

**STATEMENT FOR THE RECORD
US House of Representatives
Foreign Affairs Committee
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**Joint Hearing Before
The Subcommittee on Middle East and North Africa and the Subcommittee on the Western Hemisphere**
“Examining the State Department’s Report
On
Iranian Presence in the Western Hemisphere 19 Years After AMIA Attack”

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Introduction

Chairmen Ros-Lehtinen and Salmon and Ranking Members Deutch and Sires, and Honorable Members of both Subcommittees, I deeply appreciate the invitation to participate in this very important hearing before the two most important Subcommittees of the House of Representatives Foreign Affairs Committee. Let me start by thanking you for your service and for your unwavering support of federal law enforcement, our military and our intelligence services. I have testified before many of you over the years and worked with the dedicated members of your respective staffs. I have the utmost respect for each of you and the tremendous contributions that you have made, and continue to make, in keeping America safe.

I spent 33 years in law enforcement serving in some of the toughest and most austere locations around the globe and retired from the US Drug Enforcement Administration (DEA) approximately four and one-half years ago. I was very fortunate to have ascended through the ranks of the DEA where I ultimately served as the Acting Chief of Intelligence for approximately one year and as the Assistant Administrator and Chief of Operations for almost four years where I had operational oversight responsibility for DEA's 227 domestic and 86 foreign offices and several Headquarters divisions, including the Special Operations Division.

With the support of a phenomenal team, I was responsible for leading the efforts to design and implement the DEA's significant expansion in Afghanistan, as well as for the Foreign-deployed Advisory and Support Teams (FAST) program and the Drug Flow Attack Strategy. I was also responsible for leading the formative development of the multi-agency Organized Crime Drug Enforcement Task Force Fusion Center after being appointed by the Deputy Attorney General to serve as the Center's first Director. The Center supports both terrorism and drug trafficking investigative efforts by seven federal law enforcement agencies.

I served in DEA field assignments at various ranks on both the East and West Coasts, on our Southern and Northern borders, in Washington, DC during three separated Headquarters tours, throughout the Andean Region and the northern-tiered countries of Central America. I also volunteered for an assignment with the Department of Defense Coalition Provisional Authority during the summer of 2003 to serve as the SES Chief of Staff for the Iraq Interim Ministry of Interior. I served in local and state law enforcement for almost twelve years prior to joining the DEA and enlisted in the US Marine Corps in 1971 where I served fourteen months deployed overseas, including limited duty in the Republic of Vietnam. Two days after retiring from the DEA in late 2008 I stood up Spectre Group International, LLC (SGI) with another senior DEA retiree and we both serve as managing partners. SGI is currently supporting critically important security projects for our military and government agencies in Afghanistan, Central Asia, the Middle East, Mexico and Panama, as well as in various locations here at home.

From that, I believe you can conclude I am not a diplomat, nor an academic. I am a practitioner and it is in that context that I appear before you today to address, from purely my perspective, the threat posed by the activities of Iran, the Iran Revolutionary Guard Corp's Quds Force, and Iran's most important proxy, the Hezbollah, in the Western Hemisphere, Africa, Europe and elsewhere.

A Different Perspective

I have not examined the June 27, 2012 Department of State (DOS) Report on Iranian influence in Latin America and the Caribbean, largely because much of it is classified and it would be impossible to put the full weight of the Report into proper context. However, virtually every media article that I have read and sources I have spoken with state that the Report concludes Iran's influence in the Western Hemisphere is waning due to successful international sanctions against the country. In other words, Iran no longer possess the ability to significantly influence activities in the Western Hemisphere and elsewhere, because the country is cash starved. The Report also states there are no known Hezbollah cells operating in the Western Hemisphere, presumably because Iran no longer has the ability to provide its most important proxy with the levels of funding that it once did.

The international sanctions against Iran are in fact having an effect, but to say Iran's influence in the West is waning and that Hezbollah is not hard at work in the Western Hemisphere, including right here at home in the US, could not be more wrong. What concerns me about the Report is that the analysts who contributed to it must not have met with and received input from the DEA and the Federal Bureau of Investigation (FBI). If they had met with them and had a meaningful exchange of information, I believe they would have reached very different conclusions. I know how government works when it comes to these matters and many things could have gone wrong in the process. Suffice it to say, the end result was unacceptable and that is why we are here today.

History has repeatedly shown that when a terrorist organization loses funding from its state sponsor(s) it will inevitably turn to criminal activity to generate revenue to keep the movement alive. The Hezbollah is no different and its meteoric rise in the global cocaine trade has generated far more contraband revenue over the past decade than the ever-diminishing funds provided by Iran, now believed to be no more than \$200 million dollars annually.

Just a decade ago the Hezbollah was involved in moving small kilogram quantities of cocaine to Middle East markets from the Tri-Border region of South America, the remote criminal and terrorist "free-zone" where the borders of Paraguay, Argentina and Brazil come together. Today, the terrorist group is responsible for smuggling hundreds of tons of cocaine from the Andean Region of South America into Venezuela where they then ship the drugs to emerging European markets via West and North Africa. This phenomenon is not based on mere speculation by agencies that garner intelligence from second or third party sources; rather, it is based on evidence that can, and already has met the judicial test in federal courts here at home.

There is no better example than DEA's Operation Titan that precisely captures Hezbollah's involvement in the international drug trade, exposes the complexity of its transnational criminal and terrorist operations and identifies many of the nefarious connections that make it all work. The evidence and intelligence gleaned during ongoing investigative efforts come from tested and trusted confidential sources, backed up by judicially approved telecommunications intercepts, extensive witness interviews, search warrants and other judicially approved investigative tradecraft.

Just one aspect of this multifaceted, international conspiracy investigation resulted in Patriot Act 311 findings levied against the Beirut-based Lebanese Canadian Bank (LCB), the Prime Bank of Gambia and other affiliate financial institutions of the LCB for facilitating a Hezbollah cocaine money laundering scheme involving as much as \$200 million dollars per month. The LCB, which was sold less than two weeks after the 311 findings, was long known to be a Hezbollah influenced and preferred financial institution used for money laundering purposes. In December 2011 the US Attorney's Office for the Southern District of New York

(SDNY), based on DEA evidence, filed a civil complaint that led to the constructive seizure of \$150 million dollars of Hezbollah drug money from the institution. Just a few weeks ago the LCB's new owners reached a settlement with the SDNY and forfeited \$102 million dollars of the seizure.

The classic trade based money-laundering scheme started with cocaine shipped by Hezbollah operatives from the Andean Region of South America to Venezuela, where it was then shipped to Europe and the Middle East via West and North Africa. This sophisticated supply chain is only made possible through Hezbollah's strong alliances with indigenous organized crime groups and the centuries old, nomadic Tuareg smugglers in North Africa, not to mention corrupt senior politicians and security officials in Venezuela. The cocaine was (and continues to be) sold in Europe and the Middle East by Hezbollah for as much as \$200,000 dollars per kilogram. To put that in proper perspective, the US value for a kilogram of cocaine seldom exceeds \$40,000 dollars. The bulk cash from the enterprise was collected and amassed in West Africa where it was cached at safe sites.

The represented legitimate trade aspect of the scheme was tied to over 30 US-based used automobile dealerships owned and operated by Lebanese Americans on the East Coast. The US dealerships acquired used automobiles here at home, shipped them to automobile lots in West Africa where they were sold for profit. The sales prices of the vehicles were inflated in the financial records and the cash proceeds were co-mingled with the cached drug proceeds and then transported in bulk to Hezbollah operated and controlled financial exchange houses in Lebanon. Much of the proceeds were then wired to the US dealerships to continue the money laundering cycle. By all counts the number of suspect dealerships identified in the continuing investigation is incredible, none of which existed before 9-11.

One lead in the investigation resulted in overhead imagery that illustrated an enormous vacant field in West Africa and corresponding imagery one year later that showed the area filled with hundreds of used vehicles that had been shipped from the US. Documentary evidence reveals that an average of \$180 million dollars in bulk cash per quarter was being transported from Togo to Ghana, West Africa where it was placed on commercial aircraft and flown directly to Beirut. The illicit revenue generated by this enterprise exceeded the annual GDP for several small West African countries.

This money laundering scheme was put into place after the DEA, during an earlier phase of their investigation, seized approximately \$20 million dollars in bulk cash from a Lebanese Colombian and close Hezbollah associate who operated in Colombia and who delivered the cash to an undercover DEA agent. Another \$16 million dollars in bulk cash was supposed to be delivered to the agent within 48 hours of the first delivery, but unfortunately the operation was compromised.

Essential Points

There are some very important points to be made about the events described above:

1. Those who believe that Hezbollah is hurting for money, or that they are in some way dependent upon Iran to supply them with funding, are dangerously uninformed.
2. No terrorist or international drug trafficking organization has the ability to execute complex drug trafficking and money laundering operations involving multi-ton quantities of cocaine and bulk cash with just a handful of rogue operatives, or rogue cells for that matter. It takes scores of loyal Hezbollah soldiers to make it all work in this case and they are now operating throughout the Western Hemisphere, including right here at home. Congressman Peter King, then Chairman of the Homeland Security Committee during a hearing approximately 18 months ago, stated that government officials had briefed him that as many as 250 Hezbollah operatives were active in the US.

3. Iran's inability to match its past levels of funding to its most important proxy has crystalized in the eyes of Hezbollah the strategic importance of Latin America, Mexico, our Southwest Border and the Caribbean, as well as Africa and Europe. It is Hezbollah's meteoric rise in the global drug trade that should be troubling us most. When it comes to generating contraband revenue, nothing comes close to the global drug trade and it is undoubtedly contributing to the Hezbollah's global expansion.
4. Hezbollah has the undeniable ability to move multi-ton quantities of cocaine throughout the world, not to mention bulk cash that weighs thousands of pounds. Many analysts and other experts regrettably continue to woefully underestimate Hezbollah's level of sophistication, both organizationally and operationally, and to ask a very important question: What else could they be moving?
5. The principal leader of any terrorist, drug trafficking, or transnational criminal organization must ensure absolute harmony and loyalty within their organization's ranks. It is all about obedience, commitment and allegiance and is stringently managed with the use of corruption, intimidation and brutal violence, the long-standing hallmarks of organized crime. To believe that Secretary General Hassan Nassralah is not personally complicit in, and sanctioning all of Hezbollah's global criminal and terrorist operations indicates a total lack of understanding for how the real underworld operates and thrives.
6. We can no longer allow Hezbollah to go unchecked. We need a whole of government approach to fight the most sophisticated foreign terrorist organization in the world and we need to get serious about doing it as quickly as possible.

Hezbollah accomplishes four very important objectives by expanding and accelerating their global cocaine trafficking and other transnational criminal activity:

1. It increases their presence in the Western Hemisphere, in Africa and in Europe and is helping the group establish an even greater repertoire of calculated alliances with other transnational criminal and terrorist organizations.
2. Drug distribution to Western markets is an important part of their Jihad against the West – it kills infidels, tears at the moral fabric of the West, costs hundreds of billions of dollars a year in lost earnings and in medical treatment, education and law enforcement costs, and further destabilizes already weak governments throughout regions of Latin America, Mexico, the Caribbean and Africa, which facilitates Hezbollah's ability to operate with impunity. A senior Hezbollah spiritual leader issued a religious edict, or fatwa, in the early 1980s that justified selling drugs to Western infidels, which laid the foundation for the group's involvement and expansion in the global drug trade.
3. The global drug trade generates hundreds of millions of dollars each year in contraband revenue for Hezbollah and it provides a never-ending source of funding for their war chest.
4. Hezbollah becomes even more relevant to Iran and their long-standing partner, the IRGC Quds Force, as they grow their global footprint and their global reach in honor and support of the "father land."

There are three things that federal law enforcement can do to protect our Nation from the threat posed by terrorist organizations such as Hezbollah that will not require a great deal of funding:

1. We need interlocking counter-terrorism and counter-narcotics policies and strategies, and singular funding streams. As the bad guys grow closer together – the good guys are drifting farther apart.
2. We need defense in depth strategies and we cannot continue with our obsession for developing strategies and plans to guard the one-yard line (our borders). Shortly after 9-11 many of our Department of Defense detection and monitoring resources were moved from Southern Command's area of responsibility and most have never returned. Further, we need more federal law enforcement special

agents (criminal investigators) and intelligence analysts and operators deployed to security challenged areas around the world to develop their human source networks and to further their investigations and initiatives.

3. We must revitalize interest in pursuing the traditional threats: drugs, arms and human trafficking, and money laundering and counterfeiting. Most importantly, we need to implement aggressive counter-corruption safeguards and initiatives, because our judicial system is under attack. A renewed focus on these threats will naturally lead agents and officers headlong into terrorist organizations and their operatives, which is exactly what is happening with the DEA on a daily basis.

Other Disturbing Enablers

Hezbollah's long-standing relationship with the Iran Revolutionary Guard Corp's (IRGC) Quds Force, the elite Special Forces arm of the IRGC responsible for clandestine foreign operations, including assassinations, is often ignored. It was the Quds Force that created Hezbollah in the early 1980s and they have been inseparable ever since. Where you find one – you find the other.

The Quds Force is typically deployed around the world under the guise of diplomatic cover while assigned to Iranian embassies and cultural centers. Iran has opened 17 cultural centers in Latin America, and currently maintains 11 embassies, a significant increase from only six in 2005. Our intelligence community reports that the numbers of Quds Force operatives at work in the Western Hemisphere is growing at an alarming rate and some experts believe that the Quds Force is responsible for managing and directing at least some of the Hezbollah's more complex operations. Again, where you find Quds – you find Hezbollah.

The single greatest concern I have is that the Quds Force presence in the Western Hemisphere is growing concurrently with that of Hezbollah. Let there be no doubt that their collective increased presence on this side of the Atlantic places them in a position of strength to carry out what they do extraordinarily well – terror operations aimed at the West.

We may already be seeing signs of this. Just a few short months ago a clandestine Quds Force operation was foiled by the DEA and FBI when one of the group's operatives, who held both Iranian and US citizenship, attempted to hire members of the ultra violent Los Zetas Mexican drug cartel to assassinate the Saudi Arabian Ambassador to the US at a Washington, DC area restaurant just a few blocks from the White House. Fortunately, the person being recruited by the Quds Force operative in Mexico was a DEA confidential informant.

Evidence revealed the operative was being directed at a high level by a Quds Force leader working from the command's headquarters in Tehran. Retired Marine General James Mattis, the former head of Central Command, recently said during an interview with journalist Wolf Blitzer, "They actually set out to do it. It was not a rogue agent off on his own. This decision was taken at the very highest levels of Tehran. Again absent one mistake, they would have murdered Adel [Saudi Ambassador] and Americans at that restaurant a couple miles from the White House."

Hezbollah is involved in many other criminal activities, including the smuggling of gold from Africa to Dubai, United Arab Emirates where it is sold at peak market value, and in manufacturing counterfeit designer clothing in the Tri-Border area, to name just a few other illicit schemes. Although these activities do not generate nearly the revenue as illicit drugs, it is nonetheless substantial. The important relationships developed and nurtured by Hezbollah with indigenous organized crime groups and insurgents to facilitate this criminal activity are equally important. These relationships provide the terrorist organization with additional operational possibilities that can be leveraged and exploited at any time – for any purpose.

Finally, Hezbollah has a very successful track record of trading drugs for information to glean important intelligence about Israel's military and intelligence services. Remarkably, Hezbollah has been most successful using this approach on personnel within the uniformed ranks of the Israeli military itself. Several Israeli military officers have succumbed to this scheme and it would be naïve for us to believe they are not using similar clandestine tradecraft in the Western Hemisphere to garner intelligence about our Nation's security apparatus and interests, or those of our trusted partners.

Summary

The recently unsealed 73-page civil complaint (amended) against the Lebanese Canadian Bank (et al.) that was filed by the US Attorney's Office for the Southern District of New York, dated October 26, 2012, is now available to the public and is a must-read. It should serve as an eye-opener and paints a very troubling picture of Hezbollah drug trafficking and other transnational criminal operations in the Western Hemisphere, Africa and Europe. The complaint ultimately led to the recent \$102 million dollar settlement against the Lebanese Canadian Bank, but is only one aspect of ongoing initiatives by the DEA that target the drug trafficking activities of the terrorist organization. Unfortunately, those responsible for producing the recent DOS Report on Iran's influence in the Western Hemisphere must have missed the opportunity to examine this public court document.

Sophisticated international terrorist organizations like Hezbollah do not issue identification cards, seldom wear uniforms and most often operate in the shadows while conducting their critically important and highly fluid transnational criminal operations to generate the revenue required to keep their movements alive. We will most likely never possess the ability to unequivocally and completely identify terrorist "cells," but that should never result in analytical products that would leave policy makers with the notion that no cells or operatives exist, or are not at work in regions of concern. Our Nation's intelligence analysts are under tremendous pressure to get their analysis and reporting right, because we hold them strictly, and often unfairly, accountable when they get it wrong. The only way to get beyond that is to encourage and build a federal intelligence and law enforcement workforce possessing a culture that demands calculated risk-taking.

It is extremely dangerous to view Hezbollah, Iran's most important proxy, as anything other than a terrorist organization that possesses a powerful international reach. The SDNY complaint clearly adds credibility to the belief by many experts that Hezbollah possesses the ability to serve Iran's first blows if tensions boil over between our countries. Hezbollah must be viewed in a different context: Hezbollah is Iran's fleet of aircraft carriers and they possess the ability to hit us virtually anywhere in the world, including right here at home.

I have witnessed Congress's growing concern over Hezbollah during the past two years. I have testified on the topic in four hearings during that period and I know there have been several more Congressional inquiries on the subject. Quite frankly – you get it. That should be an obvious signal to our Nation's federal security apparatus to start taking the Hezbollah threat seriously. Unfortunately, that does not appear to be the case and it will most likely take significant pressure on your part to push for meaningful action.