

Statement of

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On

Hezbollah's Global Facilitators in Latin America

At a Hearing Entitled

“Terrorist Groups in Latin America: The Changing Landscape”

Before the Subcommittee on Terrorism, Non-Proliferation, and Trade

House Committee on Foreign Affairs,

U.S. House of Representatives

February 4, 2014

* The views expressed in this testimony are my own and do not necessarily reflect the views of the William J. Perry Center for Hemispheric Defense Studies, National Defense University, or the Department of Defense.

Thank you Chairman Poe, Ranking Member Sherman, and members of the subcommittee for the opportunity to appear before this committee today to testify on terrorist groups in Latin America and discuss the emerging threat posed to U.S. national security by the convergence of illicit networks in the region. Through globalization, the free flow of goods, services, capital, ideas, and technology has positively transformed our lives in an increasingly interconnected world; simultaneously, these same drivers have allowed terrorists, criminals, proliferators, and the illicit networks in which they operate, to empower themselves at the expense of the prosperity, security, and integrity of the global community. These illicit actors actively seek out governance gaps, socioeconomic vulnerabilities, and character weaknesses as openings to conduct their nefarious activities and expand their power and influence throughout the world. No community, country, or region is immune. This includes Latin America that is no stranger to terrorism and crime. More recently though, we are witnessing a notable and disturbing convergence of these phenomena that is destabilizing the region and threatening U.S. interests at home and abroad. After briefly examining indigenous terrorist movements in Colombia and Peru that illustrate the terror-crime nexus, I will focus on Hezbollah's global facilitators who are securing financing and support from Latin America and beyond.

While illicit activities have been with us since ancient times, what is novel today is the pervasive, prolific, and converging nature of illicit networks around the world. Terrorists have political objectives and criminals are focused on profits, but the convergence of terrorism and crime is a lethal combination. These networks threaten the rule of law, government institutions, the economy, and society. In the words of former Supreme Allied Commander Europe, Admiral James Stavridis, "just as legitimate governments and businesses have embraced the advances of globalization, so too have illicit traffickers harnessed the benefits of globalization to press forward their illicit activities."¹ Criminal activities such as drug, arms, contraband, and human trafficking have experienced measurable increases in their velocity, scale, and associated violence as a result of globalization, and terrorist groups are getting into the act. The United States represents an attractive operating environment for these illicit actors given our open markets, continued drug demand, and financial system. The U.S. National Strategy for

¹ James G. Stavridis, *Partnership for the Americas: Western Hemisphere Strategy and U.S. Southern Command*, (Washington, DC: National Defense University Press, 2010), p. 84

Counterterrorism and Strategy to Combat Transnational Organized Crime issued in 2011 by the White House directly recognize and address the convergence of these transnational threats.

FARC in Colombia

When we think about terrorism in Latin America, the FARC (or Revolutionary Armed Forces of Colombia) in Colombia comes to mind as the oldest and most formidable insurgency in the region. The FARC is a Marxist-Leninist rebel group that has been challenging the Colombian government and seeking regime change since the 1960s. In the 1990s, the FARC that had provided security services for the powerful Cali, Medellin, and Norte del Valle drug cartels succeeded the cartels once they were defeated and dismantled by Colombian and U.S. counternarcotics operations. The FARC not only filled the power vacuum in Colombia's illicit economy but also filled its own coffers with the proceeds from the lucrative cocaine trade. Experts estimate that FARC takes in between \$500 million and \$600 million annually from the illegal drug trade. The group also profits from kidnappings, extortion schemes, and an unofficial "tax" that it levies in the countryside for "protection" and social services.² The FARC's wealth has allowed it to equip, train, arm, and support its guerrillas and wage a prolonged and aggressive insurgency in Colombia. The case of the FARC, at times described as a narco-insurgency or narco-terrorism, is one of the best examples of the terror-crime nexus in Latin America. Presently, the Colombian government under President Santos and the FARC are engaged in a peace process that may bring an end to this 50-year old insurgency.

Shining Path in Peru

Peru, like its neighbor Colombia, has faced its own insurgency from the Maoist-inspired Sendero Luminoso (or Shining Path). Shining Path was founded in the late 1960s as a small communist revolutionary group, led by philosophy professor Abimael Guzmán. The group sought to overthrow the Peruvian government and political institutions and replace them with a communist revolutionary command. The Shining Path's "people's war" was quite active in the

² Council on Foreign Relations, "FARC, ELN: Colombia's Left-Wing Guerrillas Backgrounder," August 19, 2009, <http://www.cfr.org/colombia/farc-eln-colombias-left-wing-guerrillas/p9272>

1980s and early 1990s but lost much of its momentum when its leader Guzmán was captured and incarcerated in 1992.³

In recent years, Shining Path has reemerged along with the Peruvian cocaine trade and is considered a key threat to Peru's national security. Due to Colombia's successful counterinsurgency and counternarcotics strategies isolating the FARC and reducing cocaine production in Colombia creating the so-called "balloon effect," Peru is filling the void as a key drug production and trafficking concern. According to the State Department 2013 International Narcotics Control Strategy Report, Peru remained the world's top potential producer of cocaine for the second consecutive year. The majority of cocaine produced in Peru is transported to South American countries for domestic consumption or to the growing markets in Europe, East Asia, Mexico and the Caribbean. Shining Path operates in the Apurimac-Ene-Mantaro River Valley (VRAEM) and relies on cocaine production and trafficking as well as extortion for funding. The group is responsible for killing or wounding scores of police and military personnel engaged in counternarcotics operations.⁴ Shining Path represents yet another example of the convergence of terror-crime networks in Latin America.

Hezbollah and its Global Facilitators

In contrast to indigenous terror groups like the FARC and Shining Path, Hezbollah, the Shiite Muslim political group in Lebanon, designated as a foreign terrorist organization by the United States, relies on support from Iran and the Lebanese Shiite diaspora community overseas. Hezbollah and its global activities represent the emerging terror-crime nexus through its networks in the Middle East, Africa, Europe, and the Americas. As you know, before the tragic September 11, 2001 attacks perpetrated by Al Qaida, Hezbollah was the terrorist group responsible for the most U.S. casualties from terrorist attacks since its founding in 1982. More recently, Hezbollah has been in the headlines for actively supporting and fighting alongside President Bashar Al-Assad's regime in Syria.

³ Council on Foreign Relations, "Shining Path, Tupac Amaru (Peru, leftists) Backgrounder," August 27, 2009, <http://www.cfr.org/peru/shining-path-tupac-amaru-peru-leftists/p9276>

⁴ U.S. State Department 2013 International Narcotics Control Strategy Report, <http://www.state.gov/j/inl/rls/nrcrpt/2013/vol1/204051.htm>

The 1992 bombing of the Israeli Embassy and 1994 bombing of the AMIA Jewish Cultural Center in Buenos Aires, Argentina attributed to Hezbollah and Iran focused attention on Hezbollah's support networks in Latin America. According to Argentine special prosecutor Alberto Nisman, Hezbollah began its infiltration of Latin America in the mid-1980s, with its first major stronghold in the Tri-Border Area, a relatively lawless region along the frontiers of Argentina, Brazil and Paraguay. From this base in Ciudad del Este, Paraguay, Hezbollah set up illicit enterprises to fund its operations in the Middle East and elsewhere; the organization's endeavors included money laundering, counterfeiting, piracy and drug trafficking.⁵ A 2004 study for the Naval War College determined that Hezbollah's operations in the Tri-Border Area generated about \$10 million annually, while a 2009 Rand Corporation report said Hezbollah netted around \$20 million a year. Paraguayan authorities recognize the threat of Hezbollah and its facilitators operating in the Tri-Border Area, but admit that they lack the intelligence and law enforcement capabilities to effectively counter the threat.⁶ Hezbollah's overseas operations extend beyond Latin America. Its most recent attack was the July 18, 2012 suicide bombing of a bus transporting Israeli tourists at the airport in Burgas, Bulgaria that killed five Israelis and the Bulgarian driver, and injured 32.⁷ The incident in Bulgaria prompted the European Union to designate Hezbollah as a terrorist organization in July 2013 and demonstrates the group's global reach.

The State Department designated Hezbollah a Foreign Terrorist Organization in October 1997 and believes that the group operates terrorist cells in Europe, Africa, Asia, and Latin America. In 2010, the Obama Administration described Hezbollah as "the most technically capable terrorist group in the world." According to a 2013 State Department fact sheet, Hezbollah's terrorist activity has reached a tempo unseen since the 1990s with Iranian sponsorship. Western diplomats and political analysts in Beirut estimated that Hezbollah

⁵ Arthur Brice, "Iran, Hezbollah mine Latin America for revenue, recruits, analysts say," CNN, June 3, 2013, <http://www.cnn.com/2013/06/03/world/americas/iran-latin-america/>

⁶ Author's interviews with Paraguayan National Police and Central Bank Financial Intelligence Unit officials in Asuncion, Paraguay, November 8, 2013

⁷ Nicholas Kulish and Eric Schmitt, "Hezbollah Is Blamed for Attack on Israeli Tourists in Bulgaria, July 19, 2012, *New York Times*, <http://www.nytimes.com/2012/07/20/world/europe/explosion-on-bulgaria-tour-bus-kills-at-least-five-israelis.html?pagewanted=all>

received up to \$200 million a year from Iran.⁸ Due to increased pressures on Iran from the strict economic sanctions imposed by the West for its nuclear ambitions, it is believed that Iranian funding of Hezbollah has diminished and has forced Hezbollah to rely more on fundraising from the Lebanese diaspora and from facilitators engaged in criminal activities such as drug trafficking, counterfeit goods, and money laundering.

Three cases of Hezbollah's reliance on global facilitators engaged in drug trafficking and money laundering illustrate the convergence of terrorism and crime that threatens security and prosperity around the world. The following cases that involve Latin America will be discussed below: Operation Titan in 2008, the 2011 designation and indictment of Lebanese-Colombian drug kingpin Ayman Joumaa, and collapse of Lebanese Canadian Bank in 2012.

Hezbollah Support from Cocaine Trafficking

Operation Titan was a joint endeavor by U.S. and Colombian investigators that in October 2008 dismantled an international cocaine smuggling and money laundering ring that allegedly directed part of its profits to finance Hezbollah. The two-year investigation resulted in more than 130 arrests and the seizure of \$23 million by Colombian and U.S. agents.⁹ Among those arrested was Lebanese kingpin, Chekry Harb in Bogota, Colombia, who used the alias "Taliban" and acted as the hub of a disturbing alliance between South American cocaine traffickers and Middle Eastern militants, according to Colombian investigators.¹⁰ Harb was accused of being a "world-class money launderer" whose ring laundered hundreds of millions of dollars each year, from Panama to Hong Kong, while paying some 12% of profits to Hezbollah, according to Gladys Sanchez, lead investigator for the special prosecutor's office in Bogota. She cited "this [case] as an example of how narco-trafficking is a theme of interest to all criminal organizations, the FARC, the paramilitaries, and terrorists."¹¹ Harb was charged with drug-related crimes in a sealed indictment filed in Miami in July 2008, but terrorism-related charges

⁸ Scott Wilson, "Lebanese Wary of a Rising Hezbollah: Fears of Militia's Broader Ambitions Reignite Debate Over Its Populist Agenda," *Washington Post*, December 20, 2004, http://www.washingtonpost.com/wp-dyn/articles/A12336-2004Dec19_2.html

⁹ Chris Kraul and Sebastian Rotella, "Drug probe finds Hezbollah link: Officials say they've broken up Colombian ring that helped fund the militant group," *LA Times*, October 22, 2008, <http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>

¹⁰ *Ibid.*

¹¹ Matthew Levitt, "South of the Border, a Threat from Hezbollah," *Journal of International Security Affairs*, Spring 2013, <http://www.washingtoninstitute.org/policy-analysis/view/south-of-the-border-a-threat-from-hezbollah>

were not filed. The suspects allegedly worked with a Colombian cartel and a paramilitary group to smuggle cocaine to the United States, Europe, and the Middle East.

Colombian authorities explained that the case originally began as a money laundering investigation, but as agents “followed the money trail,” they discovered the links between Harb and Hezbollah operatives.¹² Investigators employed 370 wiretaps and monitored 700,000 conversations. Harb logged extensive travel to Lebanon, Syria, and Egypt and was in phone contact with Hezbollah figures, according to Colombian officials.¹³ Operation Titan’s revelations illustrate how Hezbollah receives support from members of the Lebanese diaspora community in Colombia to finance its activities; in the case of Chekry Harb, it was through the laundering of proceeds from cocaine trafficking.

Ayman Joumaa – A Critical Global Facilitator for Hezbollah

Ayman Joumaa is another key facilitator who is a dual Lebanese-Colombian national with ties not only to Hezbollah but the Mexican drug cartels. On November 23, 2011 a federal grand jury indicted Ayman Joumaa, a.k.a “Junior,” Lebanese drug kingpin, with alleged connections Hezbollah, for distributing tens of thousands of kilograms of cocaine from Colombia through Central America to Los Zetas in Mexico and for laundering millions of dollars worth of drug money from Mexico, Europe and West Africa to Colombia and Venezuela.¹⁴ According to the Justice Department and Drug Enforcement Administration (DEA), Joumaa and his associates allegedly shipped an estimated 85,000 kilograms of cocaine into the United States and laundered more than \$850 million in drug money coming out of Mexico from the Los Zetas cartel through various front companies and the now defunct Lebanese Canadian Bank (LCB). Joumaa was allegedly charging fees between 8 percent and 14 percent for laundering the funds. During the

¹² Author’s interviews with Colombian Attorney General’s Terrorist Finance and Asset Forfeiture Unit in Bogota, Colombia, September 17, 2013.

¹³ Chris Kraul and Sebastian Rotella, “Drug probe finds Hezbollah link: Officials say they’ve broken up Colombian ring that helped fund the militant group,” *LA Times*, October 22, 2008, <http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>

¹⁴ The United States Attorney’s Office - Eastern District of Virginia, “U.S. Charges Alleged Lebanese Drug Kingpin With Laundering Drug Proceeds For Mexican And Colombian Drug Cartels,” Press Release, December 13, 2011, <http://www.justice.gov/usao/vae/news/2011/12/20111213joumaanr.html>

course of the conspiracy, he typically picked up between \$2 and \$4 million at a time in Mexico City.¹⁵

According to the 2011 indictment, Joumaa's coordination of money laundering activities occurred in the United States, Lebanon, Benin, Panama, Colombia, the Democratic Republic of Congo and elsewhere. Regarding this case, U.S. Attorney Neil MacBride said, "money fuels the drug trade, and Mr. Joumaa is alleged to be at the center of it all, working with those producing the vast majority of the world's cocaine to get their drugs safely into the hands of Mexican cartels, and then moving hundreds of millions in proceeds all around the world so the money can't be traced back to them in Colombia."¹⁶ Although indicted and designated a drug kingpin, Ayman Joumaa remains at large as a key global facilitator for Hezbollah.

Lebanese Canadian Bank – Hezbollah's Bank of Choice

As mentioned above, Ayman Joumaa moved and laundered money derived from narcotics trafficking through the now defunct Lebanese Canadian Bank among other financial institutions. This bank and a series of Lebanese exchange houses served as conduits for money laundering and the funding of Hezbollah through a sophisticated used car sales scheme through the Americas, Africa, and the Middle East. On February 10, 2011, the Treasury Department identified the Lebanese Canadian Bank (LCB) together with its subsidiaries as a financial institution "of primary money laundering concern" under Section 311 of the USA PATRIOT Act for the bank's role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network. This network moved illegal drugs from South America to Europe and the Middle East via West Africa and laundered hundreds of millions of dollars monthly through accounts held at LCB, as well as through trade-based money laundering, involving consumer goods throughout the world, including through used car dealerships in the United States. Treasury had reason to believe that LCB managers were complicit in the

¹⁵ Jason Ryan, "Lebanese Drug Lord Charged in US: Links to Zetas and Hezbollah," ABC News, December 13, 2011, <http://abcnews.go.com/blogs/politics/2011/12/lebanese-drug-lord-charged-in-us-links-to-zetas-and-hezbollah/>

¹⁶ *Ibid.*

network's money laundering activities. This action also exposes Hezbollah's links to LCB and the international narcotics trafficking and money laundering network.¹⁷

According to U.S. authorities, from January 2007 to early 2011, at least \$329 million was transferred by wire from Lebanese Canadian Bank and other financial institutions to the U.S to purchase used cars that were then shipped to West Africa. Cash from the sale of the cars, along with the proceeds of narcotics trafficking, were funneled to Lebanon through Hezbollah-controlled money laundering channels. LCB played a key role in these money-laundering channels and conducted business with a number of Hezbollah-related entities.¹⁸ Prior to being identified by FinCEN as a financial institution of primary money laundering concern in the 311 Action, Lebanese Canadian Bank was Lebanon's eighth-largest bank, headquartered in Beirut, with approximately 35 branches throughout Lebanon, and total assets worth more than \$5 billion as of 2009. Reflecting on this case, DEA Administrator Leonhart stated: "DEA and its partners have exposed the Lebanese Canadian Bank as a major money laundering source for Hezbollah. The connection between drug traffickers and terror networks is evident. By attacking the financial networks of those who wish to harm innocent Americans, DEA is strengthening national security making our citizens safer."¹⁹ The complex investigation of Lebanese Canadian Bank and illicit networks was a great example of U.S. interagency cooperation among the Treasury and Justice Departments as well as law enforcement agencies like the DEA.

On June 23, 2013, the Beirut-based Lebanese Canadian Bank agreed to pay \$102 million to settle the case, a fraction of the amount of money allegedly laundered by the institution on behalf of illicit actors. U.S. Attorney for the Southern District of New York Preet Bharara said, "the settlement shows that banks laundering money for terrorists and narco-traffickers will face consequences for their actions, wherever they may be located. This type of money laundering

¹⁷ Department of Treasury Press Release, "Treasury Identifies Lebanese Canadian Bank Sal as a "Primary Money Laundering Concern," February 10, 2011, <http://www.treasury.gov/press-center/press-releases/pages/tg1057.aspx>

¹⁸ FBI NY Field Office Press Release, "Civil Suit Seeks More Than \$480 Million from Entities That Facilitated Hizballah-Related Money Laundering Scheme," December 15, 2011, <http://www.fbi.gov/newyork/press-releases/2011/civil-suit-seeks-more-than-480-million-from-entities-that-facilitated-hizballah-related-money-laundering-scheme>

¹⁹ FBI NY Field Office Press Release, "Civil Suit Seeks More Than \$480 Million from Entities That Facilitated Hizballah-Related Money Laundering Scheme," December 15, 2011, <http://www.fbi.gov/newyork/press-releases/2011/civil-suit-seeks-more-than-480-million-from-entities-that-facilitated-hizballah-related-money-laundering-scheme>

network fuels the operations of both terrorists and drug traffickers, and we will continue to use every resource at our disposal to sever the connection between terrorists, narco-traffickers, and those who fund their lethal agenda.” DEA Administrator Michele M. Leonhart also commented, “Regardless of how or where, DEA will relentlessly pursue global drug criminals and their huge profits, in particular those associated with terror networks such as Hezbollah. This settlement is significant and addresses the role the Lebanese Canadian Bank played in facilitating illicit money movement from the United States to West Africa to Hezbollah-controlled money laundering channels. Drug trafficking profits and terror financing often grow and flow together. One of DEA’s highest priorities will always be to promote U.S. and global security by disrupting these narco-terror schemes and protecting the systems they abuse.”²⁰ The Lebanese Canadian Bank case provided important insight into how Hezbollah’s financiers leverage global supply chains and international financial institutions to realize their criminal activities around the world.

Implications of the Convergence of Terrorism and Crime

In the age of globalization, we are witnessing an emerging threat, the convergence of terror-crime networks that capitalize on global resources, supply chains, markets, and facilitators. Threats from illicit networks, including terrorists, criminals, and proliferators are nothing new, but the drivers of globalization have magnified the scope, pace, and impact of their activities that endanger national security and prosperity across the world. While indigenous terrorist groups like the FARC in Colombia and Shining Path in Peru focus on national objectives, Hezbollah is a foreign terrorist organization that does not limit its operations and logistical support to Lebanon and the Middle East. Hezbollah directly targets U.S. interests and those of our allies, like Israel. The organization has been responsible for several terrorist attacks and plots beyond the Middle East, including the Burgas, Bulgaria bombing in 2012.

The State Department Bureau of Counterterrorism indicated that there were no known operational cells of either Al Qaeda or Hezbollah in the Western Hemisphere in 2012, although ideological sympathizers in South America and the Caribbean continued to provide financial and ideological support to those terrorist groups. It also stated the Tri-Border area of Argentina,

²⁰ U.S. Attorney for the Southern District of New York Press Release, Manhattan U.S. Attorney Announces \$102 Million Settlement Of Civil Forfeiture And Money Laundering Claims Against Lebanese Canadian Bank,” June 25, 2013, <http://www.justice.gov/usao/nys/pressreleases/June13/LCBSettlementPR.php>

Brazil, and Paraguay continued to be an important regional nexus of arms, narcotics, and human smuggling, counterfeiting, pirated goods, and money laundering – all potential funding sources for terrorist organizations.²¹ The cases of Operation Titan, the indictment of Ayman Joumaa, and dismantling of Lebanese Canadian Bank demonstrate how Hezbollah relies on overseas support from facilitators among the Shiite Lebanese diaspora community in Latin America. The drug trafficking, money laundering, and illicit trade in Latin America that fund Hezbollah are impacting U.S. consumers, financial institutions, and markets. The cases above illustrate the complexity and sophistication of these illicit networks tied to terrorism. Hezbollah may not be conducting or plotting terrorist operations in the U.S. and Latin America, but we must remain vigilant and be prepared for potential threats. The 2011 White House strategies to combat terrorism and transnational organized crime recognize these emerging threats and seek to channel the appropriate resources to address them. To confront the convergence of illicit networks, we need to promote more effective interagency and international cooperation, such as joint task forces and vetted units, to better understand, analyze, and devise specific measures to impact these illicit networks.

Thank you for your time and attention.

²¹ U.S. State Department Country Reports on Terrorism 2012, <http://www.state.gov/j/ct/rls/crt/2012/209984.htm>