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Before the House Committee on Homeland Security  
Subcommittee on Oversight and Management Efficiency

**“Threat to the Homeland: Iran’s Extending Influence in the  
Western Hemisphere”**

July 9, 2013

Chairman Duncan, Ranking Member Barber and members of the committee, thank you for the opportunity to testify today on what I believe is one of the most important issues facing the United States and its security. I am speaking for myself and not on behalf of CSIS.

The Subcommittee asked me to address several specific issues relating to Iran's expanding influence in the Western Hemisphere, each of which is complex, and the threat that this influence might present to the U.S. Homeland. My testimony will address them as themes, with a focus on the areas where, in my experience, our policy is operating on incorrect assumptions or where the true dangers are misunderstood or downplayed. I spend a great deal of time in Latin America, where I have worked for almost 40 years, and much of the information here comes from trusted sources who have proved reliable in the past and who are deeply concerned not only for the welfares of their own countries but of the United States.

My assessment is that, contrary to the State Department's recent statement that Iran's influence in Latin America and the Caribbean is waning, it is in fact growing on multiple fronts. To understand how this is happening one must understand the changing context in which Iran is operating in Latin America, including the bloc of nations allied with Iran and the transnational criminal pipelines that traverse the hemisphere and successfully breach our southern border thousands of times each day.

This threat includes not only traditional transnational organized crime (TOC) activities such as drug trafficking and human trafficking, but others, including the potential for WMD-related trafficking. These activities are carried out with the participation of Iran with regional state actors whose leaders are deeply enmeshed in criminal activities. **These same leaders have a publicly articulated doctrine of asymmetrical warfare against the United States and its allies that explicitly endorses as legitimate the use of weapons of mass destruction.**

I want to underscore that at this point this remains a clear statement of intention, rather than a statement of capabilities. But as Iran, al Qaeda and other regimes and non-state armed groups have shown, intention will come to fruition if left unchecked.

Iran's influence is wielded both directly and indirectly: The direct influence is through Iranian embassies, intelligence services and economic interests, as well as through proxies the self-described Bolivarian bloc of nations (ALBA) led by Venezuela and including Ecuador, Bolivia and Nicaragua. Argentina under the government of Cristina Fernández de Kirchner, while not formally a member of ALBA, is rapidly becoming one of Iran's most important allies in the hemisphere and strongly allied with the ALBA nations.

The ALBA states, each of them highly criminalized in which senior members of the government are directly involved in transnational organized crime ventures, provide a host of services to Iran, including the granting of citizenship and travel documents to hundreds -- and perhaps thousands -- of Iranian nationals; the extensive use of banking structures to allow Iran to move and hide resources while using the money to evade sanctions and purchase sanctioned goods on the international market; and a hospitable environment in which to operate unimpeded in their intelligence activities.<sup>1</sup>

Fernández de Kirchner, in an opaque process, has taken a series of steps with Iran clearly aimed at absolving senior Iranian leaders of their responsibility in a major terrorist attack. At the same time her government, riddled with corruption and facing growing popular dissatisfaction, has embraced a series of seemingly irrational economic and political policies that favor transnational organized crime, are overtly hostile to U.S. interests, and could offer Iran a lifeline in both its economic crisis and its nuclear program.

In addition to state allies, Iran relies on non-state actors and sympathizers, often tied to Hezbollah, Iran's proxy in the region. These include non-governmental organizations (NGOs) tied to Hezbollah and often funded by Venezuelan oil money; Islamic cultural centers and mosques that act as centers for indoctrination and training for a growing number of students; the recruitment of young people to study and train in Iran in intelligence, counter-intelligence, and theology; and links to drug trafficking organizations that provide millions of dollars to support radical Islamist activities, as the Ayman Jumaa case clearly shows.<sup>2</sup> This includes the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*-FARC), the hemisphere's oldest insurgency and a designated terrorist organization by the United States and the European Union.

As I wrote in 2012

This emerging combination of threats comprises a hybrid of criminal-terrorist, and state- and non-state franchises, combining multiple nations acting in concert, and traditional TOCs and terrorist groups acting as proxies for the nation-states that sponsor them. **These hybrid franchises should now be viewed as a tier-one security threat for the United States. Understanding and mitigating the threat requires a whole-of-government approach, including collection, analysis, law enforcement, policy and programming.** No longer is the state/non-state dichotomy

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<sup>1</sup> For a full discussion of the concept of criminalized states and their functioning in Latin America see: Douglas Farah, "Transnational Organized Crime, Terrorism and Criminalized States in Latin America: An Emerging Tier-One National Security Priority," Strategic Studies Institute, U.S. Army War College, Carlisle Barracks, PA, August 2012, accessed at:

<http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1117>

<sup>2</sup> Sebastian Rotella, "Government says Hezbollah Profits From U.S. Cocaine Market via Link to Mexican Cartel," ProPublica, December 11, 2011.

viable in tackling these problems, just as the TOC/terrorism divide is increasingly disappearing.<sup>3</sup>

As Dr. Nisman has so eloquently laid out in both his 2006 indictment of senior Iranian figures for the 1994 AMIA attack and his subsequent report released earlier this year on Iran's activities in the region, the radical theocratic regime of Iran has a long-standing, highly developed structure in Latin America whose primary purpose is to fuse state and non-state force to spread the Iranian revolution by any means necessary, including terrorist attacks, as shown by the AMIA bombing and two failed attacks on the United States.

The fallacy of the current conventional wisdom is the belief that Iran does not already engage in specific attempts to carry out terrorist attacks inside the United States. There are three clear cases that show that is not true:

- The 2007 attempt to bomb pipelines underneath JFK airport in New York City, as Dr. Nisman has outlined;
- The October 2011 plot by elements of the Qods Force, the elite arm of the Iranian Revolutionary Guard Corps, to hire a hit man from a Mexican cartel to assassinate the Saudi ambassador in the United States<sup>4</sup>;
- Attempts to hack into U.S. defense and intelligence facilities and launch widespread cyber attacks in the United States in coordination with Cuba and Venezuela, as shown in the December 2011 investigative piece by Univision, the Spanish-language TV network.<sup>5</sup>

All three efforts were authorized by senior Iranian government officials, and were not operations of some rogue agents.

These are the manifestations of the core belief of each and every Iranian government since the 1979 revolution, including the current "moderate" leadership, that informs my view of Iran's activities in the region, and why I believe metrics other than purely economic or diplomatic are necessary in order to discern Iran's actions and motivations.

As far back as 1987 the U.S. intelligence community shared this assessment. In a declassified Terrorism Review from October 22, 1987 now posted on its website, the Central Intelligence Agency reported that

Iranian leaders view terrorism as an important instrument of foreign policy that they use both to advance national goals and to export the regime's Islamic revolutionary ideals. They use it selectively and skillfully in

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<sup>3</sup> Farah, op cit., p. 2.

<sup>4</sup> Evan Perez, "U.S. Accuses Iran in Plot: Two Charged in Alleged Conspiracy to Enlist Drug Cartel to Kill Saudi Ambassador," Wall Street Journal, October 12, 2011.

<sup>5</sup> "La Amenaza Iraní," Univision Documentales, aired December 8, 2011.

coordination with conventional diplomacy and military tactics. We believe most Iranian leaders agree that terrorism is an acceptable policy option, although they may differ on the appropriateness of a particular act of terrorism.<sup>6</sup>

This is a fundamental reality, enshrined in the preamble to the Iranian constitution, which states that

With due consideration for the Islamic Element of the Iranian Revolution, which has been a movement for the victory of all oppressed peoples who are confronted with aggressors, the constitution shall pave the way for perpetuation of this revolution within and outside the country, particularly in terms of the expansion of international relationships with other Islamic and popular movements. The Constitution seeks to lay the groundwork for the creation of a single world nation...and perpetuate the struggle to make this nation a reality for all the world's needy and oppressed nations.

It goes on to say that:

"In establishing and equipping the country's defense forces, we will allow for the fact that faith and ideology constitute the foundation and the criterion we must adhere to. Therefore, the army of the Islamic Republic of Iran and troops of the Revolutionary Guard will be created in accordance with the objective mentioned above, and will be entrusted with the task not only of protecting and preserving our borders, but also an ideological mission, that is to say, Jihad in the name of Allah and the world.<sup>7</sup>

Today Iran enjoys more state and non-state support in the region than ever before, giving the regime ample room to maneuver, create alliances, and expand its network. The expansion is observable not only in Argentina, but in Bolivia and Ecuador, where the Iranian presence has grown and become more identifiable.

While formal trade and other traditional metrics may indicate a less robust presence or Iran's inability to carry out its formal commitments, these activities were never the primary purpose or focus of Iran's activities in the region.

It is true that Iran has fulfilled few of the hundreds of promises it has made for investment and completed few of myriad Memorandums of Understanding signed across the region. Yet the underlying purpose was to benefit the Iranian regime in ways formal trade statistics and MOUs never touched.

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<sup>6</sup> Central Intelligence Agency, Directorate of Intelligence, "Terrorism Review," October 22, 1987, p. 11.

<sup>7</sup> Preamble to the Iranian Constitution of 1979, accessed at: <http://parliran.ir/index.aspx?siteid=84&pageid=3053#preamble>

Now Iran has a disproportionately large diplomatic corps -- far larger than regional superpower Brazil -- in most ALBA countries, staffed with hundreds of "economic attaches" despite negligible commerce; a growing number of embassies; and diplomatic and non-diplomatic safe havens for Qods Force, MOIS and other intelligence services to operate, plan, network and reap significant financial gain. Dr. Nisman's latest report lays out in great detail the role each of these intelligence institutions plays in furthering Iran's revolutionary interests in the hemisphere, which can include the use of terrorism as an acceptable methodology.

Iran is able to do this because the ALBA-Iran relationship has far deeper roots and is a much broader alliance that is usually recognized. But understanding the depth of the relationship is fundamental to understanding Iran's actions in the Western Hemisphere and the threat it poses to the United States.

While Iran's revolutionary rulers view the 1979 revolution in theological terms as a miracle of divine intervention in which the United States, the Great Satan, was defeated, the Bolivarians view it from a secular point of view as a roadmap to defeat the United State as the Evil Empire. To both it has strong political connotations and serves a model for how asymmetrical leverage, when applied by Allah or humans, can bring about the equivalent of David defeating Goliath on the world stage.

Among the first to articulate the possible merging of radical Shite Islamic thought with Marxist aspirations of destroying capitalism and U.S. hegemony was Illich Sánchez Ramirez, better known as the terrorist leader 'Carlos the Jackal', a Venezuelan citizen who was, until his arrest in 1994, one of the world's most wanted terrorists.

In his writings Sánchez Ramirez espouses Marxism tied to revolutionary, violent Palestinian uprisings. In the early 2000s after becoming a Muslim, turned to propagating militant Islamism. Yet he did not abandon his Marxist roots, believing that Islamism and Marxism combined would form a global "anti-imperialist" front that would definitively destroy the United States, globalization and imperialism.

In his 2003 book Revolutionary Islam, written from prison where he is serving a life sentence for killing two French policemen, Sánchez Ramirez praises Osama bin Laden and the 9-11 attacks on the United States as a "lofty feat of arms" and part of a justified "armed struggle" of Islam against the West. "From now on terrorism is going to be more or less a daily part of the landscape of your rotting democracies," he writes.<sup>8</sup>

In this context, the repeated, public praise of the late Hugo Chávez for Sánchez Ramirez can be seen as a crucial element of the Bolivarian ideology and an acceptance of his underlying premise as important to the Bolivarian ideological

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<sup>8</sup> "Jackal' book praises bin Laden," BBC News, June 26, 2003.

framework. In a 1999 letter to Sánchez Ramirez, Chávez greeted the terrorist as a “Distinguished Compatriot” and wrote that

Swimming in the depths of your letter of solidarity I could hear the pulse of our shared insight that everything has its due time: time to pile up stones or hurl them, to ignite revolution or to ignore it; to pursue dialectically a unity between our warring classes or to stir the conflict between them—a time when you can fight outright for principles and a time when you must choose the proper fight, lying in wait with a keen sense for the moment of truth, in the same way that Ariadne, invested with these same principles, lays the thread that leads her out of the labyrinth. ...

I feel that my spirit's own strength will always rise to the magnitude of the dangers that threaten it. My doctor has told me that my spirit must nourish itself on danger to preserve my sanity, in the manner that God intended, with this stormy revolution to guide me in my great destiny.

With profound faith in our cause and our mission, now and forever! <sup>9</sup>

In fact, the Bolivarian fascination with militant Islamist thought and Marxism did not end with the friendship between Chávez and the jailed terrorist. Acolytes of Sánchez Ramirez continued to develop his ideology of Marxism and radical Islamism rooted in the Iranian revolution.

The emerging military doctrine of the "Bolivarian Revolution," officially adopted in Venezuela and rapidly spreading to Bolivia, Nicaragua and Ecuador, explicitly embraces the radical Islamist model of asymmetrical or "fourth generation warfare," and its heavy reliance on suicide bombings and different types of terrorism, including the use of nuclear weapons and other WMD. This is occurring at a time when Hezbollah's presence in Latin America is growing and becoming more identifiable.<sup>10</sup>

Venezuela has adopted as its military doctrine the concepts and strategies articulated in Peripheral Warfare and Revolutionary Islam: Origins, Rules and Ethics of Asymmetrical Warfare (*Guerra Periférica y el Islam Revolucionario: Orígenes, Reglas y Ética de la Guerra Asimétrica* )\_by the Spanish politician and ideologue Jorge Verstrynge.<sup>11</sup> The tract is a continuation of and exploration of Sánchez Ramirez's

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<sup>9</sup> Paul Reyes (translator) and Hugo Chávez, “My Struggle,” from a March 23, 1999 letter to Illich Ramirez Sánchez, the Venezuelan terrorist known as ‘Carlos the Jackal’, from Venezuelan president Hugo Chavez, in response to a previous letter from Ramirez, who is serving a life sentence in France for murder. Harper's, October 1999, <http://harpers.org/archive/1999/10/0060674>

<sup>10</sup> In addition to Operation Titan there have been numerous incidents in the past 18 months of operatives being directly linked to Hezbollah have been identified or arrested in Venezuela, Colombia, Guatemala, Aruba and elsewhere in Latin America.

<sup>11</sup> Verstrynge, born in Morocco to Belgian and Spanish parents, began his political career on the far right of the Spanish political spectrum as a disciple of Manuel Fraga, and served as a national and

thoughts, incorporating an explicit endorsement of the use of weapons of mass destruction to destroy the United States. Verstrynge argues for the destruction of United States through series of asymmetrical attacks like those of 9-11, in the belief that the United States will simply crumble when its vast military strength cannot be used to combat its enemies.

Although he is not a Muslim, and the book was not written directly in relation to the Venezuelan experience, Verstrynge moves beyond Sánchez Ramirez to embrace all strands of radical Islam for helping to expand the parameters of what irregular warfare should encompass, including the use of biological and nuclear weapons, along with the correlated civilian casualties among the enemy.

In a December 12, 2008 interview with Venezuelan state television, Verstrynge lauded Osama bin Laden and al Qaeda for creating a new type of warfare that is "de-territorialized, de-stateized and de-nationalized," a war where suicide bombers act as "atomic bombs for the poor."<sup>12</sup>

This ideological framework of Marxism and radical Islamic methodology for successfully attacking the United States is an important, though little examined, underpinning for the greatly enhanced relationships among the Bolivarian states and Iran. These relationships are being expanded and absorb significant resources despite the fact that there is little economic rationale to the ties and little in terms of legitimate commerce.

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several senior party posts with the Alianza Popular. By his own admission he then migrated to the Socialist Party, but never rose through the ranks. He is widely associated with radical anti-globalization views and anti-U.S. rhetoric, repeatedly stating that the United States is creating a new global empire and must be defeated. Although he has no military training or experience, he has written extensively on asymmetrical warfare.

<sup>12</sup> Bartolomé, op cit. See also: John Sweeny, "Jorge Verstrynge: The Guru of Bolivarian Asymmetric Warfare," [www.vcrisis.com](http://www.vcrisis.com), Sept. 9, 2005; and ["Troops Get Provocative Book," Miami Herald, Nov. 11, 2005.](#)

Jorge Verstryngge

**LA GUERRA PERIFÉRICA Y  
EL ISLAM REVOLUCIONARIO**

Orígenes, reglas y ética de la guerra asimétrica



**El Viejo Topo**

It is indisputable that the economic sanctions have had an impact on Iran, and that Iran has generally been unable to fulfill the vast majority of the public obligations it has assumed in the Western Hemisphere. But it is a mistake to think those economic agreements were ever meant to be fulfilled. Rather, they were designed to allow the ALBA nations and Iran to carry out state-to-state transactions of mutual benefit, including trafficking in illicit substances, acquisition and transportation of important mineral resources and dual use technology, and the free movement of people.

My field research over the past five years has found that the actions and lines of effort of Iran and the governments of the Bolivarian states, in conjunction with non-state armed actors in the region designated as terrorist entities, comprise a pattern of activity designed primarily for three purposes: create mechanisms that allow Iran to blunt the impact of international sanctions; aid Iran's nuclear ambitions and facilitate the potential movement of WMD components, including dual use technology; pre-position personnel and networks across Latin America both to help spread Iran's revolutionary vision and to carry out attacks against the U.S. and Israeli targets, particularly in retaliation if there were a strike on its nuclear facilities.

Contrary to some other reporting, I have found no evidence that uranium was being mined, a view shared in reporting by the International Atomic Energy Agency.<sup>13</sup>

More specifically these activities include:

- The clandestine or disguised extraction of minerals useful for nuclear and missile programs, largely of the coltan family, useful for missile production and other military applications;
- Access to a series of "safe havens" currently controlled by non-state actors for illicit trafficking activities, particularly in border regions, that would allow for the free movement of virtually any product across the northern tier of South America through Central America and across the Homeland's southern border;
- The creation of numerous financial institutions and monetary mechanisms designed to aid Iran in avoiding the impact of multilateral sanctions;

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<sup>13</sup> Author interview with IAEA member in November, 2011. The official said the agency had found Iran had enough uranium stockpiled to last a decade. Rather, he said, the evidence pointed to acquisition of minerals useful in missile production. He also stressed that dual use technologies or items specifically used in the nuclear program had often been shipped to Iran as automotive or tractor parts. Some of the principal investments Iran has made in the Bolivarian states have been in a tractor factory that is barely operational, a bicycle factory that does not seem to produce bicycles, and automotive factories that have yet to be built.

- The expansion of diplomatic ties across the region with credible reports that these facilities are being used as sanctuary for accredited diplomats who belong to the Qods Force and other Iranian intelligence services;
- The establishment of multiple agreements to permit economically unwarranted Iranian shipping activities in the region, primarily run by sanctioned shipping lines controlled by the IRGC and known to be used to further Iran's illicit nuclear ambitions;
- The acquisition by hundreds and perhaps thousands of Iranian nationals of legitimate, original passports, *cédulas* and other national identity documents from Ecuador, Panama, Venezuela and Bolivia. These are generally granted to Qods Force operatives, Ministry of Intelligence (MOIS) operatives and other intelligence services that move across the region relatively undetected because they are no longer identifiable as Iranians.<sup>14</sup>

Given this background, I would like to focus on three specific issues the Subcommittee asked me to address.

The first is the recruitment of students in the Western Hemisphere. I have had the opportunity in Central America to interview a handful of students who have been recruited and trained in Qom, Iran. My contacts were all recruited in El Salvador. Univision, the TV network, also documented the recruitment and sending of Mexican students to Qom, and other researchers have interviewed students from other Latin American nations. Each independently have told similar and consistent stories of their recruitment and training.

The recruitment is initially done through individuals linked to the ALBA governments, often in mosques or cultural centers such as the Islamic Cultural Center in San Salvador. Most are presented with the opportunity to attend "revolutionary" indoctrination courses in Venezuela dealing with revolutionary ideology. These meetings bring together several hundred students at one time from across Latin America, all with their travel fees and expenses paid by the Venezuelan government.

During the youth festivals in Venezuela a much smaller group of is selected to attend training in Iran, where Venezuelan instructors (because of the need for the training to be in Spanish), under the direction of Moshen Rabbani, sort the small group into

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<sup>14</sup> For a fuller elaboration of these lines of efforts see: Farah, "Transnational Organized Crime, Terrorism and Criminalized States in Latin America: An Emerging Tier-One National Security Priority," op cit.; and Douglas Farah, "Iran and Latin America: Strategic Security Issues," Defense Threat Reduction Agency, Advanced Systems and Concepts Office, May 2011.

even smaller units. Training can range from 30-120 days, and specializations include intelligence, counter-intelligence, theology, crowd control and how to incite crowd violence in street marches. Regardless of the topic, each course contains strong components of radical Shi'ite theology and anti-U.S. preaching, including statements of the United States as the great Satan, the enemy of humanity, while justifying its destruction and that of Israel.

While most of those attending the training are university aged, there are also some older individuals, generally sent by their governments. They are given different, more specialized training that my contacts were not privy to. These reports primarily center on Nicaragua.

These students, upon their return to their home countries, are generally not registered as arriving from Iran. They pass through Venezuela on their return, thus their travels register a round trip to Caracas. This in turn makes it difficult to track who has been there and what they do on their return to Latin America.

What is the potential threat? That Iran is creating a small group of sleeper cells across the region, people with specialized training who are not Iranian citizens and therefore subject to much less scrutiny both by their home governments and the United States should they travel here. The clandestine nature of the recruitment, the use of cultural centers as meeting points to exchange lessons learned and build networks, and the ability of these students to plug into existing Hezbollah and radicalized networks are all significant dangers. The recruitment efforts have been continuous and ongoing since at least 2007, and each year hundreds of recruits – and possibly into the thousands -- are taken to Iran for training. After six years, well over 1,000 people have made the trip and, even if only a relatively small group remains loyal to the Iranian regime, it is a significant network.

Since Dr. Nisman is not here, I think it is worth highlighting the growing ties of Iran and Argentina on a number of issues much broader than the AMIA bombing. Much of the ties, particularly on missile technology and possibly nuclear technology, also run through Venezuela. In February 2013, one of Argentina's leading newspapers published an investigation saying that, beginning in September 2012, the missile technology was being shared with CAVIM (*Compañía Anónima Venezolana de Industrias Militares*), the industrial component of Venezuela's military. The exchanges are part of the new strategic military agreement signed between Argentina and Venezuela.<sup>15</sup>

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<sup>15</sup> Daniel Gallo, "El proyecto de un misil liga al país con Irán: El plan avanza con acuerdo de una firma venezolana sancionada por EEUU," *La Nación*, February 17, 2013, accessed at: <http://www.lanacion.com.ar/1555490-el-proyecto-de-un-misil-liga-al-pais-con-iran>

In turn CAVIM, under sanction by the U.S. State Department for aiding Iran's missile program,<sup>16</sup> is already jointly manufacturing Unmanned Aerial Vehicles (UAVs or drones) with Iran.<sup>17</sup> Iran has many other technological exchanges with Venezuela, many suspected of aiding – or intended to aid -- Iran's nuclear and missile programs. Knowledgeable observers have said for several years that Iran is trying to acquire solid fuel missile technology around the world in order to enhance its delivery systems for a potential nuclear weapon.

"The way it works is that Argentina gives Venezuela the technology, and Venezuela passes it on to Iran," said one source familiar with the program. "The argument from Cristina's government will be, if caught, that they are not responsible for where the technology ends up once it gets to Venezuela. But they are aware of how it will be shared." Argentina's planning minister Julio de Vido categorically denied there was any plan to "make missiles with Venezuela, much less with Iran."<sup>18</sup>

There are other indications that Argentina's warming with Iran could be predicated on aiding the Islamic republic's nuclear program. There is a precedent for such cooperation, but new forms of working together would represent a clear rupture with the international community aligned with the United States and Europe.

While many international analysts view the possibility of nuclear cooperation as remote, the little-studied precedents make such collaboration feasible, particularly when seen in the light of the possible technology transfer on the missile front described above.

At the time of the 1992 bombing of the Israeli Embassy, Argentina was engaged in discussions about training Iranian scientists at Argentina's nuclear facility, and, through 1993, it delivered promised shipments of low-enriched uranium for Iran's nuclear program. All collaboration was cut off after the AMIA attack, but in 2002 Iran made additional overtures to Argentina on the nuclear front, which were rebuffed. In 2007, Chávez reportedly interceded with Kirchner on behalf of Iran in order to acquire nuclear technology.<sup>19</sup> In 2009, Iran publicly stated its willingness to

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<sup>16</sup> U.S. Department of State, "Iran, North Korea and Syria Nonproliferation Act: Imposed Sanctions," February 12, 2013, accessed at: <http://www.state.gov/t/isn/inksna/c28836.htm>

<sup>17</sup> Brian Ellsworth, "Venezuela says building drones with Iran's help," Reuters, June 14, 2012, accessed at: <http://www.reuters.com/article/2012/06/14/us-venezuela-iran-drone-idUSBRE85D14N20120614>

<sup>18</sup> De Vido negó un pacto con Venezuela para hacer un misil," *La Nación*, February 18, 2013, accessed at: <http://www.lanacion.com.ar/1555695-de-vido-nego-un-pacto-con-venezuela-para-hacer-un-misil>

<sup>19</sup> Pepe Eliashev, "Argentina negocia con Irán dejar de lado la investigación de los atentados," *Perfil* (Argentina), March 26, 2011; Casto Ocando, "Possible Nuclear Cooperation Between Venezuela, Argentina and Iran," *Univision Noticias*, July 12, 2011, accessed at: <http://univisionnews.tumblr.com/post/7546036783/possible-nuclear-cooperation-between-venezuela>

buy nuclear fuel from “any supplier, including Argentina.” As *Asia Times* reported, there are multiple reasons for what on the surface seems an unusual statement:

The Tehran reactor, though initially built by the US, was redesigned and had its core refitted by Argentina in the 1980s. This means that for all practical purposes, it is an Argentinean-made, and fueled, reactor. In 1988, the IAEA governing board approved Argentina's delivery of highly enriched uranium (19.75%) to Iran, which was delivered in the autumn of 1993.

Second, during 1993-1994, Iran and Argentina engaged in serious negotiations on further nuclear cooperation. Among the issues discussed were the training of Iranian scientists at an Argentinean nuclear institute, and a fuel fabrication plant for Iran. These discussions, as well as the distinct and deepening nuclear relations between Iran and Argentina, came to a sudden halt in July 1994 with the bombing of the Jewish center.

Third, despite negative comments such as those by Kirchner that overlook the irrefutable record of the nuclear talks between Tehran and Buenos Aires in early 1994 - talks that raised Iranian hopes that the fuel delivery of 1993 would be followed up with more extensive deals - the idea of replenishing the Tehran reactor with fuel from Argentina has never quite disappeared from Iran's nuclear energy policy. Iran has adamantly rejected allegations that it played any role in the bombing.<sup>20</sup>

Given this history, in addition to the growing ties between Fernández de Kirchner and Venezuela's Chávez and now Maduro governments, which publicly have stated their desire to help Iran with its nuclear program regardless of international sanctions, the assumption that Iran is pressing its relationship with Argentina for nuclear advantage is plausible. The dangers of such a relationship were already demonstrated in the history of the AMIA bombing.

I would also like to touch briefly on the banking structures that Iran is taking advantage of, both to highlight the role of Ecuador in Iran's strategy and to address the issue of loopholes or laxness in our policies that allow Iran's financial structures to operate with relative freedom in the hemisphere.

One case that I have looked at in detail is that of COFIEC Bank and Ecuador's largely ignored role in helping Iran evade international sanctions, with no penalties for its actions.

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<sup>20</sup> Kaveh L. Afrasiabi, “Iran Looks to Argentina for nuclear fuel,” *Asia Times*, November 6, 2009, accessed at: [http://www.atimes.com/atimes/Middle\\_East/KK06Ak02.html](http://www.atimes.com/atimes/Middle_East/KK06Ak02.html)

Since November 2008, when the Central Bank of Ecuador agreed to accept \$120 million in deposits from the internationally sanctioned Export Development Bank of Iran (EDBI), Iran's desire to use the Ecuadoran financial system to access the world banking system has been evident. In 2008 EDBI was sanctioned by the U.S. Treasury's Office of Foreign Assets Control (OFAC) for "providing financial services to Iran's Ministry of Defense and Armed Forces Logistics (MODAFL)," in an effort to "advance Iran's WMD programs."<sup>21</sup>

When this relatively straightforward plan was uncovered by investigative journalists in Ecuador, President Rafael Correa received a formal *demarche* from the U.S. Embassy and denied any deposits had been made, although the two banks at the very least maintained SWIFT communications capabilities for at least two years after the denial. It seemed the efforts had halted.

Yet what has emerged since early 2012 is a far more sophisticated plan to use a little-known Ecuadoran bank in state receivership known as COFIEC to open correspondent accounts with sanctioned Iranian banking institutions through a state-owned Russian bank. There have also been serious discussions of clandestinely selling the Ecuadoran bank to sanctioned Iranian banks, talks that senior government officials have acknowledged are still underway.

If successful, (and the record to date, while inconclusive suggests that at least parts have been), the impact of these new moves could be significant, opening up new and relatively easy ways for Iran's banks, largely shut out of the Western banking exchanges, to move large sums of money in ways that would be almost impossible to detect.

The COFIEC case, which I have written on extensively, ([http://www.strategycenter.net/research/pubID.304/pub\\_detail.asp](http://www.strategycenter.net/research/pubID.304/pub_detail.asp))<sup>22</sup> offers a template for understanding how Iran is working around international banking sanctions that are badly hurting its economy. Given Iran's documented strategy of using the same sanctions busting methodology in different countries until those avenues are shut down, it is likely a methodology that is being repeated in multiple other venues.

The COFIEC case illustrates (as the BID case in Venezuela did) that dealing with sanctioned Iranian banks, is far from being the work of a few rogue officials trying to take unauthorized activities without the knowledge of their superiors. Rather, the efforts at banking collaboration are part of multi-state coordinated and publicly

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<sup>21</sup> "Export Development Bank of Iran Designated as a Proliferator," U.S. Department of Treasury, Oct. 22, 2008.

<sup>22</sup> See: Douglas Farah, "Ecuador's Role in Iran's Latin America Financial Structure: A Case Study in the Use of COFIEC Bank," International Assessment and Strategy Center, February 2013, accessed at: [http://www.strategycenter.net/research/pubID.304/pub\\_detail.asp](http://www.strategycenter.net/research/pubID.304/pub_detail.asp)

articulated policy of aiding Iran in to break its international political and economic isolation.<sup>23</sup>

Ecuador plays a unique and vital role in the Bolivarian structure and Iran's efforts in the Western Hemisphere because it offers a singular advantage – the U.S. dollar is the official currency of the country. This means that any banking transactions are already in dollars, not a currency that needs to be converted to dollars for use on the international market. This process of conversion is both costly and a key point of vulnerability and detection in international transactions. It also gives any country or institution doing business there access to dollars, something Iran is desperate for.

The specific case of COFIEC shows that President Rafael Correa engaged directly with Iranian president Mahmoud Ahmadinejad on the banking issue and that, based on those presidential conversations and authorization, the president of the Central Bank of Ecuador and other senior officials have:

- Systematically and repeatedly sought to engage with Iranian banks sanctioned by the United States, the European Union and the United Nations to help blunt the impact of international trade sanctions regime on Iran;
- Met with the leadership of the Iranian banks despite clearly understanding the banks were under international sanction and writing risk analysis reports before the meetings;
- Engaged in activities that would allow Iran to operate through state-owned Ecuadoran banks and explored ways of encrypting communications and other ways of hiding the relationship and communications;
- Worked with Iran to set up correspondent bank accounts in the same bank in a third country, so no activities between two accounts would be reported as an international transaction. In this case the bank was in Russia, one of the few countries that has banks that maintain correspondent relationships with Iranian banks.

Given Iran's growing engagement with Argentina, the expansion of Iran's use of ALBA nations' financial institutions and its growing recruitment efforts, its presence may be changing but it is not waning. In a time of intense economic difficulties in

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<sup>23</sup> In a joint statement the foreign ministers of Venezuela, Bolivia, Ecuador, Nicaragua and other members of the Chávez-led ALBA alliance vowed to "continue and expand their economic ties with Iran." "We are confident that Iran can give a crushing response to the threats and sanctions imposed by the West and imperialism," Venezuelan foreign minister David Velásquez said at a joint press conference in Tehran. See: "Venezuela/Iran ALBA Resolved to Continue Economic Ties with Iran," Financial Times Information Service, July 15, 2010.

Iran and the Bolivarian nations, both sides continue to put resources into the relationship, indicating the priority both sides place on maintaining and expanding the relationship.

The failure to take significant action against Ecuador for its flagrant violation of international sanctions on Iran, under direct presidential orders, is one example of the lacunas in U.S. policy toward Iran's presence in the hemisphere. As in the past, there have been moderate U.S. government protests, yet no consequences for the action.

In the case of Argentina there is considerable reluctance to take a more direct approach with the Fernández de Kirchner government on Iran, drug trafficking or any other issue of bi-national importance, fearing that any confrontation would drive Argentina into the arms of Iran and/or China. But this ignores the fact that the Argentine president has already made her decision to curtail DEA activities, publicly and repeatedly attack the United States as an imperialistic, warmongering nation, and reopen relations with Iran that make a mockery of the rule of law. What has not confronting these issues gained U.S. interests in the region?

In order to address Iran's strategy, operations, capabilities and intentions in the Western Hemisphere there first has to be a clear and common understanding of the issues. This understanding has to be based on an understanding of the Iranian revolutionary regime's underlying acceptance of terrorism as a legitimate method to achieve its goals, including the overriding goal of regime survival.

My first recommendation would be to look at Iran's presence in Latin America in a more holistic manner, using the significant understanding gleaned by the intelligence community in the years following the AMIA bombing, of what the Iranian network is, how it operates and the threat it poses.

Measuring how many MOUs or trade agreements are fulfilled, while omitting the multiple other covert and overt activities in which Iran is engaged in does not give the full picture of Iran's influence.

My second recommendation would be to use every available tool, and the Treasury Department and others in the government have a significant array of options, to impair Iran's banking activities in the region. There are multiple banks and joint investment companies established in Venezuela, Bolivia and Ecuador that allow Iran to move hundreds of millions of dollars into the world market. These financial instruments are little understood or monitored yet they are vital economic lifelines for the Iranian regime.

My third recommendation would be to focus on the thousands of passports being issued by ALBA nations to Iranian citizens, to make it more difficult for them to travel and, particularly to enter the United States. The vast bulk of the hundreds or thousands of people receiving these passports by complicit governments are not

tourists. They are intelligence agents whose primary objective is to find vulnerabilities and points of entry into the United States, identify vulnerable targets in the region and prepare a military response if Iran's nuclear program were to be attacked.

Finally, I would recommend a clear focus on the deals that triangulate among Argentina, Venezuela and Iran, which seem designed to help Iran gain access to Argentina's nuclear know-how while allowing Iran to sell petroleum. Iran is desperate for Argentine support in its nuclear program, while Argentina is paying \$12 billion a year to import energy, while sinking into economic chaos. Venezuela is already brokering numerous deals between the two, and China also seems to be playing a role through its recently acquired bank in Argentina. This represents a potential threat that would make keeping a nuclear warhead from Iran much more difficult.

Thank you and I look forward to any questions you may have.