



## **Stemming ISIS Funding – U.S. Asian Allies Diversify Away from Qatari LNG<sup>1</sup>**

**Dr. Christina Lin**

**October 2014**

### **Abstract**

---

In a globalized world, ISIS is pivoting to Asia and recruiting jihadists especially in Muslim countries such as Indonesia and Malaysia. While the U.S. – led coalition is focusing on stemming ISIS-financing from Gulf states such as Qatar, Asian countries that support the coalition can also diversify away from Qatari LNG. Given the ISIS threat to Asian regional stability, and as the world's two largest LNG consumers with over 50% of export market share, Japan and South Korea can make a significant impact on stemming financial remittance to Qatar so as not to fund both sides of the war – on the one side supporting the anti-ISIS coalition while on the other side funding the Qatari war chest supporting ISIS.

### **About ISPSW**

---

The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is objective and task oriented and is above party politics.

In an ever more complex international environment of globalized economic processes and worldwide political, ecological, social and cultural change, bringing major opportunities but also risks, decision-makers in enterprises and politics depend more than ever before on the advice of highly qualified experts.

ISPSW offers a range of services, including strategic analyses, security consultancy, executive coaching and intercultural competency. ISPSW publications examine a wide range of topics connected with politics, economy, international relations, and security/defense. ISPSW network experts have worked – in some cases for decades – in executive positions and possess a wide range of experience in their respective specialist areas.

---

<sup>1</sup> LNG = Liquefied Natural Gas



## Analysis

---

While the U.S. is assembling an anti-ISIS coalition mainly from the Middle East and Europe, Asia is just as anxious about the rapid spread of the ISIS contagion – similar to the Ebola virus – in a globalized world.

On 25 September Admiral Locklear, Commander of U.S. Pacific Command, disclosed that ISIS has recruited at least 1,000 Asian fighters using social media.

The Asia Pacific is currently plagued by a myriad of homegrown jihadist networks, from Philippines to Indonesia to Afghanistan and Pakistan. Now, recruitment for ISIS appears to be ramping up among sympathizers in Asia's Muslim population, especially in Indonesia and Malaysia.

As such, U.S. Asian allies such as Japan and South Korea have joined the Washington-led coalition<sup>2</sup> in order to stem the ISIS contagion to their region.

However, they may be missing another half of the picture to stem funding of ISIS-Qatari liquefied natural gas.

### LNG and Qatar's war chest for ISIS

Over the past decade, Qatar through its position as the world's largest LNG exporter has catapulted the tiny Gulf state to being the world's richest country per capita, and its sovereign wealth funds are hunting investment opportunities across the globe.

However, some Qatari citizens are hunting for unsavory investments.

A 7 September *New York Times* article revealed how Doha provides "safe haven, diplomatic mediation, financial aid and, in certain instances, weapons" to Islamist groups, including many U.S. designated terrorist fundraisers for Al Qaeda affiliates such as Hajaj al-Ajmi and Abdel Wahab al-Humayqani.

Admiral James Stavridis, former NATO SACEUR, also criticized that wealthy Gulf donors act as "angel investors" in funding ISIS, especially from Qatar. While most Arab states have laws prohibiting terrorist fundraising, Stavridis and other current U.S. officials suggest that the Qatari government has done less to stop the flow of terrorist funding and do not enforce their laws.

Adm. Stavridis further argued that cutting off the cash flow is the "fourth front" in the war against ISIS, along with helping the Kurdish Peshmerga and the Iraqi military, and carrying out a bombing campaign.

Given Qatar derives its wealth from being the world's largest LNG exporter to the biggest consumer market in Asia, U.S. Asian allies would likely need to stem their wealth transfer to the Qatari war chest that funds ISIS, especially while ISIS is beginning to metastasize in Asia.

---

<sup>2</sup> See also: Kedar Pavgi, "Here's a Map of Obama's Coalition Against the Islamic State", in: Defense One, 24 September 2014, <http://www.defenseone.com/threats/2014/09/heres-map-obamas-coalition-against-islamic-state/95000/?oref=d-mostread>



### **East Asian allies indirectly underwrite Qatar's war chest for ISIS**

Currently 75% of the LNG market is in Asia, mainly consumed by Japan, South Korea, Taiwan, India and China. Japan is the top LNG importer at 37% of global supply in 2012, and together with the second largest importer South Korea, these two countries consume 52% of global LNG supply, according to International Gas Union.

Tokyo and Seoul are joined by Taiwan as the largest LNG buyers – collectively importing over half of the global supply. Japan is also Qatar's largest market, followed by India and South Korea, with the Qatari government deriving 60% of its revenue from gas export earnings.

Given Japan, South Korea and Taiwan are close U.S. allies that are also facing a growing ISIS threat to destabilize the Asia Pacific, these allies would need to diversify away from Qatari LNG so as not to fund both sides of the war – i.e., on the one side supporting the anti-ISIS coalition while on the other side funding the Qatari war chest supporting ISIS.

Up to now, importers like Tokyo and Seoul have had few supply alternatives to the tiny Gulf state, whose LNG exports represent about a third of global supply. Of the 29 LNG importing nations, 26 buy from Qatar.

However, a new wave of suppliers from Australia, U.S., Canada and East Africa are coming online to displace Qatar. According to Laszlo Varro, head of gas, coal and electricity markets at the International Energy Agency, "As North American LNG flows to Japan and Korea, the Japanese and Koreans will buy less LNG from Qatar."

### **Asian consumers could diversify to sources from US, Canada and Australia**

Thus Qatar is sweetening its gas sales to lock-in long-term Asian buyers before the new wave of suppliers gain market share and deflate prices. According to Reuters, Asian demand is the prize of LNG producers, and Qatar even agreed to supply additional LNG to China and South Korean buyers last winter.

Nonetheless, Asian buyers would need to consider the blowback of transferring wealth to the Qatari coffer that helps finance ISIS. Being close U.S. allies, Japan, South Korea and Taiwan have compelling reasons to diversify away from Qatari LNG as part of their support of U.S.-led anti-ISIS campaign. Tokyo and Seoul as the world's two largest LNG consumers with over 50% of export market share, can make a significant impact on stemming financial remittance to the Doha coffer.

And while India and China have the highest projected energy demand growth over the next decade, they should also consider diversifying to new sources from North America and Australia, as well as Cypriot and Israeli sources given Netanyahu is looking at the Asian export market. Jerusalem, Delhi and Beijing have their own terrorist problems in Gaza, Kashmir, and Xinjiang, and it would not be in their interest to remit funds to Arab Gulf states that are complicit in fomenting instability and jihadists in their home front.

\*\*\*



**Remarks:** Opinions expressed in this contribution are those of the author.

This paper was published firstly in *Times of Israel* on 9 October 2014.

### About the Author of this Issue

---

Dr. Christina Lin is a Fellow at the Center for Transatlantic Relations at SAIS-Johns Hopkins University. She is the author of "The New Silk Road: China's Energy Strategy in the Greater Middle East" (The Washington Institute for Near East Policy), and a former director for China policy at the U.S. Department of Defense.



*Dr. Christina Lin*