



Major Beneficiaries of the Iran Deal: IRGC and Hezbollah

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Chairman Ileana Ros-Lehtinen, Ranking Member Deutch, and Members of the Committee, thank you for this opportunity to appear before you today to discuss the recent activities of two of the major beneficiaries of the Iran deal: Iran's Islamic Revolutionary Guard Corp (IRGC) and Lebanese Hezbollah, Iran's primary proxy active both as a regional militia and international terrorist group. Allow me to focus on Hezbollah.

Iran is Hezbollah's primary benefactor, giving the Lebanese political party and militant group some \$200 million a year in addition to weapons, training, intelligence, and logistical assistance. Over the past eighteen months, however, Iran has cut back its financial support to Hezbollah -- a collateral benefit of the unprecedented international sanctions regime targeting Iran's nuclear program, as well as the fall in oil prices. The cutback has mostly curtailed Hezbollah's political, social, and military activities inside Lebanon. Its social-service institutions have cut costs, employees have received paychecks late or been laid off, and funding for civilian organizations, such as the group's satellite television station, al-Manar, has been reduced. By contrast, Hezbollah's Syria command, which has been a priority for Tehran given its commitment to defending Bashar al-Assad's regime, has shown no sign of financial hardship.

As a result of the sanctions relief due Tehran under the Iran deal, Hezbollah expects additional funds will come its way, which will enable Hezbollah to push back against Lebanese political and social movements that are uncomfortable with its intervention in Syria. Lebanon's political crises, from its inability to select a president to its failure to collect garbage, are a result of this deep sectarian division. An influx of radicalized Sunnis from Syria is already setting the stage for still further instability in Lebanon.

Increased Iranian spending will also benefit Hezbollah's regional and international operations. The group is no longer limited to jockeying for political power in Lebanon and fighting Israel. With more money, it could step up its aid to Shia militias in Iraq and Yemen in cooperation with Iran, sending small numbers of skilled trainers to bolster local forces and, in some cases, fight alongside them. In Iraq, Hezbollah is training and fighting with Shia militias. Though they are fighting on behalf of the government, their tactics exacerbate sectarian tensions. Its footprint in Yemen is small, but it could expand with additional resources. Hezbollah is already trying to find long-term support for these operations. In Iraq, for example, it is investing in commercial front organizations.

Finally, increased funding could help Hezbollah reconstitute its capabilities beyond the Middle East. The group has expanded its terrorist operations in countries as disparate as Cyprus, Peru, and Thailand.

Hezbollah is busier than ever, especially in Syria, where it is engaged in expensive militant operations and support activities. Meanwhile, the group has expanded its regional activities further afield, straining its coffers even as it has had to cut back its activities in Lebanon. A newly enriched Hezbollah would be more aggressive at home and abroad, challenging less-militant parties across the Lebanese political spectrum and boosting its destabilizing activities outside of Lebanon.

Hezbollah's War in Syria

The war in Syria has dramatically changed Hezbollah. Once limited to jockeying for political power in Lebanon and fighting Israel, the group is now a regional player engaged in conflicts far beyond its historic area of operations, often in cooperation with Iran. Underscoring this strategic shift, Hezbollah has transferred key personnel previously stationed near the Israel-Lebanon border to a newly established Syrian command and to outposts even further abroad, in Iraq and Yemen.

Initially, Hezbollah Secretary-General Hassan Nasrallah resisted dispatching his fighters to Syria to back President Bashar al-Assad, despite repeated requests from Iranian leaders, in particular Qods Force commander Qassem Soleimani. Like some other Hezbollah leaders, Nasrallah feared that engaging in Syria would undermine Hezbollah's position in Lebanon by associating Hezbollah—Lebanon's primary Shiite party—with a repressive Iranian-allied government butchering a Sunni-majority population. But Nasrallah reportedly acquiesced after receiving an appeal from Iranian Supreme Leader Ayatollah Ali Khamenei. Iran, Khamenei made clear, expected Hezbollah to support Assad's grip on power. This operational shift has transformed Hezbollah from a Lebanese party focused on domestic politics into regional sectarian force acting at Iran's behest across the Middle East.

The strongest indicators of Hezbollah's transformation are structural. Since 2013, Hezbollah has added two new commands—the first on the Lebanese-Syrian border, the second within Syria itself—to its existing bases in southern and eastern Lebanon. This startling reorganization points to a serious commitment to civil conflicts well beyond Lebanon's borders. Today, there are between some 6,000 and 8,000 Hezbollah operatives in Syria.

In establishing its new presence in Syria, Hezbollah has transferred key personnel from its traditionally paramount Southern Command, along Lebanon's border with Israel. Mustafa Badreddine, the head of Hezbollah's foreign terrorist operations, began coordinating Hezbollah military activities in Syria in 2012 and now heads the group's Syrian command. Badreddine is a Hezbollah veteran implicated in the 1983 bombing of U.S. barracks in Beirut, the 2005 assassination of former Lebanese Prime Minister Rafik Hariri, and terrorist bombings in Kuwait, among other attacks. His appointment is the strongest sign Hezbollah can give of its commitment to Syria's civil war. Other personnel assignments include Abu Ali Tabtabai, a long-time Hezbollah commander. He was transferred from a position in southern Lebanon to Hezbollah's Syria command, where he served as one of Badreddine's senior officers, overseeing many of the highly trained troops formerly under his control in Lebanon. Hezbollah's focus on the Syrian conflict extends to the top of the organization as well: Nasrallah has directed the group's activities in Syria since at least September 2011, when he reportedly began meeting Assad in Damascus to coordinate Hezbollah's contributions to the country's civil war. Indeed, the organization's intense focus on the Syrian conflict was the main reason for its redesignation by the U.S. Department of the Treasury in 2012.

But joining the fight in Syria did not come without risk. Hezbollah has suffered some serious personnel losses as a result, both in Lebanon and in Syria. Hassan al-Laqqis, Hezbollah's chief military procurement officer, was assassinated in Beirut in December 2013; although the prime suspects were Israeli agents, Sunni extremists retaliating for Hezbollah's support for the Assad government have not been ruled out. And numerous high-ranking officers, including Fawzi Ayub, a longtime member of Hezbollah's foreign terrorist wing, have reportedly been killed in Syria in clashes with anti-Assad rebels. By the first half of 2015, Hezbollah was suffering between 60 and 80 weekly casualties in Syria's Qalamoun region alone. The deaths of Hezbollah members of Ayub's stature in Syria—and the sheer number of militants killed and wounded there—demonstrate Hezbollah's seriousness in defending the Assad regime. Its tolerance for such losses, on the other hand, reveals that Hezbollah increasingly considers the Syrian conflict an existential fight—for its domestic

standing in Lebanon, on the one hand, and for the position of Shiite forces in Syria's bitter sectarian conflict, on the other.

Hezbollah Operations in Iraq and Yemen

Even as it deepens its activities in Syria, Hezbollah continues to aid Shiite militias in Iraq, sending small numbers of skilled trainers to fight the Islamic State (also known as ISIS) and defend Shiite shrines there. According to the U.S. Department of the Treasury, Hezbollah has also invested in commercial front organizations to support its operations in Iraq. In June, Treasury designated Hezbollah member Adham Tabaja, the majority owner of the Lebanon-based real estate and construction firm Al-Inmaa Group for Tourism Works, and reported he has exploited the firm's Iraqi subsidiaries to fund Hezbollah, with the assistance of Kassem Hejeij, a Lebanese businessman tied to Hezbollah, and Husayn Ali Faour, a member of Hezbollah's overseas terrorism unit.

As in Iraq, Hezbollah has dispatched only a small number of highly skilled trainers and fighters to Yemen. But as in Syria, the prominence of the operatives that Hezbollah has sent there demonstrates the importance the group attributes to the country's ongoing civil conflict. Khalil Harb, a former special operations commander and a close adviser to Nasrallah, oversees Hezbollah's activities in Yemen, managing the transfer of funds to the organization within the country and travelling frequently to Tehran to coordinate Hezbollah activities with Iranian officials. Given his experience working with other terrorist organizations, his close relations with Iranian and Hezbollah leaders, and his expertise in special operations and training, appointing Harb to work in Yemen no doubt made a great deal of sense to Hezbollah. In May, Saudi Arabia sanctioned Harb and another Hezbollah operative, Muhammad Qabalan, for their involvement in the country's conflict.

Harb, however, would not be the most senior operative Hezbollah has dispatched to Yemen. In the spring of 2015, Hezbollah sent Abu Ali Tabtabai, the senior Hezbollah commander formerly stationed in Syria, to upgrade the group's training program for Yemen's Houthi rebels, which reportedly involves schooling them in guerilla tactics. "Sending in Tabtabai [to Yemen] is a sign of a major Hezbollah investment and commitment," an Israeli official told me. "The key question is how long someone of Tabtabai's stature will stay."

Hezbollah's Long-Term Commitment to Regional Adventurism

In Syria and elsewhere, deadly proxy conflicts—between Saudi Arabia and other Sunni Gulf states, on the one hand, and Iran on the other—have been complicated by the dangerous overlay of sectarianism. Sunni and Shiite states and their clients seem to view the region's wars as a part of a long-term, existential struggle between their sects. Indeed, the war in Syria is now being fought on two parallel fronts: one between the Assad regime and the Syrian opposition, and the other between Sunni and Shiite communities over the threat each perceives in the other. Similar dynamics define the wars in Iraq and Yemen. Factional conflict might be negotiable, but sectarian war is almost certainly not.

Hezbollah's involvement in the war in Syria may have originally focused on supporting the Assad regime, but it now considers that war an existential battle for the future of the region, and for Hezbollah's place in it. As a result, Hezbollah's regional focus will likely continue for the foreseeable future. Together with other Iranian-backed militias, the group will continue to head an emerging Shiite foreign legion working both to defend Shiite communities and to expand Iranian influence across the region.

Even as it juggles its involvement in the conflicts of Iraq, Syria, and Yemen, Hezbollah must also balance its occasionally clashing ideological and political goals elsewhere. Hezbollah's adherence to the Iranian doctrine of *velayat-e faqih*, (guardianship of the jurist), which holds that a Shiite cleric should serve as the supreme head of government, binds Hezbollah to the decrees of Iranian clerics. But this complicates Hezbollah's other commitments to the Lebanese state, Lebanon's Shiite community, and Shiites abroad, because the interests of Iranian and Lebanese leaders often diverge. Hezbollah has long navigated these conflicting obligations with skill, but it will become increasingly difficult to do so as the group's priorities take it further afield from Beirut. Indeed, Lebanon is deeply divided along confessional and sectarian lines, so when Hezbollah fights against Sunnis abroad, it undermines its own ability to navigate domestic Lebanese politics.

Meanwhile, Hezbollah's intimate cooperation with Iran's Qods Force in Syria is drawing it still closer into Tehran's orbit, and thus deeper into the region's ongoing conflicts. By some accounts, Hezbollah units on the ground in Syria are sometimes instructed by the group's leadership to do one thing, but then once on the ground they are redirected by IRGC officials to do something else, and they are increasingly listening to the final word from the IRGC. In any event, Hezbollah's transformation is acutely felt by the group's operatives themselves. "We shouldn't be called Party of God," one Hezbollah commander [told](#) *The Financial Times* in May. "We're not a party now, we're international. We're in Syria, we're in Palestine, we're in Iraq and we're in Yemen. We are wherever the oppressed need us... Hezbollah is the school where every freedom-seeking man wants to learn."

Hezbollah Global Terrorist Operations Continue Apace

Three years ago this summer, Hezbollah blew up a bus of tourists in Bulgaria. The European Union then banned the military wing of Hezbollah. But despite both being blacklisted by Brussels and being heavily invested in the Syrian war, Hezbollah continues to plot attacks around the world, with a particular focus on Europe and South America.

"Beyond its role in Syria," Matt Olsen, the then-director of the National Counterterrorism Center (NCTC) warned in September 2014, "Lebanese Hezbollah remains committed to conducting terrorist activities worldwide." Nor are these plots only Israel's concern. The NCTC director continued: "We remain concerned the group's activities could either endanger or target U.S. and other Western interests." NCTC officials note that Hezbollah "has engaged in an aggressive terrorist campaign in recent years and continues attack planning abroad." Over the past few years Hezbollah plots either failed or were foiled as far afield as South Africa, Azerbaijan, India, Nigeria, Cyprus, Thailand, Turkey, and Bulgaria.

In April 2014, two Hezbollah operatives were arrested in Thailand, one of whom admitted that the two were there to carry out a bomb attack targeting Israeli tourists in Bangkok, according to U.S. counterterrorism officials. The plots underscored the threat posed by Hezbollah to civilian centers, the officials added. Authorities were also concerned that the operatives were Lebanese dual citizens, one a French national and the other Filipino.

More recently, Peruvian counterterrorism police arrested a Hezbollah operative in Lima in November 2014, the result of a surveillance operation that began several months earlier. In that case, Mohammed Amadar, a Lebanese citizen, arrived in Peru in November 2013 and married a dual Peruvian-American woman two weeks later. They soon moved to Brazil, living in Sao Paulo until they returned to Lima in July 2014. Authorities were clearly aware of Amadar at the time, because they questioned him on arrival at the airport and began watching him then. When he was arrested in October, police raided his home and found traces of TNT, detonators, and other inflammable substances. A search of the garbage outside his home found chemicals used to manufacture explosives. By the time of his arrest, intelligence indicated Amadar's targets included places associated with Israelis and Jews in Peru, including areas popular with Israeli backpackers, the Israeli embassy in Lima, and Jewish community institutions.

Hezbollah has long been active in South America, from the Tri-border Area where the borders of Argentina, Paraguay, and Brazil meet to Chile, Uruguay, and more. This trend continues, as the State Department noted in its annual terrorism report, where it highlighted the financial support networks Hezbollah maintains in places like Latin America and Africa. According to Brazilian police reports, Hezbollah helped a Brazilian prison gang, the First Capital Command (PCC), obtain weapons in exchange for protecting prisoners of Lebanese origin detained in Brazil. Lebanese traffickers tied to Hezbollah reportedly helped sell C4 explosives that the PCC allegedly stole in Paraguay. Moreover, the juxtaposition of Hezbollah plotting in Thailand and South America is nothing new: In 1994, Hezbollah nearly blew up the Israeli embassy in Bangkok just weeks before it successfully bombed the AMIA Jewish Community Center in Buenos Aires.

The latest plot was thwarted this summer in Cyprus, where Hussein Bassam Abdallah, a dual Lebanese-Canadian citizen, stockpiled 8.2 tons of ammonium nitrate, a popular chemical explosive. In July, Abdallah

pled guilty to all eight charges against him -- including participation in a terrorist group (read: Hezbollah), possessing explosives, and conspiracy to commit a crime. It was the second time in three years that a Cypriot court has sentenced a Hezbollah operative to prison for plotting an attack in Cyprus. But this latest plot is different, in part because it reveals that the EU's warnings to Hezbollah not to operate on European soil have not dissuaded the group at all.

Back in July 2012, Cypriot authorities watched Hussam Yaacoub, a dual Lebanese-Swedish Hezbollah operative, conduct surveillance of Israeli tourists and arrested him in his hotel room a few hours later (he was ultimately convicted and jailed). A few days later, a group of Hezbollah operatives -- one of them a French citizen -- blew up a bus of Israeli tourists in Burgas, Bulgaria. Brussels was faced with the reality that Hezbollah was dispatching European operatives to carry out operations on European soil.

After months of often acrimonious deliberations, senior European officials gathered in Brussels in July 2013 to announce that all 28 EU member states agreed to add Hezbollah's military wing -- not the organization itself -- to the EU's list of banned terrorist groups. At the time, European officials pointed to the blacklisting as a shot across the bow. "This is a signal to terrorist organizations," German Foreign Minister Guido Westerwelle warned. "If you attack one of our European countries, you get an answer from all of them."

Fast forward two years. New evidence reveals that Hezbollah's military wing is still plotting attacks across Europe. We now know that the explosive material recently found in Cyprus was stored in the basement of a house in a residential Larnaca neighborhood sometime in 2011. In other words, these two Cyprus plots were not consecutive, but overlapping and possibly connected. By the time the EU banned Hezbollah's military wing, the recently seized explosives had already been in the country for over a year, maybe two. Hussein Abdallah made around ten trips to Cyprus to check on the explosives stockpile starting in 2012. He was paid handsomely to serve as guardian of chemicals: he was arrested carrying 9,400 euros, which he conceded was his latest payment from Hezbollah.

Abdallah admitted that Hezbollah planned to mount attacks in Cyprus targeting Israeli or Jewish interests there, but that was hardly the full scope of the operation. Indeed, the amount of explosives Hezbollah stockpiled would have facilitated many attacks. According to Israeli investigators, Hezbollah was using Cyprus as a "point of export" from which to funnel explosives elsewhere for a series of attacks in Europe. Indeed, the plot was already in motion: investigators believe the explosives used in the 2012 Burgas bus bombing may have come from the batch of chemicals stored in Cyprus.

The threat to Europe was real. Not only did Hezbollah actively maintain an explosives stockpile in Cyprus, the group retained the operatives, infrastructure and reach to engage in operations across Europe. Over the course of time Abdallah maintained this explosives stockpile, Hezbollah remained active across Europe, from a 2012 bombing thwarted in Greece to the arrest and deportation of a Hezbollah operative in Denmark in 2013 who arrived on a commercial ship for purposes still unknown. Four months after the EU ban, in late 2013, two Lebanese passengers at a Brussels airport were caught with nearly 770,000 euros in their possession. At least some of this cash was suspected to be intended for Hezbollah's coffers, Europol reported in a report earlier this year on the use of cash by criminal groups to launder money. A few months later, Germany raided the offices of the Orphan Children Project Lebanon in Essen, accusing the group of serving as a Hezbollah fundraising front organization. In its last annual report, Germany's domestic intelligence agency noted that Hezbollah maintains some 950 active operatives in the country.

Hezbollah weapons and technology procurement operations continued in Europe as well. In July 2014, the US Treasury blacklisted a Lebanese consumer electronics business, Stars Group Holding, along with its owners, subsidiaries, and "certain managers and individuals who support their illicit activities." Together, they functioned as a "key Hezbollah procurement network" that purchased technology around the world -- including in Europe -- to develop the drones Hezbollah deploys over Israel and Syria.

Abdallah's last assignment was to find a storage facility where the explosives stockpile could be stored, suggesting the plan to move small batches of the material to multiple locations across Europe may have been

moving forward. While Abdallah traveled on his authentic Canadian passport, Hezbollah provided him a forged British identity card to use locally in Cyprus to rent the facility. This may have been his undoing, since traveling on authentic documents and using forgeries to conduct local, non-governmental business has become a preferred modus operandi for Hezbollah. Otherwise, authorities may not have picked up on the shipments themselves: Hezbollah reportedly is using commercial front companies under deep cover -- some as far away as China and Dubai -- to ship the dual-use chemicals it uses to manufacture explosives.

Some Money will Logically Flow to Bad Actors

According to the State Department's latest terrorist report, released in June, "Iran continued to sponsor terrorist groups around the world, principally through its Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF)...These groups included Lebanese Hezbollah, several Iraqi Shia militant groups, Hamas, and Palestine Islamic Jihad." In addition, the State Department accused Iran of "prolonging the civil war in Syria, and worsening the human rights and refugee crisis there." The report described Iran's terror sponsorship as "undiminished." The report also described how Iran increased training and funding for its militias in 2014, supplying them with advanced weaponry. Iran also "provided hundreds of millions of dollars" to Hezbollah and "trained thousands of [the group's] fighters at camps in Iran." The State Department concluded that it does not expect Iran's behavior in Syria to change anytime soon, asserting that "Iran views Syria as a crucial causeway in its weapons supply route to [Hezbollah], its primary beneficiary, and as a key pillar in its 'resistance' front." Indeed, Iran continued to provide the group with "training, weapons, and explosives, as well as political, diplomatic, monetary, and organizational aid."

It is against this backdrop that Iran sanctions relief will take place. Whatever the amount of money Iran receives from sanctions relief—in congressional testimony in July Secretary Lew put the number around \$50 billion, but the President himself referred in May to "\$150 billion parked outside the country"—Iran will gain access to at least tens of billions of dollars, at first from blocked accounts and later from additional oil sales. And while administration officials have acknowledged that Iran engages in a wide range of nefarious activities, Treasury Secretary Jack Lew opined in April that "Most of the money Iran receives from sanctions relief will not be used to support those activities."

Presumably, Tehran will indeed spend the vast bulk of these monies on pressing domestic needs. But it will undoubtedly also direct substantial funding to foreign adventures, proxies and allies in keeping with its longstanding track record. That is indeed the expectation of Iran's allies in the region. Hezbollah Secretary General Hassan Nasrallah noted in April that even under sanctions Iran funded its allies, and anticipated that a now "rich and powerful Iran, which will be open to the world" would be able to do even more: "I say that in the next phase Iran will be able to stand by its allies, friends, the people in the region, and especially the resistance in Palestine and the Palestinian people more than any time in the past, and this is what the others are afraid of."

Even a small percentage of the lower end estimates of Iran's sanction relief windfall would enable Tehran to underwrite a significant increase in what Secretary Lew correctly referred to as "Iran's menacing behavior." In fact, in all likelihood Iranian support for such behaviors will only increase in the wake of a deal over Iran's nuclear program. Iranian leaders who backed the deal will likely feel the need to prove their anti-American and pro-revolutionary bona fides, especially since the deal is widely seen in Iran as a victory for Rouhani and his allies over the Islamic Revolutionary Guard Corp (IRGC) and other hardliners. The Supreme Leader himself may also feel the need—or it may simply be in his interest—to give the IRGC and the Qods Force greater latitude to behave aggressively in the region as a means of balancing domestic bases of power within Iran at a time when Rouhani would be riding high in the wake of the Iran deal.

Terrorism designations will not be removed under the Iran deal, including CISADA secondary sanctions—which is good. But in the past the Treasury Department pointed to the impact of WMD-proliferation sanctions on Hezbollah's bottom line, acknowledging the fungibility of funds across the spectrum of Iran's illicit financial conduct. In March 2014, then-Treasury Undersecretary David Cohen touted the collateral counterterrorism benefit of counter-proliferation sanctions targeting Iran's banking and oil sectors: "In fact, the success of our unprecedented Iran sanctions regime—including sanctions on Iranian financial institutions and

Iran's ability to sell its oil—has had the collateral benefit of squeezing Tehran's ability to fund terrorist groups such as Hezbollah." That will no longer be the case.

The administration says it intends to keep Iran's feet to the fire on these behaviors. "Make no mistake; deal or no deal, we will continue to use all our available tools, including sanctions, to counter Iran's menacing behavior," Treasury Secretary Jack Lew said in April. "Iran knows that our host of sanctions focused on its support for terrorism and its violations of human rights are not, and have never been, up for discussion. The Treasury Department's designations of Iranian-backed terrorist groups...will persist, giving us a powerful tool to go after Iran's attempts to fund terror." There is, however, a very real trust deficit between the administration and both the U.S. public and our allies in the region regarding U.S. policy toward the Middle East (think: chemical weapons red-line) and the Iran deal in particular (think: inspections anywhere, anytime). And here's the rub: to effectively counter Iran's menacing behaviors Iranian entities—banks, big business, bonyad foundations—will have to be potential targets for "all our available tools, including sanctions." But the text of the Iran deal itself enshrines Iran's own red-line on sanctions: "Iran has stated that if sanctions are reinstated in whole or in part, Iran will treat that as grounds to cease performing its commitments under the JCPOA in whole or in part." Will the U.S. risk undermining the Iran deal by sanctioning Iranian entities for supporting terrorism or abusing human rights?

The Risks That Remain

In June, the Financial Action Task Force (FATF) issued its latest public statement identifying jurisdictions with "strategic deficiencies" related to money laundering and terrorist financing which pose risks to the international financial system. As the technocratic, apolitical, multilateral body charged with setting global standards for anti-money laundering and counter-terror financing, FATF is uniquely positioned to opine on these matters. It is therefore very significant that FATF found that (as in past reports) only two jurisdictions—Iran and North Korea—present such "ongoing and substantial money laundering and terrorist financing (ML/TF) risks" that the international community should apply active "counter-measures" to protect themselves and the larger international financial system.

FATF's statement on Iran included this blunt language:

The FATF remains particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's recent engagement with the FATF.

The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF reaffirms its 25 February 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. The FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. Due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthen existing ones.

But now, under the Iran deal, most of the world, including Europe, will be looking to expand business relationships with Iran even as these "strategic deficiencies" related to Iran's money laundering and terror financing activities remain. And those deficiencies are nowhere as broad and blatant as they are in regards to the Islamic Republic's financial and material support to Hezbollah.

Conclusion

A few weeks ago, senior Saudi Hezbollah operative Ahmed al-Mughassil was detained in Lebanon and sent to Saudi Arabia where he has long been wanted on charges of masterminding and carrying out the 1996 Khobar Towers bombing. Mughassil has been an intimate and longtime confidante of the IRGC and Qods Force, working closely with both Iranian and Lebanese Hezbollah operatives. His arrest and interrogation should reveal still more details about the nature of the relationships between the IRGC and Qods Force on the one hand and Lebanese Hezbollah and its regional allies, especially in the Gulf, on the other. One can only hope that the timing of this arrest is the result of a renewed push to collect timely information about these group's activities for the purpose of taking tangible action against them.

One area of inquiry and action that could yield particularly positive results would be to target, in fairly quick succession, a variety of Hezbollah front companies and logistics nodes around the world. A theme woven throughout this testimony is that Hezbollah relies heavily on such front organizations to carry out its operations, from Europe to Iraq and from China to Dubai.

In July, the Treasury Department designated one such network, which was focused on supporting the group's activities in Syria. In July, Treasury described Abd al-Nur Shalan as "a businessman with close ties to Hezbollah leadership" who served as Hezbollah's "point person for the procurement and transshipment of weapons and materiel for the group and its Syrian partners for at least 15 years." Shalan, Treasury informed, "has been critical in keeping Hezbollah supplied with weapons, including small arms, since the start of the Syrian conflict." Shalan has been at the center of brokering business deals involving Hezbollah, including one for Syrian officials with companies in Belarus, Russia, and Ukraine regarding the purchase and sale of weapons. In 2010, he acquired a number of tons of anhydride, used in the production of explosives and narcotics, for use by Hezbollah.

Targeting Hezbollah's financial and logistical choke points is very effective, but only if done in a steady stream of actions, not a series of one-off designations from which Hezbollah can easily recover by rerouting its financing and logistics through other fronts.

Indeed, actions such as these will be all the more necessary now that Russian forces are reportedly on the ground in Syria. Israeli officials are not so much concerned that Russia will start arming Hezbollah directly, but that the Russian presence on the ground could mitigate Israel's ability to target Iranian arms shipments intended for Hezbollah as the Israeli air forces has done in the past.

While the Iran deal leaves much open to interpretation, one thing is certain: for Iran this deal is strictly transactional, not transformational. To the contrary, Iran is almost certain to increase its clandestine activities and support for proxies engaged in asymmetric warfare and reasonably deniable intelligence and terrorist operations. In other words, Hezbollah is about to take a place of even greater prominence within the planning of Iran's revolutionary elite. Hezbollah heeded Tehran's call to step into the breach of the Syrian war, and as a result has drifted even further into the Iranian orbit as a result of its intimate operations with the IRGC there.

But designating only Hezbollah entities—or those connected to other Shiite militia or terrorist groups answering to Iran—is not enough. Whether through Treasury designations or other tools, IRGC and Qods Force officers and entities engaged in Iran's ongoing illicit conduct must also be taken to task.

There are many areas of the Iran deal that warrant close attention as the deal moves toward implementation. Contending with what Secretary Lew referred to as "Iran's menacing behavior"—in particular through its own IRGC Qods Force and Lebanese Hezbollah—must be at the top of the list. Failure to do so would not only undermine the logic of the Iran deal as articulated by the administration, it would add to the very real trust deficit currently affecting our relationships with allies both in the region and around the globe.