

# SIGNS OF CONFUSION IN THE MIDDLE EAST

Yesterday, Shane Harris told the tale of a spooked up telecom providing Iran's state-owned telecom company with Internet bandwidth.

GTT Communications Inc.—headquartered in McLean, Virginia, just a 15-minute drive from the headquarters of the CIA and hired by various unnamed U.S. intelligence agencies and satellite operators—hasn't exactly been touting its new venture.

The company has issued no press release about its deal with an undersea cable network that sells Internet services to Iran and other Persian Gulf. (One of the cables comes ashore at the city of Bushehr, home to a nuclear plant that's been the subject of intense debate about its role in Iran's nuclear program.)

[snip]

The company began providing bandwidth to Iran's state-owned telecom company, TIC, via one of Gulf Bridge's submarine cables on June 10, Doug Madory, the director of analysis at Dyn, a research company that monitors Internet connectivity, told The Daily Beast. Notably, that was nearly a month before the U.S., Iran, and other world powers announced an agreement to curb Iran's nuclear weapons program in exchange for lifting some sanctions.

Today, WSJ has a muddled story about the Fed cutting off shipments of cash to Iraq because of concerns about who was getting the dollars.

In 2014, annual U.S. dollar cash flow from the Federal Reserve Bank of New York to Iraq was \$13.66 billion, more

than triple the \$3.85 billion in 2012, according to data compiled by Iraq's parliament and reviewed by The Wall Street Journal.

That spike doesn't mesh with the sluggish Iraqi economy of late, and as a result U.S. officials suspected the dollars were being hoarded rather than circulated.

[snip]

U.S. officials sent a written demand around July to Iraqi officials that the Iranian banks be cut off and separately conveyed to Iraqi officials that the Fed wouldn't approve cash requests until the overall situation improved.

[snip]

In July, several U.S. officials, including Daniel Glaser, assistant secretary for terrorist financing in the Treasury's Office of Terrorism and Financial Intelligence, flew to Baghdad to discuss potential solutions. At a meeting in the U.S. Embassy dining room, Iraqi officials including Iraqi central bank governor Ali Allaq agreed to turn over reams of data to the Fed, which also shares it with U.S. intelligence agencies. They later hired U.S. accounting firm Ernst & Young to monitor the auctions.

On Aug. 6, just days before Iraq's central bank said it would run out of dollars, the Fed and the New York Fed sent nearly \$500 million. It has sent several more in the weeks since then.

I say the story is muddled because it offers various accounts of who was getting the dollars laundered through Iraq's central bank: corrupt officials, the Kurds, Iran, or ISIS. (ZeroHedge suggests the money was going to intentionally

fund ISIS, but a lot about that claim, especially the timing of the cut-off, doesn't make sense.)

What one comment in the story makes clear, however, is that Treasury let this money-laundering go for a time, until recent events led them to crack down.

Some Iraqi officials had similar concerns at the time, and also said corruption and graft have been a problem for years and question why U.S. officials only recently considered the currency issue an urgent one to be addressed.

This is roughly \$20 billion laundered through Iraq – much of it going to the Kurdish region – that the US only acted to halt amid concerns that one of our many adversaries was tapping into the dollars.

These two data points suggest our ostensible alliances in the Middle East aren't in fact who we're working with (with the exception of the Kurds, who remarkably stick with us even after we sell them out serially).

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