

“Iran and Hezbollah in the Western Hemisphere: Realities and Recommendations”

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Chairman Duncan, Chairman Ros-Lehtinen, Members of both Committees, good morning and thank you for this opportunity to testify on Iran and Hezbollah in the Western Hemisphere. I will briefly describe Iran’s global foreign policy apparatus, which I refer to here as the “Iran Action Network,” Iran’s long-term foreign policy goals and their impact on the Western Hemisphere, and offer recommendations on how to address one of our most pressing national security challenges.

Overview

For more than three decades, Iran has sought to preserve the Islamic revolution at home and promote it abroad through a network of government and nongovernment organizations that I refer to as the “Iran Action Network” (IAN). The members of that network are involved in crafting and implementing the covert elements of Iran’s foreign policy agenda, from terrorism and other forms of political subversion to illicit finance, weapons and narcotics trafficking, and nuclear procurement and proliferation. They include the Iranian Revolutionary Guard Corps (IRGC) and its special operations wing, the Qods Force; the Iranian Ministry of Intelligence and Security (MOIS); Iran’s terror proxies, most notably Lebanese Hezbollah; a web of Islamic cultural centers, foundations, charities, and mosques; Iran’s ambassadors (often IRGC and MOIS officers) and other Ministry of Foreign Affairs personnel; and an expanding global network of agents, middlemen, and facilitators involved in a wide range of illicit activities, from arms and drug trafficking to nuclear procurement.

While Iran’s most ambitious attempts to externalize its revolution have occurred in the Islamic world, since 2005 it has gone to considerable lengths to build influence in its geographic and strategic countries that can act as partners in a global network designed to oppose U.S. policies. Iran has relied mainly on a small group of “Bolivarian” nations led by Venezuela to blunt the impact of sanctions. They have facilitated Iran’s oil trade, provided access to the international banking system in the face of U.S. and EU sanctions, and given Iran avenues for illicit nuclear and conventional military procurement.

Former President Ahmadinejad saw Latin America as a series of “emerging markets” for exporting the Islamic Revolution. He relied on promises of economic assistance, mainly in the energy and construction sectors, and Iranian ideological appeals to fight U.S. imperialism. In doing so, he discovered a receptive audience in two of the region’s champions of the left, Hugo Chavez in Venezuela and Evo Morales in Bolivia. Before long, diplomatic missions expanded, Iranian Revolutionary Guard Corps (IRGC) and Ministry of Intelligence and Security (MOIS) officers began to surface in greater numbers, and security pacts and intelligence sharing agreements were signed. Ahmadinejad found willing supporters of Iran’s quest to promote the interests of independent nations of the developing world.

His rhetorical outreach was a success: Within a few years, Iran was well on its way to having a wide array of diplomatic, commercial, and clandestine networks stretching across Latin America. Iran quickly made it clear that it was not merely seeking ways to irritate the United States in its own backyard, but rather to weaken it by creating alternative centers of power. Iran's honorary membership in Latin America's anti-U.S. club known as the Bolivarian Alliance of the Americas (ALBA) is seen as proof that Ahmadinejad's efforts were a success. Added strength through ALBA, which would go on to include intelligence, military, and other security-related exercises, facilitated the execution of Iran's regional agenda, which included obtaining proscribed military technologies, providing cover for Iran's nuclear program, and gaining access to the international banking system.

Yet, Iran's growing reach into the Western Hemisphere also proved to be an uphill climb given the U.S.'s ability to counter with economic inducements such as trade or aid and the absence of social and political conditions that are amenable to Iran's ideological overtures. In many cases, U.S. efforts to counter Iran in the Western Hemisphere have been enough to prevent Iran's partnerships from having a significant and lasting impact. On the other hand, Iran's efforts often unravel entirely on their own. Its poor track record of following through on aid and trade often leads its new Latin American partners – who tend to be weak militarily and economically – to question the political and economic wisdom of membership in an anti-U.S. coalition. The recent collapse in the price of oil has also forced Iran to downsize several of its missions across the continent.

While Tehran's web of relationships in the western hemisphere has fallen short of what Ahmadinejad and Iran's more ambitious hardliners had envisioned, there are reasons why it cannot be ignored. It began and continues with subversive intent, is largely covert and criminal in nature, and can be used to directly threaten U.S. interests in the future. Iran's involvement in the 1994 bombing in Buenos Aires and its foiled plot to assassinate Saudi Arabia's ambassador to the United States are vivid reminders of what Iran is capable of.

Perhaps the most daunting challenge related to the IAN in the Western Hemisphere is how to stop the transnational criminal networks of Iran's closest terror proxy, Lebanese Hezbollah. Hezbollah continues to play a key role in the projection of Iranian power, no longer limited to aiding Iran's traditional goals of fighting Israel and protecting Lebanon, or supporting Iran's latest operations in Syria and Iraq. It includes several countries in the Western Hemisphere, where Hezbollah has evolved into one of the region's most significant drug trafficking organizations. Hezbollah's criminal reach extends far beyond Latin America, from Guinea Bissau, Benin, and other West African crime states to a rapidly expanding criminal infrastructure in Thailand and China.

Iran's subversive agenda is unlikely to change, nuclear deal or not. U.S. policymakers should bear in mind that Iran's nuclear program is just the tip of a revolutionary spear that extends across the world and threatens key U.S. interests. While Iran hopes to cut a deal to bring its economy back online, the IAN will continue to represent Iran's "whole-of-government" approach to preserving the regime at home and coordinating and promoting the revolution around the world.

Current Trends

Nuclear Talks: A nuclear agreement with Iran will give a much-needed boost to the Iranian economy. By most accounts, Iran stands to gain access to over \$100 billion dollars frozen in foreign banks, as well as billions more as oil export restrictions are lifted. At the same time, several EU countries appear poised to return to Iranian markets, adding billions of dollars more in potential foreign direct

investment and trade. All of this will provide the leaders of the IAN with the resources they need to gradually return to previous levels of operational activity. It means funding proxies that were either cut off or cut back due to sanctions; reversing the ongoing downsizing of Iranian embassies in Africa and Latin America; and expanding commercial offerings, religious proselytizing, and joint military training and security programs.

Cyber Warfare: A nuclear agreement could lead to an uptick in Iran's ideological posturing, non-lethal support to local proxies, and more outreach to political opposition and leftists across the continent. Iran has also made cyber warfare a fundamental part of its asymmetric warfare. Iranian hackers employed primarily by the MOIS oversee Computer Network Exploitation operations targeting the computer systems of U.S. and Gulf personnel, companies, and government facilities. The U.S. has been Iran's number one cyber target since Stuxnet attacks on centrifuges at Natanz, which Iran interpreted as a declaration of cyber war (by the U.S. and Israel), and is now responding in kind. While Iran's cyber offensive against the U.S. has concentrated on the Gulf, it could extend into the Western Hemisphere as Iran's financial situation improves in the aftermath of a nuclear deal.

Resistance: Iran has gone to considerable lengths to create a global shadow apparatus designed to evade sanctions. It enables the Iranian government to support Islamic movements and pro-Iran militants around the world and spread the value of the "resistance" via cultural, social, economic, political, and business entities and organizations. That apparatus, referred to above as the IAN, goes hand in hand with the asymmetrical nature of almost everything Iran does. Iranian leaders, including the Supreme Leader, have made clear their doubts that the West will honor a final deal, which is why the IAN is here to stay.

Transnational Organized Crime: In addition to being the world's most formidable terrorist and paramilitary organization, Hezbollah is also engaged in a global crime spree, including cocaine trafficking, money laundering and racketeering. Indicting Hezbollah as a criminal organization holds great promise. There is a mountain of evidence of direct and lasting links between Hezbollah-affiliated individuals and Mexican and Colombian drug trafficking organizations. It points to an uncomfortable reality: That senior Hezbollah leaders in Beirut support Hezbollah's involvement in drug trafficking and other criminal activities that yield hundreds of millions, if not a billion or more in annual revenue.

The Way Forward

Even if sanctions and diplomacy lead to a nuclear agreement with Iran, the activities of the IAN will continue to pose significant challenges to any lasting rapprochement with the West. To address IAN threats that are likely to live on long after a nuclear deal is reached, policymakers should consider the following recommendations:

- **Coordinate U.S. Efforts Against Networks.** U.S. policymakers should call for an interagency and international task force for supporting the mechanisms that will be put into place to monitor Iran's compliance with a potential nuclear deal. Given the interrelation between the nuclear program and illicit networks and operatives, including its financial, business, and logistical support networks, the goal would be a counter network disruption campaign, modeled where appropriate, on previous successful U.S. whole-of-government initiatives against defiant state actors that combine overt and covert action, law enforcement, sanctions, and containment. Efforts should target the IAN's most dangerous network led by Hezbollah's External Security Organization (ESO), also known as the Islamic Jihad Organization (IJO). The ESO is not only

responsible for Hezbollah's terrorist operations; it also oversees a global web of companies, investments, and trade-based money-laundering schemes, supported by thousands of facilitators who generate hundreds of millions of dollars every year that end up in Hezbollah coffers.

- **Enhance Anti-Illicit Finance Measures.** Hezbollah activity in Venezuela, Colombia, Mexico, and Brazil has been linked directly to several drug-related trade-based money laundering schemes. All roads eventually lead to Lebanon, which is why a Section 311 designation against the entire Lebanese banking system should be developed and prepared as a credible and coercive lever. The soft underbelly of Hezbollah's global crime organization is vulnerable to systematic financial targeting and disruption. Given the exposure of the criminal foundations of Hezbollah's finances within the Lebanese banking system (the Lebanese Canadian Bank case and other designations and exposures of corrupt Lebanese banks) and the widespread allegations of Iranian and Syrian finances deeply nested within Beirut's banks, the systematic use of U.S. government tools to deny Iran, Syria and Hezbollah access to the Beirut financial system is warranted, and the degree of vulnerability is widely underestimated. Lebanon may be the largest bulk cash money laundering country in the world with billions being flown into Beirut International Airport each year. Lebanon's heavily dollarized economy is supported by a government bond market bubble that depends on the constant inflow of cash and electronic transfers of money from abroad.
- **Refine and Expand Soft War Initiatives.** The Supreme Leader repeatedly refers to the U.S.-led "soft war" as the single biggest threat to the existence of the Islamic Republic. Since we're already guilty of carrying out a soft war, then it should be more effectively used to expose and neutralize the state and non-state actors involved in subversive activities that are instrumental in marketing the Islamic Revolution overseas. At the very least, this should include Qods Force, MOIS, and Hezbollah operations and criminal activities. Of equal importance are Iran's non-official cover organizations – religious, cultural, and charitable – as well as businesses that effectively blur the lines between overt and covert activity.
- **Focus Efforts on Transnational Organized Crime.** In addition to being one of the world's most formidable terrorist and paramilitary organizations, Hezbollah has become involved in a global criminal enterprise involving money laundering, racketeering, and drug trafficking. Indicting Hezbollah as a transnational criminal organization would dispel its image as an elite and "pure" resistance organization. We should approach and counter Hezbollah from the vantage point of strategic law enforcement, financial sanctions, and even the International Court of Criminal Justice (for its long record of global terrorism, for its involvement in the assassination of a democratically elected head of state, and possibly even for war crimes being perpetrated in Syria). This is where intelligence-enabled law enforcement can play a bigger role. But both agencies will only come together and collaborate better if doing so will support their respective missions.
- **Developing Non-Military Policy Options.** At any given time, dozens of U.S. government agencies are pursuing the same elements of the IAN. To improve the way multiple agencies work against the IAN, the government has to be better organized. In relatively new and developing areas such as Counter Threat Finance, it would go a long way to work from an agreed-upon "financial order of battle" that maps key networks on a transnational scale (e.g., banks, exchange houses, front companies, trade-based money laundering, shipping companies, etc.). In doing so, U.S. government agencies should draw assiduously on partner country liaison services as part of a global effort to build a coalition of like-minded states. An order of battle would generate a series of non-military or military-enabled policy options that could

serve as the basis of a strategic intelligence and law enforcement campaign – not just a series of strikes.

- **Focus on Counter Threat Facilitation.** As long as Iran has an agenda of creating new centers of power in the world and doing so at the expense of the United States, it behooves us to consider a law enforcement-led “Counter Threat Facilitation” initiative. Such an initiative should emphasize strategically planned law enforcement operations to expose illicit networks, arrest their perpetrators, freeze assets and attack the IAN’s crime-terror pipelines through the international trade and banking system. It could go a long way in weakening the illicit financial networks around the world that buttress Iran’s strategic foundations, revolutionary resolve, domestic staying power, and power projection capabilities.
- **Create Offices of Irregular Warfare.** As sanctions are eased, the U.S. government will need to find other ways of identifying and disrupting Iran’s involvement in nuclear proliferation, terrorism, and other threats to international security. Creating offices of irregular warfare in various government agencies would go a long way toward exposing and damaging the criminal foundations of the IAN. While irregular warfare is usually the domain of the military, several operationally robust and aggressive non-kinetic initiatives should be considered. In the area of Information Operations, for example, covert influence authorities “with teeth” are necessary to more effectively bolster Iranian moderates in Iran and to undermine Iran’s message to audiences across the Middle East but also in Africa, Central Asia, and Latin America. In the still developing area of Counter Threat Finance, the Treasury Department should be put on a financial and economic warfare footing, or better integrated with interagency partners who possess the needed level of financial operational authorities and capabilities. Treasury needs to be more involved in financial operations, particularly overseas, where there are significant gaps of understanding in the areas of international banking and finance.
- **Come up with New Incentives.** Finally, the U.S. cannot do it alone. The IAN has grown increasingly transnational, making it critical to have the support of foreign liaison partners who have the ability to hit Iran’s threat facilitation networks (transport, shipping agents, freight forwarders, warehouses, pilots, airlines, etc.). Properly incentivizing our partners to conduct higher impact operations against the IAN depends on creativity, money, and persistence. The Rewards for Justice Program, or a version thereof, should offer payouts to exceptional foreign government officials or units who successfully assist U.S. government initiatives.

Conclusion

With or without a nuclear deal, the strategic calculus of the Supreme Leader and much of the ruling conservative establishment is the same today as it was when the Islamic Revolution began: preserve the regime at home and deter threats from abroad, while externalizing the revolution and resistance. The IAN is the engine of the regime and will resume Iran’s pursuit of broader goals in the region. Look for a return to past levels of activity by elements of the IAN, including units of the Qods Force, whose budgets have been cut back as a result of Iran’s economic downturn. First and foremost, this will mean more operations in Iran’s backyard, but it will also reverberate in the Western Hemisphere and other areas on Iran’s strategic periphery. As the world attempts to verify the peaceful nature of Iran’s nuclear program for the next decade (or perhaps less), we should expect more denial, deception, and dissimulation as long as the current political and ideological structures remain in place. Whether Iran can ever effectively spread its version of resistance into the Americas successfully or not, the Americas will remain a potential launching pad for IAN terror and crime.