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**BEFORE THE**

**U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON HOMELAND SECURITY  
SUBCOMMITTEE ON OVERSIGHT AND MANAGEMENT EFFICIENCY**

**HEARING ON**

***“THREAT TO THE HOMELAND: IRAN’S EXTENDING  
INFLUENCE IN THE WESTERN HEMISPHERE”***

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311 Cannon House Office Building  
Washington D.C. 20515

*A Center within the International Freedom Educational Foundation*

Good Afternoon, Chairman Duncan, Ranking Member Barber, and distinguished members of the Subcommittee.

Thank you for inviting me to appear before you today to address an issue that I have been closely studying over the last three years. This research has taken me to 15 countries throughout the Hemisphere on fact-finding trips documenting numerous eyewitness accounts, collecting investigative records of countries in the region, and analyzing confidential reports produced by sources developed from over a decade of work in Latin America. Most of the information and data collected has been corroborated with open source research and verified by regional and U.S. Government officials as well as subject matter experts.

What follows are my analysis and findings related to Iran's presence, activities and influence in the region, and recommendations as it relates to U.S. homeland security.

## **A JOINT ASYMMETRIC STRATEGY**

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To properly understand Iran's influence in the Hemisphere, we have to understand their strategy, globally and in the region. A strategy that according to most experts is increasingly reliant on Iran's asymmetric capabilities to compensate for its conventional shortcomings. And connect this to the regional strategy of the most fervent anti-American alliance in the Hemisphere, the Bolivarian Alliance of the Americas, or ALBA.

In April of 2010, the U.S. Department of Defense (DoD) released an unclassified report on Iran's military power. In this report, DoD mentions the use of asymmetric warfare as a principal means towards achieving Iran's end goal—to "become the strongest and most influential country in the Middle East and to influence world affairs."<sup>ii</sup> Moreover, Iran has quite often publicly stated the role of asymmetric warfare in their country's military doctrine, as quoted by Brigadier General Attaollah Salehi on January 12, 2011: "*All divisions of the Islamic Republic's military pay close attention to events in neighboring states and incorporate these into their asymmetric warfare training.*"<sup>iii</sup>

Likewise, in Latin America, the use of asymmetric force has become a common unifying doctrine among economically and militarily weaker nation-states in the region, namely the ALBA block. This Venezuela and Cuba led alliance has captured targeted governments in Bolivia, Ecuador, Nicaragua, as well as several satellite Caribbean countries—all acting as official member nations for this unified political power partnership. Haiti, Syria and Iran have also been admitted as non-voting observer nations to the ALBA alliance.

In early 2004, the same year that the ALBA alliance was formed, the "1<sup>st</sup> Military Forum on Fourth-Generation Asymmetric War," was held at the Military Academy



auditorium in Caracas, Venezuela, where the late President Hugo Chávez Frias directed the National Armed Forces (FAN) to develop a new military doctrine for contemporary conflict, as he stated: *"I call upon everybody to start an..effort to apprehend..the ideas, concepts, and doctrine of asymmetric war."*<sup>iii</sup>

Chávez then proceeded to pass the microphone to Jorge Verstrynge, current professor of political science at the Universidad Complutense de Madrid, who offered a keynote address on his book: *"Peripheral Warfare and Revolutionary Islam: Origins, Rules and Ethics of Asymmetrical Warfare."* Chávez and his top military commander at the time, General Raul Isaias Baduel, were so intrigued by Vestrynge's exposition that they published a special edition of his 174-page tome into a pocked sized field manual, adorned with the Venezuelan Army's coat of arms stamped on the inside cover.<sup>iv</sup> Verstrynge would later become an advisor to the FAN in 2005, and Chávez, along with the Castro brothers of Cuba, would embark upon a regional and extra-regional agenda to shift the balance of power in Latin America.

### ***ALBA and Iran: A force to be reckoned with***

2005 is coincidentally the same year, in which Iran decided to increase its engagement with Latin American countries, particularly using Venezuela as its gateway.<sup>v</sup> Iran understood that the wave of authoritarian populism known as "21<sup>st</sup> Century Socialism" that was sweeping through the region, offered the Islamic Republic a permissive environment to carry out its global agenda against the West. Since 2005, the former Iranian President Mahmoud Ahmadinejad visited Latin America seven times and more than doubled the number of embassies (from five to eleven) in the region. Moreover, Iran has since signed more than 500 bilateral agreements with a half dozen nations in Latin America, and more than doubled their trade in the region, with a significant spike in 2008.<sup>1</sup>

Skeptics will point out that many of the agreements signed between Iran and Latin American countries, remain unfulfilled, and that most of these visits, agreements and trade is with the ALBA block. The latter being only partly true, considering non-ALBA nations, namely Brazil and Argentina, are Iran's largest trade partners in the region. There is a point to be made that Iran has not come through on many of its promises to the region, but the absence of evidence is not the evidence of absence. Upon closer examination, Iran's investments in the region are very strategically placed in particular sectors, such as energy, agriculture, transportation and banking—all which offer cover for Iran's dual-use activities that will be discussed later in the testimony.

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<sup>1</sup> Iran continually boasts about its bilateral agreements with Latin America, often stating that as Washington is "building a wall" with Latin America, Tehran is "building a bridge." The number of agreements and trade estimation was taken from various reports on Iran's bilateral relationship in Latin America as well as the International Monetary Fund's *Direction of Trade Statistics* database

Other detractors may suggest that the ALBA block has only had success in the poorer and smaller countries in Latin America, with weaker militaries. This is only mostly true, if you choose to examine each ALBA member as an individual nation-state. If you study, however, ALBA through the lens in which they view themselves, as a unified block, you realize that their cohesive nature operates as a “revolution with borders” in which the sum of its parts is greater than a single member nation. Moreover, if you add some of the unofficial de-facto members of this alliance, such as Argentina, then ALBA becomes much more powerful.

During her tenure, Argentine President Cristina Fernández de Kirchner has led the country to economic ruin and begun the process of dismantling institutions (media, civil society, etc.) and “criminalizing” the state through the narco-trade, much like her Bolivarian brothers.<sup>vi</sup> Therefore, if you add Argentina as a third-party enabler to ALBA, the geopolitical landscape of this alliance has a population of over 100 million, a gross domestic product of over US \$1 trillion, and a territory of approximately 3.5 million square kilometers.<sup>vii</sup> In effect, this would make the ALBA alliance-plus larger than Mexico and a rival to Brazil in the region.

Iran has followed the Bolivarian’s lead in Argentina, ratifying a highly controversial memorandum of understanding earlier this year to essentially rewrite history in their favor. Responsible for the largest Islamic terrorist attack in the Western Hemisphere prior to September 11<sup>th</sup>, Iran is creating a “truth” commission with Argentina that will re-investigate the 1994 bombing of the AMIA Jewish community center in Buenos Aires that killed 85 people and left hundreds more injured. The deal signed on January 27, 2013 was ratified by the Argentine congress by a margin of only 18 votes on February 28, 2013<sup>viii</sup> and later was approved by the Iranian government on May 19, 2013, without ever being submitted to the Iranian parliament.<sup>ix</sup>

Most recently, there are ongoing attempts to infuse the ALBA alliance into Central America, namely through the “northern triangle” of El Salvador, Guatemala, and Honduras, which mirrors soft subversive elements on behalf of Iran and Hezbollah who have started establishing a small presence in these countries.<sup>x</sup>

## **AN IRANIAN NETWORK OF NON STATE ACTORS & NATIVE MUSLIM CONVERTS**

A significant part of Iran’s asymmetric strategy in Latin America has been creating, positioning and underwriting non-state proxies providing a deterrence capability to attack their adversaries (the U.S. and Israel) without direct attribution to themselves. The longstanding relationship between Iran and Hezbollah has been the premier example of this state-to-nonstate dichotomy, but Venezuela’s relationship with the FARC can also be examined with this same lens. Both cases serve as a lesson on how armed non-state actors can become an instrumental tool for the foreign policy and national security of a state.

Hezbollah, however, is not the only proxy force Iran has positioned in Latin America. Increasingly, Iran has become adept at using non-state actors that are not armed but instead appear “legitimate” to the uninitiated. Through the use of Islamic charities, associations and even mosques, Iran has proved skillful at using these “legitimate” non-state actors as force multipliers for its terrorist operations, as well as the “eyes and ears” of the Islamic revolution.

These non-state actors are generally camouflaged in the form “cultural exchange,” providing a vehicle for Iran to portray solidarity with its sympathetic Latin American counterparts, while establishing plausible deniability for its covert activities. In the threat finance domain, these Islamic organizations also present a complex web of non-profit charities that receive anonymous cash donations and are set up as assets or stores of value (SoV) utilized to finance terrorist operations in the region and/or abroad.

### ***The AMIA case as a precedent for Iran’s capabilities in Latin America***

The 1994 attack on the *Asociación Mutual Israeli-Argentino*, known as AMIA, in Buenos Aires, Argentina, provides a case study for understanding the asymmetric nature of Iran’s strategy in Latin America. The AMIA case was not only one of the most successful Islamic terrorist operations in this Hemisphere, but many of the Hezbollah cells and their Iranian sponsors are still active in the region today.

According to a recently released 502-page report by the special prosecutor of the AMIA attack, Alberto Nisman, Iran has been developing a covert intelligence network in Latin America for close to thirty years.<sup>2</sup> Dating back to a conference in 1982 in Tehran, the newly established Islamic Republic made a conscious decision to infiltrate its subversive elements in Latin America using the non-official cover of businessman and Islamic deities, as well as the conventional cover of diplomats. Significantly detailed in Nisman’s report was Iran’s sophisticated use of “cultural” activity as a means to blur the lines between political and covert activity, as well as to establish the state-to-nonstate relationship.

The primary personality of interest in Nisman’s report was the infamous Iranian cleric, Mohsen Rabbani, who first touched down in Buenos Aires on August 27, 1983, as a tourist. Rabbani was sent to Argentina on the order of Mohammad Ali Taskhiri, from the Ministry of Culture and Islamic Guidance of Iran, or *Ershad*. The *Ershad*, along with five other entities, plays an influential role in establishing the terror-support infrastructure sponsored by Iran.<sup>3</sup>

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<sup>2</sup> Much of the information and data provided in this section is taken from the 502-page report (labeled “Dictamina”) produced by Alberto Nisman, to which this author has a copy and has studied in great detail.

<sup>3</sup> Chapter 2, section (b) of Nisman’s report details the role of Iran’s Ministry of Intelligence and Security (MOIS or Vevak), the Ministry of Foreign Affairs, the Iranian Revolutionary Guards Corps and their special operations wing Qod’s Force (IRGC-QF or Pasdaran), and the Ministry of Construction Jihad (Jihad e-Sazandegi) in exporting the Iranian revolution.



By July 1984, Rabbani had received permanent residence in Buenos Aires and fully established his dual-cover as a businessman in the beef industry, as well as an Imam within the newly created *At-Tahúid* Mosque in the Floresta neighborhood of Buenos Aires.

It is important to note that Rabbani's first non-official cover was as an Iranian businessman operating within Argentina's agricultural industry. Iran set up a state-owned enterprise, the Government Trading Corporation of Iran (G.T.C.), to inspect livestock on behalf of Iran's Ministry of Agriculture. This is significant because the agro-industry was then, and remains today, one of Iran's principal imports from Latin America.

This dual-cover allowed Rabbani to communicate with counterparts in Brazil, Uruguay, and Colombia, who are also heavy agro-exporters to the Middle East, while creating local cells in Chile, Guyana and Paraguay, where he was able to connect with local Islamic leaders. This successful operation provides precedent for additional Iranian "businessman" and cultural officers to come to Latin America using a similar dual-cover within trade, commerce and religious entities, extending Iran's terrorist network in the region.

### ***Abdul Kadir: the prototype for an indigenous "Agent of Influence"***

Iran's use of Islamic charities and mosques as cover for their intelligence and terror-support operations, as described in the aforementioned section, has grown and evolved since the AMIA attack. Rabbani disciples, who have risen through the ranks to gain the trust of the Islamic Republic, are now coordinating the contemporary Iranian intelligence network in Latin America.

The prototype for this new type of "agent of influence" is Aubrey Michael Seaforth better known as Abdul Kadir, a Guyanese who was arrested in 2007 for plotting to attack the JFK airport in New York.<sup>xi</sup> As a young Muslim-convert, Kadir developed an intelligence structure in Guyana and the Caribbean that mirrored Rabbani's efforts in Argentina and the Southern Cone. Through the "Islamic Information Center of Guyana," which Kadir founded and directed, he gained influence among the Islamic communities in the Caribbean that led to his position as the General Secretary of the Secretariat of the Islamic Caribbean Movement. A civil engineer by trade, Kadir also had political aspirations that led him to become the mayor of Linden from 1994 to 1996, and eventually a parliamentarian (2001-2006) through the People's National Congress, a socialist political party in Guyana.<sup>4</sup>

Abdul Kadir's profile was particularly attractive for Iran, since his political aspirations allowed him to gain influence in Guyanese society, particularly among the afro-indigenous people. Moreover, his devout and radical Islamic beliefs established him as an authority among targeted Islamic communities in the Caribbean. Through his handler, the

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<sup>4</sup> In Chapter 3, section (d) of Nisman's report, he describes in great detail Abdul Kadir's ascension in the Islamic community of Guyana, as well as his overall connections to Mohsen Rabbani and the Iranian regime.

Iranian Ambassador in Venezuela, Kadir recruited, proselytized, and radicalized a parallel network in the Guyana and the Caribbean that mirrored the Rabbani network in the Southern Cone. Like Rabbani, Kadir was also ordered to mobilize this network once Iran made the calculation that a terrorist attack was plausible. Fortunately, Kadir's 2006 operation against the JFK airport in New York was neutralized.

### ***Using native Muslim converts as “Agents” of the Iranian Revolution***

Abdul Kadir served as the prototype for a new generation of local Latin American Islamic leaders that Iran has cultivated and strategically positioned throughout the region. The most notable are two Argentine Muslim-converts, one of which worked directly under Rabbani in the 1980's and 1990's, and the other continues to direct Rabbani's network in Latin America from Venezuela and Iran.

Santiago Paz Bullrich, better known by his Muslim name Abdul Karim Paz, came from an aristocratic lineage in Argentina.<sup>5</sup> Reportedly converting to Islam around 1983, Karim Paz was one of Rabbani's first disciples in Argentina and worked at the *At-Tahuid Mosque* to produce a local radio program that was used to radicalize the Islamic communities in Argentina.<sup>xii</sup> After spending several years in Qom, Iran, Karim Paz would return to Argentina to eventually succeed Rabbani as the Imam of the At-Tahuid Mosque. Using the lessons learned from his “terrorist professor,” Karim Paz would spread the Iranian intelligence network to growing Islamic communities in Argentina's border countries. In Bolivia, Karim Paz was the co-founder of the first Shiá Islamic association in La Paz and was influential in the creation of the Islamic Cultural Center in Puerto Montt, Chile.<sup>xiii</sup>

Married to a sociologist named Roxana “Masuma” Assad, Karim Paz now works in conjunction with his brother-in-law, Edgardo Ruben Assad, better known by his Muslim name Suhail Assad.<sup>6</sup> Highly educated and fluent in Arabic, Farsi, Spanish, and English—Suhail Assad has become a leading figure in the propagation of radical Islamic communities all throughout Latin America. Based out of the Center for Iranian-Latin American Cultural Exchange (*Centro de Intercambio Cultural Irani-Latinoamericano*, CICIL) in Caracas, Venezuela, Assad spends about half the year on a lecture circuit traveling to various countries throughout Latin America, and the other half of the year

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<sup>5</sup> His grandfather, Horacio Bullrich, created the prominent “Patio Bullrich,” a chain of commercial centers and restaurants well known to tourists of Buenos Aires. Educated in Argentine catholic schools and raised in a Judeo-Christian household, Karim Paz is the only known Muslim in the family tree

<sup>6</sup> After the AMIA bombing, the Assad family moved to Chile, where Suhail Assad received his bachelor's degree in philosophy from the Adolfo Ibañez University in Santiago. After college, Assad moved to Lebanon to study Islamic culture and language, and eventually traveled to Qom to study in prominent madrasahs. In 19XX, Assad received his PhD in Islamic Theology from the Open University of Islamic Civilization in Beirut, Lebanon.

teaching the young, recently or soon-to-be converted Latin American Muslims at the Al Mustafa University in Qom, Iran.<sup>7</sup>

Together, these two Argentine Muslim-converts are extending Iran's influence in Latin America by propagating additional Mosque's and Islamic cultural centers, and performing the exact same type of intelligence and information operations that Abdul Kadir carried out in Guyana, and their mentor, Mohsen Rabbani successfully implemented in Argentina.

### ***The Abuse of Free Trade Zones (FTZ) and emergence of a New Tri-Border Area (TBA)***

Many of the Islamic organizations and native Muslim-converts working on behalf of the Iranian regime are operating within Free Trade Zones (FTZ) in Latin America.

In March of 2010, the London-based Financial Action Task Force published a report titled "Money-Laundering Vulnerabilities of Free Trade Zones (FTZ)."<sup>xiv</sup> The upshot of this report is that many FTZs, as they are currently structured, provide systematic weaknesses that make them vulnerable to abuse and misuse by money laundering and terrorist financing. Jurisdictional weaknesses such as relaxed oversight and lack of cooperation and coordination with state Customs authorities, as well as institutional weaknesses such as poor record keeping and inadequate information technology systems, have enabled these FTZs to become plagued with criminal-terrorist franchises from around the world.

In Latin America, the most historic Free Trade Zone abused by criminal-terrorist franchises is the infamous Triple Frontier, or Tri-Border Area (TBA) where Ciudad del Este, Paraguay has one of the largest concentrations of Lebanese Diaspora in Latin America. As noted by Nisman's reports, this historic TBA was exploited by Iran and Hezbollah to carry out the AMIA attack.

The abundance of FTZs in Latin America has created other hotbeds of radical Islamic activity that take advantage of the relative regulatory laxity and premium on discretionary services to launder proceeds of criminal activity and finance terrorism. Aside from the TBA, the following FTZs in Latin America have been identified as hotbeds for Islamic extremist groups: Tacna, Peru; Iquique, Chile; Maicao, Colombia; Colon, Panama, and Margarita Island, Venezuela.<sup>xv</sup>

Margarita Island has eclipsed the TBA as the regional hub or Hezbollah and Iranian infiltration. But if Margarita Island and Venezuela are considered the gateway for Iran and Hezbollah in Latin America, than another TBA is emerging as the backdoor. Arica and

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<sup>7</sup> In a 2011 documentary produced by the leading Spanish language U.S. television network, Univision, a young Mexican student named José Carlos Garcia Tolentino infiltrated this Iranian network in Latin America by enlisting in a two-month course on Islam in Qom. In the transcript of his interview, José mentioned that his primary instructors in Qom were "two sheiks [Karim Paz and Assad] that were Argentine, born in Argentina, but more well versed on Islam than those from Iran."

Iquique (Chile), Tacna (Peru), El Alto (Bolivia) and other smaller areas in between are all designated FTZs that are experiencing an emergence of Iranian agents permeating this region. Both Bolivia and Chile have an embassy of the Islamic Republic, with the former, having reported to contain at least 145 registered Iranian officials in La Paz.<sup>xvi</sup> And the latter, in Santiago is one of Iran's oldest embassies in the region, where Mohsen Rabbani continually visited in the 1990's leading up to and after the AMIA attack.

Chile and Bolivia historically have clandestine smuggling routes used by narcotraffickers and terrorists, notably the infamous Barakat brothers, to launder funds and move illicit products through front companies in Iquique and Arica, Chile.<sup>xvii</sup> These same routes can, and are being used to smuggle WMD effects.

On August 28, 2012, Brazilian and Bolivian authorities found 18 tons of tantalite in garbage bags in the office garage of the Venezuelan military attaché in La Paz. This strategic mineral, with dual-use military grade applications, was reported be mined out of Guajará-Mirim in Brazil and transported via smuggling routes through Bolivia in route to Arica, Chile by land where it was allegedly going to be docked and transported by boat to Venezuela and then to Iran.<sup>xviii</sup>

Across the northern border of Arica, Chile, is Tacna, Peru with a growing Islamic community (primarily Pakistani) that is becoming increasingly connected to Shi'a communities in Lima, Puno and Abancay in Peru.<sup>8</sup>

## **ALBA AS THE CRUX OF THE IRANIAN THREAT IN LATIN AMERICA**

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During the late 20<sup>th</sup> century, when Mohsen Rabbani was developing the intelligence network of Iran in Latin America—the geo-political environment of the region was drastically different. At that time, there were no known Latin American nation-states (except perhaps Cuba) that sponsored Rabbani's activities or the Iranian asymmetric presence writ large. But at the turn of the century the region began to drastically reshape. Following the "lost decade" of the 1980's and the perceived socio-economic inequality of the 1990's an authoritarian populist movement began to surge in Latin America.

Beginning with the election of Hugo Chavez in 1998 and extending to Daniel Ortega's resumed power in Nicaragua in 2007, the Bolivarian Alliance of the Americas (ALBA) was

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<sup>8</sup> On September 13, 2011 Suhail Assad was invited as a guest of honor to attend the "2<sup>nd</sup> National Congress of Casas de ALBA in Peru." in the town of Abancay, the capital of the Apurímac province in south-central Peru. The Casas de ALBA, are an offshoot of the Bolivarian circles in Venezuela and act as a "Trojan horse" to inject the Bolivarian message into indigenous communities in Peru. This initial encounter, established an ongoing relationship between Assad and leaders of the Etnocaceristas of Peru, a militant ethnic-nationalist movement with ties to the Humala administration.<sup>8</sup> Similar efforts are being made with the *Aymara* community on the border between Peru and Bolivia.

forged, using the rhetoric of “democracy” and the cover of “sovereignty” to win the hearts and coerce the minds of many from the Rio Grande (Mexico) to Tierra El Fuego (Argentina-Chile).<sup>xix</sup> This significantly shifted the balance of power in the region toward Iran’s favor.

Through these regional state sponsors, Iran has been able to significantly expand its asymmetric as well as official presence. The ALBA blocks not only provides state cover for Iran’s asymmetric activities, but also in many instances are complicit in helping Iran propagate terrorist networks, skirt sanctions and initiate a military industrial footprint in the Hemisphere.

### ***The SUCRE: An elaborate Trade-based Money-laundering Scheme***

One of the ways in which Iran has used the ALBA alliance to gain a strategic advantage in Latin America is through preferential bilateral banking relationships that can be used to effectively skirt sanctions and provide Iran with access to the international financial system.

On January 2008, the *Banco Internacional de Desarrollo, C.A.* (BID) was launched in Venezuela. For all intended purposes, the BID appeared to be a regular financial institution in Caracas; however, after closer examination it was learned that it is wholly owned by the infamous *Toseyeh Saderat Bank*, making it an independent subsidiary of the Export Development Bank of Iran (EDBI). The EDBI was sanctioned by the U.S. for providing financial services to Iran’s Ministry of Defense and Armed Forces Logistics (MODAFL), an entity tasked with advancing Iran’s missile and WMD programs. This earned the Venezuelan BID a distinction as a Specially Designated National (SDN) on the U.S. Department of Treasury’s Office of Foreign Assets and Controls (OFAC) targeted sanctions list on October 2008.<sup>xx</sup>

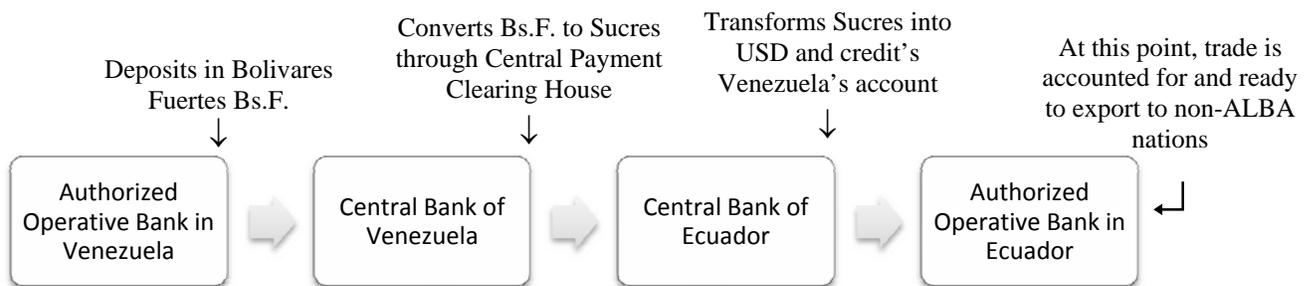
Iran believed this to be a winning strategy, even purporting to set up additional chapters or affiliates of the Vene-Iran BID in other South American countries. That was until a better opportunity presented itself further south along the Andean ridge in Ecuador.

Ecuador, as part of the ALBA block, has been leading the effort to set up an alternative banking system and virtual currency in Latin America. Known as the *Sistema Único de Compensación Regional* (Unified System of Regional Compensation) or SUCRE this idea was initially agreed upon at an ALBA summit in Venezuela on November 2008 and formally ratified by the ALBA congress a year later. Around the same time, in December 2008, Iran’s EDBI signed a “protocol of cooperation” with the Central Bank of Ecuador, extending a credit line of \$120 million USD. This agreement between Ecuador and the Iran formally established a bilateral banking structure that can be used by the Islamic Republic to skirt sanctions through an innovative, elaborate and state-sponsored trade-based money-laundering (TBML) scheme.<sup>xxi</sup>

To date, the SUCRE has been used as a virtual accounting system to denominate trade between ALBA nations. The process is fairly straightforward:<sup>xvii</sup>

- Each central bank within an ALBA member nation maintains a list of commercial banks in their country that is authorized to use the SUCRE system.
- These commercial banks are called “authorized operative banks” and can deposit funding (in the local currency) into a specific account within the central bank of their own country.
- The central bank of the host country then transfers the funds to a specific account in the central bank of a targeted country within the ALBA block.
- This transfer is cleared through a central clearinghouse that converts the currency into sucres, at an exchange rate of one sucre: per \$1.25 USD.
- The central bank in the targeted country receives the transfer in sucres then converts the funds into its local currency and credits the host country’s account.

Figure 1: Hypothetical SUCRE trade between Venezuela and Ecuador

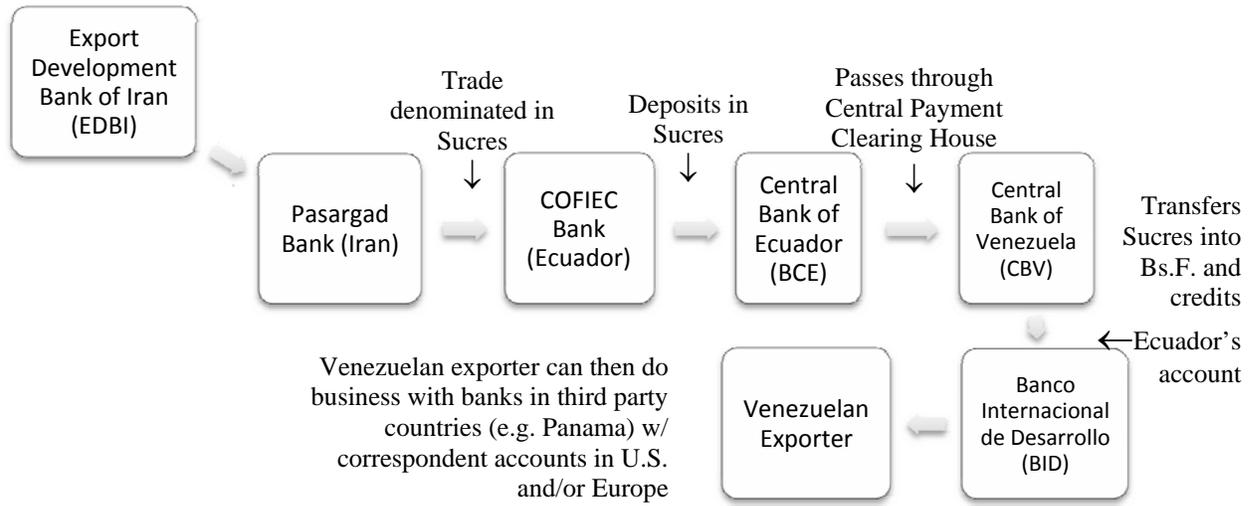


Herein underlies the importance of the banking agreement signed between Iran and Ecuador in 2008. Regardless of which ALBA nation decides to trade with Ecuador, this agreement affords Iran the ability to leverage its financial activity in Latin America through one principle entity, minimizing the risk. Moreover, it affords Iran the possibility to offset their accounts directly, without making use of U.S. correspondent accounts in Latin America. Once the framework was established, the former Ecuadorian central bank chief, along with representatives of a small state-owned commercial bank called *Corporación Financiera Ecuatoriana, S.A. (COFIEC)*, traveled to Moscow and Tehran to hold several meetings with Iranian state-owned commercial banks, namely *Bank Melli* and the *Pasargad Bank*, both of which have been sanctioned by the U.S. Treasury’s OFAC.<sup>9</sup> This meeting is important because it nominated these state-owned commercial banks as “authorized operative banks” within their respective countries, a function that is core to the SUCRE system as illustrated in Figure 2 below.

<sup>9</sup> The Iranian Pasargard bank later sent a request to the COFIEC bank in Ecuador to register its name internally in Ecuador’s financial system on an account with an “alternative currency” and a year earlier the Constitutional Tribunal of Ecuador approved a trade agreement with Iran to establish payments in “freely convertible currencies” making reference to the SUCRE system.



Figure 2: Iran’s hypothetical penetration of SUCRE trade model



TBML schemes often include under and over invoicing, phantom shipments and other falsification of the value or quantity of a shipment including multiple invoicing of good in order to justify the transfer of value from one jurisdiction to another. Internal documents from Ecuador’s tax collection agency and custom officials’ show that these symptoms already exist within the SUCRE system, particularly as it relates to fictitious trade transactions between Venezuela and Ecuador.<sup>xxiii</sup>

This state-sponsored TBML scheme has the potential to provide Iran with a significant strategic advantage in Latin America, as it can attract billions of dollars in interbank deposits, and repeatedly extend the maturities of these deposits and use the discretionary cash for purposes harmful to U.S. security interests in the region and elsewhere.

**The dual-use of PDVSA to aid and abet Iran’s missile and WMD programs**

Given Iran’s privileged banking relationships, and subsequent money-laundering schemes in Latin America, the superfluous cash could be used to shop for much-needed equipment, technology, and raw materials in Latin America that aid and abet its ballistic missile and WMD programs in the homeland.

The central bank relationship between Ecuador, Venezuela and Iran provides an example of how state-owned or –controlled enterprises can potentially facilitate higher risk, security related undertakings—but this only describes the threat in the banking sector. There are several other sectors in Latin America to which Iran are utilizing state-owned or –controlled companies to engage in WMD proliferation and other illicit procurement activity.

These sectors are intertwined in a complex web of illicit procurement that relies on what the former Undersecretary for Terrorism and Financial Intelligence, Stuart



Levy, has called “a maze of financial entities” that “essentially hoodwink those still doing business with Iran into facilitating illicit transactions for the procurement and transport of dual-use, missile related items.”<sup>xxiv</sup>

A majority of these illicit procurement activities in Latin America are taking place within the energy and transportation sectors of Venezuela and Iran, in collusion with their respective defense sectors. At the highest level, these exchanges are between the military industries of both nations. On behalf of Iran, this is manifested through the Defense Industries Organization (DIO) and its sister organization the Aviation Industries Organization (IAIO), both under the larger umbrella of the Ministry of Defense and Armed Forces Logistics (MODAFL). On behalf of Venezuela, their military industrial arm—*Compañía Anonima Venezolana de Industria Militares* (CAVIM) —facilitates this military cooperation. While both the MODAFL and CAVIM have been sanctioned under the Iran, North Korea and Syria Nonproliferation Act (INKSNA), many of their subsidiaries, affiliates and contractors have not.<sup>xxv</sup>

In one case, a known affiliate of IAIO was financing the construction of a manufacturing plant in Maracay, Venezuela that was assembling Iranian-designed, Venezuelan-built unmanned aerial vehicles, UAVs—drones. This known affiliate, *Kimiaa Sanat, Co.* is an alias for the Iranian firm Qods Aviation, which is sanctioned by the U.S., U.K. and is prominently listed in the Annex to United Nations Security Council Resolution—UNSCR 1747 as an “entity of concern for WMD related procurement.”<sup>xxvi</sup>

In January 2011, another military site in Maracay went up in flames when an unusual explosion rocked the city and damaged the UAV facilities. This explosion was more characteristic of a blast that might have happened in the petrochemical town of Moron, less than 100 miles away. In fact, it is in Moron that Iran is helping build various chemical plants alongside CAVIM. Suspected of being involved in these joint chemical projects is the notorious Iranian front company Parchin Chemical Industries (PCI), a subsidiary of the Defense Industries Organization, a branch of the MODAFL. PCI is heavily sanctioned and listed as a premier entity in UNSCR 1747 for aiding and abetting Iran’s ballistic missile and WMD programs.<sup>xxvii</sup>

In effect, this collusion has also affected the energy sector, as Venezuela’s national oil company, *Petroleos de Venezuela, S.A.* (PDVSA) has facilitated contracts with several sanctioned Iranian oil and gas companies, as well as constructions companies. In December 2006, the Iran Marine Industrial Company, also known as SADRA, inked a deal with PDVSA through a subsidiary—*PDV Marina, S.A.* Considering SADRA is an offshoot of the heavily sanctioned *Khatam al-Ambia* shipbuilding company of Iran, this led to PDVSA being sanctioned by the U.S. for “delivering at least two cargoes of reformato to Iran.”

These sanctions only prohibited PDVSA from competing for U.S. government

procurement contracts, obtaining U.S. export licenses, and from securing financing from the *Banco Inter-Americano de Desarrollo* (BID), which is the U.S. export-import bank in Latin America. This financial setback was offset by increased business with China, but most importantly these sanctions do not apply to PDVSA subsidiaries nor do they prohibit the export of crude oil to the United States, effectively rendering PDV Marina, a subsidiary of PDVSA, unaffected by the U.S. sanctions; therefore, continuing to operate advancing its agreements with Iran.

In July 2012, SADRA completed the construction of the first of four Aframax oil tankers for Venezuela, and just delivered this to its Venezuelan owner, PDV Marina, a couple months ago.<sup>xxviii</sup> A follow on agreement has now been signed with the Islamic Republic of Iran Shipping Lines (IRISL) to create a joint maritime oil transport company. This joint venture is reportedly going to be called TC Shipping, Co. and will be a direct affiliate of the National Iranian Tanker Company (NITC), who is heavily complicit in the proliferation of Iran's WMD and ballistic missile programs.

### ***Exploiting Canada's refugee process through fraudulent passports and Visas***

ALBA countries have been instrumental in providing fraudulent passports and Visas to Iranians and other Islamic extremists seeking to slip into North America. Canada is particularly vulnerable to these schemes because of their high level of acceptance (86%) of refugee claims made on behalf of Iranians.

According to a declassified intelligence report produced last year by the Canadian Border Services Agency (CBSA), Iran is the number one source country of improperly documented<sup>10</sup> migrants to Canada. Most of these improperly documented migrants make a claim for refugee status, and the majority achieves this status, arriving by air from third party countries (very few arrive through land-border crossings) and residing in the Greater Toronto Area (GTA).<sup>xxix</sup>

Most of these third party countries are in Latin America. From 2009 to 2011, Latin America was the largest prior embarkation region for improperly documented Iranians, comprising almost half of the total number. The majority passed through Caracas, Venezuela (and a good number went through Mexico City as well). In another report by the CBSA's Miami Liaison Unit, Canadian border officials indicated that some airport and airline staff in Caracas was implicated in providing fraudulent documentation to recently arrived Iranians in Venezuela.

In 2002, General Marcos Ferreira, who resigned as director of Venezuela's National Guard border control (*Departamento de Extranjera, DX*), blew the whistle on how Cuban intelligence is managing Venezuela's intelligence apparatus.<sup>xxx</sup> He specifically pointed to

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<sup>10</sup> The report uses the term "improperly documented" to refer to migrants who travel on false, altered, stolen, or otherwise improperly issues/obtained travel documents.

former interior minister Rodriguez Chacin, testifying that the minister repeatedly pressured him to launder the identities of terrorist and narcotraffickers transiting through Venezuela.

A decade later the problem has only gotten worse. In 2009, Tarek Al-Aissami, a Venezuelan born in Lebanon and of Syrian descent, became the Interior Minister after heading up Onidex, the Venezuelan passport and naturalization agency inside the Ministry of Interior. Al-Aissami appointed a close friend, Dante Rivas Quijada as the head of Onidex, and together they have worked with Ghazi Nasr-Din, a Venezuelan diplomat also born in Lebanon, to send young Venezuelans to Hezbollah camps in Southern Lebanon.<sup>xxx1</sup> Ghazi Nasr-Din is listed as a “Specially Designated Global Terrorist” by the U.S. Treasury Department.

It is estimated that tens of thousands of fraudulent identification (passports, driver license, birth certificates, national ID cards, etc.) has been produced in Venezuela. Much of this has been delivered to Iran, Hezbollah and other extremist groups seeking to use Latin America as a springboard to enter North America. In addition, the principal member-nations of the ALBA block (Cuba, Venezuela, Bolivia, Ecuador and Nicaragua) have all lifted Visa restrictions for Iranians seeking to travel to their respective countries.

## **RECOMMENDATIONS FOR U.S. HOMELAND SECURITY**

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Mr. Chairman, I am convinced that Iran’s influence in Latin America has grown and is evolving rapidly to include not just ALBA but other countries throughout the region. Over time, our adversaries have found a better way to compel the U.S. to bend to its political will—through the manipulation of public opinion and political leadership. These new strategies are no longer reliant on bombs, bullets or B-52’s but now use words, images and ideas as modern tools of warfare.

The ALBA alliance has written the playbook on how to use asymmetric warfare in Latin America, because it understands that the moral war for legitimacy is the primary center of gravity in the region. The strength of the Bolivarian revolution lies in their ability to establish de-facto legitimacy within the general populace of the region, while delegitimizing all prior governments as well as opposition movements within their countries. In Bolivarian terms, this is a resistance movement within Latin America that is liberating the marginalized, oppressed and indigenous people of the Americas from illegitimate occupying regimes that have governed the region since the Spanish conquest.<sup>xxxii</sup>

Within this context, it is the legitimacy that the Bolivarian’s have established, which has paved the way for Iran to penetrate Latin America.

Given the details of this testimony, along with the highly detailed reporting of Argentine prosecutor Alberto Nisman, our findings point out that the Iran-Hezbollah-

ALBA axis in the Western Hemisphere is an imminent threat to U.S. national security interests in the Hemisphere.

The following is a recommendation for how the U.S. Government can initiate a whole-of-government approach to neutralize this threat:

1. The most effective way to counter the ALBA message in Latin America is to work with a new alliance that serves as a counterweight to ALBA's influence in Latin America, such as the Pacific Alliance (Chile, Peru, Colombia, and Mexico). A robust public diplomacy and intelligence effort needs to be established with the Pacific Alliance that not only works with governmental entities within this alliance, but also with civil society counterparts and the media to expose the nefarious actions by Iran and ALBA. This sort of initiative should be aimed at legitimizing the Pacific Alliance, while delegitimizing the ALBA alliance and their Iranian connections.

The following are some initiatives that the U.S. Department of Homeland Security could commence with allies in the Western Hemisphere:

2. In a recent survey, it was determined that approximately half of the countries in Latin America and the Caribbean have existing laws that make terrorist-related activities a crime under national law.<sup>11</sup> The lack of anti-terrorism legal framework is a loophole that is being exploited by a wide range of Islamist terrorist groups in several countries throughout the region. This is especially true in Brazil, where Islamic extremist groups have been growing at an alarming rate. Over the years there has been a handful of anti-terrorism legislative proposals introduced before the Brazilian Parliament, six of which are being currently reviewed by the Chamber of Deputies. Given the momentum of the 2014 FIFA World Cup and the 2016 Summer Olympics set to take place in Brazil, U.S. Homeland Security should provide legal, technical, and other assistance to Brazil, to pass and implement effective anti-terrorism legislation.
3. The abuse of Free Trade Zones (FTZ) by Iran and Hezbollah is of concern to U.S. Homeland Security. With the expansion of the Panama Canal, so comes the expansion of Free Trade Zones such as the Colon FTZ. Regional officials estimate that with the expansion of the canal, more than half of the containers passing through will be warehoused in Colon. This provides Iran and their proxies an attractive transshipment point to move terrorism-related products and WMD/effects. U.S. Homeland Security should strengthen intelligence sharing with Panamanian counterparts to ensure they receive timely and actionable intelligence on Iranian vessels passing through the Canal. And also expand the "Container

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<sup>11</sup> The American Foreign Policy Council took this anti-terrorism legal survey.

Security Initiative”, managed by the U.S. Customs and Border Protection, to additional free trade zones in the region, most notably along the Tri-Border of Chile, Peru and Bolivia.

4. Lastly, U.S. Homeland Security should work with Canadian counterparts to identify, screen and perform enhanced-due diligence on Visa applications coming from ALBA countries. In instances where an improperly documented case is discovered, Visa’s should be denied and the applicant should be placed on a watch list for further monitoring.

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