



**Intelligence and Terrorism Information Center  
at the Center for Special Studies (C.S.S)**

**May 17, 2006**

**Funding terrorism: Yasser Arafat ordered financial aid funds transferred to the Palestinian Authority by the international community, as well as tax money transferred by Israel, to be used to purchase significant amounts of arms and ammunition. Some of these arms and ammunition were provided to Palestinian terrorist groups. The information came from the Israel Security Agency interrogation of Fuad al-Shobaki, formerly Arafat's confidant and the finance chief in the Palestinian Authority. Also revealed in the interrogation were details on the key part played by Iran in the Karine-A arms ship deal.**

**The Karine-A deal with Iran, in which Al-Shobaki played a key role under Arafat's guidance.**



The Karine-A ship, with massive amounts of arms and ammunition, seized by the Israeli Navy on January 3, 2002



A display of the arms found on board the Karine-A: if they had made their way to the Palestinian Authority administered territories, they could have upgraded the capabilities of the terrorist organizations

## Overview

■ On March 14, 2006, after the departure of the British and American observers, IDF forces entered the Palestinian Authority's Jericho prison where they captured Palestinian Authority finance chief Fuad al-Shobaki as well as five Popular Front operatives involved in the assassination of Minister Rechavam Ze'evi. All six were held in Jericho as part of an international agreement achieved in April 2002, which was never upheld by the Palestinian Authority.<sup>1</sup>

■ Brigadier General ('Amid) Fuad Hijazi Muhammad al-Shobaki (Abu Hazem) was Yasser Arafat's trusted confidant and the head of the finance directorate of the Palestinian General Security apparatus. He was based in the Muqata'a compound in Ramallah, near Arafat's office. In his official capacity, Al-Shobaki stood behind the Karine-A deal with Iran and was involved in a large-scale acquisition of arms from various sources in the Palestinian Authority administered territories and abroad. Those arms were delivered to the Palestinian Authority security apparatuses and to Fatah's Al-Aqsa Martyrs Brigades terrorist squads. They were subsequently used for perpetrating terrorist attacks against Israel.<sup>2</sup> According to Al-Shobaki, their acquisition was funded from aid funds transferred to the Palestinian Authority by the international community and from tax money transferred by Israel.

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<sup>1</sup> See Information Bulletin dated March 15, 2006: "[IDF operation seizes the assassins of late Israeli minister, Rechavam Ze'evi: after American and British monitors left the Palestinian Authority prison in Jericho, and in light of the fact that they might be released, the IDF besieged the prison and removed Ze'evi's assassins and other Palestinian terrorist-operatives.](#)"

<sup>2</sup> Fatah's Al-Aqsa Martyrs Brigades perpetrated an increasing number of suicide bombing attacks in the six months preceding Operation Defensive Shield.



A Palestinian passport (right) and Yemeni diplomatic passport (left), used by Fuad al-Shobaki in his purchasing trips abroad.<sup>3</sup> The passports are stamped by Israel, the UAE, Yemen, Egypt, Jordan, Cyprus, Greece, Tunisia, and the Palestinian Authority.

■ What follows are highlights from Fuad al-Shobaki's interrogation by the Israel Security Agency (based on a report made by the Israel Security Agency).

### **Acquisition of arms and ammunition for the Palestinian Authority security apparatuses and terrorist organizations**

■ In his interrogation, Fuad al-Shobaki related that following the outbreak of the Palestinian-Israeli confrontation in September 2000, he was instructed by Yasser Arafat to acquire as much arms and ammunition as possible, from various sources. Subsequently, all senior members of the Palestinian Authority security apparatuses became involved in the acquisition of arms. A coordinated apparatus composed of Palestinian Authority representatives was established for that purpose. Its members were stationed in several foreign countries and served as the operative wing for executing the deals.

■ Al-Shobaki said that senior security officials would submit arms acquisition proposals for Arafat's approval. After an approval was secured, Al-Shobaki funded the deals. Thus,

<sup>3</sup> Taken from the seized materials display at the Intelligence and Terrorism Information Center.

senior figures in the Palestinian Authority security apparatuses acquired anti-tank missiles, anti-tank rockets, and a wide variety of other arms and ammunition that were delivered to the Gaza Strip and the West Bank. At the same time, Al-Shobaki funded the **independent production of arms for the Palestinian Authority** [and, according to a seized document, for Fatah's terrorist squads as well], which included anti-tank rocket launchers, hand grenades and explosive charges (see Appendix for examples of documents on the acquisition and production of arms and ammunition, seized during Operation Defensive Shield)



**Examples of arms and ammunition seized on board the Karine-A. Left: Sagger anti-tank rocket, 122mm Katyusha rocket, 81mm mortar. Right: examples of other arms and ammunition seized on board the ship (from the seized materials display at the Intelligence and Terrorism Information Center).**

■ It should be noted that the Karine-A deal and other arms smuggling operations **constituted an explicit violation of international treaties signed by the Palestinian Authority**. According to the interim agreements signed between Israel and the Palestinian Authority in Washington (September 28, 1995), Palestinian police were allowed to carry rifles, guns and machine-guns, provided they had up-to-date registration. The Palestinian Authority security forces were not allowed to possess Katyushas, anti-tank weapons, mortars and other arms such as those found on board the Karine-A or purchased by Al-Shobaki from other sources.

## **The funding sources of the arms and ammunition**

■ In his interrogation, Fuad al-Shobaki said that the acquisition of arms and ammunition for the Palestinian Authority (and Fatah) apparatuses was funded by the following sources:

- \* **International aid** funds transferred to the Palestinian Authority;
- \* Tax money transferred from **Israel**;
- \* Aid funds transferred from **Arab countries**;
- \* Tax money from the **Gaza Strip**.

■ Al-Shobaki noted that in months where no foreign aid funds or tax money collected by Israel were received, it was customary to decrease the amount of acquired arms and ammunition. He added that in order to avoid affecting the yearly budget of the Palestinian Authority, relatively moderate sums of money were used—**approximately USD 500,000 a month**. Al-Shobaki estimated that a sum of **USD 7-10 million** was taken out of the Palestinian Authority's budget every two years for the acquisition of arms for the **Gaza Strip**, and **USD 2 million** for the **West Bank**.

## **Providing arms and ammunition to Fatah's terrorist squads by the Palestinian Authority**

■ In his interrogation, Fuad al-Shobaki said **that all Fatah's Al-Aqsa Martyrs Brigades squads** used arms and ammunition provided by the Palestinian security apparatuses. The acquisition, smuggling and production of these arms and ammunition, **used to perpetrate terrorist attacks against Israel, were funded by Fuad al-Shobaki**, with the knowledge of Yasser Arafat.

■ Fuad al-Shobaki gave **two examples** of the above:

- \* He related that he had been involved in the funding of arms purchases for **Abu Maher Hellis**, the Fatah Tanzim chief in the Gaza Strip. The arms and ammunition

purchased for him were meant to be used by **Fatah Tanzim squads to perpetrate terrorist attacks against Israeli targets in the Gaza Strip.**

\* Al-Shobaki related that he had transferred funds to **finance Fatah Tanzim squads in Bethlehem**, which perpetrated terrorist attacks against Israeli targets. Some of the funds were directly transferred to a **terrorist squad headed by Mahmoud Abayat**, a Fatah Tanzim operative (held in an Israeli prison after having been sentenced to six life terms for his involvement in shooting attacks in the Bethlehem region).<sup>4</sup>

### **Al-Shobaki's involvement, under Arafat's guidance, in smuggling arms and ammunition from Iran on board the Karine-A ship**

■ In his interrogation, Fuad al-Shobaki related that the Iranian **Revolutionary Guards**, in cooperation with **Hezbollah** and the **PFLP-GC/Jibril** in Lebanon, **were responsible for and funded the Karine-A deal.** The Revolutionary Guards coordinated the arms smuggling with two senior representatives of the Palestinian Authority: **Adel Mughrabi**, one of the leaders of the Palestinian Authority's network of arms smugglers, and **Fathi Razem**, deputy chief of the Palestinian naval police (both currently residing abroad). The expenses involved in transporting the arms and ammunition on board the Karine-A ship were covered by the Palestinian Authority. Yasser Arafat ordered Al-Shobaki to **allot USD 125,000** to cover the expenses of bringing the Karine-A ship to the Gaza Strip.

■ **Note:** On January 3, 2002, the Israeli Navy seized the Karine-A ship, bound from Iran to the Palestinian Authority. On board were dozens of tons of **high-quality** arms and ammunition for the Palestinian Authority. Found among other things were **arms** such as **long-range 122mm rockets, 120mm mortars, Sagger anti-tank missiles and powerful**

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<sup>4</sup> According to our information, Fuad al-Shobaki routinely funded the activity of Fatah's Al-Aqsa Martyrs Brigades operatives in the Bethlehem region and delivered to them their monthly salaries. Furthermore, he was involved in the acquisition of arms and ammunition stolen from an IDF camp in that region in late 2000. Those arms and ammunition were used to perpetrate terrorist and shooting attacks against civilians in the Jerusalem area.

**explosives, that could have upgraded the Palestinian terrorism capabilities. These arms and ammunition, if they had reached the Palestinian Authority, would have significantly improved the operative capabilities of the terrorist organizations—mainly Fatah’s Al-Aqsa Martyrs Brigades. Thus, the Iranians strived to create a balance of terror against Israel, while copying the Lebanese model.**



**A note found during Operation Defensive Shield, sent to Al-Shobaki from the “Embassy of the State of Palestine” in Iran. One may assume that the note was addressed to Al-Shobaki by one of his contacts in Iran, and dealt with matters of acquisition and finance.**

## **Rejection of an Iranian proposal to help the Palestinian Authority**

■ In his interrogation, Al-Shobaki related that in addition to his involvement in the Karine-A deal with Iran, in the course of 2001 he had also met with Iranian representatives in **Dubai**. Those Iranian representatives offered to help the Palestinian Authority, **similarly to the assistance provided by Iran to Hamas and the Palestinian Islamic Jihad**. Among other things, the Iranians offered to help the Palestinian Authority by transferring funds and donations to the Palestinian Authority administered territories, setting up factories for manufacturing arms and ammunition, training people in manufacturing technologies of advanced arms, and delivering military training.

■ According to Al-Shobaki, Arafat rejected the offers fearing they were an Iranian conspiracy against him (**Note:** it appears that Arafat was interested yet suspicious of the

Iranians. He wanted to use their assistance to acquire arms and ammunition, but at the same time did not trust their intentions and was well aware of their connections with Islamic terrorist organizations opposing him, such as the Palestinian Islamic Jihad and Hamas. This is well demonstrated in documents seized by the IDF during Operation Defensive Shield).

## Appendix

### **Documents found during Operation Defensive Shield in Fuad al-Shobaki's office in the Muqata'a compound in Ramallah, dealing with the acquisition and production of arms and ammunition for Fatah's Al-Aqsa Martyrs Brigades**

#### Overview

- Documents seized during Operation Defensive Shield substantiate the information given by Fuad al-Shobaki in his interrogation by the Israel Security Agency.
- Following are **two documents** seized in Al-Shobaki's office in the Muqata'a compound in Ramallah by IDF forces during Operation Defensive Shield, carried out in late March 2002. The documents are official requests made by the Al-Aqsa Martyrs Brigades (Fatah's terrorist-operative wing), asking Fuad al-Shobaki to fund their terrorist activity, including the **acquisition of explosive charges** for Fatah's terrorist squads operating in the various regions. **The first document** deals with the allocation of funds to cover the expenses of terrorist activity within the context of the violent confrontation (intifada), while **the second document** deals with expenses for establishing a lathe workshop for the manufacturing of arms and ammunition. A photograph of the two documents and their translation are hereby attached.

## Document no. 1

### Main points

The document, found in Al-Shobaki's office in the Muqata'a, deals with funding the terrorist activity of Fatah's Al-Aqsa Martyrs Brigades: purchasing equipment for the manufacturing of explosive charges and materials, purchasing rifle ammunition, funding memorial ceremonies for shahids and commemorating them.

### Translation

In the name of Allah the compassionate, the merciful

**Al-Aqsa Martyrs Brigades,**  
Palestine

#### Financial file

Our cumulative outstanding debts are estimated at NIS 38,000. [Handwritten note:] For printing only.

These debts also include the following [the word "also" was added in handwriting]:

1. **The cost of posters of shahids belonging to the Al-Aqsa Martyrs Brigades:** Azzam Mazhar, Osama Jawabra, Shadi Afuri, Yasser Badawi, and Ahed Fares [added in handwriting near this line:] 2,000 [NIS].
2. **The cost of printed announcements, invitations, and cost of the shahids' mourners' sheds** [added in handwriting near this line:] 1,250 [NIS].
3. **The cost of painting the shahids' portraits** on wooden panels, including [painting the portraits of] shahid[s] Thabet Thabet and Mahmoud al-Jamil [added in handwriting near this line:] 1,000 [NIS].
4. **The cost of memorial [services] for the shahids.** Memorial services were held for the shahid Azzam and the shahid Osama. Soon we will hold preparations for the memorial services of shahids Yasser, Ahed and Saleh, which will cost at least NIS 5-7 thousand [added in handwriting near this line:] 6,000 [NIS].

5. **The cost of electric equipment and various chemical substances (for the production of explosives and bombs).** This is the largest expenditure (the cost of a single ready-to-use explosive charge is at least NIS 700). **We need at least 5 to 9 of them [i.e., explosive charges] per week [for] the squads in the various regions** [added in handwriting near this line:] 5,000 per week times 4 equals 20,000 [NIS per month].
6. **The cost of rifle bullets** (the cost of a Kalashnikov bullet is 7-8 shekels and the cost of an M-16 bullet is 2-2.5 shekels). We need that on a daily basis.
7. Note: there is a number (3,000 Kalashnikov bullets, at 7.5 shekels a piece, and 30,000 M-16 bullets, at 2 shekels a piece). We need to immediately receive a sum [of money] to purchase them.

In conclusion, glory and fame to all those supporting our valiant resistance [i.e., terrorism] against the brutal occupation, [the resistance which] is a revolution until victory.

**Al-Aqsa Martyrs Brigades in Palestine  
September 16, 2001<sup>5</sup>**

[Handwritten addition:] **A total of 15,750 NIS**, divided by six equals 25,100 [Jordanian] Dinars.

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<sup>5</sup> The document is dated September 16, 2001—that is, five days after Al-Qaeda's attack in the US, Al-Shobaki was asked by Fatah's Al-Aqsa Martyrs Brigades to fund the preparation of a large number of explosive charges every month to perpetrate terrorist attacks.

## Document no. 1—Original

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**AL-AQSA Martyres Troops**      **كتائب شهداء الأقصى**  
**Palestine**      **فلسطين**

**كشف مالي**

ديون متراكمة علينا حتى الآن : تقدر بحوالي ( ٣٨,٠٠٠ شيقل ) . *كسبهم نعط .*

وتشمل هذه الديون الأمور التالية ؛ رُضاً :-

١- أثمان بوسترات لشهداء كتائب شهداء الأقصى : عزام مزهر وأسامة جوابرة وشادي عفوري وياسر بدوي و عاهد فارس .

٢-١٤٥٠ أثمان بيانات مطبوعة ودعوات ، وتكاليف بيوت العزاء للشهداء .

٣-١٠٠٠ أثمان رسم صور شخصية للشهداء على لوحات خشبية بالإضافة للشهيد ثابت ثابت ومحمود الجميل .

٤- ٦٠٠٠ أثمان حفلات تأبين للشهداء : وقد تم إقامة حفل تأبين للشهيد عزام ، وللشهيد أسامة . وقريباً نقوم بالإستعدادات لعمل حفل تأبين للشهداء ( ياسر وعاهد وصالح ) - والذي سيكلف مصاريف تقدر بحوالي ( ٧٠٥ آلاف شيقل ) على الأقل .

٥- أثمان المواد الكهربائية والمواد الكيميائية المختلفة ( لصناعة العبوات والقنابل ) وهي الأكثر تكلفة ( تكلفة العبوة الواحدة الجاهزة على الأقل ٧٠٠ شيقل ) ونحتاج أسبوعياً من ٩-٥ منها للمجموعات في المناطق المختلفة .

٦- أثمان رصاص ( رصاص الكلاشن سعرها من ٧-٨ شواقل ) و ( رصاص ال m-16 سعرها من ٢-٢,٥ شيقل ) ونحتاجها بشكل يومي .

٧- ملاحظة : هناك عدد ( ٣ آلاف رصاص كلاشن - بسعر ٧,٥ شيقل للواحدة ) و ( ٣٠ ألف رصاص m-16 وبسعر ٢ شيقل للواحدة ) - نحتاج لتوفير مبلغ فوري لشراؤها .

وأخيراً ، كل الفخر والإعتزاز بكل الداعمين لمقاومتنا الباسلة ضد الإحتلال الغاشم . وإنها لثورة حتى النصر .

**كتائب شهداء الأقصى في فلسطين**  
 ٢٠٠١/٩/١٦  
 عنهم /

كتائب شهداء الأقصى  
 ١٥٠٠٠  
 ٢٠٠١

## Document no. 2

### Main points

■ A document found in Al-Shobaki's office in the Muqata'a. It deals with Fatah's Al-Aqsa Martyrs Brigades' request to set up a workshop for the production and routine operation of heavy weaponry. The writers of the document request a lathe and a milling machine, two machines necessary for processing metal in the process of manufacturing such arms as rockets (such as Hamas's Qassam rockets) and mortars.

### Translation

**Al-Aqsa Martyrs Brigades,**  
Palestine

#### Equipment for establishment

1. 3-phase lathe—**\$25,000**
2. Milling machine—**\$40,000**
3. Hood [for lathe]—\$5,000
4. Welding machine—\$2,000
5. Oxygen machines—\$3,000
6. Drill—\$1,500
7. Work tool kits—\$1,500
8. 3-phase electric transmission—\$2,000

#### Specifications of lathe

1. 75cm blade
2. Length: 2m
3. Inner and outer teeth from 1mm to 1'
4. Variable speed: fast-slow
5. (3-phase) 5hp engine
6. Knives of varying shapes and sizes
7. Supports + drill support
8. Main drill cap

#### Drill specifications

1. Vertical and horizontal [operation capability]
2. 35cm-wide opening in both directions
3. Blade grip
4. Knives of various types

**Total: \$80,000**

Salaries:	\$3,000
	700
	700
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	4,400

Monthly cost of equipment	1,800
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Electricity + water + equipment expenses	5,000
+ [transportation expenses] per month	2,000
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	8,800

1 + 2 [1 written near 4,400 and 2 written near 8,800] = **\$13,200 per month**

Document no. 2—original

بسم الله الرحمن الرحيم

AL-AQSA Martyres Troops  
Palestine



كتائب شهداء الأقصى  
فلسطين

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مواصفات المخزط: * 75 كم Bid	تأسيس
* طول 2 م	1- مخزط 4 ف 25000.- \$
* تعمل احضان داخل و خارج	2- فريزه 40000.-
الشمس - 1	3- صود 5000.-
* حرمه متغيره: سريع - بطي	4- مكائن خام 2000
* حاتم 5 صبان (2 فان)	5- ادكبيه 3000
* مكايه متنوعه الاحجام درلاتان	6- DRILL 1500
* لوازل + حماة درك Drill	7- عده بيديه 1500
* راس مركز	8- تمديد كبريتاناز 2000
<u>مواصفات الفريزه Bridge board</u>	
* virtical + Horisantal	
* فتمه 35 كم بالانجاصيه	\$ 80,000.-
* مآله الرشيه	
* مكايه متنوعه	

  

	رواتب
	3000
	700
	700
	4400
	1800
	5000
	2000
	8800

  

اجره صواد شهده

صايف كبريتاناز

صواد + مواصلان شهده

13200 = 8800 + 4400

شهده