



Research

U.S. Payment to Iran Could Mean Over \$1 Billion to Support Terrorism

RACHEL HOFF | SEPTEMBER 14, 2016

When the Obama Administration sent Iran a total of \$1.7 billion in cash earlier this year, many [questioned](#) if these payment constituted a “ransom” for the release of American prisoners. The State Department, however, [insists](#) the payment was only used as “leverage” to ensure the prisoners were released. (The United States has a longstanding [policy](#) that it does not pay ransoms for American prisoners or hostages.) The nature of the cash transfers to Iran is an important question, but it is also worth considering the payment itself.

Iran recently passed a [law](#) requiring that the \$1.7 billion U.S. payment be directed to the Iranian military. Previous AAF [research](#) reported that Iran reports spending 65 percent of its military budget on the Islamic Revolutionary Guard Corps (IRGC), the Iranian elite paramilitary force. The IRGC actively [supports](#) terrorist organizations throughout the Middle East, spending millions of dollars every year to support the Houthis in Yemen, Hezbollah in Lebanon, and Hamas in Gaza. Iran also [sends](#) billions of dollars every year to the Assad regime in Syria.

It is unlikely that Iran accurately reports its military or paramilitary spending, but the reported budget figures are useful as a minimum baseline. Applying the official spending levels to the U.S. payment to Iran, the \$1.7 billion could mean \$1.1 billion for the IRGC. Paying ransoms in exchange for Americans held abroad is one bad policy—indirectly funding terrorism is another.