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# Emerging External Influences in the Western Hemisphere

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## **INTRODUCTION**

Chairman Rubio, Ranking Member Menendez, members of the Subcommittee, on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance, I thank you for the opportunity to testify.

Across the Western Hemisphere, Islamic terror networks are expanding their influence by increasingly cooperating with violent drug cartels, often with the assistance of corrupt political elites. This toxic nexus is fueling both the rising threat of global jihadism and the collapse of law and order across Latin America that is helping drive drugs and people northward into the United States. Developing a strategy to combat this growing risk to the American homeland needs to be a U.S. policy priority. One of its primary targets should be Iran's most deadly proxy, the Lebanese terrorist group Hezbollah.

Thanks to a vast network of support in key areas of Latin America, Hezbollah plays a central role in a new landscape where drug and human trafficking, gun running, illicit cigarette trade, trade-based money laundering, and terror financing can no longer be treated as distinct phenomena. Terror organizations like Hezbollah help criminal cartels and local mafias move merchandise to their markets. They then launder revenues through sales of consumer goods. Finally, those profits fund terrorist activities.

Hezbollah's enduring success in the region is the result of a deadly combination: the purchase of political influence and impunity through corrupt political elites in key Latin American countries, and the reliance on a network of expatriates who collude in illicit and highly profitable schemes, motivated by a varying mix of familial loyalties, greed, religious zeal, and opportunism.

Behind Hezbollah stands Iran, which seeks to leverage the group's networks to gain political influence, while helping it expand its base of supporters and protect their illicit activities. Although Iran's quest for regional influence and Hezbollah's infrastructure of organized crime and terror finance may superficially appear to be separate endeavors, in fact Hezbollah's Latin American operation is an integral part of Tehran's strategy, as it relies on Iran's support while in turn provides assistance to Iranian operations when needed.

Iran's and Hezbollah's operations in Latin America thus intersect and mutually reinforce one another. Both pursue goals that are not only diametrically opposed to U.S. interests but also clearly pose a direct threat to American national security.

In my testimony, I will outline their separate but intertwined operations, identify key trends, and characterize the nature and reach of its operations. I will then offer policy suggestions for Congress and the administration.

## **IRAN'S MISSIONARY NETWORK**

Iran's main political goal in Latin America is to export its revolution to the region as a long-term project designed to turn the Western Hemisphere into a hotbed of anti-Americanism and a forward operating base for Iran. To this end, Iran has pursued both conventional diplomatic routes of

building government-to-government alliances and unconventional efforts to spread its ideology through grassroots proselytizing efforts to win over, convert, indoctrinate, and radicalize nationals of Latin American countries.

Exporting the Islamic revolution has been a key goal of the Iranian regime ever since it toppled the Shah in 1979, and Latin America became an early target of this strategy for two reasons. Tehran's clerical leadership viewed the region as a fertile ground for the spread of anti-American ideology and an ideal terrain to challenge U.S. influence. During the past four decades, Iran has patiently pursued the goal of spreading its message across the Western Hemisphere and leveraged the resulting support in pursuit of its political goals.

In order to expand its influence, Iran has developed a missionary network built on mosques, cultural centers, educational institutions, media outlets, and publishing houses that are sustained by both itinerant and resident clerics either from Iran or trained in Iran. This network has run in parallel with official diplomatic relations managed through embassies and bilateral contacts at the state level. Where Iran has gained allies, like in Argentina under the Kirchners, Brazil during the rule of the Labor governments of Ignacio Lula da Silva and Dilma Rousseff, Evo Morales' Bolivia, Cuba, Ecuador, and Venezuela, the missionary network has benefited from local support to establish centers, fund its activities, and aggressively convert locals to Islam. In places where governments have been less friendly, Iranian missionaries have nevertheless pursued their activities and sought to connect with anti-system movements such as the "Ethnocaceristas" in Peru.<sup>1</sup>

Missionary work aims to broaden Tehran's sphere of support within local societies by gaining new converts and indoctrinating them to its revolutionary brand of Shi'a radicalism. Iranian missionaries have purposely sought links with political movements and non-governmental organizations that share an affinity with Iran's revolutionary ideology – often leveraging anti-American sentiment to that purpose. They have also fine-tuned their message to local cultural, political, and socio-economic circumstances in order to maximize results.

Iran's main and most visible activity in the region thus involves an aggressive drive to proselytize locals while maintaining and strengthening the loyalty of expatriate Shi'a communities. This missionary network is run by Iranian cleric Mohsen Rabbani, one of the AMIA terror attack suspects, and is successfully radicalizing hundreds of Latin Americans every year, bringing them to Iran for further indoctrination, and training local clerics to spread its revolutionary message across the region. This has a multiplying effect, with damaging consequences including the spread of virulent anti-American and anti-Semitic rhetoric.

### *The Origins of the Network*

The first documented Iranian missionary to reach Latin America was Rabbani, then a young cleric with impeccable revolutionary credentials who arrived in Argentina on a tourist visa in 1983 and settled in Buenos Aires. Rabbani's "claim to fame" is his role in the bombing of the AMIA Jewish

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<sup>1</sup> Aspret region Lima, *Facebook*, accessed September 16, 2012.  
(<https://www.facebook.com/photo.php?fbid=121735827974192&set=pb.100004133262047.-2207520000.1494250903.&type=3&theater>)

cultural center in Buenos Aires in 1994, which left 85 people dead and more than 200 injured. Involvement in the attack subsequently earned Rabbani a still-standing international arrest warrant from Argentina's judicial authorities and a red notice from INTERPOL that ultimately forced him to retreat to Iran.

But Rabbani should also be credited for planting the seeds of Iran's push into Latin America – a lifelong project he has supervised ever since he moved to Argentina. Initially, Rabbani served as a government-appointed halal-meat inspector, but quickly became involved with the At-Tawhid Mosque in Buenos Aires and began teaching religion. Eventually, Rabbani assumed leadership at the mosque and only much later – in 1993 – became the cultural attaché at the Iranian embassy, just months before the AMIA bombing.<sup>2</sup> Upon returning to Iran in 1997, he continued to lead its propaganda efforts in Latin America.

Today, Rabbani is the supreme leader's personal representative to the region and an advisor to, and teacher at, Al-Mustafa International University in Qom, the principal institution involved in the recruitment, indoctrination, and training of foreign converts to Shi'a Islam.<sup>3</sup> Rabbani also runs a key institution associated with the project, the Islam Oriente Cultural Institute (AKA Andisheh Shargh),<sup>4</sup> which is in charge of producing reading materials for Spanish- and Portuguese-speaking audiences.<sup>5</sup>

In an interview with Iranian media in November 2015,<sup>6</sup> Rabbani claimed he had travelled to Latin America by the “encouragement and guidance” of Iran's revolutionary founder and first supreme leader, the late Ayatollah Ruhollah Khomeini. Initially dispatched to Buenos Aires on a three-month propaganda mission to stir the Shi'a identity of local communities, Rabbani ended up staying for 14 years, travelling extensively across the region.

His initial visit, which lasted nine months, prompted him to return to Iran to advise Iranian officials of the need to enter Latin America. He began working at the Ahl al-Bayt World Assembly, an Iranian quasi-government organization in charge of spreading Iran's Shi'a Islam. There, his superiors instructed him to take responsibility for Latin America since no one else at that point had as much knowledge as Rabbani had acquired in his initial stay. Yet the mission was important, because, as Rabbani notes, Latin America “was considered America's backyard.”

<sup>2</sup> Matthew Levitt, “Iranian and Hezbollah Operations in South America,” *The Washington Institute*, accessed May 4, 2017. (<https://www.washingtoninstitute.org/uploads/Documents/opeds/Levitt20151216-PRISM.pdf>)

<sup>3</sup> “Al Mustafa University, Iran's global network of Islamic schools,” *Iranian American Forum*, April 12, 2016.

(<http://iranian-americans.com/irans-export-of-islamic-fundamentalism-al-mustafa-global-training-centers-2/>); Iranian-American Forum, “Iran's export of Islamic fundamentalism: Al Mustafa global training centers,” *YouTube*, April 3, 2015. (<https://www.youtube.com/watch?v=-FOFUWzWGuw>)

<sup>4</sup> Matthew Levitt, “Iranian and Hezbollah Operations in South America,” *The Washington Institute*, accessed May 4, 2017. (<https://www.washingtoninstitute.org/uploads/Documents/opeds/Levitt20151216-PRISM.pdf>); Islam Oriente, *Facebook*, accessed May 4, 2017. ([https://www.facebook.com/IslamOriente/?ref=br\\_rs](https://www.facebook.com/IslamOriente/?ref=br_rs))

<sup>5</sup> Rabbani claims that publishing efforts began around 2002. See Mouhadi, Mohammad Mehdi, “میلیون اسپانیولی زبان چشم انتظار روحانیت شیعه (700 Million Spanish Speakers Await The Shi'a Clergy),” *Hawzah News Agency*, November 4, 2015. (<http://hawzahnews.com/detail/News/361236>)

<sup>6</sup> Mouhadi, Mohammad Mehdi, “میلیون اسپانیولی زبان چشم انتظار روحانیت شیعه (700 Million Spanish Speakers Await The Shi'a Clergy),” *Hawzah News Agency*, November 4, 2015. (<http://hawzahnews.com/detail/News/361236>)

Recent reports claim that, under Rabbani's supervision, approximately 1,000 Latin American students have been trained by Iran between 2007 and 2013.<sup>7</sup> It is impossible to assess the accuracy of such figures, but there is ample evidence that large groups of Shi'a converts from Latin America regularly travel to Qom for study programs paid for by the Iranian regime and under Rabbani's direct supervision.

### *Sheikh Taleb al-Khazraji*

Rabbani was not alone in the pursuit of exporting Iran's religious-revolutionary message. Shortly after his arrival to Buenos Aires, another cleric – Sheikh Taleb Hossein al-Khazraji – made his way to Brazil. Khazraji was born on July 1, 1954 in Najaf, Iraq. He attended public and Islamic schools in Najaf, Damascus, and Qom, then started his missionary work in the late 1960s in Arab, African, Asian, European, and Latin American countries. He began working in Brazil in 1989 at the Mosque Mohammed Messenger of God (SAAS) in Sao Paulo.<sup>8</sup>

Both Rabbani and Khazraji were cited by the assassinated Argentine prosecutor Alberto Nisman in his 2013 report on Iran's Latin American networks. According to Nisman, "Interpol Brasilia informed that Khazraji was an employee of the Iranian government and ... was engaged in recruiting highly politicized believers to get them close to Tehran."<sup>9</sup> An integral part of their task was thus to dramatically expand Iran's support base both among local Shi'a immigrants and through missionary work with Latin American Christians. But like Rabbani, Khazraji seems to have also rubbed shoulders with terror operatives. Reports suggest that in 2007, Khazraji, alongside Rabbani, had been in contact with Abdul Kadir, a Muslim convert and former politician in Guyana who is serving a life sentence in the U.S. for plotting to blow up fuel lines in New York's John F. Kennedy Airport.<sup>10</sup>

Khazraji<sup>11</sup> continues to conduct his religious mission as the religious leader of Sao Paulo's Bras Mosque and the director of the Islamic Beneficial Religious Association (ARBIB) cultural center and Arresala (Islamic Center in Brazil).<sup>12</sup> He remains in close contact with the Iranian embassy

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<sup>7</sup> Douglas Farah, "Threat to the Homeland: Iran's Extending Influence in the Western Hemisphere," *Testimony before Committee on Homeland Security*, July 9, 2013. (<http://www.ibiconsultants.net/pdf/testimony-of-douglas-farah.pdf>)

<sup>8</sup> "Sheikh Taleb Hussein Al-Khazraji," *Arresala* (Brazil), accessed May 4, 2017. (<http://www.arresala.org.br/sheikh-al-khazraji>)

<sup>9</sup> Emanuele Ottolenghi, "Moderation is a Misnomer in Iran," *Foundation for Defense of Democracies*, May 3, 2016. (<http://www.defenddemocracy.org/media-hit/emanuele-ottolenghi-moderation-is-a-misnomer-in-iran/>)

<sup>10</sup> Linette Lopez, "Dead Argentine prosecutor was zeroing in on a terror threat to the entire Western Hemisphere," *Business Insider*, March 20, 2015. (<http://www.businessinsider.in/Dead-Argentine-prosecutor-was-zeroing-in-on-a-terror-threat-to-the-entire-Western-Hemisphere/articleshow/46637922.cms>)

<sup>11</sup> Sheikh Taleb Hussein al-Khazraji, *Facebook*, accessed May 4, 2017. (<https://www.facebook.com/TalebKhazraji/>)

<sup>12</sup> "Informacao (Information)," *ARBIB - Associação Religiosa Beneficente Islâmica do Brasil - Departamento de Comunicação* (Brazil), accessed May 4, 2017. (<http://www.mesquitadobras.org.br/autores.php?op=23>); Joseph M. Humire, "After Nisman: How the death of a prosecutor revealed Iran's growing influence in the Americas," *Center for Secure Free Society*, 2016. (<http://www.securefreesociety.org/wp-content/uploads/2016/06/After-Nisman-Report.pdf>)



and regularly hosts high-profile visitors from Iran and from among Lebanon's Shi'a clergy to his institutions.<sup>13</sup>

### *Abdul Karim Paz*

Abdul Karim Paz, birth name Santiago Paz Bullrich, is the religious leader of the At-Tawhid mosque in Buenos Aires. Paz reportedly became Rabbani's first Muslim convert in Argentina and is married to Roxana Elizabeth "Masuma" Assad, the head of the Argentine Islamic Aid and Relief Committee and the Argentine Islamic Cultural Institute<sup>14</sup> as well as the sister of a close partner of Rabbani. Paz, through his wife's family, is a brother-in-law of Edgardo Ruben "Suhail" Assad, another key cleric in the missionary network (see below).<sup>15</sup>

Paz studied at Rabbani's institute in Qom, Islam Oriente, for five years before returning to Argentina in 1993 to become the imam of the At-Tawhid mosque.<sup>16</sup> He also spent time in Chile, where he established the Centro Chileno Islamico de Cultura de Puerto Montt,<sup>17</sup> one of two Iran-backed cultural centers in the country. According to Nisman's 2015 complaint, Paz was Rabbani's "right hand."<sup>18</sup> Paz is reportedly in charge of accompanying Shi'a converts from Latin America on trips to Iran,<sup>19</sup> where converts are fully indoctrinated to the values of the Islamic revolution.<sup>20</sup>

### *Sheij Ali Qomi*

Hojatoleislam Mohsen Mojtahedzadeh,<sup>21</sup> also known as Sheij (Sheikh) Ali Qomi, is the educational leader of Islam Oriente and travels extensively across Latin America on university speaking tours to lecture about Islam and Iran.<sup>22</sup> Qomi is possibly the most ubiquitous face of Iran's missionary network in Latin America, and is both media-friendly and social media-savvy. He appears in virtually all Facebook profiles of Latin American converts to Shi'a Islam, and his classes, lectures,

<sup>13</sup> Sheikh Taleb Hussein al-Khazraji, *Facebook*, June 8, 2015.

(<https://www.facebook.com/TalebKhazraji/photos/a.1389633647968536.1073741827.1389592864639281/1580567742208458/?type=3&theater>)

<sup>14</sup> Roger F. Noriega and Jose R Cardenas, "The mounting Hezbollah threat in Latin America," *American Enterprise Institute*, October 6, 2011. (<http://www.aei.org/publication/the-mounting-hezbollah-threat-in-latin-america/>)

<sup>15</sup> Joseph M. Humire, "After Nisman: How the death of a prosecutor revealed Iran's growing influence in the Americas," *Center for Secure Free Society*, 2016. (<http://www.securefreesociety.org/wp-content/uploads/2016/06/After-Nisman-Report.pdf>)

<sup>16</sup> Roger Noriega and Jose R. Cardenas, "The mounting Hezbollah threat in Latin America," *American Enterprise Institute*, October 6, 2011. (<http://www.aei.org/publication/the-mounting-hezbollah-threat-in-latin-america/>)

<sup>17</sup> Roger F. Noriega and Jose R. Cardenas, "The mounting Hezbollah threat in Latin America," *American Enterprise Institute*, October 6, 2011. (<http://www.aei.org/publication/the-mounting-hezbollah-threat-in-latin-america/>)

<sup>18</sup> Joseph M. Humire, "After Nisman: How the death of a prosecutor revealed Iran's growing influence in the Americas," *Center for Secure Free Society*, 2016. (<http://www.securefreesociety.org/wp-content/uploads/2016/06/After-Nisman-Report.pdf>)

<sup>19</sup> تازه مسلمان آمریکای لاتین به حرم مطهر رضوی

(67 newly converted Muslims come to worship at Reza Shrine)" *ABNA* (Iran), March 7, 2017.

(<http://fa.abna24.com/news/716922-مطهر-رضوی-آمریکای-لاتین-به-مطهر-رضوی-ها-تشریف->)

<sup>20</sup> "Un Viaje con musulmanes latinos (A Trip with Latino Muslims)," *HispanTV* (Iran), June 7, 2016.

(<http://www.hispantv.com/showprogram/un-viaje-con-musulmanes-latinos/242>)

<sup>21</sup> "El Cristianismo en Latinoamérica" (Christianity in Latin America)," *IBNA* (Iran), August 28, 2013.

(<http://www.ibna.ir/es/doc/report/178152/el-cristianismo-en-latinoam%C3%A9rica>)

<sup>22</sup> Images are available upon request.

and constant travel indicate his importance in proselytizing to local populations. Qomi's material is readily available online for those interested in following his journeys. He has a series of videos, podcasts, and online lectures called "Las Charlas del Sheij Qomi" (The Talks of Sheikh Qomi) in which he teaches classes about Islam in Spanish.<sup>23</sup>

Qomi also appears to have a strategic vision for the project. He is the author of a voluminous history of Christianity in Latin America titled *El Cristianismo en Latinoamerica* (Christianity in Latin America) in which he discusses Christianity's spread across the region.<sup>24</sup> The text, which describes itself as a guide for Shi'a missionaries to Latin America, seems to suggest that Islam, much like Christianity, could conceivably conquer the region and supplant the dominant religion in less than a century.

### *Edgardo Ruben Suhail Assad*

Edgardo Ruben Suhail Assad is Rabbani's top disciple and Paz's brother-in-law.<sup>25</sup> Assad is of Lebanese origin, born in Argentina, and currently lives in Qom.<sup>26</sup> He received his Bachelor's degree in philosophy from the Adolfo Ibanez University in Santiago, Chile.<sup>27</sup> At the age of 20, he migrated to Lebanon with his family, where he discovered and embraced his Islamic roots.<sup>28</sup> He went on to study Persian and Islamic theology at a Qom Islamic school for foreigners that was later incorporated into Al-Mustafa's International University – the current Qom-based institution the Iranian regime uses to proselytize around the world and train foreign-born clerics and converts.<sup>29</sup>

He is credited with establishing more than 20 Islamic centers in Latin America and lecturing as a visiting instructor in more than 80 universities about Islam, Khomeini's teachings, and the Islamic revolution. In 2016, state TV immortalized his missionary achievements by producing a 15-episode documentary series, now translated into Spanish and available on Iran's Spanish propaganda channel, HispanTV.<sup>30</sup> The series documents Assad's life, highlighting his work

<sup>23</sup> "Las Charlas del Sheij Qomi (Lectures of Sheikh Qomi)," *IVoox*, accessed May 4, 2017.

([https://www.ivoox.com/podcast-charlas-del-sheij-qomi\\_sq\\_f1176942\\_1.html](https://www.ivoox.com/podcast-charlas-del-sheij-qomi_sq_f1176942_1.html))

<sup>24</sup> "“El Cristianismo en Latinoamérica” (Christianity in Latin America)," *IBNA* (Iran), August 28, 2013.

(<http://www.ibna.ir/es/doc/report/178152/el-cristianismo-en-latinoam%C3%A9rica>)

<sup>25</sup> Joseph M. Humire, "After Nisman: How the death of a prosecutor revealed Iran's growing influence in the Americas," *Center for Secure Free Society*, 2016. (<http://www.securefreesociety.org/wp-content/uploads/2016/06/After-Nisman-Report.pdf>)

<sup>26</sup> "Un Viaje con musulmanes latinos Sheij Suhail (A Trip with Latino Muslims Sheikh Suhail)," *HispanTV* (Iran), July 20, 2016. (<http://www.hispantv.com/showepisodoun-viaje-con-musulmanes-latinos/un-viaje-con-musulmanes-latinos-sheij-suhail/32581>)

<sup>27</sup> *Iran's Strategic Penetration of Latin America*, Eds. Ilan Berman and Joseph Humire, (Lexington Books, 2014). ([https://books.google.com/books?id=oqDYBAAQBAJ&pg=PA36&lpg=PA36&dq=edgardo+suhail+assad&source=bl&ots=k74qx0Wkno&sig=HZVqEjlbGerSv8\\_ucoIxV30wImQ&hl=en&sa=X&ved=0ahUKEwidut7f89bTAhWGOyYKHfkGCEI4ChDoAQgwMAI#v=onepage&q=edgardo%20suhail%20assad&f=false](https://books.google.com/books?id=oqDYBAAQBAJ&pg=PA36&lpg=PA36&dq=edgardo+suhail+assad&source=bl&ots=k74qx0Wkno&sig=HZVqEjlbGerSv8_ucoIxV30wImQ&hl=en&sa=X&ved=0ahUKEwidut7f89bTAhWGOyYKHfkGCEI4ChDoAQgwMAI#v=onepage&q=edgardo%20suhail%20assad&f=false))

<sup>28</sup> Information accessed from Transcription of Interview with Soheil Assad from September 28, 2016. Transcription available upon request.

<sup>29</sup> Information accessed from Transcription of Interview with Soheil Assad from September 28, 2016. Transcription available upon request.

<sup>30</sup> "Un Viaje con musulmanes latinos Sheij Suhail (A Trip with Latino Muslims Sheikh Suhail)," *HispanTV* (Iran), July 20, 2016. (<http://www.hispantv.com/showepisodoun-viaje-con-musulmanes-latinos/un-viaje-con-musulmanes-latinos-sheij-suhail/32581>)

establishing Shi'a Muslim communities of converts in Costa Rica, Cuba, Bolivia, Venezuela, Ecuador, and Peru.<sup>31</sup> In this capacity, he has acted as an “informal ambassador” in his attempts to unify and radicalize different Islamic communities.<sup>32</sup>

The combined work of these itinerant preachers is remarkable in its achievements. In less than four decades, Iran has established a permanent infrastructure and a network of support in Latin America, reviving religious identity among mostly secular expatriate Shi'a communities, and tying it to the worldview of Iran and Hezbollah. The first generation of clerics dispatched from Iran to Latin America has now been largely replaced by local leaders and a cadre of Spanish- and Portuguese-speaking Iranian clerics, such as Qomi, who operate as itinerant preachers. Converts who trained as preachers under Rabbani, Khazraji, Assad, Qomi, and Paz are by now established clerics in their own respective communities – such as Rodrigo Jalloul in Brazil, Munir Valencia Potes in Colombia, and Mustafa “al Salvadori” in El Salvador, to name a few.<sup>33</sup>

The clerics can now rely on a library of texts translated into Spanish<sup>34</sup> (and more recently, Portuguese), which includes an Iranian-produced translation of the Quran, children's books, books on the Iranian revolution, a translation of an anti-Zionist tirade by French Holocaust denier Roger Garaudy,<sup>35</sup> books on the role of Jesus and Mary in Islam,<sup>36</sup> and media platforms – radio, TV, and the internet – to spread the message.

The results are astounding. During a two-year research project on Iran's efforts to export its revolutionary vision to Latin America, I was able to identify hundreds of converts from across the region – as far north as Mexico and Cuba and as far south as Argentina and Chile. Most are linked to one another through social media – including news aggregators and Facebook groups – and directly as Facebook friends. Their interactions often suggest that they have met personally – most likely on joint trips to Iran – as attested by Iranian-produced documentaries and news segments available on HispanTV.<sup>37</sup>

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<sup>31</sup> “Un Viaje con musulmanes latinos Sheij Suhail (A Trip with Latino Muslims Sheikh Suhail),” *HispanTV* (Iran), July 20, 2016. (<http://www.hispantv.com/showepisode/un-viaje-con-musulmanes-latinos/un-viaje-con-musulmanes-latinos-sheij-suhail/32581>)

<sup>32</sup> *Iran's Strategic Penetration of Latin America*, Eds. Ilan Berman and Joseph Humire, (Lexington Books, 2014). ([https://books.google.com/books?id=oqDYBAAQBAJ&pg=PA36&lpg=PA36&dq=edgardo+suhail+assad&source=bl&ots=k74qx0Wkno&sig=HZVqEjlbGerSv8\\_ucoIxV30wImQ&hl=en&sa=X&ved=0ahUKEwidut7f89bTAhWGOyYKHfkGCEI4ChDoAQgwMAI#v=onepage&q=edgardo%20suhail%20assad&f=false](https://books.google.com/books?id=oqDYBAAQBAJ&pg=PA36&lpg=PA36&dq=edgardo+suhail+assad&source=bl&ots=k74qx0Wkno&sig=HZVqEjlbGerSv8_ucoIxV30wImQ&hl=en&sa=X&ved=0ahUKEwidut7f89bTAhWGOyYKHfkGCEI4ChDoAQgwMAI#v=onepage&q=edgardo%20suhail%20assad&f=false))

<sup>33</sup> Rodrigo Jalloul, *Facebook*, accessed May 8, 2017. ([https://www.facebook.com/rodrigo.jalloul?ref=br\\_rs](https://www.facebook.com/rodrigo.jalloul?ref=br_rs)); Munir Valencia Potes, *Facebook*, accessed May 8, 2017. ([https://www.facebook.com/sheijmunir.valenciapotes?ref=br\\_rs](https://www.facebook.com/sheijmunir.valenciapotes?ref=br_rs)); Mustafa Al-Salvadori, *Facebook*, accessed May 8, 2017. ([https://www.facebook.com/Mustafa.Alsalvadori?hc\\_ref=SEARCH](https://www.facebook.com/Mustafa.Alsalvadori?hc_ref=SEARCH))

<sup>34</sup> “Islam Basico, (Basic Islam),” *Comunidad Islamica de Chile* (Chile), accessed May 8, 2017. (<http://www.islam.cl/islam-basico/>)

<sup>35</sup> Roger Garaudy, “Los Mitos Fundacionales del Estado de Israel (The Founding Myths of the State of Israel),” *Fundacion Cultural Oriente* (Iran), 2006. (<http://islam.cl/biblioteca-islamica/sicologia%20y%20historia/11/Los-Mitos-Fundacionales-del-Estado-de-ISRAEL.pdf>)

<sup>36</sup> “Jesus y Maria en el Islam (Jesus and Mary in Islam)” *Fundacion Cultural Oriente* (Iran), 2006. (<http://islam.cl/biblioteca-islamica/Religion-Politica-y-Etica/19/JESUS-Y-MARIA-EN-EL-ISLAM.pdf>)

<sup>37</sup> HispanTV, “Latinos en Iran (Latinos in Iran),” *YouTube*, February 24, 2014. (<https://www.youtube.com/watch?v=I8BkFAPXZOE&t=94s>)



Among the themes that run through their threads are strong anti-American sentiment and virulent strains of anti-Israel and anti-Semitic rhetoric. The indoctrination the Iranian emissaries engage in, by their own admission, is eminently political, and it is designed to recruit dedicated followers to the political causes of Iran's version of radical Shi'a Islam. A leading Iran convert and political activist in Peru, for example, claimed that "300 Jewish Zionist bankers" hold the economy of 30 million Peruvians hostage. The statement, made at a political rally, was met with applause by local indigenous and left-wing activists.<sup>38</sup>

Other prevalent themes include support for Hezbollah and the Bashar al-Assad regime in Syria, a cause promoted through Lebanese Shi'a expatriate communities, whose interactions with Iran's Latin American converts are frequent and often characterized by more than common attendance at mosques, as attested by frequent romantic involvements between Latin American converts and mainly Lebanese members of the Shi'a congregations in the region.

Iran's missionary network, in short, is a well-funded state effort to sway growing sectors of Latin American societies to embrace Iran's rhetoric of empowering the "oppressed" and their struggle against Western dominance. This lifelong endeavor has borne success because it has ably transformed Hussein, Shi'a Islam's iconic martyr, into an Islamic variant of the radical militant Che Guevara.

As will be shown below, the network is proving critical not only to the promotion of Iran's worldview, but also as a form of support to Hezbollah's Latin American backers, providing religious guidance to Lebanese Shi'a communities and helping them sustain their attachment to the ideological and religious struggles of their Shi'a brethren in Lebanon, Syria, Iraq, and Iran.

## **HEZBOLLAH'S GROWING THREAT AS A TRANSNATIONAL CRIMINAL ORGANIZATION**

In November 2015, Congress passed the Hezbollah International Financing Prevention Act, making it U.S. policy to "(1) prevent Hezbollah's global logistics and financial network from operating in order to curtail funding of its domestic and international activities; and (2) utilize diplomatic, legislative, and executive avenues to combat Hezbollah's criminal activities in order to block that organization's ability to fund its global terrorist activities."

This important piece of legislation builds on the October 1997 U.S. Department of State's designation of Hezbollah as a Foreign Terrorist Organization and on numerous steps taken by successive U.S. administrations over the years to designate Hezbollah financiers, and to target and disrupt Hezbollah financial networks.

Congress and the administration should continue to leverage these legislative and executive tools against Hezbollah by aggressively focusing on the terror organization's activities in Latin America. As important and effective as these tools are, they need to be complemented by additional steps designed to diminish Hezbollah's ability to exploit structural weaknesses prevalent in Latin America, which have made it possible for Hezbollah to partner with local criminal syndicates.

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<sup>38</sup> Comité de Lucha Nacional Perú, "Asamblea Constituyente – Edwar Quiroga Vargas," *YouTube*, August 20, 2016. (<https://www.youtube.com/watch?v=ONC4V7j39VM>)

Ultimately, this can only occur if regional governments recognize the threat posed by Hezbollah in their own jurisdictions and take concrete steps. U.S. efforts will be far more effective when local governments cooperate.

The challenge of getting local governments on board in the fight against Hezbollah is particularly acute in Latin America, where Hezbollah exercises significant influence in key places, such as Argentina, Brazil, Venezuela, and the Tri-Border area (TBA) of Argentina, Brazil, and Paraguay, where there are sizable Shi'a Lebanese expatriate communities.

This threat has been known to the U.S. government for years, but not enough resources have been devoted to assess its scale or countenance its impact. Speaking before the Senate Armed Forces Committee in March 2015, then Commander of Southern Command, General John F. Kelly, stated the following:

The terrorist group Lebanese Hezbollah — which has long viewed the region as a potential attack venue against Israeli or other Western targets — has supporters and sympathizers in Lebanese diaspora communities in Latin America, some of whom are involved in lucrative illicit activities like money laundering and trafficking in counterfeit goods and drugs. These clan-based criminal networks exploit corruption and lax law enforcement in places like the Tri-Border Area of Brazil, Paraguay, and Argentina and the Colon Free Trade Zone in Panama and generate revenue, an unknown amount of which is transferred to Lebanese Hezbollah. *Unfortunately, our limited intelligence capabilities make it difficult to fully assess the amount of terrorist financing generated in Latin America, or understand the scope of possible criminal-terrorist collaboration* [emphasis mine].<sup>39</sup>

Senior U.S. officials speak of Hezbollah's involvement in a variety of illicit activities, including drug trafficking and trade-based money laundering, which have served multiple purposes. First, they have provided the organization with independent sources of funding; second, they have put Hezbollah in a position to interact with local criminal organizations, putting its global networks at their services. These networks provide both the financial services required to launder revenues from illicit traffics and the logistical infrastructure to move merchandise to remote markets, which local criminal cartels cannot necessarily reach on their own. Hezbollah, according to a local source familiar with its operations,<sup>40</sup> thus acts both as the Western Union and Federal Express of Latin America's organized crime.

Nevertheless, to date, there is no accurate assessment of how much Hezbollah remits to its Lebanese-based operations from illicit activities in Latin America. A 2004 Naval War College study assessed that "Hezbollah, whose annual operating budget is roughly one hundred million

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<sup>39</sup> John F. Kelly, "Posture Statement," *Posture Statement before the 114<sup>th</sup> Congress Senate Armed Services Committee*, March 12, 2015.

([http://www.defenseinnovationmarketplace.mil/resources/SOUTHCOM\\_POSTURE\\_STATEMENT\\_FINAL\\_2015.pdf](http://www.defenseinnovationmarketplace.mil/resources/SOUTHCOM_POSTURE_STATEMENT_FINAL_2015.pdf))

<sup>40</sup> Conversation with the author, Brazil-Paraguay border, November 9, 2016.

dollars, raises roughly a tenth of that in Paraguay.”<sup>41</sup> A 2009 RAND study estimated the amount of money raised mainly in the TBA at double that amount: \$20 million.<sup>42</sup> Assuming these assessments are accurate, Hezbollah’s remittances from Latin America, especially the TBA, have doubled in the 2004–2009 period.

The U.S. should determine whether Latin American streams of revenue continue to make up a significant percentage of Hezbollah finances. That is certainly plausible, given that Hezbollah’s financial needs have grown significantly since 2011, due to its deepening involvement in the Syrian civil war.<sup>43</sup> Iran remains Hezbollah’s main funder, but the ebbs and flows of Iran’s economy,<sup>44</sup> combined with pressure from U.S. measures that began hitting Hezbollah’s finances in Lebanon in 2015, have meant that the group’s reliance on alternative funding might have become more critical to its operational needs. In Latin America, Hezbollah has benefited from lack of U.S. enforcement of its own sanctions, coupled with a permissive environment where corrupt local officials connive with Hezbollah’s illicit finance for their own gain.

Action taken by the U.S. to update and enforce its own existing sanctions against the Hezbollah terror finance network would be a first step to reverse this situation.

## **HEZBOLLAH’S IMPUNITY IN LATIN AMERICA: THE CASE OF UNENFORCED U.S. SANCTIONS**

Starting in 2004, the U.S. Department of the Treasury periodically sanctioned Hezbollah-linked individuals and entities in the TBA.<sup>45</sup> Treasury cited their involvement in raising funds for Hezbollah, often through illicit finance and trade activities, as a key reason for sanctions. To date, the U.S. has sanctioned 11 individuals and 4 companies in the TBA for their involvement with Hezbollah’s terror finance networks.

As a result of Treasury’s actions, these individuals should have been cut off from the U.S. financial system. Since November 2015, Congressional legislation targeting Hezbollah’s global financial networks should also have made them the object of secondary sanctions, extending penalties to those providing them material support.

Evidence available from open sources, particularly social media, suggests that despite U.S. measures, many sanctioned Hezbollah operatives remain active in trade and finance, are able to

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<sup>41</sup> Paul D. Taylor, “Latin American Security Challenges: A Collaborative Inquiry from North and South,” *Naval War College Newport Papers*, accessed May 6, 2017. (<https://www.usnwc.edu/Publications/Naval-War-College-Press/-Newport-Papers/Documents/21-pdf.aspx>)

<sup>42</sup> Gregory F. Treverton et. al., “Film Piracy, Organized Crime, and Terrorism,” *RAND Safety and Justice Program and the Global Risk and Security Center*, 2009. ([http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND\\_MG742.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG742.pdf))

<sup>43</sup> Matthew Levitt, “The Crackdown on Hezbollah’s Financial Network,” *The Wall Street Journal*, June 27, 2016. (<https://blogs.wsj.com/washwire/2016/01/27/the-crackdown-on-hezbollahs-financing-network/>)

<sup>44</sup> Oren Kessler and Rupert Sutton, “Hezbollah threatened by Iran’s Financial Woes,” *World Affairs Journal*, June 3, 2014. (<http://www.worldaffairsjournal.org/article/hezbollah-threatened-iran%E2%80%99s-financial-woes>)

<sup>45</sup> U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>); U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

travel abroad, and must therefore enjoy significant access to the global financial system. As long as these individuals are Specially Designated Global Terrorists (SDGTs) under Executive Order 13224 of September 2001, the U.S. can and should seek to prevent them from accessing the global financial system and punish those who offer them material support. Local circumstances at least partially explain the failure of U.S. sanctions to affect these individuals and entities.

As the March 2017 Department of State's International Narcotics Control Strategy Report explains:

Paraguay is a drug transit country and money laundering center. The Tri-Border Area ... is home to a multi-billion dollar contraband trade that facilitates much of the money laundering in Paraguay. Transnational criminal organizations operating in these three countries are believed to launder the proceeds from narcotics trafficking and other illicit activities through banks and non-bank financial sector entities. Paraguay's progress in combating money laundering is impeded by widespread corruption, burdensome bureaucracy, and the fear of reprisal against regulatory and supervisory authorities.<sup>46</sup>

Most sanctioned Hezbollah operatives to date operate from the TBA, run Paraguay-registered businesses, and hold Paraguayan citizenship. Those who did had family, business, or communal ties to the Shi'a Lebanese community in the TBA. Many reside in Brazil. Some hold dual nationality or permanent residency in both countries. Their ability to move freely between these two jurisdictions is a testimony to the ineffectiveness of U.S. measures when not matched by local authorities' cooperation. The following evidence for six individuals and one entity under U.S. sanctions makes it abundantly clear that, as a result of this permissive environment, SDGTs can shrug off the effects of U.S. Treasury designations.

*I. Sobhi Mahmoud Fayad*

Sobhi Mahmoud Fayad was designated by the U.S. Treasury Department in 2006 for serving as a liaison with the Iranian embassy on behalf of the Hezbollah-linked individuals in the TBA. According to Treasury, he was involved in drug trafficking and counterfeit U.S. currency. He was also sentenced to six and a half years in Paraguay for tax evasion.<sup>47</sup>

Despite U.S. sanctions and a prison sentence (which he served in full), evidence posted by Fayad on Facebook provides abundant evidence of his travels and activities, including recent trips to

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<sup>46</sup> U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report: Volume II: Money Laundering and Financial Crimes," March 2017. (<https://www.state.gov/documents/organization/268024.pdf>)

<sup>47</sup> U.S. Department of the Treasury, Press Release, "Treasury Targets Hezbollah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

Lebanon,<sup>48</sup> Saudi Arabia, Iraq, and the United Arab Emirates, as well as in Brazil and Paraguay.<sup>49</sup> His extensive travel also suggests he retains access to financial tools to pay for his needs – an indication that local banks are unlikely to be enforcing U.S. sanctions against him.

In a September 2016 trip to perform the hajj in Saudi Arabia, for example, Fayad flew from Foz do Iguacu, Brazil to São Paulo, where he boarded an Ethiopian Airlines flight to Addis Ababa (via the West African nation of Togo). From Addis Ababa he connected to Beirut, where he spent at least a day<sup>50</sup> before joining a group of Lebanese pilgrims heading to Saudi Arabia. While in Saudi Arabia, he posted information of his whereabouts, including the hotel where he was staying.<sup>51</sup>

Upon completion of the hajj, Fayad returned to Lebanon and then, eventually, the TBA.

He appears to be traveling on a valid Paraguayan passport, which he posted on Facebook<sup>52</sup> to show a visa to Iraq, in December 2015, when he went to Karbala on pilgrimage.

According to information Fayad posted on the same day,<sup>53</sup> he bought a ticket on an Iraqi Airways flight from Beirut to Najaf from the airline's Beirut office and apparently paid in dollars.

## II. *Bilal Mohsen Wehbe*

Bilal Mohsen Wehbe was sanctioned in 2010 as being Hezbollah's "chief representative in South America."<sup>54</sup> He is one of the leading sheiks in Brazil's Centro Islamico do Brasil and regularly participates in prayers, educational events,<sup>55</sup> and meetings. In 2015, he was photographed at a public meeting with Hassan Khomeini, the grandson of Islamic Republic of Iran's founder, on his trip to Brazil and Paraguay alongside various other TBA religious and political figures.<sup>56</sup> In

<sup>48</sup> Facebook photos show Sobhi Fayad flying from Foz do Iguacu to São Paulo, 29 August 2016: Sobhi Fayad, *Facebook*, August 29, 2016.

(<https://www.facebook.com/photo.php?fbid=1180631028626251&set=pb.100000380942311.-2207520000.1473973571.&type=3&theater>)

<sup>49</sup> Sobhi Fayad, *Facebook*, accessed May 5, 2017. ([https://www.facebook.com/sobhif1/places\\_recent](https://www.facebook.com/sobhif1/places_recent))

<sup>50</sup> Sobhi Fayad, *Facebook*, August 30, 2016.

(<https://www.facebook.com/sobhif1/posts/1181410128548341?pnref=story>).

<sup>51</sup> Sobhi Fayad, *Facebook*, September 3, 2016.

(<https://www.facebook.com/sobhif1/posts/1184034418285912?pnref=story>)

<sup>52</sup> Sobhi Fayad, *Facebook*, November 28, 2015.

(<https://www.facebook.com/photo.php?fbid=1015351825154173&set=pb.100000380942311.-2207520000.1474041934.&type=3&theater>)

<sup>53</sup> Sobhi Fayad, *Facebook*, November 24, 2015.

(<https://www.facebook.com/photo.php?fbid=1015442808478408&set=pb.100000380942311.-2207520000.1493994894.&type=3&size=960%2C720>)

<sup>54</sup> U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Financial Network," December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

<sup>55</sup> Lecture at the Brazilian Association of Islamic Charity, May 2, 2017. Bilal Wehbe, *Facebook*, May 2, 2017.

(<https://www.facebook.com/100001550997469/videos/vb.100001550997469/1423895684338784/?type=2&theater>)

<sup>56</sup> Bilal Wehbe, *Facebook*, March 23, 2015.

(<https://www.facebook.com/photo.php?fbid=871182302943461&set=pb.100001550997469.-2207520000.1473430163.&type=3&theater>);

Arresala, *Flickr*, "Sua Eminencia Seyyed Hassan Khomeini no Centro Islamico no Brasil Junho/2015 (Our Eminence Seyyed Hassan Khomeini at Islamic Center of Brazil on June 2015)." (<https://www.flickr.com/photos/arresala/albums/7215765422225772>)



February 2017, he welcomed the Iraqi ambassador to Brazil, H.E. Arshad Omar Esmaeel, to Arresala,<sup>57</sup> Khazraji's center. Wehbe continues to operate in Brazil, where authorities have not interfered with his activities.

### III. *Hatem Barakat*

Treasury sanctioned Hatem Barakat and two other family members in 2006.<sup>58</sup> Nevertheless, he appears to remain active in business. Hatem lists his current employment at a store named Infornet Princesa.<sup>59</sup> The store is located in Angola and sells electronics, children's toys, and accessories.<sup>60</sup>

### IV. *Hamze Ahmad Barakat*

Hamze Ahmad Barakat was arrested in Curitiba, Brazil in May 2013 for operating a "fraudulent scheme in the clothing industry" after his 2006 designation by the U.S. Treasury for his membership with, and financing of, Hezbollah.<sup>61</sup> According to social media evidence, Hamze appears to continue to operate businesses in the Brazilian clothing industry.<sup>62</sup> The store that was originally designated with him and his brother since 2006, Casa Hamze, appears to no longer exist. Commercial registry entries show that Hamze Barakat is listed as owner and/or administrator of at least four other businesses: Habhab & Barakat LTDA,<sup>63</sup> Minimundo Comercio de Artigos do

<sup>57</sup> Arresala – Centro Islamico do Brasil, *Flickr*, February 3, 2017.

(<https://www.flickr.com/photos/arresala/32745076245/in/photostream/>)

<sup>58</sup> Department of the Treasury, Press Release, "Treasury Targets Hezbollah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay" December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

<sup>59</sup> Hatem Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/profile.php?id=100008314491434&sk=about>)

<sup>60</sup> Infornet Princesa, *Facebook*, March 13, 2013.

(<https://www.facebook.com/InfornetPrincesa/photos/a.148099262011675.33296.147243702097231/162926040528997/?type=3&theater>); Infornet Princesa, *Facebook*, January 30, 2013.

(<https://www.facebook.com/InfornetPrincesa/photos/a.148099262011675.33296.147243702097231/149452198543048/?type=3&theater>); Infornet Princesa, *Facebook*, January 28, 2013.

(<https://www.facebook.com/InfornetPrincesa/photos/a.147997282021873.33264.147243702097231/147997285355206/?type=1&theater>)

<sup>61</sup> Simon Romero, "Businessman Linked by U.S. To Hezbollah is Arrested in Brazil in a Fraud Scheme," *The New York Times*, May 20, 2013. ([http://www.nytimes.com/2013/05/21/world/americas/man-linked-by-us-to-hezbollah-is-arrested-in-brazil.html?\\_r=0](http://www.nytimes.com/2013/05/21/world/americas/man-linked-by-us-to-hezbollah-is-arrested-in-brazil.html?_r=0))

<sup>62</sup> Hamze Ahmad Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/goldshoesalcadosxv>); Hamze Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/profile.php?id=100003744833939>); Hamze Barakat, *Facebook*, September 13, 2016.

(<https://www.facebook.com/profile.php?id=100004543359651>); Hamze Barakat, *Facebook*, accessed September 13, 2016. (<https://www.facebook.com/hamze.barakat.779>); Hamze Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/hamze.barakat.77>)

<sup>63</sup> "Habhab & Barakat Ltda," *Sales Spider*, accessed September 19, 2016. (<http://www.salespider.com/bw-12669317/habhab-barakat-ltda>)

Vestuario Ltda – ME d.b.a. Minimundo Importacao e Exportacao,<sup>64</sup> H.H Yassine & Cia Ltda,<sup>65</sup> and M V de Almeida e Cia Ltda d.b.a. Gold Shoes.<sup>66</sup>

#### V. *Mohammad Tarabain Chamas*

Sanctioned in 2006 with the Barakat brothers, Mohammad Tarabain Chamas was named by Treasury as the administrator of the Galeria Pagé shopping center in Ciudad del Este, Paraguay's second-largest city.<sup>67</sup> He was also named as proprietor and vice president of Hi-Tech Digital Technology S.A. in 2005. It is unclear whether the business is still active.<sup>68</sup> As of 2011, Tarabain Chamas has been running a parking garage in Foz do Iguacu named Cars Estacionamiento.<sup>69</sup>

According to a local source, Tarabain Chamas has also moved to Galeria Conquistador, a shopping mall in Ciudad Del Este adjacent to Galeria Pagé, where he has been appointed administrator. According to local sources, he also continues in his position as the administrator of Galeria Pagé (also known as Uniamerica; see below).<sup>70</sup>



Business card of Mohammad Tarabain listed as administrator of Galeria Conquistador from June 2016 with Kemal Tarabain.<sup>71</sup>

<sup>64</sup> “Hamze Ahmad Barakat,” *ConsultaSocio.com* (Brazil), accessed September 19, 2016.

(<http://www.consultasocio.com/q/sa/hamze-ahmad-barakat>)

<sup>65</sup> “H.H. Yassine & Cia Ltda.” *Find the Company*, accessed September 19, 2016.

(<http://publicacoes.findthecompany.com.br/148455018/H-H-Yassine-And-Cia-Ltda-em-Curitiba-PR>)

<sup>66</sup> “Gold Shoes,” *CPNJ Brasil*, accessed September 19, 2016. (<http://www.cnpjbrasil.com/e/cnpj/gold-shoes/09391146000180>)

<sup>67</sup> U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

<sup>68</sup> Paraguay Gabinete Civil de la Presidencia, “Gaceta Oficial de la República del Paraguay (Official Gazette of the Republic of Paraguay), February 23, 2006. ([http://www.gacetaoficial.gov.py/uploads/pdf/2014/2014-02-14/gaceta\\_2240\\_HIEGDIIAEBKGGKKBIDAFFJAFICIGHGGKDDJHBGIF.pdf](http://www.gacetaoficial.gov.py/uploads/pdf/2014/2014-02-14/gaceta_2240_HIEGDIIAEBKGGKKBIDAFFJAFICIGHGGKDDJHBGIF.pdf))

<sup>69</sup> “Cars Estacionamiento | Mohamed Tarabain Chamas – Me,” *CPNJ Info* (Brazil), accessed September 15, 2016. (<http://cnpj.info/CARS-ESTACIONAMENTO-MOHAMED-TARABAIN-CHAMAS-ME-Tr-Julio-Pasa-74-Foz-Do-Iguacu-PR-85851370/aLiC/>)

<sup>70</sup> Emanuele Ottolenghi, “What Netanyahu should ask Paraguay’s president,” *The Jerusalem Post* (Israel), July 17, 2016. (<http://www.jpost.com/Opinion/The-question-Netanyahu-should-raise-to-visiting-president-of-Paraguay-460664>)

<sup>71</sup> Image was received from confidential source.

## VI. *Mohammad Fayez Barakat*

Mohammad Fayez Barakat was also sanctioned in 2006 for his involvement in moving funds to Hezbollah from the TBA.<sup>72</sup> Since then, he has remained a prominent and influential figure in the Lebanese community of Paraguay.

In November 2016, the Lebanese embassy in Asuncion hosted him as a featured speaker at the embassy reception marking Lebanon's Independence Day.<sup>73</sup>



*Mohammad Fayez Barakat, guest of honor and featured speaker at the November 2016 Embassy of Lebanon Independence Day reception in Asuncion.<sup>74</sup>*

<sup>72</sup> U.S. Department of the Treasury, Press Release, "Treasury targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

<sup>73</sup> Embajada del Libano en Paraguay سفارة لبنان لدى جمهورية الباراغواي, Facebook, November 23, 2016. (<https://www.facebook.com/libanopy/photos/a.1392359504401406.1073741831.1383622835275073/1623699861267368/?type=3&theater>)

<sup>74</sup> Photo obtained from a local source.

In 2014, Barakat was interviewed as a witness of the brutal beating of an individual in the Galeria Pagé, where his store “Big Boss” is located.<sup>75</sup> Big Boss International Import Export stands accused of suspicious activity, including in 2008 when Mohamad Fayeze and his brother Ali Fayeze were investigated for allegedly transferring \$88,480 through Banco Amambay in 2005 and 2006.<sup>76</sup> Nonetheless, Barakat remains active in Paraguay and so do his businesses.

### VII. Galeria Pagé AKA Galeria Uniamerica

Galeria Pagé was sanctioned in 2006 as a source of funding for Hezbollah-linked activities. Renamed as Shopping Uniamerica, the mall continues to operate today.<sup>77</sup> Shopping Uniamerica hosts stores and offices owned by Lebanese merchants, some of whom are potentially connected to Hezbollah in the TBA. Due to U.S. sanctions against the mall, all its shops are automatically blocked from doing business with U.S. persons and corporate entities.



The evidence shown indicates that, unless U.S. sanctions are followed by constant update and vigorous enforcement, targeted individuals and entities can soon elude them and shrug off their

<sup>75</sup> “Fiscalía pedirá peritaje de filmación de brutal golpiza en Ciudad Del Este (Prosecutor’s Office will request expert assessment of the video showing brutal beating in Ciudad del Este),” *ABC Color* (Paraguay), June 3, 2014. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/fiscalia-pedira-peritaje-de-filmacion-de-brutal-golpiza-en-ciudad-del-este-1251430.html>)

<sup>76</sup> “Seprelad confirma “operaciones sospechosas” de empresario libanes (Seprelad confirms “suspicious operations” of Lebanese businessman),” *ABC Color* (Paraguay), November 30, 2008. (<http://www.abc.com.py/edicion-impresapoliciales/seprelad-confirma-operaciones-sospechosas-de-empresario-libanes-1125542.html>)

<sup>77</sup> “Lista de precios: Todas as Lojas (List of prices: All Stores),” *Compras No Paraguai* (Brazil), accessed May 9, 2017. (<http://www.comprasnoparaguai.com/precos.php?wcat=gal+page>); U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)



effects. It is important that U.S. action is undertaken to rectify this state of affairs for two reasons. SDGTs may continue to engage in nefarious activities, and the U.S. should update their designations to disrupt them. Lack of sanctions enforcement could be interpreted to mean that U.S. countermeasures may be short lived. U.S. credibility and deterrence are at stake.

## **HEZBOLLAH'S INVOLVEMENT IN ILLICIT TRADE: TRADE-BASED MONEY LAUNDERING**

Hezbollah's traditional sources of revenue in the TBA came from trade-based money laundering, much of which continues. According to the Association of Certified Anti-Money Laundering Specialists, trade-based money laundering is "the process by which criminals use a legitimate trade to disguise their criminal proceeds from their unscrupulous sources. The crime involves a number of schemes in order to complicate the documentation of legitimate trade transactions; such actions may include moving illicit goods, falsifying documents, misrepresenting financial transactions, and under- or over-invoicing the value of goods."<sup>78</sup>

For Hezbollah, these schemes usually involve companies in China or the United States that are controlled by TBA-based businesses. Merchandise is traded between companies controlled by the same owner. Companies typically issue false invoices, thereby creating inflated charges that help launder revenues from illicit trade.

This is the type of illicit conduct that was exposed in a 2016 Paraguay investigation into tax fraud. The "mega-evasion" investigation<sup>79</sup> recently exposed a giant fiscal fraud in Ciudad Del Este. The fraud involved a group of local accountants, who issued false invoices on behalf of 285 companies and people registered in the TBA in order to evade taxes. Paraguayan authorities estimated the fraud is worth \$270 million.<sup>80</sup> The list was leaked in February 2016 as the investigation got underway.<sup>81</sup> Based on that list and the records of their international suppliers, FDD was able to identify more than 400 companies incorporated in Miami-Dade County by TBA businesses.

There is evidence that Hezbollah relied on Florida-based companies to launder money. The first such case was a 2008 scheme to defraud the Florida State Treasury, through a construction company established by Lebanese national, Ali Hassan Hammoud. Hammoud was arrested in Miami on his way to Lebanon after he had managed to transfer \$5.7 million to Lebanon<sup>82</sup> and was

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<sup>78</sup> "Trade-Based Money Laundering," ACAMS, accessed May 8, 2017. (<http://www.acams.org/aml-resources/trade-based-money-laundering/>)

<sup>79</sup> "Destapan nueva mega evasion (Uncovering a New Mega Evasion)," *Paraguay.com* (Paraguay), June 4, 2015. (<http://www.paraguay.com/nacionales/destapan-nueva-mega-evasion-129013>).

<sup>80</sup> "Mega-evasion" por USD 270 millones ("Mega Evasion" for 270 million USD)," *La Nacion* (Paraguay), February 10, 2016. Accessed June 5, 2016. (<http://www.lanacion.com.py/2016/02/10/Mega-evasion-millonaria-por-usd-270-millones/>)

<sup>81</sup> "Salta lista de las empresas investigada por Mega-evasion en Ciudad Del Este (List of companies investigated for Mega Evasion in Ciudad Del Este)," *ABC Color* (Paraguay), February 12, 2016. Accessed June 5, 2016. (<http://www.abc.com.py/edicion-impresa/economia/salta-lista-de-empresas-investigadas-por-Mega-evasion-en-ciudad-del-este-1452500.html>)

<sup>82</sup> Lucy Morgan, "Scheme thwarted after nearly taking Florida for millions" *Tampa Bay Times*, July 29, 2008. (<http://www.tampabay.com/news/politics/state/scheme-thwarted-after-nearly-taking-florida-for-millions/747388>)



eventually sentenced.<sup>83</sup> Another company was implicated in a 2009 financing scheme for Hezbollah. Seven men were later charged with the “illegal export of electronics” to Galeria Pagé. Khaled T. Safadi and his company Cedar Distributors were involved in transporting large amounts of electronics from Paraguay to the already U.S.-designated shopping center.<sup>84</sup>

In testimony before the House Financial Services Committee’s Task Force to Combat Terror Finance in June 2016,<sup>85</sup> I offered a detailed explanation of how suspected Hezbollah’s entities conduct their illicit trade-based activities in the TBA. In November 2016, a \$1.2-billion money laundering investigation,<sup>86</sup> which the Department of State in its 2017 Money Laundering Report cites as evidence of corruption in Paraguay, offers further proof of ongoing trade-based money laundering in the TBA:

Paraguayan authorities executed search warrants in November for one of the largest money laundering cases in Paraguayan history, reportedly totaling \$1.2 billion dollars and involving businesses in [Ciudad Del Este]. Less than a week later at the request of the defense, the Attorney General recused the entire 13-member prosecutorial team from the case. Though they were later reinstated, the defense is likely to appeal. The defendants reportedly used linked companies in the Middle East and China to falsely invoice large shipments for dispatch to CDE’s airport – shipments that were never actually sent. The company then used the falsified customs documents to justify large deposits into the local banking system and initiate foreign transfers to “pay” for the fictitious shipments.<sup>87</sup>

Local sources told the author that the investigated companies were given a 48-hour advance notice about the search warrants, potentially facilitating a thorough cleanup of compromising files. They also alleged a link between the suspected companies’ owner and Hezbollah. U.S. officials familiar with the case have privately complained of subsequent obstructionism at the highest levels of power preventing attempts by U.S. law-enforcement agencies to gain access to the files. U.S. offers to cooperate were politely, but decisively, rebuffed.<sup>88</sup> If true, this indicates that businesspeople with alleged links to Hezbollah enjoy a disturbing level of impunity from local authorities.

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<sup>83</sup> Federal Bureau of Investigation, Jacksonville Division Press Releases, “Former Bank Employee Charged with Making False Statements in Fraud Investigation” Accessed June 6, 2016. (<https://www.fbi.gov/jacksonville/press-releases/2010/ja060210.htm>)

<sup>84</sup> U.S. Federal Bureau of Investigation, Press Release, “Seven Charged with Illegal Export of Electronics to U.S. - Designated Terrorist Entity in Paraguay,” February 19, 2010. (<https://archives.fbi.gov/archives/miami/press-releases/2010/mm021910.htm>)

<sup>85</sup> Emanuele Ottolenghi, “The Enemy in our backyard: examining terror funding streams from South America,” Hearing before the House Financial Services Committee Task Force to Investigate Terrorism Finance, June 8, 2016. (<http://financialservices.house.gov/uploadedfiles/hrg-114-ba00-wstate-eottolenghi-20160608.pdf>)

<sup>86</sup> “Empresa investigada por lavado envió dólares a través del banco de Cartes (Company investigated for money laundering sent dollars through Cartes’s bank),” *Ultima Hora* (Paraguay), November 12, 2016. (<http://www.ultimahora.com/empresa-investigada-lavado-envio-dolares-traves-del-banco-cartes-n1039139.html>)

<sup>87</sup> U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, “International Narcotics Control Strategy Report: Volume II: Money Laundering and Financial Crimes,” March 2017. (<https://www.state.gov/documents/organization/268024.pdf>); [Local sources gave a figure for the US dollars transited in the Megalavado case at approximately \\$360 million.](#)

<sup>88</sup> Based on conversations with the author.

## HEZBOLLAH'S INVOLVEMENT IN THE ILLICIT TOBACCO TRADE

The growing presence of Hezbollah-affiliated companies in the tobacco retail business raises another important red flag, namely the possibility that illicit tobacco trade has become an additional source of Hezbollah's income. A 2016 report published by Israel's Ministry of Health states that "illicit trade of tobacco constitutes an important source of funding for Hezbollah."<sup>89</sup> The group's involvement in the illicit cigarette trade dates back to the 1990s, as illustrated by Operation Smokescreen, a U.S. case prosecuting a North Carolina-based Hezbollah network involved in interstate cigarette smuggling.<sup>90</sup>

Paraguay is considered the principal source of illicit cigarette trade in the Western Hemisphere. Most of its annual production of 68 billion cigarettes<sup>91</sup> is illegally exported, with only 3 percent being consumed domestically.<sup>92</sup> According to some estimates, its locally-produced cigarettes account for 10 percent of the world's illegal trade.<sup>93</sup>

Illicit cigarette trade is also a very lucrative business. According to World Health Organization statistics, illicit cigarette trade accounts for 9 percent of global cigarette trade and 16.7 percent of Latin America's cigarette trade – the region with the highest incidence of illicit traffic.<sup>94</sup> It is a multi-billion-dollar business, estimated to be worth between \$40 and \$50 billion a year.<sup>95</sup> It thus ranks fifth among types of illicit trade – outmatched by counterfeiting (nearly \$1 trillion), drug trafficking (estimated to range between \$450 and \$620 billion), illegal logging (between \$52 and \$170 billion), and human trafficking (\$150 billion), but larger than illegal wildlife, small weapons, and organ trafficking.<sup>96</sup>

It also elicits milder punishment and laxer enforcement, offering criminals a lucrative and less risky alternative to drug, arms, and human trafficking. According to a December 2015 Department of State report:

Like other forms of illicit trade, the illicit trade in tobacco products, commonly referred to as cigarette smuggling, is a growing threat to U.S. national interests.

<sup>89</sup> Israel Ministry of Health, "2015  
Israel)," May 2016, page 134

(Report of the Minister of Health on Smoking in

<sup>90</sup> Alcohol, Tobacco, Firearms Bureau, "Operation Smokescreen." Accessed May 8, 2016. (<https://www.atf.gov/our-history/operation-smokescreen>)

<sup>91</sup> Benoît Gomis and Natalia Carrillo Botero, "Sneaking a Smoke," *Foreign Affairs*, February 5, 2016. (<https://www.foreignaffairs.com/articles/paraguay/2016-02-05/sneaking-smoke>)

<sup>92</sup> Elizabeth Allen, "The Illicit Trade in Tobacco Products and How to Tackle It," *The International Tax and Investment Center*, accessed May 6, 2017.

(<http://iticnet.org/images/The%20Illicit%20Trade%20in%20Tobacco%20Products%20and%20How%20to%20Tackle%20It%20-%20Second%20Edition2.pdf>)

<sup>93</sup> Marina Walker Guevara, "Smuggling made easy," *The Center for Public Integrity*, May 19, 2014. (<https://www.publicintegrity.org/2009/06/29/6343/smuggling-made-easy>)

<sup>94</sup> "Illicit Trade in Tobacco: A Summary of the Evidence and Country Responses," *The World Health Organization* (Switzerland), accessed May 6, 2017. (<http://www.who.int/tobacco/economics/illicittrade.pdf?ua=1>)

<sup>95</sup> "Illicit Trade in Tobacco: A Summary of the Evidence and Country Responses," *The World Health Organization* (Switzerland), accessed May 6, 2017. (<http://www.who.int/tobacco/economics/illicittrade.pdf?ua=1>)

<sup>96</sup> Figures are taken from the website of Global Financial Integrity. (<http://www.gfintegrity.org/issue/transnational-crime-terrorist-financing/>)

Internationally, it fuels transnational crime, corruption, and terrorism. As it converges with other criminal activities it undermines the rule of law and the licit market economy, and creates greater insecurity and instability in many of today's security "hot spots" around the world. Illicit tobacco provides a significant revenue stream to illicit actors without the high risks and punishments associated with trafficking in narcotics or humans.<sup>97</sup>

Drug smuggling routes and cigarette smuggling routes along the Paraguay-Brazil border are indistinguishable. The illicit cigarette trade has helped drug cartels like Colombia's FARC launder revenue from the sale of cocaine,<sup>98</sup> and, according to Brazil's Federal Police officials interviewed during a visit to the area in November 2016, it is increasingly drawing the attention and involvement of the Brazilian criminal group First Capital Command (known by its Portuguese acronym PCC),<sup>99</sup> a key Hezbollah business partner. Hezbollah's possible involvement in the illicit cigarette trade – which appears to enjoy impunity in a country where its principal manufacturer is also the sitting president<sup>100</sup> – is therefore equally plausible.

## HEZBOLLAH'S DRUG TRAFFICKING

As lucrative as they are, trade-based money laundering activities are being complemented by Hezbollah's operatives' increasing involvement in drug trafficking.

Hezbollah's involvement in Latin America's drug trade is significant and expanding. The group – often referred to as the "A-Team" of international terrorism – has reportedly formed partnerships with several of the region's most notorious crime syndicates, including Mexico's Zetas,<sup>101</sup> Columbia's FARC,<sup>102</sup> and Brazil's PCC.<sup>103</sup> Drug trafficking cases involving Lebanese with suspected ties with Hezbollah are increasingly frequent. Evidence indicates that Hezbollah has ties throughout the illicit narcotics supply chain. U.S. sanctions, as well as court cases in the United States and overseas, have targeted Hezbollah-linked operatives acting as logistics and financial

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<sup>97</sup> U.S. Department of State, "The Global Illicit Trade in Tobacco: A Threat to National Security," accessed May 6, 2017. (<https://2009-2017.state.gov/documents/organization/250513.pdf>)

<sup>98</sup> James Bargent, "Colombia Criminals Use Paraguay Contraband Cigarettes to Launder Drug Money," *Insight Crime*, March 24, 2014. (<http://www.insightcrime.org/news-briefs/colombia-criminals-use-paraguay-contraband-cigarettes-to-launder-drug-money>)

<sup>99</sup> Benoît Gomis and Natalia Carrillo Botero, "Sneaking a Smoke," *Foreign Affairs*, February 5, 2016. (<https://www.foreignaffairs.com/articles/paraguay/2016-02-05/sneaking-smoke>)

<sup>100</sup> David Gutierrez, "The Smoking Trail," *Harvard International Review*, May 13, 2016. (<http://hir.harvard.edu/article/?a=13337>)

<sup>101</sup> Terence Rosenthal, "Los Zetas and Hezbollah, a Deadly Alliance of Terror and Vice," *Center for Security Policy*, July 10, 2013. (<http://www.centerforsecuritypolicy.org/2013/07/10/los-zetas-and-hezbollah-a-deadly-alliance-of-terror-and-vice/>)

<sup>102</sup> Jo Becker, "Beirut Bank Seen as a Hub of Hezbollah's Financing," *The New York Times*, December 13, 2011. (<http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>)

<sup>103</sup> Kyra Gurney, "Police Documents Reveal 'Hezbollah Ties' to Brazil's PCC," *Insight Crime*, November 10, 2014. (<http://www.insightcrime.org/news-briefs/police-documents-hezbollah-ties-brazil-pcc>)

service providers,<sup>104</sup> traffickers,<sup>105</sup> drug barons,<sup>106</sup> distributors,<sup>107</sup> and, most recently, suppliers of precursor chemicals used to refine cocaine.<sup>108</sup> It seems only a matter of time before Hezbollah-run drug laboratories emerge, too – the kind that have long been at the center of the group’s operations in Lebanon’s Bekaa Valley.

In recent months, four drug traffickers whom authorities have linked to Hezbollah were arrested in the TBA. If confirmed, this link would illustrate the growing links between Hezbollah and drugs in Latin America.

The first case involved a Lebanese national with Paraguayan citizenship, who was arrested on August 19, 2016 at Ciudad Del Este’s International Guarani Airport for attempting to smuggle 39 kilos of cocaine concealed in 27 boxes of plastic wrap.<sup>109</sup> A second arrest followed on February 4, 2017. The suspects were two Turkish nationals.<sup>110</sup> Police found a press, believed to serve the purpose of liquefying cocaine, and 65 large shampoo bottles, which investigators believe were meant to carry the drugs.<sup>111</sup> One of the two individuals arrested had photographs of cocaine powder and packaged cocaine in his mobile phone. Finally, on April 6, 2017, a fourth individual, also a Lebanese national, was detained in his Ciudad Del Este apartment, while in the company of two others. Media and police reports independently obtained from a local source indicate that the four suspects are part of the same trafficking network.

Evidence collected at the time of the arrest reveals strong ideological affinity with Hezbollah and Iran for all four individuals. Among the evidence local sources shared: tattoos depicting Hezbollah fighters holding weapons alongside devotional Shi’a themes; Islamic literature for children in Spanish, published by Rabbani’s publishing house in Qom;<sup>112</sup> and a video of General Qassem

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<sup>104</sup> “Interagency Cooperation on Tri-Border Area,” *WikiLeaks Cable: 07Asuncion688\_a*, August 20, 2007. ([https://wikileaks.org/plusd/cables/07ASUNCION688\\_a.html](https://wikileaks.org/plusd/cables/07ASUNCION688_a.html))

<sup>105</sup> Opinion, *United States of America v. Yahya Zaitar*, No. 08-123 (RMC), United States District Court for the District of Columbia, 2015. ([https://www.courtlistener.com/pdf/2015/01/13/united\\_states\\_v.\\_zaitar.pdf](https://www.courtlistener.com/pdf/2015/01/13/united_states_v._zaitar.pdf))

<sup>106</sup> U.S. Department of the Treasury, Press Release, “Recent OFAC Actions,” June 1, 2006.

(<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20060601.aspx>)

<sup>107</sup> “Libanes cae con 500 kilos de cocaína en aeropuerto Guarani (Lebanese caught with 500 kilos of cocaine in Guarani airport),” *La Nacion* (Argentina), August 19, 2016. (<http://www.lanacion.com.py/2016/08/19/cocaina-aeropuerto-guarani-minga-guazu/>)

<sup>108</sup> Daniel Gallo, “Acopiaban más de 80 toneladas de precursores a metros de la frontera (Collected more than 80 tons of precursors a few meters from the border),” *La Nacion* (Argentina), July 25, 2016.

(<http://www.lanacion.com.ar/1921575-acopiaban-mas-de-80-toneladas-de-precursores-a-metros-de-la-frontera>)

<sup>109</sup> “Libanes cae con 500 kilos de cocaína en aeropuerto Guarani (Lebanese caught with 500 kilos of cocaine at the Guarani Airport),” *La Nacion* (Paraguay), August 19, 2016. (<http://www.lanacion.com.py/2016/08/19/cocaina-aeropuerto-guarani-minga-guazu/>)

<sup>110</sup> “Caen supuestos narcos turcos en allanamiento (Alleged Turkish drug traffickers have been raided),” *Vanguardia* (Paraguay), February 6, 2017. (<http://www.vanguardia.com.py/2017/02/06/senad-detiene-a-dos-turcos-en-cde/>); “Caen dos turcos con carga de cocaína en envases de shampoo (Two Turks are arrested with shipment of cocaine in shampoo bottles),” *La Nacion* (Paraguay), February 5, 2017. (<https://www.lanacion.com.py/2017/02/05/caen-dos-turcos-carga-cocaina-envases-shampoo/>)

<sup>111</sup> “Caen dos narcotraficantes turcos (Turkish narcotraffickers arrested),” *ABC Color* (Paraguay), February 6, 2017. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/caen-dos-narcotraficantes-turcos-1562260.html>)

<sup>112</sup> Images can be shared upon request.

Soleimani, Iran's Islamic Revolutionary Guards Corp's Quds Force commander, on the front lines in Syria.<sup>113</sup>

Three of the four were either married or in a serious partnership with local Paraguayan women. Evidence indicates that all three women converted to Islam and were in personal contact with the Iranian missionary network and with one another.<sup>114</sup>

The passports of two of the four suspects were retrieved at the time of the arrest. They show travel to multiple destinations in Latin America (Argentina, Colombia, and Panama), and prolonged visits to Turkey with short trips to Iran and Northern Cyprus. Evidence seized in one apartment included the Turkish identity card of a Turkish national,<sup>115</sup> an individual arrested in Turkey in 2001 while trying to ship 140 kilograms of heroin from Iran to Europe.<sup>116</sup>

As if that were not enough, new elements have emerged in recent weeks to further link the four suspects, and potentially Hezbollah, to other types of organized crime and illicit traffic. A case in point is the recent discovery<sup>117</sup> by Paraguayan law-enforcement agencies of 25 tons of Venezuelan currency hidden in cloth sacks and stashed in the home of a weapons' merchant in the frontier town of Salto del Guaira. Two of the suspects have a criminal record for arms smuggling.<sup>118</sup> The money, mostly in 100-bolivars notes, has been rendered worthless by hyperinflation. Venezuela suddenly announced it was withdrawing the bills from circulation last December, causing a run on the banks (their cutoff date has since been extended).<sup>119</sup> Even before they cease being legal tender, the bills are only worth a few U.S. cents apiece, but have one redeeming quality: they are made with the same quality paper produced by the U.S. supplier to the U.S. Bureau of Engraving and Printing and are therefore a favored choice for counterfeiting U.S. currency.<sup>120</sup> If turned into \$100 bills, the useless bolivars would suddenly be worth 2 billion dollars.<sup>121</sup>

<sup>113</sup> Information obtained from local source. Video available on request.

<sup>114</sup> Zulma Caceres, Facebook, accessed March 27, 2017.

([https://www.facebook.com/zulma.caceres?fref=pb&hc\\_location=friends\\_tab](https://www.facebook.com/zulma.caceres?fref=pb&hc_location=friends_tab))

<sup>115</sup> Information obtained from local source.

<sup>116</sup> Ömer Erdem, "Eroin çetesi kısıvrak! (Heroin gang is cornered)," *Yasam* (Turkey), accessed May 8, 2017.

(<http://www.milliyet.com.tr/2001/03/26/yasam/yas07.html>)

<sup>117</sup> "Salto del Guaira: Confiscan cargamento de 25.000 kg de billetes venezolanos (Salto del Guaira: Cargo of 25,000 KG of Venezuelan bills confiscated)," *ABC Color* (Paraguay), February 13, 2017.

(<http://www.abc.com.py/730am/notas/salto-del-guaira-confiscan-cargamento-de-25000-kg-de-billetes-venezolanos-1564620.html>)

<sup>118</sup> "SENAD, Incauto Armas y Municiones en Saltos del Guaira (SENAD apprehended arms and munitions in Salto del Guaira)," *SENAD Comunicación* (Paraguay), March 13, 2010.

(<http://senadcomunicacion.blogspot.com/2010/03/senad-incauto-armas-y-municiones-en.html>)

<sup>119</sup> "Venezuela's 100-Bolivar note withdrawal causes chaos," *BBC* (United Kingdom), December 17, 2016.

(<http://www.bbc.com/news/world-latin-america-38339479>)

<sup>120</sup> Henry Pierson Curtis, "Secret Service Tracks Mystery of Fake Fortune," *Orlando Sentinel*, March 1, 2003.

([http://articles.orlandosentinel.com/2003-03-01/news/0303010421\\_1\\_counterfeit-currency-secret-service-counterfeit-100-bills](http://articles.orlandosentinel.com/2003-03-01/news/0303010421_1_counterfeit-currency-secret-service-counterfeit-100-bills)); Jonathan Franklin, "Counterfeiting is an art': Peruvian gang of master fabricators churns out \$100 bills," *The Guardian* (United Kingdom), March 31, 2016.

(<https://www.theguardian.com/world/2016/mar/31/counterfeiting-peruvian-gang-fabricating-fake-100-bills>)

<sup>121</sup> "Paraguay Seizes 25 Tons of Venezuela Currency," *Insight Crime*, February 14, 2017.

(<http://www.insightcrime.org/news-briefs/paraguay-seizes-25-tons-of-venezuela-currency>)



Early reports indicated that the money was destined to be traded on the black market in Ciudad Del Este, the home of U.S.-designated Hezbollah counterfeiters.<sup>122</sup> It is also possible that the money would first go through Bolivia's money houses, which still exchange bolivars at Venezuela's fictitious official rate.<sup>123</sup> Even if that were the case, Bolivian money changers would seek to make a profit from the worthless currency – and the easiest way to do that is if the cash would eventually be sold to local counterfeiters.

Suspicious of a narco-Hezbollah connection have also been confirmed by local sources, who indicated that Hezbollah operatives in the area have been seeking bolivars for months. They also see a link between those arrested and another local Hezbollah operative.

There may be connections to human trafficking as well.

The man most recently arrested worked as an immigration intermediary with Paraguay's ministry of immigration and was already implicated in a 2009 case of document forgery and extortion.<sup>124</sup> Local sources say he may have facilitated between 500 and 1,000 applications for Paraguayan permanent residency for Lebanese nationals.<sup>125</sup> At a seminar for law-enforcement officials from the TBA, organized earlier this week by the U.S. embassy in Paraguay, a Paraguayan senior judge accused him also of being engaged in luring young women from rural areas to carry drugs on his behalf with a promise of reward.<sup>126</sup>

Hezbollah's involvement in this type of activity has not been extensively reported in the past, but there is at least one piece of evidence from these cases and one precedent from the TBA to suggest that this is indeed a possibility. When the two Turkish nationals were arrested, local media reported that they intended to use mules to transport drugs to Europe.<sup>127</sup> There are numerous cases of Paraguayan women from poor and rural backgrounds who have been caught by law-enforcement authorities in Europe and Turkey.<sup>128</sup> And once they arrive to their destinations, they are forced into prostitution.

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<sup>122</sup> "Bolívares incautados se ofrecían en mercado negro de ciudad paraguaya (Bolivars seized on black market in Paraguayan city)," *Noticiero Digital* (Spain), February 14, 2017.

(<http://www.noticierodigital.com/forum/viewtopic.php?t=60099>); U.S. Department of the Treasury, Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hizballah in Tri-Border Area," June 10, 2004. (<https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>); U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

<sup>123</sup> "Veja: Venezuela y Bolivia son sospechosas de esquema estatal de lavado (Veja: Venezuela and Bolivia are suspected of state money-laundering scheme)," *Eju!* (Tuvalu), February 23, 2017. (<http://eju.tv/2017/02/veja-venezuela-y-bolivia-son-sospechosas-de-esquema-estatal-de-lavado/>)

<sup>124</sup> "En Migraciones, se falsifican documentos para extorsionar (At the immigration inspectorate, documents are falsified for extortion purposes)," *ABC Color* (Paraguay), January 29, 2009. (<http://www.abc.com.py/edicion-imprensa/policiales/en-migraciones-se-falsifican-documentos-para-extorsionar-1142304.html>)

<sup>125</sup> Information obtained from local source.

<sup>126</sup> Recording of the speech obtained from local source.

<sup>127</sup> "Caen dos narcotraficantes turcos (Turkish narcotraffickers arrested)," *ABC Color* (Paraguay), February 6, 2017. (<http://www.abc.com.py/edicion-imprensa/judiciales-y-policiales/caen-dos-narcotraficantes-turcos-1562260.html>)

<sup>128</sup> Pedro Gomez Silgueira, "La pesadilla de una paraguaya presa en Turquía (Nightmare of a Paraguayan woman arrested in Turkey)" *ABC Color* (Paraguay), August 22, 2013. (<http://www.abc.com.py/edicion-imprensa/politica/la-pesadilla-de-una-paraguaya-presa-en-turquia-609475.html>)

One such case was exposed in 2012 when a Paraguayan woman, lured into believing she would be rewarded with a job once she delivered the merchandise, was arrested in Paris, with 1.1 kilograms of cocaine. Media reports linked her handler, Wassim Fadel, to three Hezbollah drug traffickers the Drug Enforcement Agency had prosecuted in 2005.<sup>129</sup>

These four cases potentially point to the growing importance of drug trafficking to Hezbollah's finances. They also raise the possibility of Hezbollah branching out to additional criminal activities – illicit tobacco trade, currency counterfeiting, and human trafficking, among them. Given the global nature of its commercial and financial network, Hezbollah could replicate the success it had providing financial services to Latin American organized criminal cartels by actually becoming their full partners in the entire supply chain of these businesses.

Hezbollah could recruit young women from poor backgrounds in the TBA; lure them to act as drug couriers; force them into prostitution upon arrival; and distribute the drugs to distant markets, leveraging its criminal contacts along the way. Revenue from drugs, human trafficking, and other illicit trade could serve as an additional source of funding. Its continuing money laundering activities through legitimate commercial endeavors could be used to process these revenues, upgrading Hezbollah from a terrorist organization expediently providing services to organized crime to a full-fledged transnational criminal organization engaged in every facet of illicit trafficking while also continuing to act as a major terrorist organization.

## RECOMMENDATIONS

Chairman Rubio, Ranking Member Menendez, members of the subcommittee, the convergence of Iran-sponsored radical Islam with transnational organized crime in Latin America should be recognized as a serious threat to the national security of the United States and the integrity of its financial system.

Congress and the executive branch have a panoply of tools at their disposal to address this threat. What has been missing is a coherent foreign policy that recognizes the importance of Latin America as a key arena of competition with Iran and puts in place the needed resources to blunt Iranian and Hezbollah threats.

General John Kelly observed in his 2015 Posture Statement that Southern Command lacks the resources to quantify and qualify the size and nature of Hezbollah's terror financing threat in the region. That should be a wake-up call to Congress to make the necessary means available for intelligence gathering and assessment of what is a clear and significant national security threat.

The extensive use of the U.S. financial system for suspicious money laundering operations demands increased action and coordination by law-enforcement agencies with the banking sector to help the U.S. financial system better perform due diligence against these activities. The recent designation of Venezuela's vice president, Tareck El-Aissami, under the Kingpin Act, is a stark reminder of our vulnerabilities. El Aissami was designated alongside 13 U.S. companies he

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<sup>129</sup> "Cae en Francia un mula paraguaya de una red de narcos de Hizbula (Paraguayan mule from a network of Hezbollah narcos arrested in France)" *ABC Color* (Paraguay), August 20, 2012. (<http://www.abc.com.py/edicion-impresa/judiciales-y-policiales/cae-en-francia-mula-paraguaya-de-una-red-de-narcos-del-hizbula-492357.html>)

allegedly used to run his fraudulent activities through the U.S. Authorities froze substantial assets in his name here in the United States. That move should worry our enemies, but it is also significant that a Latin American politician with reported links to Iran, Hezbollah, and drug cartels felt confident enough to park his wealth in the U.S.

Congress passed important legislation against Hezbollah in 2015, but so far the executive branch used it only to go after Hezbollah's activities in the Middle East. The legislation includes important instruments that empower the administration to disrupt Hezbollah's financial flows. These instruments can always be improved through new legislation but, critically, they should be used to target Hezbollah's Latin America presence.

With this in mind, the following are a number of policy recommendations:

The Trump administration should aggressively target Hezbollah operatives and its enablers in Latin America. A good first step would be a thorough review of existing sanctions. Sanctions against Hezbollah operatives in the region that were targeted as Specially Designated Global Terrorists under Executive Order 13224 are more than a decade old and require updates. As indicated in my testimony, SDGTs sanctioned for their links to Hezbollah terror finance remain mostly free to operate unhindered by local authorities. There should be a thorough review of the current status of designated Hezbollah operatives and entities.

Similarly, the administration should delve into the financial dealings and partnerships of Iranian-sponsored cultural centers and mosques across the region. Of particular concern are the missionary activities of Iran-backed clerics: There is growing evidence that such activities bear the hallmarks of radicalization and incitement to religious and ethnic hatred. Latin American converts to Shi'a Islam, especially those who travel to the Islamic Republic for further training and indoctrination, may be particularly susceptible to this type of incitement.

They should also become the object of special scrutiny by immigration authorities, since it will be much easier for these Latin American nationals to obtain visas to the United States than for their handlers in Iran and Lebanon.

In addition, the administration should consider the following:

- Demand that local governments put an end to the impunity enjoyed by designated individuals and entities or face consequences.
- Impose designations under Section 311 of the PATRIOT Act on financial institutions known to be used by Hezbollah financiers to move their revenues.
- Designate banking sectors of countries that facilitate Hezbollah's terror finance as zones of primary money laundering concern.
- Work with allies, potentially through international forums like the Financial Action Task Force, to blacklist government entities that cooperate with Hezbollah.
- Revoke or deny visas from those implicated in Hezbollah activity – including lawyers, accountants, business partners, and service providers.
- Deny visas to politicians in Latin America who facilitate or fail to prevent Hezbollah's illicit finance in their own jurisdictions.

- Engage Latin American governments to ensure they have adequate legislative tools to investigate terrorist activities and combat terror finance.
- Persuade allies in the region to list Hezbollah as a terrorist organization.
- Provide the DEA with the necessary resources and political support to conduct investigations in Latin America. That includes more than just funding: The White House should lean on Latin American governments to facilitate DEA operations in their own territory, expedite extradition requests, and more.
- Pursue a more integrated bureaucratic approach – involving the DEA, FBI, Treasury’s Office of Foreign Assets Control, and other agencies in the intelligence and policy communities – to ensure that investigations, indictments, sanctions, and designations are properly coordinated.

Thank you Mr. Chairman. I am grateful for the opportunity to testify before you and I welcome your questions.