and cash stores. ISIS' war chest is large enough right now that failing to seize it may enable the group to weather the storm of what otherwise might be successful efforts to target its finances.

● (0905)

Third and finally is for counterterrorism operations against ISIS to prioritize not only the group's high-level leadership, but also its administrators and financial facilitators who account for and distribute the group's money. Targeting these nodes, whether kinetically or non-kinetically, can disrupt the group's financial operations and provide valuable intelligence for further unravelling its financial networks.

Thank you very much.

**The Chair:** Thank you very much for your opening statement.

We'll now hear from Ms. Krause, please.

**Ms. Vivian Krause:** Good morning, Mr. Chairman and members of the committee. Thank you for inviting me to testify today.

My understanding from the clerk is that she wanted to hear from me because of the expertise I've developed around the issue of the funding of the environmental movement, the workings of the charitable sector, and how money has come into Canada from the United States especially, and also other countries.

I'd like to preface my remarks by saying from the outset that I've gone through more than 100,000 pages of American tax returns going back 20 years. I've traced the funding of more than 100 environmental groups, and I have never seen any evidence of eco-terrorism or eco-sabotage or anything within the environmental movement that from my lay perspective would constitute terrorism. I want to make a point of saying that, because given the public conversation we've been having in Canada, I think it is important to distinguish between activism and terrorism and between civil disobedience and terrorism.

I've seen no evidence of terrorist financing. That said, I'm not an expert on the matter, and I haven't been looking at it.

I would like to make one suggestion for the committee. It's actually something I mentioned four years ago, when I first testified to a standing committee on national finance. I would just point out that the disclosure requirements we have in Canada are not the same as they are in other countries. In fact, we require far less disclosure from our charitable sector. I mention that because our first speaker of course referred to the use of charitable organizations as a way to launder money. I made a suggestion four years ago, and many other people in Canada have made the suggestion, that we need more transparency in the charitable sector to help ensure the credibility of the sector and also to ensure that it's not used or misused as a way of laundering money into Canada.

You know, it's not rocket science. In the U.S., the IRS has already established pretty simple requirements. For instance, charities are required to list the names of their five highest-paid employees, the names of the five highest-paid contractors. They also, more by way of tradition than anything, include not only the recipients of grants and the amounts but the stated purpose for which the funds are granted. They also include information on where the charity has its investments and on who the donors are.

I'm sure there are people who have much more expertise on that than I do, but it just seems to me, even from my lay perspective, that given the size of the charitable sector in Canada it's important that there is more transparency, for several reasons. One, of course, is just that it's not used as a vehicle for laundering money.

I'd be glad to answer any questions you have. I'll just mention that one other thing I've noticed in my research is that there are several ways that money can come into the charitable sector but it doesn't show up in the tax returns. Organizations have found various ways to get around this by using intermediary organizations and front groups. It seems to me, even from my lay perspective, that a few measures could be taken to prevent that sort of activity.

Thank you for your time. I'd be glad to answer any questions.

• (0910)

**The Chair:** Thank you very much for your presentation.

Colleagues, I think we can do six-minute rounds.

We'll start with Mr. Cullen, please.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Thank you, Chair.

Thank you to our witnesses. My apologies for being late.

Mr. Stephenson, I'll start with you, but this might be for Mr. Fanusie as well. Whatever legislation the government passes in an effort to combat terrorism, whatever measure is taken, there was previous legislation passed through the proceeds of crime act and money laundering and whatnot. It's important that they be constitutional, and then passing any sort of judicial review would be important as well if the intention is to limit money laundering and terrorist financing.

Is that a fair comment for me to make, that they stand up in court?

Yes? Okay.

In the government's first iteration of this, they had several sections of their anti-money laundering and proceeds of crime act struck down in the court, warrantless searches of lawyers' offices being one of them. A second section around trying to break solicitor-client privilege, which is what that act has attempted to do, was deemed unconstitutional by the courts.

So all those efforts are for naught. We now have a bill in front of us, Bill C-51, which is making its last way through Parliament, that seeks to further disrupt terrorist financing but perhaps through means that won't pass constitutional muster.

Would it be critical, in terms of using any of these tools, to have a strong sense that they are legal under the Canadian Constitution before we pass them through Parliament in order for them to eventually one day be effective in doing what they're meant to do, which is prevent terrorists from receiving funds?

**Mr. Kevin Stephenson:** I'm not an expert on Canadian legislation. From the Egmont Group perspective, I couldn't comment on the issues you raise. I think every healthy democracy has that discussion between privacy and information sharing. There are international standards that come up, and the Canadian government's going to have its mutual evaluation done this year by the IMF. They have to look at the risk, and they look and see if you are implementing the international standards accordingly.

I couldn't comment because I'm not an expert on that situation with the law you're...

**Mr. Nathan Cullen:** I don't know, Mr. Rudner. Do you want to come in on this?

**Prof. Martin Rudner:** Yes, thank you. In my opinion—and I'm not a lawyer, but I have studied the terrorism financing issue here in Canada—I think the two cases you just raised did challenge the Canadian Constitution and quite wisely, I think. The Canadian courts have determined they were unconstitutional, but after all, the information about terrorism financing doesn't necessarily derive from the lawyers serving different organizations. There are other means of acquiring that intelligence.

In my own opinion—and we could discuss this—I think we want an expanded or an enhanced investigative capacity on the part of FINTRAC and other related Canadian intelligence organizations to focus precisely in Canada and abroad on terrorism financing. It wouldn't violate the relationship between clients and lawyers. It would seek out intelligence from the sources of terrorism financing.

● (0915)

**Mr. Nathan Cullen:** Let's go beyond that because Bill C-51 imagines similar warrantless searches through CSIS, our spy agency, of individuals without a lawyer involved where there's not a judicial oversight component. This has already been deemed by law experts that have appeared before House of Commons committees as to be unconstitutional.

One wonders what the effort is for if all it does is lead to legal wrangling and eventually striking down provisions of the law the government says are so vital.

**The Chair:** Point of order.

Mr. Adler.

**Mr. Mark Adler (York Centre, CPC):** Mr. Chair, my understanding is that the committee for public safety is studying C-51 right now, and if Mr. Cullen has any questions regarding C-51 he should take those to that committee. We're here today studying terrorist financing in Canada, and I don't see the relevance.

**The Chair:** Mr. Cullen.

**Mr. Nathan Cullen:** If I may, members of the government benches have asked numerous questions about C-51 as well. I don't remember Mr. Adler making a similar intervention at the time.

The question is, does the notion of terrorist financing and what we're studying here today, which is what we've been doing for a number of weeks, bear relevance to other pieces of legislation moving before Parliament? Bill C-51 would be that relevant piece.

To Mr. Adler's point, perhaps this whole study should have been at the public safety committee, but here we are at the finance committee, so one has a bit of a merging of two issues in one place.

**The Chair:** The committee has decided to study terrorist financing. Bill C-51 is obviously related in the sense that it is legislation dealing with terrorism. I would say to Mr. Cullen on the legal issues with searches, I think those are better left with the committee that has studied Bill C-51. If he could bring it back to terrorist financing, because my sense is that the witnesses here are not going to have much to say on issues like that. They are going to have a lot to say on terrorist financing, so let's bring it back to that topic.

**Mr. Nathan Cullen:** Thank you, Chair.

To Mr. Stephenson, or perhaps any of our panellists here today, if you don't have knowledge of this then let us know. What we've heard from folks who worked with the RCMP in the money laundering and terrorist financing section is that there's a problem with our capacity in Canada. When RCMP officers train up and start to learn the incredibly complicated issue of how to track the money, the way our current system is—as we've heard from folks who worked within the RCMP—is that when they get to a certain level of expertise, the way

the RCMP works, they get promoted and transferred out of that division entirely.

A story was related to us about someone who had become quite a proficient expert but was now a detachment commander at a post somewhere because that was the next step of promotion.

Is this anything you have come across in your experience? Mr. Rudner's nodding, so I'll allow him to comment.

**Prof. Martin Rudner:** Yes, indeed, and not only in the RCMP, but in virtually the entire Canadian bureaucracy. We like generalists, not specialists. To get promoted, you're promoted as a generalist and not a specialist, which is precisely the point I'm trying to make on enhanced investigative capacity on the part of FINTRAC and the related components of the Canadian security and intelligence community.

Terrorism finance is a highly specialized issue that requires high degrees of special knowledge. I would like to see a career path for the people engaged in investigations of terrorism financing precisely so their learning generates capacity and continuity.

**Mr. Nathan Cullen:** Thank you, Mr. Rudner. Forgive me for interrupting; I have very little time.

I have a question for Mr. Fanusie. You've identified one of the avenues of financing as state sponsorship. Saudi Arabia has been identified as a state sponsor of terrorism. We've just made a \$15 billion arms deal with Saudi Arabia with no conditions attached. Is there not a way to leverage our influence with groups, countries like Saudi Arabia, to limit such terrorist financing?

**The Chair:** Order.

Just a brief response, please.

● (0920)

**Mr. Yaya Fanusie:** Yes. One of the key points that I mentioned is that yes, military support, diplomatic support, all of that should provide a lever for having other states, whoever they may be.... If they're receiving support for security, that definitely provides an opportunity for activity and improved oversight within their jurisdictions. There is an opportunity there.

**The Chair:** Thank you.

Thank you, Mr. Cullen.

Mr. Saxton, please.

**Mr. Andrew Saxton (North Vancouver, CPC):** Thank you, Chair.

Thanks to our witnesses for being here today.

My first questions will be for Patrick Johnston of the RAND Corporation.

Mr. Johnston, you mentioned in your opening remarks how ISIS is a threat to North America and specifically to Canada. Can you please expand on that?



**Mr. Patrick Johnston:** Sure. I think that the main threat to the United States and Canada does come from the citizens of North America who went and travelled to Iraq or Syria, continue to hold passports, and can return. I think that this presents a different set of challenges from the ones that I highlighted as kind of the high-level issues about what makes ISIS a particularly potent and difficult adversary to deal with through some traditional terrorist finance instruments.

I think that, in terms of the returning volunteers who have travelled to Iraq and Syria, the previous witnesses are correct that this isn't incredibly expensive, that there are domestic sources of funding, oftentimes, that tend to be very grassroots within the communities that they come from, often within mosques and other areas. I think this is, essentially, a set of law enforcement or intelligence questions, but I think it is correct to say that the main threat probably doesn't come from a 9/11 style of attack, if you will, but rather people who are currently being radicalized within Canada or the United States and their ability to get training and funding from ISIS or other groups in Iraq and Syria.

**Mr. Andrew Saxton:** Okay, but there is concern that these individuals who are being radicalized, if they come back to Canada, could also commit acts of terrorism upon their return. What are your thoughts on that?

**Mr. Patrick Johnston:** There's certainly a risk, and I think that some of it stems from domestic law and particularly the ability of people to move relatively freely when they have a passport. There are border control issues as transit points in the EU countries for returning to the United States and I think to Canada as well. I think that the scenario that you laid out is certainly one to be concerned about. Again, I think it's more than a financial issue; it's largely an intelligence and law enforcement issue that requires information sharing and probably work with financial intelligence units. It can't be considered a financial issue by itself.

**Mr. Andrew Saxton:** How important is military action by the coalition in combatting ISIS and interrupting terrorist financing?

**Mr. Patrick Johnston:** I think the coalition would be able to make a substantial difference in being able to reduce ISIS's ability to access its local funding if it had a larger presence in Iraq and Syria. That said, I'm not here to advocate for any particular policy as much as to analyze different policy options. I think the best option on the table right now that's also realistic, given national politics in most coalition countries, is kind of a strategy of patience and working through local partners in Iraq and, ideally, in Syria as well, which, I think, the key is capacity building, and this requires kind of small footprints, small deployments of troops, to service trainers and advisors rather than large deployments of combat forces.

**Mr. Andrew Saxton:** Thank you.

My next question is for Vivian Krause, who comes to us from my hometown of North Vancouver.

Good morning, Vivian, and thanks for waking up so early in the morning.

Can you explain how charities are being used for illicit purposes, for purposes that were not intended? How are they are being financed by organizations outside Canada?

● (0925)

**Ms. Vivian Krause:** I'll do my best. There are two parts to your question.

How are charities being used for illicit activities? I don't think that I necessarily see charities being used for illicit activities. I certainly haven't seen anything illegal, and certainly nothing criminal. As for whether some of the rules are being broken in terms of what charities are allowed to fund, perhaps they are.

How can I answer that? Some of the types of activities that raise questions for me are things like how I've seen environmental groups funded to renew the commitment of opposition parties to a ban on oil tanker traffic. Charities aren't allowed to do that sort of political activity. I'd also question, for example, cultivating indigenous opposition on building relationships with communities along a pipeline route. Does that constitute charitable activity? That's obviously something for the CRA to decide.

To the second part of your question on how funds come into Canada, there are the obvious acceptable and normal routes. Charities in Canada can receive funding from any donor anywhere around the world and are required to disclose that on their tax returns. Most do. I have seen some cases where, for instance, U.S. tax returns say that a Canadian charity was paid but in fact the Canadian charity hasn't reported it. I've contacted some of those organizations and they have in fact said that they filed their tax returns incorrectly and would refile with the CRA. That's one route, which is just the normal entrance of money.

The other thing that happens is that sometimes a donor will make a payment to a non-profit society, say, and that non-profit society then funds the Canadian charity, so by the time the foreign funds get to the charity they've been Canadianized, if you will, through the non-profit organization. There are millions of dollars coming in that way that don't show up as foreign.

**Mr. Andrew Saxton:** So that's a type of money laundering, then, basically?

**The Chair:** We'll have to come back to that. Unfortunately, our time is up. Thank you.

We'll go to Mr. Brison, please.

**Hon. Scott Brison (Kings—Hants, Lib.):** Just when it was getting interesting, Mr. Chair.

Professor Rudner, you've said that in 2003-04, FINTRAC processed reports of \$700 million in suspicious transactions, of which \$70 million was found to be terrorist finance or threats to national security. Do you think this 10:1 ratio would still hold true today?

**Prof. Martin Rudner:** FINTRAC issues an annual report, of course, which was put out just recently. Frankly, I don't remember the precise numbers. At my age, the brain cells don't necessarily respond to the immediate question, but I believe the figures are relatively high.

One of the challenges, of course, is that what FINTRAC is reporting are suspicious reports and reports that have been given to them, as well as things they've been able to intercept through their own methods. We don't know to what extent that constitutes the totality of illicit funding of terrorist organizations from Canada.

**Hon. Scott Brison:** Saudi Arabia and the Gulf emirates have FINTRAC-type agencies. What are the weak links in these agencies compared to FINTRAC in Canada? Are there ways in which Canada could play a role multilaterally in terms of strengthening governance or working with others to strengthen and create more uniform governance around these issues? Or is that naive?

**Prof. Martin Rudner:** I think you've raised a very important question. I think perhaps the Egmont Group may well want to participate both in the answer and in the solution.

There's no question that funds are emerging from private, so to speak, sources or wealthy people in Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates and going to fund activities involving political violence in Canada and elsewhere. The governments of those countries, by the way, are very aware of this and in fact have clamped down under the recent new king. They have clamped down stringently, but I think they lack the capacity to clamp down effectively on all the prospective donors. They're trying, but they have a way to go.

I think one of our possible roles, in cooperation with counterparts at the Egmont Group, could be precisely to build the capacity of those governments to undertake the terrorism financing challenge they face and to prevent, to detect, and to prosecute.

● (0930)

**Hon. Scott Brison:** Thank you.

The what extent is the whole evolution and proliferation of technology around financial transfers, the rise of shadow banking and non-traditional financial groups doing some of the things and playing the roles that banks traditionally did, the emergence of stored-value cards, and the capacity to e-transfer funds to the extent we can today, making it difficult for traditional FINTRAC-type governance to be effective?

Does this require a significant investment in the kinds of technological advances that those who would be in engaged in terrorist financing have already embraced?

**Prof. Martin Rudner:** I've identified that as one of the emergent issues of the greatest importance—capital g, capital r, e, a, t, e, s, t. I think it is extremely important, because it is the emergent methodology of terrorism financing precisely because the terrorists themselves believe they can evade detection. I think we need to develop that investigative capacity on the part of our terrorism-financing detection organizations—FINTRAC, CSIS, RCMP—precisely in order to meet that challenge and to prevent, then detect, and then prosecute.

**Hon. Scott Brison:** You've spoken in the past about the emergence of the terrorist economy, and commodity markets and energy markets, that sort of thing. The ISIS capture of significant resources in the Iraqi oil assets has increased, of course, their footprint in terms of terrorist financing.

Do you have any thoughts on the impact of lower oil prices on that capacity? Or is their cost of production so low there that it still has significant strength or capacity to finance terrorism?

**Prof. Martin Rudner:** I have a paper submitted for publication that will deal with that. But very briefly, on a complex issue that you've identified quite correctly, on the one hand, with the reduced prices, there's no question that Saudi Arabia has said explicitly that one of their purposes of the supply-management regime they created in OPEC to reduce prices was in effect to curtail the revenues of ISIS.

As you say though, the problem is that the cost of production is so low that even at a low price, let's say \$50-plus a barrel, it's still profitable for ISIS. But as we heard from my colleagues, it's much less so than in the past. The thing is, of course, that smuggled oil has a criminal premium, if you could call it that. The criminals involved in that oil trade also want a share of the profits, so that limits their incentive to engage in smuggling.

But it's still significant. Your point is very well taken.

**The Chair:** Okay, thank you.

Thank you, Mr. Brison.

We'll go to Ms. Bateman, please.

**Ms. Joyce Bateman (Winnipeg South Centre, CPC):** Thank you very much, Mr. Chair.

Thank you to all of our witnesses this morning. I very much appreciate the time and the information that you're sharing with us.

A number of you have touched on the fact that organizations are effectively being used to funnel money to these terrorist organizations. Whether it's a business or a charity, or indeed, a financial institution, what kind of training could be used, what kinds of strong accounting principles could be used, what kind of awareness building could be enhanced to assist those innocent businesses, charities, and financial institutions...from being used for the nefarious purposes of terrorist financing?

Perhaps Mr. Fanusie could start with this question.

● (0935)

**Mr. Yaya Fanusie:** Thank you.

In terms of organizations or businesses themselves, I'll start with charitable organizations. There are two parts to this. First, are organizations being used unwittingly or wittingly? Much of what we've seen involves witting participation, so that's one of the key issues. Anyone can start up a company and anyone can have a representative for a company who usually will know who the original owner is or who the actual beneficiary is.

But there's another sort of tack for that question, which is how to better identify these companies. Using the U.S. example, I can mention that in the press there's been a lot of discussion about front companies that own property. In fact, *The New York Times* had a very lengthy series on the number of million-dollar properties in New York City, a certain percentage of which are pretty much owned by front companies. So if you go to look up who owns such and such a property, you won't get the original owner if you look in the public records, or you'll have to do a lot of digging.

There's a discussion going on now about how much information should be available when someone owns a property. There are certain protections. There are reasons people do it. A lot of times the owners of properties that might be in North American jurisdictions are from abroad.

I think a legislative discussion needs to occur regarding how we monitor or how we facilitate more transparency in public records. That would be a big—

**Ms. Joyce Bateman:** We need to give tools to people.

**Mr. Yaya Fanusie:** We need the tools, because from the investigative standpoint, whether it's a government investigator, an intelligence investigator, or a private investigator, you have to use public records, and you have to identify. When we talk about charities, if there's a layer of opacity that keeps you from understanding who the true beneficiary is, that makes it very difficult to connect the dots, so to speak.

**Ms. Joyce Bateman:** Okay.

Mr. Stephenson, you said in your opening comments that there are many silos in this business. It's the same in government. It's rife with opportunity for more effectiveness and efficiency if we could somehow break those silo tubes. Could you speak to how you see doing that?

**Mr. Kevin Stephenson:** You're right, that's one of the bigger challenges, I think. Even within the FIU community, we have different types of FIUs. Some FIUs are administrative and might be under the Ministry of Finance or might be under the central bank. They might have a little bit of a different culture than, say, some of the other FIUs that we have that are actually under the police or judiciary. Those have different philosophies, and different types of people typically work in those. We even have challenges with trying to get them to communicate together. Even within government, for example, there are FINTRAC, RCMP, and your intelligence services here. Try to get them to not work in silos. I'm not saying that they don't work well together. I'm just saying that historically you'll see there are challenges, because you'll have different cultures and different regimes. It's about building trust between these entities. There are different ways you can do that. This is not necessarily an Egmont perspective. My own personal perspective from working in U.S. federal law enforcement and on task forces, on which there were a lot of different people assigned from different agencies working together on specific tasks, is that they were incredibly successful. One of the best money-laundering task forces that seized the most money was El Dorado out of New York, run by U.S. Customs. At least 22 different agencies were assigned to it, working at state, local, and federal levels, and it was tremendously successful.

That's one idea. I'm not saying that it's what Canada should adopt, but it does help prevent the silo effect.

**Ms. Joyce Bateman:** Very briefly, Mr. Johnston, you said \$2 million to \$3 million a day is coming in. You mentioned a number of categories that were illegal, but you also mentioned that ISIS makes a lot of money through tax collection. Could you just briefly explain how that is possible?

• (0940)

**The Chair:** Could you briefly address that? We may have to return to it.

Mr. Johnston, could you just do that very briefly, please?

**Mr. Patrick Johnston:** Yes, sure. It's because ISIS controls the territory that it has in Syria and Iraq much like a sovereign state and is the primary authority.

It's able essentially to clamp down and make the economic rules of the game, and it taxes all kinds of economic activity within the territory, from water to electricity to government salaries, which are still being paid by Baghdad to government employees who are living in northern Iraq, to goods and services. Trucks that are driving through its territory are taxed at checkpoints. This is a very lucrative way of self-funding that ISIS has used, all the way back to when it was known as al Qaeda in Iraq.

**The Chair:** Thank you.

We'll go to Mr. Rankin, please.

**Mr. Murray Rankin (Victoria, NDP):** Thank you, sir. It's good to be on the finance committee.

I'd like to ask my question initially of Ms. Krause. You've spent, I believe, a considerable amount of your time focused on charities and have expressed concerns about foreign influences, very much in line with what this committee is studying.

I believe, however, that your work shifted to pipelines and energy, or oil and gas issues, in 2011 and 2012 if I'm not mistaken, at the same time as a minister of the Conservative government stated publicly that environmentalists and other radicals opposed to pipeline development use funding from foreign special interest groups.

Do you share that view? Was that part of your work at the time?

**Ms. Vivian Krause:** To get the date correct, the first article that I wrote for the *Financial Post* about the funding of the anti-pipeline campaign was in October 2010.

I had been studying the funding of the campaign against salmon farming and aquaculture between 2007 and 2009, and in the spring of 2010 I noticed more than 30 payments for the tar sands campaign and realized that essentially a campaign was starting against some faction, some part of the oil industry. So I actually started two years earlier, in 2010 not 2012.

**Mr. Murray Rankin:** Thank you for that.

You've raised concerns about this foreign funding, although you've said that you've actually never linked any environmental campaigns to specific U.S. companies or individuals that would financially benefit from that work. Is that correct?

**Ms. Vivian Krause:** What I've said is that I've seen no evidence of commercial interest. In other words, I haven't seen a particular refinery that is funding the campaign in order to ensure its supply of oil. I've seen no evidence of a particular oil company per se, but what is very clear is that there are charitable organizations that are working together, coordinating amongst themselves, and that those organizations are funding both conservation initiatives and the tar sands campaign in order to stop the expansion of the Alberta oil industry.

**Mr. Murray Rankin:** And you think that's illegitimate for those charities to be taking those positions.

**Ms. Vivian Krause:** No, I wouldn't say it's illegitimate. It's simply that I think it needs to be out in the open; because this is such an issue of national importance, we need to know who's funding this.

The other issue that I've raised is that there's this multi-million dollar campaign against the expansion of Alberta oil; meanwhile there's been an oil boom in Texas and North Dakota and I find absolutely no funding to constrain that industry.

I've only been trying to—

**Mr. Murray Rankin:** I'm sorry, but I have limited time. Still, I appreciate that point you've made.

At the time in 2012 when you were analyzing the oil and gas and pipeline industries, did you consult with any members of the Conservative government regarding these hypotheses?

**Ms. Vivian Krause:** No. As I said, I did my research on the pipeline campaign in 2010 and 2011.

**Mr. Murray Rankin:** So you never had any contact with Senator Duffy in that period.

**Ms. Vivian Krause:** I did research in 2010-2011. In the spring of 2012 the Senate did a study based on some of my work, and Mr. Duffy was a member of that committee. Yes, and I had—

**Mr. Murray Rankin:** Well, you may know that his diaries contain many references to you.

**The Chair:** Mr. Rankin, we're kind of straying way off terrorist financing.

**Some hon. members:** Oh, oh!

**Mr. Murray Rankin:** Well, Mr. Saxton referred to the word "money laundering" and you used the expression "fronts" when you were talking about the need to have greater transparency amongst intermediaries during your opening.

I'm not sure if you want to comment on Mr. Saxton's use of that troubling term to describe your work on charities and so forth—"fronts," "money laundering"? Perhaps you could expand.

• (0945)

**Ms. Vivian Krause:** Mr. Chairman, I'll respond very briefly.

As I clearly said, I have seen no evidence of eco-terrorism or any sort of terrorist activity. What I have seen, quite apart from that point is that if environmentalist organizations can do this, then any organization can do this, which is to use a series of organizations to move money from a foundation to a non-profit, then back into a charitable foundation, etc.

**Mr. Murray Rankin:** Could you give us a specific illustration of that, or is this just conjecture? Give us a name.

**The Chair:** Okay.

**Mr. Murray Rankin:** Give us one name.

**Ms. Vivian Krause:** You want a—

**Mr. Murray Rankin:** Yes.

**The Chair:** Okay. All right.

Ms. Krause, you have the floor, please.

**Ms. Vivian Krause:** I would be glad to respond, Mr. Chairman, but it is not easy to give a short answer, if you want specific names. I would be glad to give you that information. I don't know how germane it is to your issue of terrorist financing, since the organizations that I would mention have absolutely nothing, as far as I know, to do with terrorist financing.

Mr. Chairman, do you still want me to answer the question?

**The Chair:** Mr. Rankin, do you want her to answer the question?

**Mr. Murray Rankin:** I do. I want one name.

**The Chair:** Okay.

Ms. Krause, you have about a minute to respond.

**Ms. Vivian Krause:** Clarify your question. What do you want, Mr. Rankin?

**Mr. Murray Rankin:** A front is being used in an inappropriate way for "money laundering", in the words of Mr. Saxton. What front? Give us one name.

**Ms. Vivian Krause:** Those were not my words, sir.

**Mr. Murray Rankin:** Yes, they were. You used the word "front". "Front groups" were your exact words in your opening.

**Ms. Vivian Krause:** What I said was that I can see how charitable organizations could be used as a front. I can give you specific examples of the chain of transactions of money within the charitable sector, but I have not seen that used to fund terrorism. I would be glad to answer your question—

**Mr. Murray Rankin:** Please do.

**Ms. Vivian Krause:** —but it is not germane to the issue of terrorist funding.

**Mr. Murray Rankin:** I think you were going to give one illustration. I don't recall hearing that.

**Ms. Vivian Krause:** I'll give you one example.

The Yellowstone to Yukon initiative is a registered Canadian charity. It has reported zero financing over a number of years. Actually, the majority of its funding, if I am not mistaken, in the millions of dollars, has come from an American charitable foundation. That money, first of all, goes into a non-profit society based in Canmore, Alberta, and then that organization funds the Canadian registered charity. The money is Canadianized through a non-profit organization, so when you look at the tax returns, you see zero foreign funding over a period of years, when in fact the funds the charity has been using did originate from outside of Canada.

There, you wanted an example.

**Mr. Murray Rankin:** It's a front organization involved in what Mr. Saxton calls "money laundering". Is that your testimony?

**The Chair:** All right.

**Ms. Vivian Krause:** Those are very charged words. What I am trying to say is that just because an organization.... If you look at the tax returns of a Canadian charity and you see that it has reported zero foreign funding, that does not mean it hasn't received foreign funding, because it is possible to Canadianize the money through other organizations, as in the exact case I just gave you.

**The Chair:** Okay, thank you.

We'll go to Mr. Cannan, please.

**Hon. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses.

I apologize to our witness from British Columbia, as a fellow British Columbian who brought Mr. Rankin in. He is not normally on the committee. I think it is very inappropriate to attack you.

We are not dealing with this aspect. As you indicated, this isn't an issue of the funding for environmental groups. They are legitimate, in the sense that you feel they have nothing to do with terrorism. You are upfront with that. I want to gear my questions toward the terrorism study that we are dealing with.

My first question would be to Mr. Rudner. In your opening comments, you said you have some examples of Canadian organizations that are diverting and transferring funds to terrorist organizations. Could you provide some examples?

**Prof. Martin Rudner:** Yes, we have examples. One of the leading examples was and is Hezbollah, which we know from law enforcement and court cases has a particular presence in Canada. We also have from Hezbollah sources—I've published on this, and I believe I circulated the article, which is in print, to members of the committee—a list of Hezbollah organizations that in fact raise funds abroad and use the funds for Hezbollah purposes, including payments—call it subsidies—to families of martyrs. Those are Hezbollah people who have been killed in terrorist attacks abroad, and their families are supported, if you will, on martyred pensions by these funds, as well as operational expenses of Hezbollah in the Middle East and abroad.

We have Hezbollah as a classic example of that process of raising funds through front organizations, channelled to a terrorist organization. A major study on this was done, by the way, in Germany, which is cited in my article.

● (0950)

**Hon. Ron Cannan:** Thanks.

I had a chance to speak with you earlier and you mentioned you had lived in the Middle East. One story you shared but didn't have time to elaborate on in your opening comments was that it's not just money that's always the front per se to terrorism, but also some of the strategy.

You mentioned that in a eulogy to the late Crown Prince of Saudi Arabia a statement was directed toward Canada.

**Prof. Martin Rudner:** Yes, this was a eulogy at the death of Crown Prince Sultan who passed away several years ago. It was mentioned how he was a very strong supporter of environmentalism, particularly environmental activism abroad, especially in jurisdictions that were producing oil and gas in competition with Saudi Arabia. The discourse focused on Canadian oil and gas development in Alberta, which at the time—we're talking three or four years ago—was seen by Saudi Arabia as a distinct threat to their market share in the United States. The discourse on this was that Saudi Arabia was using, and I'll use this phrase, "front organizations" as financial intermediaries between Saudi Arabia and Canadian activist organizations to try to prevent the development of competition from Alberta and elsewhere in Canada to Saudi exports to the United States market. It's a classic example.

One other example I might mention is Iran. The Iranian leader, Ali Khomeini, the Supreme Leader, recently introduced what he calls the resistance economy with a strategy that is specifically directed at a pivot to Asia and which also calls for active measures to prevent other countries, specifically Canada, from accessing the Asian market in competition with Iranian intentions. As we speak, Iranians are making a major effort to access Asian markets: China, India, and elsewhere. They see the Canadian effort to export oil and gas through British Columbia as competition for market share. I believe we know that the Iranians have a very strong intelligence capability to commit sabotage through Hezbollah directly under Iranian aegis as well as through the Iranian Revolutionary Guards organization and the Quds group within it to commit and support political violence directed at preventing competition. The resistance economy, to use Ali Khomeini—

**The Chair:** You have 30 seconds.

**Hon. Ron Cannan:** You mentioned the word "resistance". In the text of your comments you mentioned Deep Green Resistance and the import of funds for terrorist activity. Is that tied in with that as well then?

**Prof. Martin Rudner:** No.

I wouldn't tie deep green resistance necessarily to the Iranians. We do know that an organization exists in British Columbia and Alberta called Deep Green Resistance. It's on the web, it is well known, and it is explicitly dedicated to political violence to overthrow capitalism, and specifically the oil and gas economy. As a politically violent organization, I think Deep Green Resistance would accept this. Where their funding comes from I don't know. I do hope that the Canadian security and intelligence community does know but they're not going to share their methods of sources and means to tell us.

**The Chair:** Okay.

Thank you.

Thank you, Mr. Cannan.

• (0955)

[Translation]

Ms. Boutin-Sweet, the floor is yours for six minutes.

**Ms. Marjolaine Boutin-Sweet (Hochelega, NDP):** Thank you, Mr. Chair.

Gentlemen, thank you very much for your presentations. They were very interesting.

I would like to focus more on Canada, for a change.

The committee has heard from a number of witnesses who talked about Canada's ineffectiveness in prosecuting cases in the fight against terrorist financing. For instance, FINTRAC receives a huge amount of information, but very few cases come before the courts.

I will quote Ms. Vonn, who is a policy director at the British Columbia Civil Liberties Association. She said the following:

... what little evidence is available can only suggest either that there is considerably less terrorist financing than feared or that the regime is not very effective at addressing it. However, much of the response to that situation of genuinely failing to understand the need and advocacy of the regime is simply repeated or just for more invasive powers; broader disclosures of sensitive, highly prejudicial personal information; a more onerous administrative burden on the private sector; and more resources for FINTRAC and its partners.

How do you think we could combat terrorist financing more effectively? For instance, should criteria be established to target more at-risk transactions or should changes be made to the current \$10,000 threshold?

My question is for Mr. Stephenson, Mr. Johnston or Mr. Rudner.

[English]

**Mr. Kevin Stephenson:** Thank you.

I think FINTRAC, the RCMP, and the other competent authorities can best answer those questions specifically dealing in the Canadian context.

But I think when you look within the context of the international standards, it says that each jurisdiction is supposed to identify and understand its risk. By doing that you have to bring in or involve a private/public sector partnership in identifying the risk to include the TF risk. Then you're supposed to spend your resources trying to deal with that risk accordingly.

You mentioned the cash transaction reporting. When you're dealing with terrorism financing, there's not a cookie cutter that can

fit everywhere. Basically, as I tried to mention before, there need to be different agencies working more closely together and bringing their own expertise, which is one of the things that the FATF has tried to do in changing the standards recently in 2012. I mentioned this earlier in my opening remarks. It's basically looking at how you deal with financial intelligence throughout the chain.

You mention that you don't have a whole lot of convictions. Well, a lot of jurisdictions don't have a lot of convictions. A lot of jurisdictions don't have confiscations, and there are challenges. We need to be doing much better, but a lot of that has to do with better understanding of financial intelligence, better working with the private sector so they can make the reports to FINTRAC, better working with RCMP investigators to follow the money, and better disrupting of terrorism finances. It's a chain. It's not necessarily one entity or one particular thing that you can do, but you have to do it all across the board.

[Translation]

**Ms. Marjolaine Boutin-Sweet:** There are two points I would like to raise.

First, we have been told that the reporting entities were not too sure what to look for and were providing much more information than necessary. Second, we were told that the system was much more effective in the United States. I believe you know a lot about that—for example, the links between banks and the FBI.

Could you briefly tell us how things work in the United States and whether they have tools that could be useful to Canada?

[English]

**Mr. Kevin Stephenson:** Both FINTRAC, and FinCEN in the United States are members of my organization, so I don't want to get into a debate on who is doing a better job. I think both of them are doing an excellent job overall. Of course, there is always room for improvement.

You would have to ask FINTRAC specifically if they think they needed to compare themselves with FinCEN, but overall, as I mentioned before, I think globally that reporting entities in almost every jurisdiction are always asking for more information. But it's not an exact science. You can give them red flags, but it's not like someone walks into a bank and has on the front of their forehead a sign that says, "I'm a money launderer" or "I'm a terrorist and I'm moving money". It's not that simple; it's not that easy. You can give information to the reporting entities and say "Look at these kinds of things. You should know your customer. These should look suspicious; these should look unusual, and you should report that to your FIU." I think a lot of reporting entities just want to be able to check the box.

I think that FINTRAC does an excellent job here, and also FinCEN as a regulator in the United States, in communicating with the private sector and saying, "These are the red flags to look for". But there is a responsibility on the reporting entities that a lot of them are not comfortable with. We're not investigators or intelligence experts, but there is a relationship or partnership that's building the trust and communication that's required. I think overall that FINTRAC and FinCEN are doing an excellent job along those lines.

•(1000)

[Translation]

**Ms. Marjolaine Boutin-Sweet:** Thank you.

As I have only one minute left, I will ask my question quickly. Mr. Rudner or Mr. Fanusie could perhaps answer it.

Do you know about the case of the Lebanese Canadian Bank, in Beirut? Apparently, a system has been dismantled rather adequately. So the rules have been applied properly.

Could you please tell us more about that?

[English]

**The Chair:** Very briefly, Mr. Rudner, please.

**Prof. Martin Rudner:** Yes, I think there was an example of—

By way of background, it was a Canadian branch of the Royal Bank of Canada that was taken over by Lebanese interests and was prosecuted in a private litigation—that's the important thing, that it was private—on the basis of an argument that that ex-Canadian bank, Lebanese-Canadian bank, was used to funnel resources to Hamas and Hezbollah. There was a settlement that's not public. It was a private settlement between the private litigants and the bank where, in effect, they admitted culpability.

I have to say that I was involved as an analyst for the litigants in that case. That's my declaration of interest. Let me just say that the issue there was analysis, that there was sufficient material to be properly analyzed to show evidence that would have convinced the courts. Therefore, the bank realized its culpability and was willing to achieve a private settlement.

I'd like to just go back to this point on sources and methods. One of the reasons why so few prosecutions arise in Canada, I believe, is that the sources and methods are so sensitive that one doesn't want to necessarily bring them before an open court by way of prosecution lest sources and methods be compromised. Therefore, the preference is what we call disruption. In other words, if we can't prosecute, let's detect and disrupt the terrorism financial effort.

**The Chair:** Colleagues, please allow enough time for answers to your questions. Otherwise I'm always cutting witnesses off when they're making points here.

Mr. Adler, please.

**Mr. Mark Adler:** Thank you, Chair.

Mr. Johnston, I just need a very quick answer to this.

This is not a traditional war that we're fighting. We know that radical jihad has declared war on Canada, but this is not the kind of war where we suit up in uniforms and go to fight another enemy in uniforms, and then someone sues for peace at the end. This is a very different kind of warfare that we're fighting now, and we have to fight it on a number of fronts. One front is through financing and there is also military action, but we also have to have a humanitarian component too, for the victims who are finding themselves displaced over in that part of the world.

Could you comment on that quickly, because I want to move on to other topics, please. Thank you.

**Mr. Patrick Johnston:** First of all, I agree with all of your points. It's a set of trade-offs and dilemmas, but to the last point, the humanitarian aspect, I think that is a critical issue now throughout the Middle East, in terms of how to disburse aid and other humanitarian assistance in a way that doesn't compromise national security. These are extremely at-risk populations that often have close ties, through families, friends, or others who have been displaced, to terrorist groups. So I think the close monitoring of camps is important. We've seen this in a number of cases before.

**Mr. Mark Adler:** All of that doesn't preclude military action too, correct?

**Mr. Patrick Johnston:** No, I don't think it should preclude that.

**Mr. Mark Adler:** Okay, thank you very much.

I do want to move on to Mr. Rudner, if I may. The radical mosques, for example, here in Canada, Wahhabi mosques, do they receive funding from foreign sources, that you're aware of?

**Prof. Martin Rudner:** Many of the so-called radical mosques originally were funded by Saudi sources, including Saudi public organizations such as the Muslim World League and other such organizations, and they cultivated a Wahhabi perspective, which itself became radicalized in the diaspora into support for some of the missions of al Qaeda and other groups. But the Saudis experienced a backlash to this, and in the past five or six years the Saudi government itself, under the late King Abdullah, has clamped down fiercely—and I'll use that word—on that syndrome within Saudi Arabia and also tried to prevent its dissemination of those kinds of, call it, theological guidelines abroad. So that period is in effect over.

The worry I would have as a scholar studying terrorism and terrorism financing is that if the funding channel from Saudi Arabia has now been curtailed, are there other channels, and one suspects, for example, Qatar, in the Middle East itself, and the Egyptians and others, who are very much involved in the dissemination of Muslim Brotherhood radicalism?

Are they involved in Canada? This is something we would want a terrorism financing investigation organization—FINTRAC, CSIS, the RCMP—precisely to track to see if there's a new source of funding for radicalization of Islam in Canadian institutions.

•(1005)

**Mr. Mark Adler:** Mr. Stevenson, I'd like to follow up with you on this.

In Montreal there's the Al Sunnah Al Nabawiah mosque.

Mr. Rudner, you're familiar with it?

**Prof. Martin Rudner:** Yes.

**Mr. Mark Adler:** Thank you.

U.S. intelligence officials claim that it's known that al Qaeda members are recruited, facilitated, and trained out of that mosque, and in 2011, the current leader of the Liberal Party, Justin Trudeau, visited that mosque. There was also a conference, the Reviving the Islamic Spirit conference, that took place in 2011 where the then Liberal leader had spoken, and that was funded by a group, IRFAN, which as we all know raised \$14.5 million to send to Hamas and had their charitable status withdrawn.

At the time, Mr. Garneau, who was running for the leadership against Mr. Trudeau, refused to appear at that conference because of the radical ideas that were being promoted.

Could you please comment—either of you if you want to both comment on this—when Canadian politicians appear in places like this, does that give a confidence, a boost of confidence to, or legitimize in any way the activities of these kinds of organizations?

**The Chair:** This is for—

**Mr. Mark Adler:**—either Mr. Stephenson or Mr. Rudner.

**Prof. Martin Rudner:** Let me make a non-political statement on this because one doesn't want to transform countering terrorism finance into a political party issue.

I think the point is twofold. One is that at the time Saudi Arabia had not yet judged those mosques and that “current” of theology in Islam as being a threat to Islam. It changed afterwards. From our point of view, it was a threat to Canada then.

The problem, in my personal view, is that we have to begin treating terrorism and counterterrorism like we treat all “conflict threats” to Canada: as non-partisan. To my mind, there should be consultation and counsel between the Government of Canada and the leaders and members of Parliament of opposition parties, to achieve a non-partisan consensus on what constitutes the threats to Canada and how to constrain and impede those threats from materializing into political violence within Canada. That should be done in an absolutely non-partisan sense, as we did during wartime.

I think we have to return to that. I'm hopeful that Parliament—and through this committee examining terrorism finance—can achieve this metapolitical consensus on terrorism financing threats to Canadian interests.

**The Chair:** Thank you.

Thank you, Mr. Adler.

We'll go to Mr. Anderson, please.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** Thank you.

Mr. Chairman, I have a couple of comments.

I'm new to the committee, so I'm glad to be here today. I can assure you that I didn't come here to attack one witness specifically. I've seen this before, in the natural resource committee, where Ms. Krause was attacked personally for the information she brought forward.

It was interesting to hear clear testimony that funding on environmental activism goes far beyond her investigation. It's far more international than most of us had thought it was in the past.

Mr. Stephenson, I want to come back to a couple of things that you mentioned. You talked about the importance—a few times, actually—of real-time information exchange and how to be more effective. I think we'd probably all agree that's necessary, that things need to be monitored much more quickly.

Do you have any idea of how we could prevent the reach of government into the private lives of citizens who aren't involved while we're doing this? We want to be more effective. We also want

to stay away from and leave normal citizens to live their lives. Do you have any suggestions on how that might be accomplished?

• (1010)

**Mr. Kevin Stephenson:** I mentioned it earlier. I think every healthy democracy struggles with the question of security for its citizens and their right to privacy. With my knowledge of the Canadian system, I think you have quite an excellent balance in doing that, especially when it comes to the terrorism financing,

In looking at some of the things that I was involved in after 9/11, and then also working within Egmont, it seems that more often than not, it's actually very rare that one entity within a government doesn't have information about particular terrorists, terrorist financing, or something that would be of interest to others. The issue seems to be that sometimes that particular agency doesn't share it across the board to other agencies. That's the point I've been trying to make today, to make sure that all the competent authorities are sharing that financial intelligence, and the importance of financial intelligence.

You're much more familiar with the Canadian system than I am. We're not an assessor body within the Egmont Group; the FATF does that. As I mentioned before, you have your mutual evaluation coming up to look at the system.

It's always a struggle to find that balance, and I think open debate is the best way to move forward.

**Mr. David Anderson:** Mr. Fanusie, you mentioned that local people may be the ones who are most interested in fighting terrorism because of the pressure that's put on them through extortion and a number of other avenues.

We spend a fair amount of money supporting democratic rights in different countries—human rights, and those kinds of things.

Are you aware of any programs internationally that are set up to try to work on the ground with local communities, specifically to deal with these issues of financing around terrorism and those kinds of things? Are governments taking any initiative in that area?

**Mr. Yaya Fanusie:** I'm trying to think of specific examples, and it's difficult. In the situations that I mentioned, we're talking about environments where the terrorist groups have control, where there isn't much of a government presence.

However, if we look at what has happened in war zones—the wars in Afghanistan and the war in Iraq—clearly there were examples. Even with the military working on the ground in communities where the military presence was not solely a kinetic presence, there was a development presence. Of course, in Afghanistan, there were the provisional reconstruction teams. In the war environment, we have examples of how governments can multi-task and not solely focus on kinetic action. We have seen that in the war zone.

It's difficult because there has to be a presence on the ground.

**Mr. David Anderson:** This question may be a bit tied to that and could go to a number of you here, but are there any effective ways you're aware of to pre-empt these organizations before they gain strength?



Think about ISIL. There are a few hundred fighters not really going anywhere. They are able to consolidate and move ahead. The international community is slow to react to that, and then we end up in the situation that we're in right now.

Are there any tools that we can use internationally that might preempt these organizations in terms of intercepting their financing ahead of time? Or is that too much of a crystal ball to be able to do that...?

That's for Mr. Johnston, perhaps, and Mr. Stephenson.

**The Chair:** Mr. Johnston, do you want to address that?

**Mr. Patrick Johnston:** In the case of ISIS, I think that certainly there was a warning from the U.S. intelligence community about the group and its rise, particularly in regard to the Shiite crackdown in the government on Sunni politicians, subsequent protests, and the movement of the group that's now known as ISIS into Syria when it was still known as the Islamic State of Iraq.

I think the misperception and some of the reluctance to act initially wasn't necessarily because of not knowing about it, but because of not knowing the size and scale that it could grow into. It really is I think a unique terrorist organization in what it has become, in being really like a terrorist state rather than a dispersed network of cells. Although there are cells, that's not its primary mode of organization.

I think the rise of ISIL, though, was so historically contingent on those factors, which go all the way back to how the Iraqi democracy was set up and who became the president, that it is difficult to undo some of that history, even if you can see the makings of a group like ISIS or another terrorist group emerging from such a context.

•(1015)

**The Chair:** There's a very brief time left.

Mr. Stephenson, do you want to comment very briefly?

**Mr. Kevin Stephenson:** Just quickly, I agree with what Mr. Johnston was saying.

I also think that within the Egmont Group something we're struggling with is trying to get the real-time exchange of TF information. I don't want to sound like a broken record, but I also think that sometimes there's a disconnect in some jurisdictions in terms of the intel agencies and the FIUs. Sometimes an FIU might have a bit of information about the movement of funds, but they don't know that the particular or entities might be of interest in terms of terrorists.

We need to bridge that gap. I think that's one thing. It's difficult. It's a challenge, because you have to remember that these people don't want to be detected. That's one of the things that I think we need to figure out: how to better communicate amongst the jurisdictions and also domestically.

**The Chair:** Thank you.

Thank you, Mr. Anderson.

Colleagues, we have time for probably four five-minute rounds.

[*Translation*]

We will begin with Mr. Brahmī.

Please proceed.

**Mr. Tarik Brahmī (Saint-Jean, NDP):** Thank you, Mr. Chair.

I want to start by thanking those who have come testify before us and tell them that I am sorry they have had to hear some statements that are a bit exaggerated. Someone said that the Islamic State had declared war on Canada. I hope that, when a state declares war on Canada, the response will be more than 6 airplanes and 70 members of special forces for training. So you have heard some things that are not very serious, and we apologize for that.

I would like to continue along the lines of Mr. Fanusie's somewhat broader perspective. You talked about funding and oil sales that generate \$1 million to \$2 million a day for the Islamic State. Let's try to put the amount of money generated and the means used in perspective. Two attacks have been carried out in Canada, one in Saint-Jean-sur-Richelieu—which is the riding I represent—and one in Ottawa.

A Winchester rifle was used in Ottawa. It was probably a collection rifle. I don't know what its price is, as I am not an expert on collection rifles, but I imagine it would be around \$100.

As for the attack in Saint-Jean-sur-Richelieu, a kitchen knife was used that costs about \$10 at Walmart or Canadian Tire. The perpetrator used a 2000 Nissan Altima automobile—so a 14-year-old car—which was beige in colour, to be very specific.

When we put in perspective the millions of dollars the Islamic State generates through the sale of oil and the investment put in by the two individuals who carried out attacks in Canada, can we really say that those were terrorist attacks? How do you view that imbalance?

Isn't confusion between real international terrorism and the mental health issues of people who have no connection to those international organizations likely to discredit and diminish the work you are doing to warn authorities about the funding of international terrorist organizations? Couldn't the fuelling of that confusion to fearmonger and support a political program diminish your work?

I will begin with Mr. Fanusie.

[*English*]

**Mr. Yaya Fanusie:** Yes, thank you.

To respond, the key issue is distinguishing what we're talking about when we discuss financing. At the beginning of my statement I mentioned that an act of violence itself does not really cost much money. I think what's important to understand—and you make reference to the \$1 million to \$2 million dollars a day from oil.... I'm not familiar with all of the intricacies behind the cases that you mentioned, but what I will mention is an individual like John Maguire. If you look at John Maguire, who was here at the University of Ottawa and later went to join ISIS—

•(1020)

[Translation]

**Mr. Tarik Brahmi:** The government is not using the John Maguire example to promote its program. I was rather using the example of the two individuals who used the equipment I mentioned. Given the equipment used in those two attacks, could that not discredit your approach?

[English]

**Mr. Yaya Fanusie:** The approach I'm laying out is to really highlight how organizations receive their funding.

[Translation]

**Mr. Tarik Brahmi:** Thank you.

I will now yield the floor to Professor Rudner.

[English]

**Prof. Martin Rudner:** I think the key element we have to focus on is the intentions of the Islamic State. Let me just mention that Islamic laws require the giving of warnings to intended targets of jihad, of the Islamic religious warfare agenda. By the way, they always do that. They don't necessarily send it in English or French to particular email recipients, but they always issue a warning. One of the tasks of the intelligence community and scholars of terrorism is to monitor the discourse of the Islamic State and other terrorist groups.

In answer to your question, there's no question, absolutely none, that the Islamic State has threatened Canadian interests explicitly and directly. Whether or not the two individuals you mentioned were controlled agents of ISIS we will know only when our intelligence and security community publish the intelligence that they were able to collect and disseminate.

They won't do this now for reasons of sources and methods. We Canadians do not want Islamic State to know if we've penetrated them and how we've penetrated them, because we still want to get the intelligence.

There's no simple answer except that there is a direct and explicit threat to Canada.

**The Chair:** Thank you very much.

[Translation]

Thank you, Mr. Brahmi.

[English]

I'm going to take the next round.

Mr. Fanusie, I wanted to follow up with you on your presentation. I thought it was very interesting.

You made the point that a number of witnesses have made before the committee, which is that an actual operation costs very little. It's the maintenance of the organization in and of itself that is the issue.

You talked about ISIS as an organization raising about \$1 million to \$2 million per day from oil, but you also said that kidnapping for ransom is the leading method of terrorist financing after state sponsorship, which I think would surprise many people. People are

aware of the kidnapping, but I don't know if they're aware of how much money is actually being raised.

I wanted to follow up with you on the illegal trade of ancient artifacts. It's something we've heard very little about at this committee, so I wanted you to expand on it.

It's interesting: I recently read a book by someone on the FBI Art Crime Team. I think it was called *Priceless*. The amount of money involved in theft and the amount of organized crime involved in art, as well as the artifacts, which you mentioned here, are things that I don't think this committee has really covered that much.

Can you perhaps expand on those in detail?

**Mr. Yaya Fanusie:** Sure. Specifically with reference to the Islamic State, it's probably important to point out how this happens. It's not necessarily a case of guys from ISIS going out and digging and looting artifacts and sculptures that they find themselves. What you have is a phenomenon such that they have control of an area, they control the territory, and they pretty much allow the locals to dig, and they tax the proceeds. Getting back to the idea of just taxing whatever is sold, it's sort of an open environment. They don't necessarily pillage themselves, but they're in these areas where you have millennia's worth of artifacts that can be found and they just allow people to find them or bring them and sell them. When they're sold, they get a share of the proceeds.

That's the layout. That's how it happens.

You mentioned the underground economy, which I think we don't really understand. We don't have the same sort of attention to this economy.

Actually a few weeks ago, I read an article, not about ISIS but about a historic Italian book, I think maybe from the Renaissance period, that was found. It was sold by an art dealer. The U.S. Homeland Security had a team that went in and did all the digging and recovered the book, and the book was at a library at Johns Hopkins University.

I talked to the people at Johns Hopkins and they said that for artifacts there's really no process like the Kimberley process for blood diamonds, under which items have to go through a very strict certification to verify that they are not from illicit trade.

There are safeguards, but they're not that rigorous. There's a lack there.

•(1025)

**The Chair:** So in most cases they're not actually selling the artifact themselves. Someone else is selling it.

**Mr. Yaya Fanusie:** Yes.

**The Chair:** Then they monitor the entire sale and they tax that sale. I think it's almost offensive to call it a "tax", but what percentage do they apply to that sale?

**Mr. Yaya Fanusie:** It depends on the item. ISIS will tax up to 20%, 50%, or more, depending on the items, from reports I've seen.

It very much depends on the individuals involved, the item, and how valuable the item is. There is not a set price.

**The Chair:** Who is buying the items?

**Mr. Yaya Fanusie:** The items are smuggled. At the end of the day, the chain is murky, to be very honest. You have people who smuggle other types of goods across borders, who smuggle oil, who smuggle people, and you have similar people involved here. You have middlemen whose job it is to smuggle and to find an underground black market.

**The Chair:** We've had oil discussed at committee before. Who are the main purchasers of the oil and the oil products from ISIS?

**Mr. Yaya Fanusie:** I don't know if anyone else here wants to say anything, but I'll say a little bit about this.

We didn't talk about the smuggling route. What happens is that ISIS, even with the low oil prices, will sell oil at a discount. Because of that discount, it's really just driven the smuggling. Oil is taken from those areas into Turkey. That's where you have, as I mentioned, the middlemen, the smugglers will take oil across the border and sell it to towns and to people who want to buy the oil.

**The Chair:** Mr. Johnston, do you want to comment briefly on any of that, the artifacts or the oil?

**Mr. Patrick Johnston:** In the interest of time, I'll just say that I agree with almost everything Mr. Fanusie said.

I would add one thing on the artifacts. I think there's relatively good documentation on the ISIS cut of this, which, if you want to call it a tax or whatever, tends to be about 20%. He's right that certain other taxes are as high as 50%, and still other taxes are as low as, I think, 2%. It does vary a lot by good. Some of this is because of religious values and so on. Some of it is just pure profit motive and internal markets at work.

**The Chair:** Thank you. I appreciate that.

I'll go now to Mr. Brison, please.

**Hon. Scott Brison:** Mr. Chair, I have a couple of questions, but Mr. Rankin was pursuing a line of questioning that I found compelling. I would like to provide him with an opportunity to continue. Would that be fine?

•(1030)

**The Chair:** Are you asking your questions first?

**Hon. Scott Brison:** I have a couple of questions, then I'd like to give Mr. Rankin some time.

**The Chair:** Well, the clerk advises me that it's a grey area because it's a Liberal round.

**Hon. Scott Brison:** I'm seeking consent from the committee.

**The Chair:** I would prefer that a Liberal member take a Liberal round. It makes it much easier for the chair.

**Hon. Scott Brison:** In the interest of cooperation among the parties, I thought we could go back to Mr. Rankin.

**The Chair:** Does Mr. Brison have consent of the committee to share his round with Mr. Rankin?

**Hon. Scott Brison:** He was pursuing, I thought, a very compelling line of questions.

I would ask my colleagues from the Conservative Party—

**The Chair:** I'm advised that the chair can't decide. It's at the consent of the committee.

**Hon. Scott Brison:** Do we have the consent of the committee, Mr. Chair?

**The Chair:** Is that okay if he shares his round?

**Mr. Andrew Saxton:** I think half of Brison's time is already gone.

**Voices:** Oh, oh!

**The Chair:** Yes.

Okay. You have four minutes, Mr. Brison.

**Hon. Scott Brison:** Thank you very much. I'll begin, and then Mr. Rankin will take it from there.

I have a question with regard to the issue of the cost of individual attacks not being that significant. From the perspective of the financing of terrorism, if in fact terrorism financing costs have gone down so significantly, that would seem to indicate the potential for a proliferation of such attacks. In some ways, it makes it much more difficult for us to follow the money when there are such small amounts of money required. We have had some witnesses speak to us on the potential, for instance, of foreign aid inadvertently supporting terrorist activities. Then we have had, from other witnesses, testimony that one of the root causes of terrorism is extreme poverty in these countries and that foreign aid is therefore important.

How do we maintain that balance? It's important to invest in communities and social infrastructure so that failed states do not become hotbeds of terrorism. At the same time, it's important to ensure that the money intended for institution and community building in some of these countries actually achieves that end.

**The Chair:** That's for Mr. Fanusie.

**Mr. Yaya Fanusie:** Yes, I think you've hit an important point—the question of aid. I think the answer lies in what aid goes towards and how strong the institutions are that you're going to invest in or provide aid to.

Perhaps an interesting example may be Mali, which for quite an amount of time many people would say was doing well and did not have that much of a jihadist problem several years back. But you had a vacuum, in a sense, with weak institutions and weakly governed space, a vacuum that extremists and others from other parts of the region were able to capitalize on.

So that's just one example. I don't know if that speaks to every question you may have.

But the issue is really, what institutions are going to be strengthened by donating the funds? I haven't identified foreign aid as one of the key sources of terrorist finance, but certainly having strong institutions on the ground probably makes the biggest difference in terms of how well foreign aid goes towards the targeted aim.

**Hon. Scott Brison:** When I speak of foreign aid I'm not speaking specifically of government foreign aid. I'm speaking also of the charitable non-profit sector, or NGO sector, where Canadians may be contributing. So that's what that was.

But thank you.

•(1035)

**The Chair:** Okay, well, you're at 5:11.

**Some hon. members:** Oh, oh!

**The Chair:** Thank you, Mr. Brison and Mr. Rankin.

We'll go to Mr. Saxton, please.

**Mr. Andrew Saxton:** Thank you, Mr. Chair.

It's too bad that the NDP did not get a chance to ask another round. So I'll ask questions on behalf of Mr. Rankin.

Ms. Krause, can you tell us if you've done any study of other countries funding environmental activities here in Canada?

**Ms. Vivian Krause:** I've tried to look into that.

The biggest example I can think of is the Oak Foundation. I've traced, I think, \$20.2 million that's come to environmental groups from the Oak Foundation. What's interesting, though, is that of that, less than \$3 million shows up in the U.S. tax returns. So obviously that money came from U.S. charities. The question is, where did the other \$17 million come from?

I wrote to the Oak Foundation last week, actually, and I told them I would be testifying today. I asked them to tell us which countries this is coming from. The reason is that we need to know under which rules that money was granted in the first place. Was it granted under the U.S. rules for charities, or, if not, under which other country? They did reply. They told me they wouldn't answer, but they would respond to a government official. So you could pursue that.

The other question—

**Mr. Andrew Saxton:** Sorry, can I just ask if you've seen any evidence of any funds coming to our environmental activists from oil-producing countries—like Saudi Arabia, for example?

**Ms. Vivian Krause:** No, I've seen no evidence of that. However, what I will say is this. A large chunk of the money, about \$25 million, has come from the Tides Foundation. This is specifically for the anti-pipeline campaign. Also, of that \$25 million, I can account for about half of it as coming from American foundations through Tides. The other half I don't know, but I—

**Mr. Andrew Saxton:** Would you have any idea what their motive is to do that?

**Ms. Vivian Krause:** Yes, I think it's very clear what their motive is. They want to develop their renewable energy industry, and Alberta oil has become the poster child of the campaign against fossil fuels.

**Mr. Andrew Saxton:** Is the Tides Foundation also funding environmental activism against the Bakken properties, the oil producers in the U.S.?

**Ms. Vivian Krause:** No. Well, it's to a much, much more limited extent, but I think at some point we should say.... I often get this question: is the Tides Foundation a vehicle for money from the Middle East? There are two things. One, I see no evidence of that, and two, I can't imagine that would be occurring, because the Tides Foundation is one of the biggest funders of a number of issues, such as, for instance, the fight against homophobia—

**Mr. Andrew Saxton:** Okay. That's another subject for another day.

**Ms. Vivian Krause:** —the fight against violence against women, and the fight against the death penalty.

**Mr. Andrew Saxton:** Thank you very much. I have very limited time.

**Ms. Vivian Krause:** I can't imagine that they would be addressing those issues at the same time that there would be a conduit of funds from the Middle East.

**Mr. Andrew Saxton:** Thank you, Ms. Krause.

Professor Rudner, very quickly, you mentioned that Canada has been singled out and targeted by ISIL. How effective has the military intervention been by the coalition against ISIS?

I'll share my time with Mr. Cannan after that.

**Prof. Martin Rudner:** In my opinion, there are two wars going on with regard to ISIS. One is a war on the ground for territorial control, which we heard about this morning. The other is what we'll call “the war over jihadist principle”. That's the intention of ISIS, and it's in their public documents. The intention is to establish or re-establish a caliphate, not just in Iraq and Syria—which, by the way, are the territories of the original Abbasid caliphate—but globally. That war, we're not fighting with aircraft and troops on the ground. We have to fight with ideas. We have to find and support our colleagues within the world of Islam—who, by the way, are also threatened and targeted—to work together to defeat the threat to all of us.

**Mr. Andrew Saxton:** Thank you very much.

Mr. Chair, I'd like to share my time with Mr. Cannan.

**The Chair:** You have one minute.

**Hon. Ron Cannan:** Thank you, Mr. Chair.

Mr. Johnston, I have two quick questions. I know that the U.S. House of Representatives is doing a study and that your colleague Seth Jones recently testified there. I was looking at his statement online.

I was wondering if you could highlight and share quickly some of the biggest threats to North America and some specific ways that nations like the U.S. and Canada can undermine these terrorist organizations and the funding they receive. I think you would agree that a person needs to be committed to a cause to become and/or fund a terrorist. What role does religion play in supporting terrorist financing?

Thank you.

•(1040)

**The Chair:** We'll try to do that very briefly.

I know those are big questions, Mr. Johnston, but if you can make a brief response, it would be very helpful.

**Mr. Patrick Johnston:** Two threats highlighted in that briefing were al Qaeda, particularly al Qaeda in the Arabian Peninsula, and a range of Iranian groups, principally Hezbollah among them, as well as the Islamic State. The Islamic State, despite encouraging or trying to inspire terrorism in North America, so far has been much more focused on the Middle East and trying to build a caliphate, starting in Iraq and Syria. A group such as al Qaeda in the Arabian Peninsula is much more focused on the “far enemy” as they call it, which is the west.

**The Chair:** Thank you.

**Mr. Patrick Johnston:** To disrupt its funding, you have to figure out what the sources are and where they come from. It's really a

multi-agency and potentially multinational effort among allies. I can go into more detail off-line, if you like.

**The Chair:** Thank you.

Thank you very much, Mr. Cannan.

On behalf of the committee, I want to thank all of our witnesses, those here in Ottawa and those in Pennsylvania and British Columbia. Thank you so much for being with us. If you'd like us to consider anything further, please do submit it through the clerk.

Thank you, colleagues.

The meeting is adjourned.

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